



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

TO: Australian Stock Exchange
Company Announcements Office

DATE: 16 August 2007

**RE: RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR
ENDED 30 JUNE 2007**

HIGHLIGHTS

- Sales revenue up 17% to \$71 million.
- Operating profit after tax for continuing operations increased to \$5.5 million.
- Shareholder funds \$36.3 million at 30 June 2007 with cash on deposit totalling \$16.8 million.
- Earnings per share: 52.7 cents.
- Net tangible asset backing per share increased to \$3.15 per share from \$2.50 last year.
- Final franked dividend of 10 cents per share bringing total dividends for the year to 18.5 cents per share.

The 2006/2007 financial year was a successful one for Lemarne's continuing operations with overall revenue growing by 17% to \$71 million and net profit after tax totalling \$5.5 million.

After the share buy-back in November 2006, when \$14.6 million was returned to shareholders; shareholder funds were \$36.3 million at 30 June 2007 and net funds on deposit were \$16.8 million.

Earnings per share were 52.7 cents and the net tangible asset backing per share was \$3.15, compared to the previous year's figure of \$2.50.

Within the Lemarne group, its electronic manufacturing services company, Lemtronics, had an outstanding year with significant increases in revenue to \$49.5 million and net profit after tax to nearly \$4 million. The restructuring and refocussing of the company in July 2006 has substantially improved the overall operating performance of the business and a strong base is being developed for the future.

C10 Communications had a flat year with sales approaching \$14 million and an operating profit after tax of \$1.4 million. Sales of its broadband products showed a slight decrease from the previous year as did the EBIT. Solid future sales are underpinned by long term contracts and by new growth prospects with several international companies.

C10 continued to invest in the building of its hosted IP telephony business, ValueNet, particularly in the expansion of its sales and marketing operations. The company was relocated to new premises and whilst sales revenue increased, recurrent revenue streams are taking longer to eventuate. The business grade hosted telephony services using VoIP, is in its infancy in Australia and ValueNet's performance is indicative of the pioneering nature of this market.

Lemarne Healthcare had a challenging year and whilst revenue was in line with the previous year at \$7.8 million, its net loss after tax was \$649K. This reflected the continued investment in new clinics in Western Australia and Tasmania, the installation of a new management information system and the promotion of the Molescan brand. As a result of these investments Molescan increased doctor numbers and patient numbers during the second half of the financial year. This was however, offset by higher operating costs which impacted significantly on margins. ADL continued to operate profitably and retained a tight control of its costs which compensated in part for the disappointing growth in patient services from the Molescan clinics.

During the year negotiations with Exel were satisfactorily concluded and Lemarne's shareholding in Exel Oyj was divested at a profit of \$653,000 this year after bringing to account \$373,000 profit last year, making a total profit of \$1,026,000 on the sale.

Dividends

In March 2007 an interim fully franked dividend of 8.5 cents per share was paid and Directors have declared a fully franked, final dividend of 10 cents per share to be paid on 19 October 2007, bringing the total dividend to 18.5 cents per share for the 2006/2007 financial year.

PETER A. MURPHY
Managing Director

STEPHEN L. MASON
Company Secretary

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 2007

Results for announcement to the market

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

\$A'000

Revenues from ordinary activities – continuing operations	up/ down	18%	to	72,260
Profit (loss) from ordinary activities after tax attributable to members	up/ down	48%	to	6,141
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of			
Net profit (loss) for the period attributable to members	up/ down	48%	to	6,141
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (<i>Preliminary final report only</i>)		10¢		10¢
Interim dividend (<i>Half yearly report only</i>)				
Previous corresponding period		0¢		0¢
<p>[†]Record date for determining entitlements to the dividend, 12 October 2007</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 2007 and is therefore not provided for in the accounts for the year ended 30 June 2007. It is payable on 19 October 2007.</p>				

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated	
		2007	2006
		\$000	\$000
Revenue	1	71,013	60,538
Cost of sales		<u>(53,674)</u>	<u>(46,778)</u>
Gross profit		17,339	13,760
Other operating income	1	1,247	791
Distribution expenses		(5,861)	(5,433)
Administrative expenses		(7,396)	(6,992)
Impairment of goodwill and property, plant and equipment/investment		-	(5,866)
Other operating expenses		<u>(320)</u>	<u>(178)</u>
Results from operating activities		5,009	(3,918)
Financial income		1,059	608
Financial expenses		<u>(158)</u>	<u>(310)</u>
Net financing (costs)/income		901	298
Profit/(loss) from ordinary activities before income tax expense		5,910	(3,620)
Income tax expense		<u>(391)</u>	<u>(818)</u>
Profit/(loss) after tax but before profit and loss of discontinued operation and gain on discontinued operation		5,519	(4,438)
Profit of discontinued operation/gain on sale of discontinued operation net of tax		<u> 622</u>	<u>16,327</u>
Profit/(loss) for the year		<u>6,141</u>	<u>11,889</u>
Attributable to:			
- Equity holders of the parent		<u>6,141</u>	<u>11,889</u>
Profit for the year		<u>6,141</u>	<u>11,889</u>
Earnings per share:			
Basic earnings per share from all operations (cents)	6	52.7	82.3
Basic earnings per share from continuing operations (cents)	6	47.3	(30.7)
Diluted earnings per share from all operations (cents)	6	52.7	81.8
Diluted earnings per share from continuing operations (cents)	6	47.3	(30.5)

BALANCE SHEETS AS AT 30 JUNE 2007

	Note	Consolidated	
		2007	2006
		\$000	\$000
Assets			
Cash and cash equivalents		16,834	27,615
Trade and other receivables		10,895	10,193
Inventories		7,080	6,982
Prepayments and deposits		<u>428</u>	<u>355</u>
TOTAL CURRENT ASSETS		<u>35,237</u>	<u>45,145</u>
Investments		-	4,873
Property, plant and equipment		5,481	6,195
Deferred tax assets		491	306
Intangible assets		6,086	9,386
Other		<u>6</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>12,064</u>	<u>20,760</u>
TOTAL ASSETS		<u>47,301</u>	<u>65,905</u>
Liabilities			
Bank overdraft		357	132
Trade and other payables		5,796	9,735
Loans and borrowings		2,781	2,242
Employee benefits		1,047	1,218
Income tax payable		72	122
Provisions		63	2,320
Deferred income		<u>322</u>	<u>195</u>
TOTAL CURRENT LIABILITIES		<u>10,438</u>	<u>15,964</u>
Loans and borrowings		111	387
Deferred tax liabilities		153	228
Employee benefits		238	224
Deferred consideration		<u>-</u>	<u>3,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>502</u>	<u>3,839</u>
TOTAL LIABILITIES		<u>10,940</u>	<u>19,803</u>
NET ASSETS		<u>36,361</u>	<u>46,102</u>
Equity			
Issued capital	3	3,677	6,867
Reserves	3	(704)	(46)
Retained earnings	3	<u>33,388</u>	<u>39,281</u>
TOTAL EQUITY		<u>36,361</u>	<u>46,102</u>

Statement of Cash Flows For the Financial Year Ended 30 June 2007

	Note	Consolidated	
		2007	2006
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		71,346	87,465
Cash paid to suppliers and employees		(68,734)	(83,918)
Cash generated from operations		2,612	3,547
Dividends received		74	151
Interest received		1,059	646
Interest paid		(158)	(438)
Income taxes paid		(690)	(2,763)
Net cash from operating activities		<u>2,897</u>	<u>1,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments/disposal of subsidiary (net of cash disposed)		5,526	24,914
Proceeds from sale of intellectual property		-	130
Proceeds from sale of property, plant and equipment		101	96
Payments for other expenditure/acquisition of controlled entities/business (net of cash)		(6)	(12)
Acquisition of property, plant and equipment		(1,181)	(5,062)
Payments for disposal of business/controlled entity		(1,243)	(799)
Net cash from/(to) investing activities		<u>3,197</u>	<u>19,267</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	3	186	680
Share buy-back	3	(14,594)	-
Proceeds from borrowings		741	4,099
Repayment of borrowings		(421)	(2,661)
Dividends paid - members of parent entity	4	(3,018)	(2,307)
Net cash from/(to) financing activities		<u>(17,106)</u>	<u>(189)</u>
Net increase/(decrease) in cash and cash equivalents		(11,012)	20,221
Cash at the beginning of the financial year		27,483	7,208
Effect of exchange rate fluctuations on cash held		6	54
Cash at the end of the financial year	5	<u>16,477</u>	<u>27,483</u>

Notes to the condensed consolidated statement of financial performance

	Note	Consolidated 2007 \$000	2006 \$000
1. <u>REVENUE</u>			
Revenue from continuing operations			
Sale of goods revenue		<u>71,013</u>	<u>60,538</u>
<u>Other income</u>			
Dividends received		74	151
Other		497	267
Net gain on disposal of non-current assets:			
- plant and equipment		23	-
- shares held for trading		<u>653</u>	<u>373</u>
Total other income		<u>1,247</u>	<u>791</u>
Total revenues from continuing operations		<u>72,260</u>	<u>61,329</u>
Revenues from discontinuing operations			
Revenue from sale of goods		<u>-</u>	<u>24,547</u>
<u>Other income</u>			
Government grants		-	2
Net gain on disposal of plant and equipment		-	8
Intellectual property		-	130
Other income		<u>-</u>	<u>102</u>
Total other income		<u>-</u>	<u>242</u>
Net gain on sale of controlled entity	3(a)	<u>622</u>	<u>14,886</u>
Total revenues from discontinuing operations		<u>622</u>	<u>39,675</u>
Total revenues		<u>72,882</u>	<u>101,004</u>

	Consolidated	
	2007	2006
	\$000	\$000
2. <u>PROFIT/(LOSS) FROM OPERATIONS</u>		
(a) Items included in profit/(loss) from discontinuing operations before income tax expense:		
Revenue from sale of controlled entity/business	-	33,192
Cost of disposal	<u>622</u>	<u>(18,306)</u>
Net profit on disposal	622	14,886
(b) Profit from continuing operations before income tax has been arrived at after charging/(crediting) the following specific expenses:		
<u>Impairment losses</u>		
Goodwill	154	4,918
Property, plant and equipment	3	948
Stock obsolescence provisions	<u>540</u>	<u>847</u>
	697	6,713
Other expenses:		
<u>Personnel expenses</u>		
Wages and salaries	10,223	9,583
Contributions to defined contribution superannuation funds	560	506
Other associated personnel expenses	2,047	1,574
Increase in liability for annual leave	58	90
Increase in liability for long service leave	28	16
Share based payments	68	(29)
Terminations benefits	<u>-</u>	<u>339</u>
	<u>12,984</u>	<u>12,079</u>
<u>Depreciation of non-current assets:</u>		
Plant and equipment	<u>1,411</u>	<u>1,352</u>
<u>Amortisation of non-current assets:</u>		
Intellectual property	145	145
Leasehold property	39	48
Leasehold improvements	<u>-</u>	<u>15</u>
	<u>184</u>	<u>208</u>
Total depreciation and amortisation	<u>1,595</u>	<u>1,560</u>

	Consolidated	
	2007	2006
	\$000	\$000
2. <u>PROFIT/(LOSS) FROM OPERATIONS</u>		
<u>(CONTINUED)</u>		
(b) Profit from continuing operations before income tax has been arrived at after charging/(crediting) the following specific expenses (cont):		
<u>Other expense items</u>		
Movement in provision for doubtful debts (impaired receivables)	252	(14)
Movement in stock obsolescence provision	(540)	24
Movement in warranty provision	-	(34)
Net foreign exchange loss/(gain)	(75)	(107)
Operating lease rentals	1,219	-
Net profit/(loss)loss on disposal of property, plant and equipment	14	(1)

3. **CAPITAL AND RESERVES**

Reconciliation of movement in capital and reserves

	Share capital \$000	Trans- lation reserve \$000	Options granted reserve \$000	Retained earnings \$000	Total equity \$000	
Balance at 1 July 2006	6,867	(408)	362	39,281	46,102	
Total recognised income and expense	-	(726)	68	6,141	5,483	
Shares issued	186	-	-	-	186	
Share buy-back	(3,376)	-	-	(11,218)	(14,594)	
Dividends to shareholders	-	-	-	(816)	(816)	
Balance at 30 June 2007	<u>3,677</u>	<u>(1,134)</u>	<u>430</u>	<u>33,388</u>	<u>36,361</u>	
Balance at 1 July 2007	3,677	(1,134)	430	33,388	36,361	-

Share capital

The consolidated entity recorded the following amount within shareholders' equity as a result of the issue of ordinary shares.

For the year ended 30 June 2007

	Share Capital 30 June 2007 \$000	30 June 2006 \$000
Issue of ordinary shares from the exercise of options under the Key Executive Option Plan	<u>186</u>	<u>680</u>

	Ordinary Shares 30 June 2007 No.	30 June 2006 No.
On issue at 1 July	14,674,977	14,338,727
Issued for cash	125,000	336,250
Share buy-back	<u>(5,193,763)</u>	<u>-</u>
On issue at 30 June fully paid	<u>9,606,214</u>	<u>14,674,977</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 2007 was \$2.53 (2006: \$2.90).

3. **CAPITAL AND RESERVES (CONTINUED)**

On 1 November 2002, after approval by shareholders at the AGM, the Company granted 250,000 options over unissued ordinary shares 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 on 17 March 2005, 80,000 on 13 October 2005 and 80,000 on 1 February 2007 and a further 45,000 were exercised on 14 March 2007.

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. 156,250 of these options were exercised on 12 April 2006 and 156,250 options were forfeited due to the resignation of the executive.

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.

	Consolidated	
	2007	2006
	\$000	\$000
4. <u>DIVIDENDS PROVIDED FOR OR PAID</u>		
The amounts paid, declared or provided for by way of dividend by the parent entity are:		
(i) an interim fully franked ordinary dividend of 8.5 cents per share was paid on 23 March 2007 (2006: 8 cents)	816	1,153
(ii) No final fully franked ordinary dividend was paid in respect of the year ended 30 June 2007 (2006: 8 cents in respect of the year ended 30 June 2005)	-	1,154
(iii) 2007: Nil (2006: a special fully franked dividend of 15.0 cents per share was declared on 21 March 2006 which was paid on 3 July 2006)	-	2,201
Total dividends in accounts	<u>816</u>	<u>4,508</u>
After Year End		
(iv) 2007: a final fully franked dividend of 10 cents per share was declared payable on 19 October 2007 (2006: Nil)	<u>961</u>	<u>-</u>
<u>Dividend franking account</u>		
Franking credits available to shareholders of Lemarne Corporation Ltd for subsequent financial years	<u>2,659</u>	<u>7,284</u>

The above available 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.

5. **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	
	2007	2006
	\$000	\$000
Cash	4,334	27,615
Short term deposits	12,500	-
Bank overdraft	(357)	(132)
	<u>16,477</u>	<u>27,483</u>

6. **EARNINGS PER SHARE**

Basic earnings per share for all operations	52.7 cents	82.3 cents
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Diluted earnings per share for all operations	52.7 cents	81.8 cents
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	\$000	\$000
<u>Earnings reconciliation</u>		
Net profit/(loss)	6,141	11,889
Basic and diluted earnings	<u>6,141</u>	<u>11,889</u>

	Number of Shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	11,660,390	14,447,182
Effect of executive share options on issue	-	87,026
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>11,660,390</u>	<u>14,534,208</u>

Potential ordinary shares not considered dilutive

At 30 June 2007 the Company had on issue the following options which are not considered dilutive:

Number	Exercise Price
187,500	\$2.67
100,000	\$2.57

7. **GROUP FINANCIAL PERFORMANCE**

		2007	2006	CHANGE
EBIT (from continuing operations)	\$000s	6,068	(3,310)	+ 283%
Operating profit/(loss) after income tax from continuing operations	\$000s	5,519	(4,438)	+ 224%
Operating profit/(loss) after income tax and minority interests	\$000s	6,141	11,889	- 48%
Earnings per ordinary share	cents	52.7	82.3	- 36%
Net tangible asset backing per ordinary share	cents	315	250	+ 26%
Dividend paid per ordinary share	cents	18.5	31.0	
Shareholders' equity	\$000s	36,361	46,102	- 21%
Operating profit after income tax /shareholders' equity	%	16.9	25.8	- 34%
Net borrowings/total shareholders' equity	%	(37)	(54)	
Share price (at 30 June)	cents	253	290	- 13%
Number of employees	No.	787	669	+ 18%

These figures are based on the consolidated accounts.

8. 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.
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	Ssales offices or Molescan clinics in all States.
Asia	Manufacturing facilities for electronic equipment products and sub-assemblies.
Europe	Customers for electronic equipment.
North America	Customers for electronic equipment.

8. SEGMENT REPORTING (CONTINUED)

Business Segments	Continuing Operations												Discontinued Operations		TOTAL OPERATIONS	
	Electronics		Healthcare		Telecommunications Products		Unallocated		Eliminations		Subtotal Continuing		Reinforced plastics			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
External sales revenue	49,491	38,376	7,800	7,844	13,722	14,317	-	-	-	-	71,013	60,538	-	24,547	71,013	85,085
Inter-segment revenue	-	192	-	-	-	-	-	-	-	(192)	-	-	-	-	-	-
Other revenue	388	108	113	136	2	29	744	1,942	-	(1,424)	1,247	791	-	242	1,247	1,033
Total segment revenue	49,879	38,676	7,913	7,980	13,724	14,346	744	1,942	-	(1,616)	72,260	61,329	-	24,789	72,260	86,118
Segment result																
Results from operating activities	3,966	(1,457)	(579)	(4,809)	1,686	2,782	(64)	(434)	-	-	5,009	(3,918)	-	2,223	5,009	(1,695)
Net financing costs	-	-	-	-	-	-	-	-	-	-	901	298	-	(90)	901	208
Income tax expense	-	-	-	-	-	-	-	-	-	-	(391)	(818)	-	(692)	(391)	(1,510)
Gain on sale of discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	622	14,886	622	14,886
Income tax expense on sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gain on sale	-	-	-	-	-	-	-	-	-	-	-	-	622	14,886	622	14,886
Profit for the period	-	-	-	-	-	-	-	-	-	-	5,519	4,439	622	16,327	6,141	11,889
Depreciation and amortisation	751	714	642	656	189	163	13	27	-	-	1,595	1,560	-	584	1,595	2,144
Non-cash expenses other than depreciation and amortisation	345	1,172	77	219	225	160	103	291	-	-	750	1,842	-	750	676	2,477
Individually significant items	535	(1,795)	-	(4,918)	(154)	-	653	-	-	-	1,034	(6,713)	622	14,886	1,656	8,173
Plant/inventory write-down	(35)	847	(109)	-	-	24	-	-	-	-	(144)	871	-	207	(144)	1,078

8. **SEGMENT REPORTING (CONTINUED)**

Primary reporting

Business Segments	Continuing Operations												Discontinued Operations		TOTAL OPERATIONS	
	Electronics		Healthcare		Telecommunications Products		Unallocated		Eliminations		Subtotal Continuing		Reinforced plastics			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets																
Segment assets	19,007	17,474	11,897	11,641	4,522	4,644	33,252	60,794	(21,377)	(28,648)	47,301	65,905	-	-	47,301	65,905
Liabilities																
Segment liabilities	8,091	6,180	4,176	872	1,292	1,432	1,245	21,934	(3,864)	(11,308)	10,940	19,110	-	-	10,940	19,110
Capital expenditure	214	1,709	743	521	222	214	2	8	-	-	1,181	2,452	-	2,610	1,181	5,062

Secondary reporting

Geographical segments	Australasia		Asia		Europe		North America		Other		Unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
External segment revenue by location of customers	21,181	31,686	3,224	4,092	40,595	42,919	6,013	6,776	-	198	-	517	71,013	86,188
Segment assets by location of assets	16,223	16,978	19,007	17,474	-	-	-	-	-	-	12,071	31,453	47,301	65,908
Capital expenditure	965	1,063	214	3,565	-	426	-	-	-	-	2	8	1,181	5,062

9. REVIEW OF OPERATIONS

The 2006/2007 financial year was a successful one for Lemarne's continuing operations with overall sales revenue growing by 17% to \$71 million and net profit after tax totalling \$5.5 million for continuing operations..

After the share buy-back in November 2006, when \$14.6 million was returned to shareholders; shareholder funds were \$36.3 million at 30 June 2007 and net funds on deposit were \$16.8 million.

Earnings per share were 52.7 cents and the net tangible asset backing per share was \$3.15, compared to the previous year's figure of \$2.50.

Within the Lemarne group, its electronic manufacturing services company, Lemtronics, had an outstanding year with significant increases in revenue to \$49.5 million and net profit after tax to nearly \$4 million. The restructuring and refocussing of the company in July 2006 has substantially improved the overall operating performance of the business and a strong base is being developed for the future.

C10 Communications had a flat year with sales approaching \$14 million and an operating profit after tax of \$1.4 million. Sales of its broadband products showed a slight decrease from the previous year as did the EBIT. Solid future sales are underpinned by long term contracts and by new growth prospects with several international companies.

C10 continued to invest in the building of its hosted IP telephony business, ValueNet, particularly in the expansion of its sales and marketing operations. The company was relocated to new premises and whilst sales revenue increased, recurrent revenue streams are taking longer to eventuate. The business grade hosted telephony services using VoIP, is in its infancy in Australia and ValueNet's performance is indicative of the pioneering nature of this market.

Lemarne Healthcare had a challenging year and whilst revenue was in line with the previous year at \$7.8 million, its net loss after tax was \$649K. This reflected the continued investment in new clinics in Western Australia and Tasmania, the installation of a new management information system and the promotion of the Molescan brand. As a result of these investments Molescan increased doctor numbers and patient numbers during the second half of the financial year. This was however, offset by higher operating costs which impacted significantly on margins. ADL continued to operate profitably and retained a tight control of its costs which compensated in part for the disappointing growth in patient services from the Molescan clinics.

During the year negotiations with Exel were satisfactorily concluded and Lemarne's shareholding in Exel Oyj was divested at a profit of \$653K this year after bringing to account \$373K profit last year, making a total profit of \$1,026K on the sale.

Dividends

In March 2007 an interim fully franked dividend of 8.5 cents per share was paid and Directors have declared a fully franked, final dividend of 10 cents per share to be paid on 19 October 2007, bringing the total dividend to 18.5 cents per share for the 2006/2007 financial year.

Future

Further investment will be made in Lemtronics, particularly in the areas of capital equipment and the expansion of its engineering and development resources. These initiatives coupled with strong markets that many of our major customers are projecting for 2007/2008, should underpin Lemtronics' future growth in revenue and profits next year.

C10's products division should continue to make acceptable returns and these will continue to be re-invested in the building of the ValueNet hosted IP telephony business.

Lemarne Healthcare is operating in a fragmented and competitive market and this is not expected to improve in 2007/2008. Initiatives are being taken to address the overhead cost structure of the business so the company can achieve profitable trading.

Overall, the Lemarne group's future will be underpinned by the performance of Lemtronics and C10 Communications and a strong focus will be placed on addressing the challenges of Lemarne Healthcare.

10. EVENTS SUBSEQUENT TO BALANCE DATE

Nil.

11. ANNUAL MEETING

(Preliminary final report only)

The annual meeting will be held as follows:

Place

Australian Institute of Management

Date

Wednesday 24 October 2007

Time

11.30 a.m.

Approximate date the ⁺annual report will be available

18 September 2007

12. 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

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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)



The ⁺accounts have been audited.



The ⁺accounts have been subject to review.



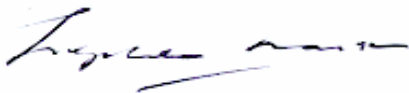
The ⁺accounts are in the process of being audited or subject to review.



The ⁺accounts have *not* 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: 16/08/2007
(Director/Company Secretary)

Print name: STEPHEN L. MASON