

# Lemarne Corporation Limited

2007 ANNUAL REPORT

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**NOTICE OF ANNUAL GENERAL MEETING** Notice is hereby given that the Annual General Meeting of Shareholders of Lemarne Corporation Limited (ACN 004 834 584) will be held at the Australian Institute of Management, 181 Fitzroy Street, St.Kilda, on 24 October, 2007 at 11:30 am. A formal notice of meeting and proxy form are enclosed herewith.

## Philosophy and Objectives

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

Most directors are major shareholders.

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

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

We are sensitive to our fiduciary obligations to the Company's lenders, suppliers and its many long-term shareholders, some of whom have committed significant portions of their investment portfolio to our care. Consequently, we maintain a conservative approach to funding, rejecting opportunities rather than over-leveraging our balance sheet. This policy may penalise results, but it is the only behaviour which leaves us comfortable, considering our obligations.

We endeavour to operate our businesses in a totally ethical way, complying with the best operating practices, meeting our social and environmental obligations, and being a good corporate citizen.

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

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

**Sales revenue up 17% to \$71 million.**

**Operating profit after tax from continuing operations increased to \$5.5 million.**

**Shareholder funds \$36.4 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.**

## PERFORMANCE IN BRIEF

		2007	2006	CHANGE
EBIT from continuing operations	\$000s	<b>6,068</b>	(3,310)	+ 283%
Operating profit/(loss) after income tax from continuing operations	\$000s	<b>5,519</b>	(4,438)	+ 224%
Operating profit/(loss) after income tax and minority interests	\$000s	<b>6,141</b>	11,889	- 48%
Earnings per ordinary share	cents	<b>52.7</b>	82.3	- 36%
Net tangible asset backing per ordinary share	cents	<b>315</b>	250	+ 26%
Dividend paid per ordinary share*	cents	<b>18.5</b>	31	
Shareholders' equity	\$000s	<b>36,361</b>	46,102	- 21%
Operating profit after income tax/shareholders' equity	%	<b>16.9</b>	25.8	-34%
Net borrowings/shareholders' equity	%	<b>(37)</b>	(54)	
Share price (at 30 June)	cents	<b>253</b>	290	- 13%
Number of employees	No.	<b>787</b>	699	+ 18%

These figures are based on the consolidated accounts.

\* 2007 includes the final dividend of 10 cents per share which has been declared but is not in the accounts. The 2006 data includes a special dividend of 15 cents per share which was paid on 3 July 2006.

## FIVE YEAR RECORD

	2007 <sup>2</sup>	2006 <sup>2</sup>	2005 <sup>2</sup>	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>OPERATING RESULTS</b>					
Group sales	<b>71,013</b>	85,085	76,738	62,590	99,342
EBITDA before non-recurring items	<b>6,629</b>	7,808	9,412	7,600	11,585
EBIT before non-recurring items	<b>5,034</b>	5,664	7,460	5,958	7,974
Non-recurring significant items before tax	<b>1,656</b>	8,173	-	(510)	7,984
Borrowing costs	<b>(158)</b>	(438)	(256)	(78)	(536)
Profit/(loss) before tax	<b>6,532</b>	13,399	7,204	5,370	15,422
Income tax expense/(benefit)	<b>391</b>	1,510	1,821	1,499	765
Operating profit/(loss) after tax	<b>6,141</b>	11,889	5,383	3,871	14,657
Minority interests	-	-	102	396	5,224
Operating profit after tax attributable to shareholders	<b>6,141</b>	11,889	5,281	3,475	9,433
Dividends – ordinary <sup>1</sup>	<b>1,777<sup>1</sup></b>	4,508 <sup>1</sup>	2,294	1,882	1,240
Payout ratio	% <b>29<sup>1</sup></b>	38 <sup>1</sup>	43	54	13
<b>FINANCIAL POSITION</b>					
Share capital	<b>3,677</b>	6,867	6,187	11,434	4,574
Total equity	<b>36,361</b>	46,102	39,776	44,248	48,686
Net borrowings	<b>(13,585)</b>	(24,854)	(3,173)	(24,692)	(30,940)
Current assets	<b>35,237</b>	45,145	32,393	46,326	52,902
Total assets	<b>47,301</b>	65,905	60,683	58,306	63,677
Current liabilities	<b>10,438</b>	15,964	19,087	12,535	13,928
Non-current liabilities	<b>502</b>	3,839	1,820	1,523	1,063
<b>PER ORDINARY SHARE</b>					
Earnings	cents <b>52.7</b>	82.3	36.2	21.3	57.0
Net tangible asset backing	cents <b>315</b>	250	160	247	224
Asset backing	cents <b>379</b>	314	261	248	227
Dividend <sup>1</sup>	cents <b>18.5<sup>1</sup></b>	31.0 <sup>1</sup>	15.5	12.5	7.5
<b>ANALYTIC INFORMATION</b>					
EBIT/total assets	% <b>14</b>	21	12	9	25
EBIT/trading capital employed	% <b>17</b>	28	17	12	32
Operating profit after tax/members' equity	% <b>17</b>	26	14	8	25
Net borrowings/total equity	% <b>(37)</b>	(54)	(8)	(56)	(64)
Total debt/total assets	% <b>7</b>	4	7	1	3
Current assets/current liabilities	times <b>3.4</b>	2.8	1.7	3.7	3.8
Net interest cover	times <b>42.4</b>	31.6	29.0	69.8	29.8
Shares on issue	millions <b>9.6</b>	14.7	14.3	17.8	16.5

<sup>1</sup> 2007 includes the final dividend of 10 cents per share which has been declared but is not in the accounts.

2006 includes a special dividend of 15 cents per share was declared on 21 March 2006 and paid on 3 July 2006.

<sup>2</sup> 2007, 2006 and 2005 results have been prepared under AIFRS. Previous year comparatives are under the previous AGAAP.

## DEAR SHAREHOLDER

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 the continuing operations.

After the share buy-back in November 2006, when \$14.6 million was returned to shareholders; shareholder funds were \$36.4 million at 30 June 2007 and net funds on deposit were \$13.6 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 sales revenue to \$49.5 million and net profit after tax to \$3.6 million. The restructuring and refocusing 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 and results are 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.

## STRATEGIC DIRECTION

Over the past few years our strategy has been to focus on the development of niche businesses with recurrent income streams while divesting our manufacturing business in Australia and returning excess funds to shareholders. This was outlined more fully in last year's annual report, but in summary the returns have been:

2003 Lemarne buys back HGL's 20% shareholding at \$1.80 per share

Lemarne bids for and acquires the 3.8 million shares in Lemvest Limited that it did not own (6 for 5 share offer)

2004 Optional buy-back of up to 35% of shareholdings at \$2.52 per share

2006 Optional buy-back of up to 50% of shareholdings at \$2.81 per share.

Special fully franked dividend of 15 cents per share.

In 2004/5 investments were made in two businesses which were thought to have excellent growth prospects namely, Lemarne Healthcare and ValueNet. Regrettably results to date have been well below expectations and we continue to evaluate alternate strategies to achieve our objectives.

In contrast, the strategy at Lemtronics has been successful and management has achieved an outstanding turnaround. Going forward, Lemtronics will invest in broadening its development capability to meet changing market needs.

At C10 products, the aim is to expand its product range both organically and by acquisition.

#### 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.

**BRIAN NOXON**  
**CHAIRMAN**

**PETER MURPHY**  
**MANAGING DIRECTOR**

# LEMTRONICS OPERATIONS REVIEW

		2007 <sup>1</sup>	2006 <sup>1</sup>	2005 <sup>1</sup>	2004	2003
Total sales	\$000s	<b>49,492</b>	38,568	29,507	26,780	32,982
EBIT before non-recurring items	\$000s	<b>3,444</b>	339	1,300	1,945	1,923
EBIT	\$000s	<b>3,979</b>	(1,456)	1,300	1,431	387
Total assets	\$000s	<b>19,007</b>	17,474	14,432	14,106	13,511
Employees		<b>688</b>	576	515	561	539

<sup>1</sup> 2007, 2006 and 2005 results have been prepared under AIFRS. Previous year comparatives are under the previous AGAAP

## MAIN PRODUCTS

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

Lemtronics achieved substantial growth in revenue and profit in 2006/2007. Sales increased from A\$38.6 million to A\$49.5 million and earnings before interest and tax (EBIT) improved to A\$4 million.

Following the restructure of the business in July 2006, the company has focussed on:

- Enhancing its engineering and marketing support for core customers. Investment in these key resource areas will continue in 2007/2008 as the company's primary customers seek more value add services for their products.
- Stringent controls on manufacturing and overhead costs with the subsequent effect on margins.
- The strengthening of its management team both through external recruitment and internal appointments.

The initiatives taken by the company have been enhanced by increased demand from its primary European customers.

Currency changes, particularly with the continuing strength of the Malaysian Ringgit relative to the Euro and US dollar, continued to impact on the company's results. However, the company has mitigated the effects of the strengthening Malaysian Ringgit by hedging its currency exposure through careful control of its receivables and payables made in the various currencies, coupled with forward purchases of the Euro and US dollar.

Key objectives of the company in 2007/2008 include:

- To significantly strengthen its engineering and development capabilities to provide a greater contribution to the "value add" of its customers' products.
- To increase its investment in manufacturing equipment, particularly in line optical quality systems and more sophisticated automated equipment to improve quality and reduce manufacturing costs.
- To continue to improve its supply chain management.

Overall, Lemtronics has achieved a significant turnaround in its sales and profit compared to the previous year.

With the increased investment in the company's resources, management believes Lemtronics is well placed to continue to maintain strong operating results.



Customer certified assembly line for measurement tools.

**Kong Hoe Mun** FCPA  
MANAGING DIRECTOR

		2007 <sup>1</sup>	2006 <sup>1</sup>	2005 <sup>1</sup>	2004	2003
Total sales	\$000s	<b>13,722</b>	14,317	10,638	6,725	6,972
EBIT before non-recurring items	\$000s	<b>1,888</b>	2,828	2,451	1,335	1,068
EBIT	\$000s	<b>1,733</b>	2,828	2,451	1,335	1,068
Total assets	\$000s	<b>4,522</b>	4,724	4,361	3,048	2,215
Employees		<b>24</b>	22	20	10	9

<sup>1</sup> 2007, 2006 and 2005 results have been prepared under AIFRS. Previous year comparatives are under the previous AGAAP.

## MAIN PRODUCTS & SERVICES

Access Network Products (telephone accessories, ADSL filters), Data Communications Products (ISDN, ADSL), Voice Over Internet Protocol (VoIP) Services.

C10 Communications operations in 2007 comprised the well established products business which designs and manufactures a range of telecommunications products and the hosted IP service provider business of ValueNet.

In 2007, the products business continued with steady sales to an established customer base. Overall unit sales were slightly down in 2007 and combined with reduced prices due to increased competition saw the products business post a reduction in EBIT and sales compared to the previous year.

C10 is contracted to deliver high quality products and value added services to its established customer base in 2007/2008. Along with this continuing business, C10 is working with a number of large international vendors who have expressed a desire to have C10 filter technology included in their products.

During 2007 ValueNet continued to attract new business customers and channel partners in a market where voice over IP services are evolving from variable quality residential products to a guaranteed business grade service.

Over the past year, ValueNet has increased, from a modest base, its end user connections by 140% resulting in a doubling of sales over the period; with ValueNet focussing on the small to medium business market.

Some of the highlights in 2006-7 have been:

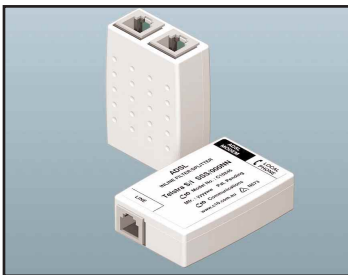
- Establishment of ValueNet's own head office in Sydney
- Successful delivery of services to several companies over 100 seats, the largest being 170 seats over 9 sites.
- Achieving IS9001:2000 accreditation for ValueNet's operations.

The market for business grade hosted telephony services using VoIP is still in the early stages of evolution and ValueNet is pioneering many aspects of market development in Australia. Pleasingly, the Company has found excellent end user acceptance of our products and services with zero churn over the past two years.

ValueNet's market strategy has been to establish a critical mass of specialised system integrators who provide superior pre and post sales support to the business market sector.

While a number of system integrators have been effective in this market with the products, a major challenge is to increase the Company's penetration. This remains a key focus and while the Company expects the general shift in the market to hosted services will stimulate increased partner activity, it plans to increase its marketing resources in 2007/8.

**Bradley Dolphin** BE  
MANAGING DIRECTOR



We estimate that around two thirds of Australian homes with Broadband internet use a C10 filter.

		2007	2006	*2005
Income	\$000s	<b>7,800</b>	7,844	5,490
EBIT before non-recurring items	\$000s	<b>(544)</b>	149	996
EBIT	\$000s	<b>(544)</b>	(4,769)	996
Total assets	\$000s	<b>11,897</b>	11,727	17,247
Employees		<b>71</b>	67	71

\*Business acquired 15 November 2004

## MAIN SERVICES

Medical Services - Molescan skin cancer clinics and dermatopathology laboratory services.

Australia has the highest incidence of skin cancer in the world. Increasing public awareness of the importance of sun protection, regular skin examinations and early treatment of skin cancers has put Australia at the forefront of skin cancer management.

Lemarne Healthcare is a recognised Australian leader in the primary care detection, treatment and prevention of skin cancer. With over 60 doctors working in Molescan skin cancer clinics throughout Australia, Lemarne Healthcare has detected and treated over 17,700 skin cancers in the past year, including over 670 potentially deadly melanomas.

Molescan clinics are equipped with the latest computerised dermoscopes and supporting software that digitally capture and record moles and skin lesions. Computerised Dermoscopy is now a recognised international standard of care for skin cancer detection and prevention.

Lemarne Healthcare subsidiary, Australian Dermatopathology Laboratories (ADL), complements Molescan's operation by providing specialised dermatopathology services with superior analysis of skin conditions and skin pathology to doctors nationally.

During the year Molescan completed a number of programmes to maintain its leadership position against increasing competition in this area. Molescan worked to ensure the highest standards of clinical practice by supporting doctors working in Molescan clinics with a continuous and comprehensive education through the University of Queensland, Skin Cancer Society, College of Skin Cancer Medicine and the Royal Australian College of

General Practitioners accredited training programmes. Molescan is also participating in skin cancer research programmes with the highly regarded Wesley Research Institute.

New Molescan clinics were opened in Western Australia and Tasmania and new franchises were established in regional New South Wales. In the third quarter of the year, Molescan launched a mobile scanning service for corporates, governments and other organisations that employ an outdoor workforce. The service has been well received and initial response has been encouraging with a number of organisations across Australia participating.

As a result of these programmes Molescan increased doctor numbers and patient numbers during the second half of the year. This was however, offset by higher operating costs which impacted significantly on margins.

In 2007/8 the company's aim is to achieve further increases in both patients and doctor numbers while maintaining strict cost management.

However the market for skin cancer detection and treatment remains competitive and fragmented and Lemarne Healthcare expects to face continuing challenging trading conditions in 2007/2008.

**John Keep** BA  
OPERATIONS DIRECTOR



Computerised Dermoscopy used in Molescan Clinics is now a recognised international standard for skin cancer detection.

This statement outlines the main corporate governance practices in place throughout the year, which comply with Australian Stock Exchange Corporate Governance Council recommendations unless otherwise stated.

The board of directors is committed to the principles of good corporate governance consistent with the prudent management of shareholders funds. The board supports the principles of self regulation.

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

Lemarne has a relatively small board of five directors in keeping with its size, three of whom including the Chairman are non executive directors. As all the non-executive directors hold more than 5% of the voting shares of the Company, they do not fit the definition of an independent director. The board believes that the non-executive directors' interests are closely aligned with all other shareholders by virtue of their substantial shareholdings and believes this has considerable merit and does not interfere with their ability to act in the best interest of the Company. As a result of the majority of the board being substantial shareholders it does not comply with best practice recommendations 2.1, 2.2 and 4.3. The board is of the opinion that the maintenance of a stable and experienced board is important. The board does not believe that the tenure of a director necessarily interferes with the director's ability to act in the best interests of the Company.

The term of office for each director (apart from the Managing Director), is three years in accordance with the Company's Constitution.

Details of directors are set out in the Directors' Report. There are three board sub-committees, consisting of the non-executive directors, namely Audit, Remuneration and Succession Planning and Corporate Governance. The role of the Remuneration and Succession Planning Committee also includes Nomination. Its other responsibilities include:

- reviewing board composition and the requisite competencies of members;
- reviewing the performance of the managing director;
- evaluating and identifying future needs of the board, and
- making recommendations on appointments to the board.

No non-executive director of the board had, during the year, any association or relationship with the Company that required assessments of their independence.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year as appropriate. The Company's external auditor, KPMG has a policy of regularly rotating the primary audit partner and undertakes a thorough second partner review. As Lemarne is an international group it only engages reputable international audit firms and any change in auditor is subject to shareholder approval.

#### DIRECTORS' DEALINGS IN COMPANY SHARES

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

Company policy prohibits directors and officers from dealing in Company shares whilst in possession of price sensitive information. Share dealings are only permitted in the one month following the release of the Company's half year and annual results to the Australian Stock Exchange and the Annual General Meeting, or when the board deems the market to be fully informed following an announcement. Directors must notify the Chairman when they intend to buy or sell Company shares.

#### INDEPENDENT PROFESSIONAL ADVICE

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

#### HALF YEAR AND ANNUAL REPORTING

The board and the Audit Committee:

- reviews the half year and preliminary final statement prior to lodgement of those documents with the Australian Stock Exchange, and any significant adjustments required as a result of the audit;
- reviews the results and findings of the audit, the adequacy of accounting and financial controls, and monitors the implementation of any recommendations made; and
- reviews the draft financial statements and the audit report prior to the approval of the financial statements.

#### AUSTRALIAN STOCK EXCHANGE

The Company Secretary, Stephen Mason, acts as the Company's ASX Liaison Officer, and in conjunction with the Company's Solicitors, Deacons, is responsible for ensuring that the Company complies with ASX Listing Rules disclosure requirements.

#### INTERNAL CONTROL FRAMEWORK

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

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with Continuous Disclosure Requirements.
- Quality and integrity of personnel - the consolidated entity's policies are detailed in Employee Manuals. Confirmation of compliance with policies is obtained from all operating units. Formal appraisals are conducted at least annually for employees.
- The board has in place a process for its performance evaluation. The performance of the Managing Director is assessed each year by the Chairman and the Remuneration Committee, while the Finance Director's performance is reviewed at least annually by the Managing Director.
- Operating unit controls - factory controls and procedures including health and safety policies in most instances are detailed in procedures manuals. Most operating units prepare Self Certification Questionnaires

confirming compliance with these procedures and as appropriate, arrange external audits.

- Functional speciality reporting - the consolidated entity has identified a number of key areas which are subject to regular reporting to the board such as treasury operations, environmental, legal, tax and insurance matters.
- Investment appraisal - the consolidated entity has clearly defined guidelines for capital expenditure and acquisition prospects. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

#### *Internal Audit*

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

#### *Australian and International Quality Standards*

The consolidated entity strives to ensure that its products are of the highest standard. Towards this aim it has now achieved AS 3902/ISO 9002 accreditation for each of its manufacturing businesses.

#### ETHICAL STANDARDS

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

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the

reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

#### RISK MANAGEMENT

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

The Company Secretary has the formal responsibility for monitoring this function and preparing an audit report to the board for each subsidiary at least annually. This report covers matters such as environmental risks, occupational health and safety, trade practices compliance, equal opportunity, workplace practices, employment issues, treasury, insurance and operating risks.

Both the Managing Director and the Finance Director have stated to the board in writing that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## CORPORATE GOVERNANCE CONT'D

### THE ROLE OF SHAREHOLDERS

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

- the audited annual report is distributed to all shareholders except those who elect not to receive it. The board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report is subject to independent review by the auditors and contains summarised financial information including a review of the operations of the consolidated entity during the period. The half yearly financial report (Appendix 4D) is prepared in accordance with the requirements of Australian Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The

financial report is sent to any shareholder who requests it and a summary of the results and a brief review of trading for the half year is distributed to all shareholders;

- copies of releases to the Australian Stock Exchange are generally sent to shareholders and are posted on our web site;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders; and
- the Company maintains an updated web site for reference by shareholders and the investment community in general.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals.

Important issues are presented to the shareholders as single resolutions.

It is company policy for the external auditor (KPMG) to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The shareholders are requested to vote on the aggregate remuneration of directors, the granting of options and shares to directors, and changes to the Company's Constitution.

# FINANCIAL STATEMENTS

Financial Statements for the Year ended 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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# INCOME STATEMENTS

Income Statement for the Financial Year ended 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		<b>2007</b>	2006	<b>2007</b>	2006
		<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Continuing operations</b>	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
Revenue	2	71,013	60,538	978	1,362
Cost of sales		(53,674)	(46,778)	–	–
Gross profit		17,339	13,760	978	1,362
Other operating income	2	1,247	791	10,027	579
Distribution expenses		(5,861)	(5,433)	–	–
Administrative expenses		(7,396)	(6,992)	(1,770)	(2,089)
Impairment of goodwill and property, plant and equipment/investment		(157)	(5,866)	–	(1,801)
Other operating expenses		(163)	(178)	–	(5)
<b>Results from operating activities</b>		<b>5,009</b>	<b>(3,918)</b>	<b>9,235</b>	<b>(1,954)</b>
Financial income	6	1,059	608	1,241	718
Financial expenses		(158)	(310)	–	–
<b>Net financing (costs)/income</b>		<b>901</b>	<b>298</b>	<b>1,241</b>	<b>718</b>
<b>Profit from ordinary activities before income tax expense</b>		<b>5,910</b>	<b>(3,620)</b>	<b>10,476</b>	<b>(1,236)</b>
Income tax expense	4(a)	(391)	(818)	(27)	(60)
<b>Profit/(loss) after tax from continuing operations</b>		<b>5,519</b>	<b>(4,438)</b>	<b>10,449</b>	<b>(1,296)</b>
<b>Discontinued operation</b>					
Profit of discontinued operation/gain on sale of discontinued operation net of tax	7	622	16,327	622	28,397
<b>Profit/(loss) for the year</b>		<b>6,141</b>	<b>11,889</b>	<b>11,071</b>	<b>27,101</b>
Attributable to:					
- Equity holders of the parent		6,141	11,889	11,071	27,101
<b>Earnings per share:</b>					
Basic earnings per share from all operations (cents)		52.7	82.3		
Basic earnings per share from continuing operations (cents)	9	47.3	(30.7)		
Diluted earnings per share from all operations (cents)		52.7	81.8		
Diluted earnings per share from continuing operations (cents)	9	47.3	(30.5)		

The income statements are to be read in conjunction with notes 1 to 31 to the financial statements..

## STATEMENTS OF RECOGNISED INCOME AND EXPENSE

Statement of recognised income and expense for the Financial Year Ended 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		<b>2007</b>	2006	<b>2007</b>	2006
		<b>\$000</b>	\$000	<b>\$000</b>	\$000
	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
Foreign exchange translation differences	21	(726)	1,294	–	–
<b>Net income recognised directly in equity</b>		<b>(726)</b>	<b>1,294</b>	<b>–</b>	<b>–</b>
<b>Profit for the year</b>		<b>6,141</b>	<b>11,889</b>	<b>11,071</b>	<b>27,101</b>
<b>Total recognised income and expense for the year</b>		<b>5,415</b>	<b>13,183</b>	<b>11,071</b>	<b>27,101</b>
Attributable to:					
Equity holders of the parent		5,415	13,183	11,071	27,101

*Other movements in equity arising from transactions with owners as owners are set out in note 21. The amounts recognised directly in equity are disclosed net of tax – see note 4 for tax effect.*

*The statements of recognised income and expense are to be read in conjunction with the notes 1 to 31 to the financial statements.*

## BALANCE SHEETS

Balance Sheets as at 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	Note	Consolidated		Lemarne Corporation Limited	
<b>Assets</b>					
Cash and cash equivalents	28(i)	16,834	27,615	14,079	25,730
Trade and other receivables	10	10,895	10,193	93	1,826
Inventories	11	7,080	6,982	–	–
Prepayments and deposits	12	428	355	14	13
<b>TOTAL CURRENT ASSETS</b>		<b>35,237</b>	<b>45,145</b>	<b>14,186</b>	<b>27,569</b>
Receivables	10	–	–	3,064	4,100
Investments	24	–	4,873	14,920	17,793
Property, plant and equipment	13	5,481	6,195	35	47
Deferred tax assets	4(e)	491	306	130	134
Intangible assets	14	6,086	9,386	–	–
Other		6	–	6	–
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,064</b>	<b>20,760</b>	<b>18,155</b>	<b>22,074</b>
<b>TOTAL ASSETS</b>		<b>47,301</b>	<b>65,905</b>	<b>32,341</b>	<b>49,643</b>
<b>Liabilities</b>					
Bank overdraft	28(i)	357	132	–	–
Trade and other payables	15	5,796	9,735	128	2,785
Loans and borrowings	16	2,781	2,242	–	–
Employee benefits	17	1,047	1,218	140	264
Current tax payable	4(c)	72	122	70	(87)
Provisions	18	63	2,320	–	2,201
Deferred income	19	322	195	–	–
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,438</b>	<b>15,964</b>	<b>338</b>	<b>5,163</b>
Loans from controlled entities	15	–	–	800	9,100
Loans and borrowings	16	111	387	–	–
Deferred tax liabilities	4(d)	153	228	26	114
Employee benefits	17	238	224	87	91
Deferred consideration	20	–	3,000	–	–
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>502</b>	<b>3,839</b>	<b>913</b>	<b>9,305</b>
<b>TOTAL LIABILITIES</b>		<b>10,940</b>	<b>19,803</b>	<b>1,251</b>	<b>14,468</b>
<b>NET ASSETS</b>		<b>36,361</b>	<b>46,102</b>	<b>31,090</b>	<b>35,175</b>
<b>Equity</b>					
Issued capital	21	3,677	6,867	3,677	6,867
Reserves	21	(704)	(46)	431	362
Retained earnings	21	33,388	39,281	26,982	27,946
<b>TOTAL EQUITY</b>		<b>36,361</b>	<b>46,102</b>	<b>31,090</b>	<b>35,175</b>

The balance sheets are to be read in conjunction with notes 1 to 31 to the financial statements..

# STATEMENT OF CASH FLOWS

Statement of Cash Flows for the Financial Year Ended 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	Note	Consolidated		Lemarne Corporation Limited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		71,346	87,465	1,035	1,457
Cash paid to suppliers and employees		(68,734)	(83,918)	( 2,059)	(1,940)
Cash generated from operations		2,612	3,547	(1,024)	(483)
Dividends received		74	151	74	200
Interest received		1,059	646	1,241	718
Interest paid		(158)	(438)	–	–
Income tax contribution from controlled entities		–	–	831	–
Income taxes paid	4	(690)	(2,763)	(783)	(1,318)
<b>Net cash from/(to) operating activities</b>	<i>28(ii)</i>	<b>2,897</b>	<b>1,143</b>	<b>339</b>	<b>(883)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investments/disposal of subsidiary (net of cash disposed)		5,526	24,914	5,526	28,000
Proceeds from sale of intellectual property	2	–	130	–	–
Proceeds from sale of property, plant and equipment		101	96	–	27
Payments for other expenditure/acquisition of controlled entities/business (net of cash)		(6)	(12)	(6)	–
Acquisition of property, plant and equipment	13	(1,181)	(5,062)	(2)	(8)
Payments for disposal of business/controlled entity		(1,243)	(799)	(1,243)	(680)
Loans advanced to controlled entities		–	–	(964)	(3,125)
Loans repaid by controlled entities		–	–	1,125	–
<b>Net cash from/(to) investing activities</b>		<b>3,197</b>	<b>19,267</b>	<b>4,436</b>	<b>24,214</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital	21	186	680	186	680
Share buy-back	21	(14,594)	–	(14,594)	–
Proceeds from borrowings		741	4,099	–	–
Repayment of borrowings		(421)	(2,661)	–	–
Loans from controlled entities		–	–	1,000	3,100
Dividends paid	8	(3,018)	(2,307)	(3,018)	(2,307)
<b>Net cash from/(to) financing activities</b>		<b>(17,106)</b>	<b>(189)</b>	<b>(16,426)</b>	<b>1,473</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11,012)</b>	<b>20,221</b>	<b>(11,651)</b>	<b>24,804</b>
<b>Cash at the beginning of the financial year</b>	<i>28(i)</i>	27,483	7,208	25,730	926
Effect of exchange rate fluctuations on cash held		6	54	–	–
<b>Cash at the end of the financial year</b>	<i>28(i)</i>	<b>16,477</b>	<b>27,483</b>	<b>14,079</b>	<b>25,730</b>

The statement of cash flows are to be read in conjunction with notes 1 to 31 to the financial statements.

# NOTES TO THE ACCOUNTS

Notes to the Financial Statements for the Financial Year Ended 30 June 2007 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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## 1 SIGNIFICANT ACCOUNTING POLICIES

Lerne Corporation Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issuance on 16 August 2007.

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

### (b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, and financial instruments classified as available-for-sale.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(x).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and have been

applied consistently by all entities in the consolidated entity.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 *Presentation of Financial Statements* (October 2006)
- ED 151 *Australian Additions to, and Deletions from, IFRSs*

In the prior financial year the group adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 July 2005, as disclosed in the reconciliation of movements in equity.

### Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 makes amendments to AASB 5 *Non-current Assets held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statement*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*.

The initial application of AASB 7, AASB 2005-10, AASB 8 and AASB 2007-3 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendments are concerned only with disclosures contained within the financial report.

### **(c) Basis of consolidation**

#### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *(ii) Transactions eliminated on consolidation*

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

#### *(iii) Changes in ownership interest*

##### *Loss of control, no joint control or significant influence*

When control ceases, a gain or loss is recognised as the difference between net sales proceeds, if any, and the consolidated carrying amount (including post-acquisition share of profits, goodwill and equity).

#### *(iv) New issue of capital by controlled entity*

When a controlled entity makes a new issue of capital and the consolidated entity's percentage ownership changes, the share of retained profits and reserves attributed to the Company reflects the new ownership interest. The adjustment is not reflected in net profit but as a direct adjustment to the specific equity accounts.

### **(d) Foreign currency**

#### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Australian dollars at the foreign exchange rate at that date.

Foreign exchange differences arising on retranslation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

#### *(ii) Financial statements of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

#### *(iii) Net investment in foreign operations*

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. They are released into the profit or loss after disposal.

### **(e) Derivative financial instruments**

The consolidated entity is exposed to changes in interest rates and foreign exchange rates arising from operational, financing and investment activities. The consolidated entity uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement at each reporting date is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### **(f) Hedging**

#### *(i) Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

#### *(ii) Hedge of monetary assets and liabilities*

When a derivative financial instrument is used to hedge the fair value of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement in the same period as the change in value of the monetary asset or liability.

## **(g) Property, plant and equipment**

### *(i) Owned assets*

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy I).

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards - AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### *(ii) Leased assets*

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy I).

### *(iii) Subsequent costs*

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

### *(iv) Depreciation*

Depreciation is charged to the income statement on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives in the current and comparative periods are as follows:

- buildings 25-40 years
- leasehold land and buildings 30 – 50 years
- leasehold improvements 5 years
- plant and equipment 3 - 15 years
- fixtures and fittings 5 - 15 years

The residual value, if not insignificant, is reassessed annually together with the depreciation method and useful life. Interest costs are not capitalised into the cost of property, plant and equipment.

## **(h) Intangible assets**

### *(i) Goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy I).

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

### *(ii) Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy I)

### *(iii) Intellectual property*

Other intangible assets such as intellectual property that is acquired by the consolidated entity is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy I).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

### *(iv) Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### *(v) Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- intellectual property, patents and trademarks 10 - 20 years

## **(i) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy I)

## **(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories are assigned on a first-in first-out basis and weighted average methods and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### **(k) Cash and cash equivalents**

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **(l) Impairment**

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy j), and deferred tax assets (see accounting policy t), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy l(i)).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount or an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

#### **(i) Calculation of recoverable amount**

The recoverable amount of the consolidated entity's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed.

Receivables that are not assessed as impaired and non-significant receivables are placed in portfolios of receivables with similar risk profiles and a collective assessment of impairment is performed, using objective evidence from historical experience and existing conditions at balance date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **(ii) Reversals of impairment**

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(iii) Derecognition of financial assets and liabilities**

A financial asset (or, where applicable, a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the assets have expired
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit and loss.

### **(m) Share capital**

#### **(i) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

#### **(ii) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

#### **(n) Interest bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

#### **(o) Employee benefits**

##### *(i) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as incurred.

##### *(ii) Long-term service benefits*

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future increases in wage and salary rates including related on costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

##### *(iii) Share-based payment transactions*

Where options are issued to employees as part of their remuneration package details are contained in the Annual Report.

Employee share option plans are approved by shareholders at the Annual General Meeting and refreshed every three years.

Under the Key Executive Option Plan the exercise price is 10 per cent above the market price at the date the options are issued, while with the Subsidiary Executive Option Plan, the options only have a value if the performance of the subsidiary in the three financial years immediately following the issues of the options, is superior to the three financial years preceding the issue of the options. Options are only offered to subsidiary company executives when the board is satisfied with the subsidiary's performance in the three preceding years.

The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The Company has applied Australian Interpretation 8 *Scope of AASB 2* (Interpretation 8) for the first time from 1 July 2006. Under Interpretation 8, when the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognized as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant. Previously, such grants were attributed to the employing subsidiary, but were not recognized in the Company. The impact on the current and prior year is not material.

##### *(iv) Wages, salaries, annual leave, sick leave and non-monetary benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as interest free loans are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

##### *(v) Profit sharing and bonus plans*

A liability is recognised for profit sharing and bonus plans, when there is a present obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

#### **(p) Provisions**

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

##### *(i) Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Estimated net future cash flows are based on the assumption that all claims will be settled by repairing the item within three months of notification and the weighted average cost of historical claims adjusted for inflation will continue to approximate future costs.

##### *(ii) Restructuring*

A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

#### **(q) Trade and other payables**

Trade and other payables are stated at amortised cost. Trade payables are non-interest bearing and are usually settled within 60 days.

#### **(r) Revenue**

##### *(i) Goods sold and services rendered*

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

## **(s) Expenses**

### *(i) Operating lease payments*

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Fixed rental increases are not brought to account at the time of the increase but have been incorporated in the total lease cost which is expensed on a straight line basis.

Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

### *(ii) Net financing costs*

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and gains and losses on hedging instruments that are recognised in the profit or loss (see accounting policy f).

Interest income is recognised in the profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit or loss on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognised in the profit or loss using the effective interest rate method.

## **(t) Income tax**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## Tax consolidation

The company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Lemarne Corporation Ltd. Partly controlled entities do not form part of the Lemarne tax consolidated group, but form a separate tax consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the stand alone taxpayer approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised as amounts receivable or payable to other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

#### Nature of tax funding arrangements and tax sharing agreements

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) in the separate financial statements of the members of the tax consolidated groups equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same tax authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Subsidiaries who exit the tax consolidated group are required to make an exit payment prior to exiting the group in accordance with the tax sharing agreement.

#### **(u) Segment reporting**

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

#### **(v) Non-current assets held for sale and discontinued operations**

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned also may qualify.

#### **(w) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

#### **(x) Accounting estimates and judgements**

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Key sources of estimation uncertainty

Note 14 contains information about the assumptions and their risk factors relating to goodwill impairment.

#### *Impairment of goodwill and intangibles with indefinite useful lives*

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 14. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>2 REVENUE</b>					
<b>Revenue from continuing operations</b>					
Sale of goods revenue		71,013	60,538	–	–
Rendering of services		–	–	978	1,362
<b>Other income</b>					
Dividends:					
Controlled entity		–	–	9,300	49
Other		74	151	74	151
Net gain on disposal of non-current assets:					
plant and equipment		23	–	–	–
shares held for trading		653	373	653	373
Other		497	267	–	6
Total other income		1,247	791	10,027	579
<b>Total revenues from continuing operations</b>		<b>72,260</b>	<b>61,329</b>	<b>11,005</b>	<b>1,941</b>
<b>Revenues from discontinued operations</b>					
Revenue from sale of goods		–	24,547	–	–
<b>Other income</b>					
Government grants		–	2	–	–
Net gain on disposal of plant and equipment		–	8	–	–
Intellectual property		–	130	–	–
Other income		–	102	–	–
Total other income		–	242	–	–
Net gain on sale of business/controlled entity	<i>3(a)</i>	622	14,886	622	28,397
<b>Total revenues from discontinued operations</b>		<b>622</b>	<b>39,675</b>	<b>622</b>	<b>28,397</b>
<b>Total revenues</b>		<b>72,882</b>	<b>101,004</b>	<b>11,627</b>	<b>30,338</b>

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>3 PROFIT/(LOSS) FROM OPERATIONS</b>				
(a) Items included in profit/(loss) from discontinuing operations before income tax expense.				
Revenue from sale of controlled entity/business	–	33,192	–	33,192
Cost of disposal	622	(18,306)	622	(4,795)
Net profit on disposal	622	14,886	622	28,397
(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	–	–
Diminution in investment	–	–	–	1,801
Property, plant and equipment	3	948	–	–
Stock obsolescence provisions	(540)	847	–	–
	(383)	6,713	–	1,801
Other expenses:				
<u>Personnel expenses</u>				
Wages and salaries	10,223	9,583	888	797
Contributions to defined contribution superannuation funds	560	506	138	121
Other associated personnel expenses	2,047	1,574	57	49
Increase in liability for annual leave	58	90	(14)	(19)
Increase in liability for long service leave	28	16	2	(6)
Share based payments	68	(29)	68	(29)
Terminations benefits	–	339	–	301
	12,984	12,079	1,139	1,214
<u>Depreciation of non-current assets:</u>				
Plant and equipment	1,411	1,352	14	–
<u>Amortisation of non-current assets:</u>				
Intellectual property	145	145	–	–
Leasehold property	39	48	–	–
Leasehold improvements	–	15	–	–
	184	208	–	–
<b>Total depreciation and amortisation</b>	<b>1,595</b>	<b>1,560</b>	<b>14</b>	<b>–</b>
<u>Other expense items</u>				
Movement in impairment of receivables	191	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) on disposal of property, plant and equipment	14	(1)	–	(8)

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>4 INCOME TAX</b>				
(a) Recognised in the income statement				
<i>Current tax expense</i>				
Current year	689	1,425	66	(64)
Adjustments for prior years	(221)	(84)	(39)	(20)
	468	1,341	27	(84)
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	(77)	169	–	144
Benefit of tax losses recognised	–	–	–	–
	(77)	169	–	144
Total income tax expense in income statement	391	1,510	27	60
Attributable to:				
Continuing operations	391	818	–	60
Discontinued operations	–	692	–	–
	391	1,510	27	60
(b) Reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before tax–continuing operations	5,910	(3,620)	10,476	(1,236)
Profit before tax discontinued operations	622	17,019	622	28,397
Profit before tax	6,532	13,399	11,098	27,161
Income tax using the domestic corporation tax rates of 30%	1,959	4,020	3,329	8,148
Increase in income tax expense due to:				
Goodwill impairment	–	1,475	–	–
Diminution of investment	–	–	–	541
Employee share options expensed	20	(9)	20	(9)
Amortisation of intellectual property	44	44	–	–
Depreciation	8	80	–	–
Timing differences and tax losses not recognised	37	508	–	–
Imputation gross-up on dividends received	–	6	–	6
Sundry items	74	280	1	7
Decrease in income tax expense due to:				
Non-assessable capital profits	(494)	(4,466)	(494)	(8,519)
Effect of lower rates of tax on overseas income	(115)	32	–	–
Tax amortisation of intellectual property	(17)	(18)	–	–
Dividends received	–	(21)	(2,790)	(21)
Export and other allowances	(336)	(189)	–	–
Capital allowances	(69)	(95)	–	–
Recovery of tax losses not previously brought to account	(480)	–	–	–
Sundry items	(19)	(53)	–	(73)
	612	1,594	66	80
Income tax under/(over) provided in prior year	(221)	(84)	(39)	(20)
<b>Income tax expense reported in the income statement</b>	<b>391</b>	<b>1,510</b>	<b>27</b>	<b>60</b>

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
(c) Current tax liabilities				
Movements during the year:				
Balance at beginning of year	122	1,601	(87)	1,046
Income tax (paid)	(813)	(2,763)	(836)	(1,318)
Refund received	123	–	53	–
Current year's income tax	688	1,425	131	(64)
Exchange rate movement	(3)	(1)	–	–
Transfer to deferred tax asset	161	–	–	–
Contribution from group member	–	–	831	–
Balance transferred out on disposal of subsidiary	–	(76)	–	296
Under/(over) provision in prior year	(206)	(64)	(22)	(47)
	72	122	70	(87)
(d) Deferred tax liabilities				
Accelerated depreciation for tax purposes	122	110	–	–
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	31	118	26	114
	153	228	26	114
(e) Deferred tax assets				
Employee benefit	195	167	33	37
Provisions	135	137	97	97
Tax losses carried forward	161	2	–	–
	491	306	130	134
(f) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses carried forward	–	256	–	–
Unabsorbed capital allowances	–	906	–	–
Capital losses carried forward	475	1,437	475	1,437
	475	2,599	475	1,437

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

	2007 \$	2006 \$	2007 \$	2006 \$
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>5 AUDITORS' REMUNERATION</b>				
<u>Audit services</u>				
Auditors of the Company				
<i>KPMG Australia:</i>				
Audit and review of financial reports	133,974	167,959	66,377	96,869
<i>Overseas KPMG Firms:</i>				
Audit and review of financial reports	13,268	62,683	–	–
<i>Other auditors</i>				
Audit and review of financial reports	8,975	–	8,975	–
	156,217	230,642	75,352	96,869
<u>Other services</u>				
Auditors of the Company				
<i>KPMG Australia:</i>				
Other assurance services	58,268	196,583	58,268	184,583
Taxation services	112,298	167,566	87,375	133,900
<i>Overseas KPMG Firms:</i>				
Taxation services	4,306	4,077	–	–
KPMG related practices				
Due diligence services	–	21,992	–	–
	174,872	390,218	145,643	318,483
<i>Other auditors</i>				
Other assurance services	–	26,566	–	6,538
	–	26,566	–	6,538
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>6 NET FINANCING COSTS</b>				
Interest income	(1,059)	(608)	(1,241)	(718)
Total financial income	(1,059)	(608)	(1,241)	(718)
Interest expense	158	297	–	–
Dividend expenses	–	13	–	–
Total financial expenses	158	310	–	–
Net financing costs (income)	(901)	(298)	(1,241)	(718)

	2007 \$000	2006 \$000
<i>Discontinued Operations</i>		
<b>7 DISCONTINUED OPERATIONS</b>		
On 28 February 2006, the consolidated entity sold its shares in Pacific Composites Pty Ltd, the reinforced plastics business segment (see notes 3 and 30).		
The results of the discontinued operation for the period until disposal are presented below:		
(i) Financial performance information		
Revenue	–	24,547
Cost of sales	–	(18,220)
Gross profit	–	6,327
Other income	–	242
Distribution expenses	–	(1,408)
Administrative expenses	–	(2,902)
Other operating expenses	–	(36)
Operating profit before financing costs	–	2,223
Financial income	–	37
Financial expenses	–	(127)
Net financing (costs)/income	–	(90)
<i>Profit/loss before income tax</i>	–	2,133
Income tax expense	–	(692)
<i>Profit after income tax of discontinued operations</i>	–	1,441
Gain on sale of the controlled entity before income tax	622	14,886
Tax on gain on sale of the division	–	–
Profit from discontinued operations	622	16,327
(ii) Cash flow information		
Net cash inflow/(outflow) from operating activities	–	1,522
Net cash inflow/(outflow) from investing activities	(1,243)	(2,472)
Net cash inflow/(outflow) from financing activities	–	(69)
Net cash(outflow)/inflow	(1,243)	(1,019)
(iii) Carrying amounts of assets and liabilities		
Cash and cash equivalents	–	3,086
Trade receivables	–	5,970
Other receivables	–	154
Inventories	–	6,281
Prepayments	–	194
Property, plant and equipment	–	9,685
Deferred tax assets	–	248
Intangibles	–	31
Interest bearing loans and borrowings	–	(2,844)
Tax liabilities	–	(372)
Deferred tax liabilities	–	(503)
Employee benefits	–	(844)
Trade payables	–	(6,632)

	2007 \$000	2006 \$000
		<i>Discontinued Operations</i>
Provisions	–	(46)
Deferred income	–	(41)
Foreign currency translation reserve	–	631
Net identifiable assets and liabilities	–	<b>14,998</b>
Consideration received, satisfied in cash	–	28,000
Cash disposed of	–	(3,086)
Net cash (inflow)	–	24,914
Consideration received in shares	–	4,500
Consideration received in cash	–	28,000
Consideration receivable	–	692
Less: Disposal costs paid and accrued	622	(3,308)
Less: Net book value of assets disposed	–	(14,998)
Gain on sale of discontinued operation	622	14,886

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
			<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>
<b>8 DIVIDENDS PROVIDED FOR OR PAID</b>				
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	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	–	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	–	2,201
Total dividends in accounts	816	4,508	816	4,508
<b>After Year End</b>				
(iv) 2007: a final fully franked dividend of 10 cents per share was declared payable on 19 October 2007; (2006: Nil) This dividend was not provided for in the accounts.	961	–	961	–
<b>Dividend franking account</b>				
Franking credits available to shareholders of Lemarne Corporation Ltd for subsequent financial years	2,659	7,284	2,659	7,284

The above available amount is based on the balance of the dividend franking account at year end adjusted for:

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the year end
- franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- 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.

	2007	2006
	<i>Consolidated</i>	
<b>9 EARNINGS PER SHARE</b>		
<u>Earnings per share for continuing and discontinued operations</u>		
<i>Basic earnings per share (cents)</i>		
From continuing operations	47.3	(30.7)
From discontinued operations	5.4	113.0
	52.7	82.3
<i>Diluted earnings per share (cents)</i>		
From continuing operations	47.3	(30.5)
From discontinued operations	5.4	112.3
	52.7	81.8

The calculation of basic earnings per share for the financial year ended 30 June 2007 has been based on the profit attributable to shareholders of \$6,141K (continuing \$5,519K, discontinued \$622K) (2006: continuing \$4,438K loss and discontinued \$16,327K profit) and a weighted average number of ordinary shares outstanding of 11,660,390 (2006: 14,534,208) calculated as follows:

	\$000	\$000
<u>Earnings reconciliation</u>		
Net profit/(loss)	6,141	11,889
Basic and diluted earnings	6,141	11,889

	<u>Number of Shares</u>	
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	11,660,390	14,534,208

Potential ordinary shares not considered dilutive

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

<u>Number</u>	<u>Exercise Price</u>
187,500	\$2.67
100,000	\$2.57

At 30 June 2006 the Company had no options which were not considered dilutive.

Potential ordinary shares considered dilutive

At 30 June 2007 the Company had no options which were considered dilutive.

At 30 June 2006 the Company had on issue the following options which were considered dilutive:

187,500	\$2.67
100,000	\$2.57
45,000	\$1.49
80,000	\$1.49

Further details of these securities are contained in note 25.

		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	Note	Consolidated		Lemarne Corporation Limited	
<b>10 TRADE &amp; OTHER RECEIVABLES</b>					
<u>Current</u>					
Trade debtors		10,625	9,358	–	–
Less:					
Provision for impairment losses		(193)	(36)	–	–
		10,432	9,322	–	–
Other debtors		463	871	93	701
Owing by controlled entities	27	–	–	–	1,125
		10,895	10,193	93	1,826
<u>Non Current</u>					
Owing by controlled entity	27	–	–	3,064	4,100
<b>11 INVENTORIES</b>					
<u>Current</u>					
Finished goods					
At cost		2,442	3,027		
Less: provision for obsolescence		(30)	(260)		
Net realisable value		2,412	2,767		
Raw materials					
At cost		4,136	3,458		
Less: provision for obsolescence		(347)	(1,017)		
Net realisable value		3,789	2,441		
Work in progress					
At cost		879	1,774		
Carrying amount of inventories stated at net realisable value		7,080	6,982		
<b>12 PREPAYMENTS &amp; DEPOSITS</b>					
Prepayments		394	315	14	13
Deposits		34	40	–	–
		428	355	14	13

**13 PROPERTY, PLANT & EQUIPMENT**

	CONSOLIDATED				LEMARNE		
	Freehold land & buildings \$000	Leasehold land & buildings \$000	Leasehold improvements \$000	Plant & equipment \$000	Capital WIP \$000	Leased plant & equipment \$000	Plant & equipment \$000
<b>Year ended 30 June 2007</b>							
Balance at 1 July 2006 net of depreciation and impairment	-	667	533	4,995	-	-	47
Additions	-	-	277	904	-	-	2
Disposals	-	-	-	(87)	-	-	-
Impairment	-	-	-	(3)	-	-	-
Depreciation charge for the year	-	(39)	(78)	(1,333)	-	-	(14)
Exchange rate adjustments	-	(29)	(45)	(281)	-	-	-
<b>Net carrying amount at 30 June 2007</b>	<b>-</b>	<b>599</b>	<b>687</b>	<b>4,195</b>	<b>-</b>	<b>-</b>	<b>35</b>
<b>At 30 June 2007</b>							
Cost or fair value	-	621	1,022	10,985	-	-	180
Accumulated depreciation and impairment	-	(22)	(335)	(6,790)	-	-	(145)
<b>Net carrying amount</b>	<b>-</b>	<b>599</b>	<b>687</b>	<b>4,195</b>	<b>-</b>	<b>-</b>	<b>35</b>

	CONSOLIDATED				LEMARNE			
	Freehold land & buildings \$000	Leasehold land & buildings \$000	Leasehold improvements \$000	Plant & equipment \$000	Capital WIP \$000	Leased plant & equipment \$000	TOTAL \$000	Plant & equipment \$000
<b>Year ended 30 June 2006</b>								
Balance at 1 July 2005 net of depreciation and impairment	2,727	1,335	419	7,983	768	-	13,232	102
Additions	1,770	-	178	3,363	256	-	5,567	8
Disposals	-	-	-	(97)	-	-	(97)	(36)
Disposal - discontinued operation (note 7)	(4,699)	-	-	(4,429)	(557)	-	(9,685)	-
Transfer	196	-	-	-	(196)	-	-	-
Impairment	-	(688)	-	(145)	(308)	-	(1,141)	(27)
Depreciation charge for the year	(37)	(48)	(78)	(1,835)	-	-	(1,998)	-
Exchange rate adjustments	43	68	14	155	37	-	317	-
<b>Net carrying amount at 30 June 2006</b>	-	<b>667</b>	<b>533</b>	<b>4,995</b>	-	-	<b>6,195</b>	<b>47</b>
<b>At 1 July 2005</b>								
Cost or fair value	2,986	1,611	603	26,956	768	238	33,162	236
Accumulated depreciation and impairment	(259)	(276)	(184)	(18,973)	-	(238)	(19,930)	(134)
Net carrying amount	2,727	1,355	419	(7,983)	768	-	(13,232)	102
<b>At 30 June 2006</b>								
Cost or fair value	-	667	796	11,838	-	-	13,302	186
Accumulated depreciation and impairment	-	-	(263)	6,843	-	-	(7,107)	(139)
<b>Net carrying amount</b>	-	<b>667</b>	<b>533</b>	<b>4,995</b>	-	-	<b>6,195</b>	<b>47</b>

**Valuations of land and buildings**

On 30 June 2006, the directors valued the land and buildings in Malaysia at \$899,186 which resulted in a writedown of \$495,627. As the land and buildings were previously recorded at deemed cost, being a previously revalued amount, the writedown is reflected in the profit and loss for the year ended 30 June 2006.

	Intellectual Property \$000	Goodwill \$000	TOTAL \$000
	<i>Note</i>	<i>Consolidated</i>	
<b>14 INTANGIBLE ASSETS</b>			
<b>Year ended 30 June 2007</b>			
Balance at 1 July 2006 net of amortisation and impairment	1,266	8,120	9,386
Impairment	–	(155)	(155)
Amortisation charge for the year	(145)	–	(145)
De-recognition of deferred consideration	<i>20</i>	(3,000)	(3,000)
<b>Net carrying amount at 30 June 2007</b>	<b>1,121</b>	<b>4,965</b>	<b>6,086</b>
<b>Year ended 30 June 2006</b>			
Balance at 1 July 2005 net of amortisation and impairment	1,356	13,112	14,468
Additions	12	–	12
Disposal of a subsidiary	–	(31)	(31)
Impairment	–	(4,918)	(4,918)
Amortisation charge for the year	(145)	–	(145)
Transfers	43	(43)	–
<b>Net carrying amount at 30 June 2006</b>	<b>1,266</b>	<b>8,120</b>	<b>9,386</b>
<b>At 1 July 2005</b>			
Cost or fair value	1,400	13,460	14,860
Accumulated depreciation and impairment	(44)	(348)	(392)
<b>Net carrying amount</b>	<b>1,356</b>	<b>13,112</b>	<b>14,468</b>
<b>At 30 June 2006 and 1 July 2006</b>			
Cost (gross carrying amount)	1,455	8,397	9,852
Accumulated amortisation and impairment	(189)	(277)	(466)
<b>Net carrying amount</b>	<b>1,266</b>	<b>8,120</b>	<b>9,386</b>
<b>At 30 June 2007</b>			
Cost (gross carrying amount)	1,455	5,243	6,698
Accumulated amortisation and impairment	(334)	(278)	(612)
<b>Net carrying amount</b>	<b>1,121</b>	<b>4,965</b>	<b>6,086</b>

Intellectual property acquired through business combinations has been capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 10 years. If an impairment indication exists, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

#### Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill

	2007 \$000	2006 \$000
Healthcare	4,668	7,668
Multiple units without significant goodwill	297	452
	<b>4,965</b>	<b>8,120</b>

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Note	Consolidated	Lemarne Corporation Limited		

The Healthcare division's goodwill has been created by two individual cash generating units treated as a whole, for impairment testing as follows:

- Molescan clinics cash generating units; and
- Pathology laboratory cash generating units.

The recoverable amount of the above cash generating units, treated as a whole, has been determined based on a value in use calculation using cash flow projections based on financial budgets and business plans approved by senior management covering a five year period.

The discount rate applied to cash flow projections is 12% (2006: 12%) and cash flows beyond the five year period are extrapolated using a 1% growth rate (2006: 2%).

The key assumptions used in value in use calculations for the Lemarne Healthcare cash generating units for 30 June 2007 and 30 June 2006 are as follows:

- Gross billings at the clinics are based on budget levels, increased for expected growth and efficiency improvements;
- Pathology laboratory billings are based on budget levels and increased for expected growth and efficiency improvements;
- An appropriate overhead cost structure is maintained.

## 15 TRADE & OTHER PAYABLES

### Current

Trade creditors		3,713	4,734	2	–
Other creditors and accruals		2,083	5,001	126	2,785
		5,796	9,735	128	2,785

### Non-current

Loans from controlled entity	27	–	–	800	9,100
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## 16 LOANS & BORROWINGS

### Current

Bank loans and bills – secured		2,467	1,800	–	–
Hire purchase liabilities		314	442	–	–
		2,781	2,242	–	–

### Non-current

Hire purchase liabilities		111	387	–	–
		111	387	–	–

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
The bank overdrafts, commercial bills and loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity and by guarantees from a parent entity.				
<u>Facilities used at balance date:</u>				
Bank overdrafts	357	132	–	–
Bank loans and commercial bills	2,467	1,800	–	–
Lease finance and hire purchases	425	829	–	–
Indemnity/guarantees	285	48	–	–
	3,534	2,809	–	–
<u>Facilities not used at balance date:</u>				
Bank overdrafts	1,338	1,651	–	–
Bank loans and commercial bills	264	1,132	–	–
Lease finance	319	–	–	–
Standby letters of credit	1,000	1,000	–	–
Indemnity/guarantees	3,325	3,651	–	–
	6,246	7,534	–	–
<b>17 EMPLOYEE BENEFITS</b>				
<u>Current</u>				
Salaries and wages	558	777	116	231
Long service leave	26	16	–	–
Annual leave	463	425	24	33
	1,047	1,218	140	264
<u>Non-current</u>				
Annual leave	15	26	15	26
Long service leave	223	198	72	65
	238	224	87	91

Contributions to superannuation funds

The consolidated entity makes contributions to employee superannuation funds which are accumulation type funds. The amount recognised as an expense was \$559,889 for the financial year ended 30 June 2007 (2006: \$505,562) for continuing operations

	No.	No.	No.	No.
Number of employees at end of financial year	787	669	4	4

		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>18 PROVISIONS</b>					
<u>Current</u>					
Dividend	8	–	2,201	–	2,201
Warranties		63	119	–	–
		63	2,320	–	2,201
<u>Reconciliations</u>					
Reconciliations of the carrying amounts of each class of provision, except for employee benefits provision, are set out below:					
<i>Warranties</i>					
Carrying amount at beginning of year		119	210	–	–
Provisions made during the year		–	3	–	–
Payments made during the year		(48)	(56)	–	–
Exchange rate adjustments		(8)	8	–	–
Disposal of a subsidiary		–	(46)	–	–
		63	119	–	–
<b>19 DEFERRED INCOME</b>					
<u>Current</u>					
Deferred income		322	195	–	–

**20 DEFERRED CONSIDERATION**

Lemarne had an option to acquire the remaining 20% of the shares that it did not own in Lemarne Healthcare for a consideration of \$3 million if it exercised its call option prior to 1 July 2007. The minority interest holder also had a put option to sell this interest to Lemarne on or after 1 July 2007

14	–	3,000
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Lemarne exercised its call option on 1 July 2007. The purchase price was zero as it was based on the profitability of Lemarne Healthcare Pty Ltd for the previous two completed financial years of the company.

**21 CAPITAL AND RESERVES**Reconciliation of movement in capital and reserves

	Share capital \$000	Trans- lation reserve \$000	Options granted reserve \$000	Capital profits reserve \$000	Retained earnings \$000	Total \$000	Minority interest \$000	Total equity \$000
<b>Consolidated</b>								
Balance at 1 July 2005	6,187	(1,703)	391	800	31,799	37,474	2,302	39,776
Change in financial instruments accounting policy	-	-	-	(800)	102	(698)	(2,302)	(3,000)
Total recognised income and expense	-	1,295	-	-	11,888	13,183	-	13,183
Amortisation of options	-	-	(29)	-	-	(29)	-	(29)
Shares issued	680	-	-	-	-	680	-	680
Dividends to shareholders	-	-	-	-	(4,508)	(4,508)	-	(4,508)
Balance at 30 June 2006	6,867	(408)	362	-	39,281	46,102	-	46,102
Balance at 1 July 2006	6,867	(408)	362	-	39,281	46,102	-	46,102
Total recognised income and expense	-	(726)	-	-	6,141	5,415	-	5,415
Amortisation of options	-	-	68	-	-	68	-	68
Shares issued	186	-	-	-	-	186	-	186
Share buy-back	(3,376)	-	-	-	(11,218)	(14,594)	-	(14,594)
Dividends to shareholders	-	-	-	-	(816)	(816)	-	(816)
Balance at 30 June 2007	3,677	(1,134)	430	-	33,388	36,361	-	36,361
<b>Lemarne Corporation Ltd</b>								
Balance at 1 July 2005	6,187	-	391	-	5,353	-	-	11,931
Total recognised income and expense	-	-	-	-	27,101	-	-	27,101
Amortisation of options	-	-	(29)	-	-	-	-	(29)
Shares issued	680	-	-	-	-	-	-	680
Dividends to shareholders	-	-	-	-	(4,508)	-	-	(4,508)
Balance at 30 June 2006	6,867	-	362	-	27,946	-	-	35,175
Balance at 1 July 2006	6,867	-	362	-	27,946	-	-	35,175
Total recognised income and expense	-	-	-	-	11,071	-	-	11,071
Amortisation of options	-	-	68	-	-	-	-	68
Shares issued	186	-	-	-	-	-	-	186
Share bought back	(3,376)	-	-	-	(11,218)	-	-	(14,594)
Dividends to shareholders	-	-	-	-	(816)	-	-	(816)
Balance at 30 June 2007	3,677	-	430	-	26,983	-	-	31,090

**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

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

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

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

Share Options

The Company has share based payment option schemes under which options to subscribe for the Company's shares have been granted to executives and other employees (refer note 22).

Nature and purpose of reserves*Foreign currency translation reserve*

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self sustaining foreign operation and the translation of self-sustaining foreign controlled entity are brought to account by entries made directly to the foreign currency translation reserve, as described in note 1(d).

*Options granted reserve*

The options granted reserve represents the value of shares held in an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve is not reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

## 22 SHARE BASED PAYMENTS

Share options are granted to senior executives with more than twelve months' service. Details of the share option plans are provided below.

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, 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.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options during the year:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
	<b>000</b>		<b>000</b>	
Outstanding at the beginning of the year	412	2.29	905	2.26
Forfeited during the year	–	–	156	2.67
Exercised during the year	125	1.49	336	2.02
Expired during the year	–	–	–	–
Outstanding at the end of the year	287	2.64	412	2.29

The outstanding balance as at 30 June 2007 is represented by:

- 100,000 options over ordinary shares with an exercise price of \$2.57 each, exercisable upon meeting the above conditions. 50,000 options can be exercised from 9 June 2006 until 9 June 2009, and the balance of 50,000 can be exercised during the year ending 9 June 2009.
- 187,500 options over ordinary shares with an exercise price of \$2.67. 93,750 options can be exercised from 31 October 2005 to 31 October 2008, while 93,750 can be exercised during the year ending 31 October 2008.

	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>23 COMMITMENTS AND CONTINGENCIES</b>				
The estimated maximum amount of commitments and contingent liabilities not provided for in the financial statements of the group as at 30 June 2007 are set out below:				
<u>Operating leases</u>				
The economic entity leases property under operating leases expiring from 1 to 3 years. Leases generally provide the economic entity with a right of renewal at which time all terms are re-negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.				
<u>Operating lease rental commitments</u>				
Future operating lease rentals of property:				
Due:				
within one year	911	774	73	71
after one year but not more than five years	1,250	682	115	187
	<b>2,161</b>	<b>1,456</b>	<b>188</b>	<b>258</b>
<u>Capital expenditure commitments</u>				
Property, plant and equipment:				
Due:				
within one year	75	152	–	–
<u>Employee compensation commitments</u>				
Key management personnel commitments under non-cancellable employment contracts not provided for in the financial statements:				
Due:				
within one year	564	683	365	287
<u>Contingent liabilities</u>				
The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.				
In respect of related entities:				
(a) Unlimited guarantee by subsidiary parent entity of bank accommodation of its controlled entities	6,159	6,355	–	–
(b) An overseas subsidiary has received 3 (2 of which are relatively minor) claims for unfair dismissal which it has denied and is challenging				

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>24 INVESTMENTS</b>				
<u>Non-current</u>				
Listed equity securities at fair value	–	4,873	–	4,873
Shares in controlled entities - at original cost	–	–	16,721	14,721
Less: impairment	–	–	(1,801)	(1,801)
	–	4,873	14,920	17,793

The listed equity securities in 2006 comprised of 230,743 shares in Exel Oyj received as part of the consideration on the sale of Pacific Composites Pty Ltd. These securities were sold on 29 May 2007.

#### Investments in controlled entities

Name of entity	Country of incorporation	Ownership interest	
		2007 %	2006 %
<b>Parent entity</b>			
Lemarne Corporation Limited	Australia		
<b>Controlled entities</b>			
Lemvest Limited	Australia	100	100
Controlled entities			
Fine Pearl Sdn.Bhd	Malaysia #	100	100
- Lemtronics Sdn.Bhd	Malaysia #	100	100
C10 Communications Pty Ltd	Australia	100	100
- CTen Communications Pty Ltd	Australia	100	100
Lemvest Systems Pty Ltd	Australia	100	100
Lemarne Healthcare Pty Ltd	Australia	83 <sup>1</sup>	80
Controlled entities			
Molescan Australia Pty Ltd	Australia	100	100
- Molescan Limited	New Zealand *	100	100
Australian Dermatopathology Laboratory Pty Ltd	Australia	100	100

\*Not audited. (As entity did not trade it did not need to be audited.)

#Controlled entities audited by associated firms of KPMG Australia.

<sup>1</sup>On 30 November 2006 the Company acquired a further 2 million shares in Lemarne Healthcare Pty Ltd by way of allotment.

**25 RELATED PARTIES**

## (a) Details of key management personnel

## (i) Directors:

E.B. Noxon	Chairman (non-executive)
P.A. Murphy	Chief Executive Officer
S.L. Mason	Finance Director, Company Secretary
PG. Davenport	Director (non-executive)
J.C. Larking	Director (non-executive)

## (ii) Executives:

K. Kotsiopoulos	Group Financial Controller, Lemarne Corporation Ltd (on leave from 19 February 2007)
S.W. Porter	Group Financial Controller, Lemarne Corporation Ltd (covering this position from 19 February 2007)
K.H. Mun	Chief Executive, Lemtronics Sdn Bhd
J.A. Keep	Operations Director, Molescan Australia Pty Ltd
B.J. Dolphin	Chief Executive, C10 Communications Pty Ltd

The key management personnel compensation included in 'personnel expenses' (see note 3) are as follows:

	2007	2006	2007	2006
	\$	\$	\$	\$
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
Short-term employee benefits	1,656,019	2,242,743	886,363	950,994
Other long term benefits	16,686	5,117	11,444	(9,057)
Post-employment benefits	262,946	268,195	158,583	197,913
Termination benefits	–	281,148	–	281,148
Equity compensation benefits	33,685	594,379	22,214	–
	1,969,336	3,391,582	1,078,604	1,420,998

The key management personnel receive no compensation in relation to the management of the Company. The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the group in relation to their services rendered to the Company.

*Individual directors and executives compensation disclosures*

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report on pages 55 to 61.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

*Loans to key management personnel and their related parties (consolidated)*

There were no loans outstanding at the reporting date to key management personnel and their related parties, or at any time in the reporting period, (2006: nil).

**Equity instruments**

All options refer to options over ordinary shares of Lemarne Corporation Limited which are exercisable on a one-for-one basis under the Key Executive Share Option Plan No.6.

**Options and rights over equity instruments granted as remuneration**

During the reporting period no options over ordinary shares were granted under the Key Executive Share Option Plan No.6.

During the period no options over ordinary shares were granted under the Subsidiary Executive Option Plan No. 5.

**Exercise of options granted as remuneration**

During the reporting period the following options were exercised or shares issued.

**Option holdings**

The movement during the reporting period in the number of options over ordinary shares in Lemarne Corporation Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

Current Year

	<i>Held at 1 July 2006</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Cancelled/ Expired</i>	<i>Held at 30 June 2007</i>	<i>Vested and exercisable at 30 June 2007</i>
<b>Directors</b>						
S L Mason	232,500	–	45,000	–	187,500	93,750
<b>Executive</b>						
B J Dolphin	100,000	–	–	–	100,000	50,000

Previous Year

	<i>Held at 1 July 2005</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Cancelled/ Expired</i>	<i>Held at 30 June 2006</i>	<i>Vested and exercisable at 30 June 2006</i>
<b>Directors</b>						
D J Rainsbury	572,500	–	336,250	156,250	80,000	–
S L Mason	232,500	–	–	–	232,500	93,750
<b>Executives</b>						
B J Dolphin	100,000	–	–	–	100,000	–

During the year, D J Rainsbury exercised the 80,000 options he had at 30 June 2006. .

**Movements in shares**

The movement during the reporting period in the number of ordinary shares of Lemarne Corporation Limited held, directly, indirectly or beneficially, by each key management person, including their personally-related entities is as follows:

Current Year

	<i>Held at 1 July 2006</i>	<i>Purchases</i>	<i>Disposed of in share buy-back</i>	<i>Sales</i>	<i>Held at 30 June 2007</i>
<b>Directors</b>					
E B Noxon	2,056,865	485,855	974,623	462,867	1,105,230
P G Davenport	735,340	200,000	361,670	200,000	373,670
J C Larking	1,165,566	247,037	547,804	283,493	581,306
S L Mason	300,689	45,000	150,344	–	195,345
<b>TOTAL</b>	<b>4,258,460</b>	<b>977,892</b>	<b>2,034,441</b>	<b>946,360</b>	<b>2,255,551</b>

Previous Year

	<i>Held at 1 July 2005</i>	<i>Purchases</i>	<i>Sales</i>	<i>Held at 30 June 2006</i>
<b>Directors</b>				
E B Noxon	2,056,865	–	–	2,056,865
P G Davenport	1,335,340	70,000	670,000	735,340
J C Larking	1,167,929	167,000	169,363	1,165,566
D J Rainsbury	147,810	336,250	458,410	25,650
S L Mason	300,689	–	–	300,689
<b>Executive</b>				
G A Pearce	7,654	–	7,654	–
<b>TOTAL</b>	<b>5,016,287</b>	<b>573,250</b>	<b>1,305,427</b>	<b>4,284,110</b>

Mr Darryl Rainsbury, the former Managing Director, resigned on 31 March 2006.

**Other transactions with the Company or its controlled entities**

There were no transactions between the Company or its subsidiaries and entities that are controlled by key management personnel or their personally related entities.

**26 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	Sales 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.



26 SEGMENT REPORTING (Cont.)

	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
<b>Secondary reporting</b>														
<b>Geographical segments</b>														
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	65,905
Capital expenditure	965	1,063	214	3,565	-	426	-	-	-	-	2	8	1,181	5,062

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>27 NON-DIRECTOR RELATED PARTIES</b>				
The consolidated entity has a related party relationship with its subsidiaries (note 24) and with its key management personnel (note 25):				
<u>Transactions</u>				
All transactions with non-director related parties are on normal terms and conditions. Loans to non-director related parties are at commercial interest rates and are repayable on demand. Current account balances (arising from tax consolidations) are interest free.				
The Company arranges for insurance for controlled entities and invoices controlled entities based on the cost of the insurance provided. The Company also provides management, legal, accounting and secretarial services to controlled entities and invoices these services based on normal terms and conditions.				
The transactions that were entered into with related parties for the relevant financial year are as follows:				
<b><i>Interest revenue-subsidiaries</i></b>				
Wholly-owned controlled entities	–	–	288	204
<b><i>Revenue from management fees subsidiaries</i></b>	–	–	978	1,362
Loans to subsidiaries				
Amounts receivable from subsidiaries - current	–	–	–	1,125
Amounts receivable from subsidiaries – non-current	–	–	3,064	4,100
Amounts payable to subsidiaries			800	9,100
<b>Percentage of equity interest</b>				
Details of equity interests held in classes of related parties are set out as follows:				
Controlled entities – note 24.				
Other related party disclosures are contained in notes 22, and 25.				
<b>28 NOTES TO THE STATEMENT OF CASH FLOWS</b>				
[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 statement of financial position as follows:-				
Cash	4,334	27,615	1,579	25,730
Short term deposits	12,500	–	12,500	–
Bank overdraft	(357)	(132)	–	–
	16,477	27,483	14,079	25,730

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
<b>28 NOTES TO THE STATEMENT OF CASH FLOWS (cont'd)</b>				
[ii] Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	6,141	11,889	11,071	27,101
<u>Add/(less) items classified as investing/financing activities</u>				
Diminution of investment	–	–	–	1,801
Revaluation of investments	–	(373)	–	(373)
(Profit)/loss on sale of non-current assets	(667)	1	(653)	9
(Profit)/loss on sale of intellectual property	–	(130)	–	–
(Profit)/loss on sale of subsidiary/business	(622)	(14,742)	(622)	(28,397)
<u>Add/(less) non-cash items</u>				
Amortisation	184	210	–	–
Depreciation	1,411	1,934	14	27
Amounts set aside to provisions	489	2,288	102	284
Bad debts and movement in provision for impairment	191	45	–	–
Fixed assets scrapped/written down	145	948	–	–
Goodwill impairment	154	4,918	–	–
Discount on acquisition	(11)	(11)	–	–
Equity settled share based payments	68	(29)	68	(29)
Unrealised foreign exchange gain/(loss) on translation of controlled entities	(539)	345	–	–
Net cash provided by operating activities before change in assets and liabilities	6,944	7,293	9,980	423
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities				
(Increase)/decrease in inventories	532	(2,891)	–	–
(Increase)/decrease in prepayments/deposits	(73)	81	(1)	3
(Increase)/decrease in trade and other debtors	(1,700)	(2,714)	(84)	(9)
(Increase)/decrease in amounts owing to related entity	–	–	(9,300)	–
(Decrease)/increase in trade and other creditors	(1,388)	1,243	(100)	(1)
Payments from provisions	(1,236)	(1,148)	(231)	(337)
(Decrease)/increase in income received in advance	128	191	–	–
(Decrease)/increase in current tax payable	(50)	(1,107)	158	(1,107)
(Decrease)/increase in deferred taxes payable	(260)	195	(83)	145
<b>Net cash provided by operating activities</b>	<b>2,897</b>	<b>1,143</b>	<b>339</b>	<b>(883)</b>

## 29 FINANCIAL INSTRUMENTS

**(a) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the accounts.

**(b) Interest rate risk**

The following table details the consolidated entity's exposure to interest rate risk as at the reporting date.

2007	Effective interest rate	Floating interest rate	Fixed interest rate maturity			Non-interest bearing	Total
	%	\$000	Less than 1 year	1 to 5 years	More than 5 years	\$000	\$000
<i>Financial assets</i>							
Cash	6.16	4,323	12,500	–	–	11	16,834
Trade receivables			–	–	–	10,895	10,895
		4,323	12,500	–	–	10,906	27,729
<i>Financial liabilities</i>							
Bank overdraft	8	357	–	–	–	–	357
Payables	–	–	–	–	–	5,796	5,796
Bills of exchange	4.86	2,467	–	–	–	–	2,467
Finance lease and hire purchase liabilities	5.84	314	111	–	–	–	425
		3,138	111	–	–	5,796	9,045
2006	Effective interest rate	Floating interest rate	Fixed interest rate maturity			Non-interest bearing	Total
	%	\$000	Less than 1 year	1 to 5 years	More than 5 years	\$000	\$000
<i>Financial assets</i>							
Cash	5.76	2,483	25,099	–	–	33	27,615
Trade receivables			–	–	–	10,193	10,193
		2,483	25,097	–	–	10,226	37,808
<i>Financial liabilities</i>							
Bank overdraft	7.5	–	132	–	–	–	132
Payables	–	–	–	–	–	9,735	9,735
Bills of exchange	4.2	–	1,800	–	–	–	1,800
Finance lease and hire purchase liabilities	6.54	–	306	523	–	–	829
		–	2,238	523	–	9,735	12,496

**(c) Foreign exchange risk**

The consolidated entity enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase and sale commitments denominated in foreign currencies (principally Euros) expected in each month. The amount of anticipated future purchases and sales is forecast in light of current conditions in foreign markets, commitments from customers and experience. All sales and purchases from the first of each month are designated as being hedged until all hedge contracts are fully utilised. Note 1(d) and note 1(f) set out the accounting treatment for these contracts.

**(d) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security such as directors' or parent company guarantees where appropriate, as a means of mitigating the risk of financial loss from defaults. In some instances trade indemnity insurance cover is taken out. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

**(e) Net fair value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the accounts.

**30 ACQUISITION/DISPOSAL OF CONTROLLED ENTITIES**

**2007 Acquisitions**

Nil

**2006 Acquisitions**

Nil

	<b>Consolidated profit/(loss) on disposal \$000</b>	<b>The consolidated entity's interest %</b>
<b>2007 Disposals</b>		
No entities or businesses were disposed of during the year		
<b>2006 Disposals</b>		
The Pacific Composites Group was sold on 28 February 2006 See note 7 for further details.	14,886	100

**31 EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years, apart from the fact that the Company acquired the minority shareholding it did not own in Lemarne Healthcare Pty Ltd effective 1 July 2007 and from that date owns 100% of Lemarne Healthcare Pty Ltd. Refer note 20.

## DIRECTORS' DECLARATION

Directors' Declaration – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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1. In the opinion of the directors of Lemarne Corporation Limited ("the Company"):
  - (a) the financial statements and notes and the remuneration disclosures in section 11 of the Directors' Report, set out on pages 56 to 59, are in accordance with the Corporation Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
  - (b) the remuneration report in the Directors' Report complies with Australian Accounting Standard AASB 124 Related Party Disclosures
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Dated at Melbourne this 16th day of August 2007.

Signed in accordance with a resolution of the directors.

P A MURPHY  
**Director**

S L MASON  
**Director**

# INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Lemarne Corporation Limited ABN 72 004 834 584

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## Report on the financial report

We have audited the accompanying financial report of Lemarne Corporation Limited ('the Company'), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on page 53 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ('remuneration disclosures'), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'Remuneration report' in section 11 of the Directors' report and not in the financial report. We have audited these remuneration disclosures.

### Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Lemarne Corporation Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in section 11 of Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

M M Craig  
Partner

Melbourne  
16 August 2007

# DIRECTORS' REPORT

Directors' Report – Lemarne Corporation Limited ABN 72 004 834 584

The directors have pleasure in presenting the Annual Financial Report of the Company and the consolidated entity for the year ended 30 June 2007, and the auditors' report thereon.

## 1. Directors

The directors of Lemarne Corporation Limited in office during or since the end of the financial 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 since 1987. Director of National Can Industries Limited since 2000 and Chairman since January 2005.

Age 69.

Peter Geoffrey Davenport, M.A., M.I.E.E.

Director since 1981 Previously electrical/electronics engineer and management consultant

Age 69.

John Campbell Larking, M.B. Ch.B., M.R.C.O.G., F.R.A.C.O.G.

Director since 1986

Age 68.

Stephen Leslie Mason, B.Comm., LL.B., F.C.PA., F.C.I.S.

Director since 1997 Finance Director and Group Company Secretary

Age 55.

Peter Anthony Murphy, B.Sc(Hon)

Managing Director since March 2006 Director Anca Pty Ltd.,

Age 62

In accordance with the Company's Constitution Mr J.C. Larking retires by rotation from the board of directors and being eligible, offers himself for re-election.

## 2. Company Secretary

Mr Stephen Leslie Mason, B.Comm., LL.B., F.C.PA., F.C.I.S., Dip C.M., has been company secretary since 1986. Prior to that he had held the role of assistant company secretary of Lemarne Corporation and other listed entities.

## 3. Directors' meetings

The number of directors' meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' meetings	
	No of meetings attended	No of meetings held
Mr.E.B. Noxon	13	13
Mr. P.G. Davenport	12	13
Mr. J.C. Larking	11	13
Mr. S.L. Mason	12	13
Mr P.A. Murphy	11	13

## 4. Principal activities

The principal activities of the consolidated entity during the financial year were:

- the manufacture and international sale of electronics and electrical components and sub-assemblies
- the sale and distribution of ISDN/ADSL access products, filters, telephone accessories and voice over internet protocol (VoIP) services
- provision of medical services via skin cancer clinics and dermatopathology services
- provision of financial facilities to related entities.

## 5. Review of operations

A detailed review of operations is set out in pages 3 to 7.

## 6. Dividends

The amounts paid or declared by way of dividend by the Company since the end of the previous financial year are:

	2007 \$000	2006 \$000
(a) No final fully franked dividend (2006: 8.0 cents per share in respect of the year ended 30 June 2005) was paid in respect of the year ended 30 June 2007	–	1,154
(b) An interim fully franked ordinary dividend of 8.5 cents per share (2006: 8 cents) was paid on 23 March 2007	816	1,153
(c) 2007: Nil (2006: a special fully franked dividend of 15.0 cents per share was declared by the directors on 21 March 2006 and paid on 3 July 2006)	–	2,201
<b>Total dividends paid or provided for in accounts</b>	<b>816</b>	<b>4,508</b>

(d) A final fully franked dividend of 10 cents per share was declared by the directors on 24 July 2007 and is payable on 19 October 2007 to members on the register at 7 pm on 12 October 2007.

## 7. State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this Annual Report.

## 8. Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years .

## 9. Likely developments

Certain likely developments in the operations of the consolidated entity and the expected results of those operations, in financial years subsequent to the financial year ended 30 June 2007 are referred to in the Chairman/Managing Director's review of operations as set out on pages 3 and 4 of this Annual Report.

In the opinion of the directors it would prejudice the interests of the consolidated entity if further information which may be required by section 299 of the Corporations Act 2001 to be included in this report was so included, and that information has not been so included.

## 10. Directors interests and benefits

### Indemnification and insurance of officers

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### Interests

The relevant interest of each director in the share capital of the Company shown in the register of directors' shareholdings as at the date of this report is:

	No. of shares	Nature of interest
E.B.Noxon	565,964	Beneficial interest in shares registered in the name of EBN Super Fund
	403,160	Beneficial interest in shares registered in the name of Lindridge Pty.Ltd.
	68,500	Shareholder
J.C.Larking		Beneficial interest in shares registered in the name of the shareholder as Trustee for:
	324,426	- Larking Superannuation Fund
	193,175	- Larking Family Fund
	33,500	- Jacana Glen Pty Ltd <Larking Super Fund No.2 A/c >
P.G.Davenport	209,750	Beneficial interest in shares registered in the name of Maintop Superannuation Pty Ltd <Davenport Super Fund A/c >
	151,920	Shareholder
	S.L.Mason	189,235
	187,500	Options

## 11. Remuneration report - audited

### **Principles of compensation**

#### Remuneration Policy

The Board's Remuneration and Succession Planning Committee is responsible for reviewing the compensation policies and practices of the Company, including the compensation arrangements for key management personnel. This Committee bases its recommendations on the appropriateness of remuneration packages for executive directors, non-executive directors and senior executives given trends in independent market data for comparative companies.

#### **Non-Executive Director Remuneration**

The compensation of non-executive directors is determined by the Board, on advice from the Remuneration and Succession Planning Committee, within the maximum amount of \$250,000 approved by Shareholders at the 1998 Annual General Meeting.

Lemarne's non-executive directors' fees are presently \$180,000 per annum. The Chairperson receives an annual base fee of \$90,000, while non-executive directors receive a base fee of \$40,000 per annum. Directors' fees cover all main board activities and membership of any sub-committees of the Board. Non-executive director members who chair one or more such sub-committees receive an additional fee of \$10,000 per annum.

Non-executive directors do not receive any performance related remuneration, therefore they do not receive bonuses nor are they issued with share options.

The Company does not have any retirement scheme in place with non-executive directors.

#### **Executive Directors and Senior Management Compensation**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel includes the five most highly remunerated S300A directors and executives for the Company and the consolidated entity.

Remuneration levels are set, based upon recommendations of the Remuneration and Succession Planning Committee, to attract and retain high calibre executives with the skills necessary to successfully manage Lemarne's operations and achieve the Group's strategic and financial objectives. The Company believes in the use of variable performance based remuneration for executives as an effective incentive in influencing the broader outcome of increasing the consolidated entity's net profit attributable to shareholders, as an intrinsic part of achieving Lemarne's short and long-term financial goals. As a result of this philosophy, an increasing portion of executive remuneration is performance based.

Remuneration packages for executive directors and senior executives generally consist of three parts:

- Fixed remuneration, which is made up of cash salary, salary sacrifice components, superannuation and other benefits such as motor vehicles. Generally, this part of an executives' remuneration is set in the mid range of levels paid by comparable companies for similar positions;
- Short-term incentives result primarily from Lemarne's Performance Bonus Scheme. Benefits derived from this scheme are earned by the executive successfully achieving specific financial and operational targets that contribute to improve shareholder returns. The primary financial target is to increase return on capital employed, while operational targets focus on goals that are specific to the particular executive's sphere of responsibility and may include sales increases, manufacturing efficiency improvements, new product development etc. These performance related bonuses are paid for after the cost of the bonuses have been funded; and
- Long-term incentives may be provided to qualifying executive directors and senior executives in the form of share options. Options may be granted to senior executives under the Subsidiary Executive Option Plan No 5, or in the case of executive directors and qualifying senior executives under the Key Executive Option Plan No 6. Shareholders at the 2002 and 2005 Annual General Meetings approved the trust deeds, under which these option plans are administered. Shareholders at a General Meeting approve all options granted to executive directors. An overview of these option plans and details of the number of options that have been granted are set out in note 22.

In accordance with the terms of their respective employment contracts, in the event of an executive director or senior executives' employment being terminated, for reasons other than a breach of contract, a payout of up to 12 months remuneration is payable.

The Company does not provide any loan funding to any director or senior executive.

The Board considers that the performance-linked remuneration structure outlined provides appropriate incentives to key senior executives for the achievement of the short-term and longer-term objectives of Lemarne. Paying competitive base levels of remuneration appropriate to the size of the respective businesses is necessary to attract appropriately trained / experienced employees in the first instance. However, it is the annual performance bonus scheme that provides the added encouragement / reward for above target short-term performance, while the share option schemes provide incentive to qualifying key senior executives to achieve sustained superior returns over a four to five year time frame. Directors believe that the current performance linked remuneration structure will play an important role in supporting the Company's return to profitable growth during a difficult and challenging period of repositioning the Group.

The following table provides details of all directors of the Company and the key executives of the consolidated entity with the greatest authority ("key management personnel") and the nature and amount of the elements of their remuneration for the year ended 30 June 2007.

**Directors' and executive officers' remuneration (Company and consolidated)**

Director	Year	Short term		Non-monetary benefits	Post employment Super contributions	Share based payment Options issued*	Long term benefits Long service leave	Termination benefits Termination	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Base remuneration	Incentive schemes								
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
P.A. Murphy	2007	266,569	108,630	28,602	60,833	-	-	-	464,634	23	-
	2006	25,641	-	2,785	49,295	-	-	-	77,721	-	-
D.J. Rainsbury	2007	-	-	-	-	-	-	-	-	-	-
	2006	175,998	163,040	41,396	63,657	(37,024)	(18,523)	281,148	669,692	24	(5)
S.L. Mason	2007	115,040	38,233	25,371	44,091	22,214	9,481	-	254,430	15	9
	2006	145,040	62,708	22,161	16,500	37,024	6,325	-	289,758	22	13
E.B. Noxon	2007	90,000	-	-	28,000	-	-	-	118,000	-	-
	2006	90,000	-	-	42,500	-	-	-	132,500	-	-
P.G. Davenport	2007	50,000	-	-	-	-	-	-	50,000	-	-
	2006	50,000	-	-	-	-	-	-	50,000	-	-
J.C. Larking	2007	36,700	-	-	3,300	-	-	-	40,000	-	-
	2006	36,700	-	-	3,300	-	-	-	40,000	-	-

## Directors' and executive officers' remuneration (Company and consolidated)

Officer of the Company		Short term		Non-monetary benefits	Post-employment Super contributions	Share-based payment Options issued*	Long term benefits Long service leave	Termination benefits Termination	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Incentive schemes	Base remuneration								
K.Kotsiopoulos	2007	11,623	77,400	-	17,865	-	1,963	-	108,851	11	-
	2006	37,625	97,900	-	22,661	-	3,141	-	161,327	23	-
S. Porter	2007	-	38,195	-	4,494	-	-	-	42,689	-	-
	2006	-	-	-	-	-	-	-	-	-	-
<b>Total Lemark</b>	2007	<b>158,486</b>	<b>673,904</b>	<b>53,973</b>	<b>158,583</b>	<b>22,214</b>	<b>11,444</b>	<b>-</b>	<b>1,078,604</b>		
	2006	<b>263,373</b>	<b>621,279</b>	<b>66,342</b>	<b>197,913</b>	<b>-</b>	<b>(9,057)</b>	<b>281,148</b>	<b>1,420,998</b>		
K.H. Mun	2007	75,350	148,966	6,995	42,121	-	-	-	273,432	28	-
	2006	-	-	-	-	-	-	-	-	-	-
B.J. Dolphin	2007	100,071	257,008	-	42,599	11,471	5,242	-	416,391	24	3
	2006	178,469	207,008	-	26,581	31,481	2,499	-	446,038	40	7
J.A. Keep	2007	12,243	135,709	-	16,645	-	-	-	164,597	9	-
	2006	-	-	-	-	-	-	-	-	-	-
G.L. Patrick	2007	-	33,314	-	2,998	-	-	-	36,312	-	-
	2006	-	255,235	-	22,971	-	-	-	278,206	-	-
<b>Consolidated Totals</b>	2007	<b>346,150</b>	<b>1,248,901</b>	<b>60,968</b>	<b>262,946</b>	<b>33,685</b>	<b>16,686</b>	<b>-</b>	<b>1,969,336</b>		
	2006	<b>441,842</b>	<b>1,083,522</b>	<b>66,342</b>	<b>247,465</b>	<b>31,481</b>	<b>(6,558)</b>	<b>281,148</b>	<b>2,145,242</b>		

\* The fair value of Lemark options granted or on issue during the year has been determined using the Black-Scholes approach. It assumes all options have a value and will be exercised. The value is recognised proportionately on an annual basis over the vesting term of the options which is up to 5 years. In valuing the options, market conditions have been taken to account. Details of options on issue at 30 June 2007 to directors and the above named officers of the Company are as follows:

S.L. Mason	187,500 at \$2.67 in Lemark Corporation Limited
B.J. Dolphin	100,000 at \$2.57 in Lemark Corporation Limited.
B.J. Dolphin	460,000 in C10 Communications Pty Ltd under the Subsidiary Executive Option Plan.

## 12. Equity instruments

### *Options and rights over equity instruments granted as compensation - audited*

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, 80,000 on 1 February 2007 and a further 45,000 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.

The exercise price is the average market price over the preceding five trading days on the ASX prior to the options being issued, plus 10%.

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

On 30 June 2006, C10 Communications Pty Ltd granted options over 460,000 unissued shares under the Subsidiary Executive Option Plan No.5 approved by shareholders to its Managing Director. In the event that C10 Communications is not listed on the Australian Stock Exchange, the option holder is entitled to shares in Lemarne Corporation Limited. As the conversion formula is based on the increase in value of C10 Communications Pty Ltd and in particular its results for the three year period 2007-2009, 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 2009.

## 13. Audit committee

The Company has an Audit Committee, of which only the non-executive directors are members. All audit activities are monitored by the Audit Committee as detailed in the Corporate Governance Statement. There were two Audit Committee meetings held during the year, of which all members attended.

The Company does not comply with ASX Corporate Governance Council Best Practice recommendation 4.3 because a majority of the committee are not independent directors due to their substantial shareholding in the Company. The Company does not believe that this impacts adversely on the workings of the Audit Committee.

## 14. Environmental regulation

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to the manufacture of its products.

Most operating entities have active Risk Management Committees which monitor compliance with environmental regulations, in order to maintain a safe and healthy working environment.

Noise levels are also measured and monitored.

External Consultants are used on an as required basis and both internal and external audits undertaken to ensure compliance with both environmental and occupational health and safety legislation.

The directors are not aware of any significant breaches or non-compliance with environmental regulations during the period covered by this report.

## 15. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services, primarily taxation advice, in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with a resolution of the directors, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to the auditor independence as set out in Professional Statements F1 Professional independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate of the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Statutory audit</b>		
<u>Auditors of the Company</u>		
-audit and review of financial reports (KPMG Australia)	133,974	167,959
-audit and review of financial reports (Overseas KPMG firms)	13,268	62,683
<u>Other auditors</u>		
-audit and review of financial reports (non-KPMG firms)	8,975	–
<b>Services other than statutory audit</b>		
<u>Other assurance services</u>		
-completion audit services (KPMG Australia & overseas)	58,268	# 184,583
-due diligence services (KPMG related practices)	–	21,992
-Valuation services (non KPMG firms)	–	12,000
<u>Other services</u>		
-taxation compliance services (KPMG Australia)	112,298	*167,566
-taxation compliance services (Overseas KPMG firms)	4,306	4,077

\* This figure includes fees associated with obtaining a Private Tax Ruling in relation to the Lemarne Corporation share buy-back.

# This is the audit fee associated with auditing the Completion Accounts at 28 February 2006 for the Pacific Composites Pty Ltd Group.

#### **16. Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 62 and forms part of the directors' report for the year ended 30 June 2007.

#### **17. Rounding off of amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 16 day of August 2007.

Signed for and on behalf of the board in accordance with a resolution of directors

P A MURPHY  
**Director**

S L MASON  
**Director**

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead auditor's independence declaration – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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### **Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

#### **To: the directors of Lemarne Corporation Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporation Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

M M Craig  
Partner  
Melbourne

16 August 2007

# STOCK EXCHANGE INFORMATION

Stock Exchange Information – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

## 1 Share Capital at 15 August 2007

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

Shares	Shareholders
1 - 1,000	333
1,001 - 5,000	392
5,001 - 10,000	94
10,001 - 100,000	132
100,001 and over	14
<b>Total</b>	<b>965</b>

(ii) Holding less than a marketable parcel 50

(b) Voting rights (Article 89)

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

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

(c) Twenty largest shareholders

The percentage of total ordinary shares held on 15 August 2007 by or on behalf of the twenty largest shareholders was 47.24%.

(d) Substantial shareholders

The number of shares held by the substantial shareholders as at 15 August 2007 were:

	No.	%
HSBC Custody Nominees (Australia) Ltd GPO Box 5302, Sydney NSW	1,186,900	12.36

Edward Brian Noxon & Ann Elspeth Noxon  
<EBN Super Fund A/c>

Orrong Park, 271 Main Creek Road,

Main Ridge. Vic. 502,964 5.24

(e) Twenty largest shareholders as at 15 August 2007

	Number	Fully paid %
HSBC Custody Nominees (Australia) Limited	1,186,900	12.36
Edward Brian Noxon & Ann Elspeth Noxon <EBN Super Fund A/c>	502,964	5.24
Lindridge Pty.Ltd.	403,160	4.20
John Larking < Superannuation Fund A/c >	324,426	3.38
Maintop Superannuation Pty Ltd <Davenport Super Fund A/c >	209,750	2.18
Stephen John Milner & Helen Ruth Milner < Thurso Rental Property Unit A/c >	200,000	2.08
John Larking <Larking Family Fund A/c >	193,175	2.01
Mason, Stephen Leslie	189,235	1.97
Angueline Investments Pty Limited < Angueline A/c >	171,900	1.79
Peter Geoffrey Davenport	151,920	1.58
Ignatius Lip Pty Ltd < Ignatius Lip P/L S/Fund A/c >	133,919	1.39
Ross George Yannis	133,744	1.39
Citicorp Nominees Pty Limited	128,494	1.34
Graeme Edmund Moir	108,160	1.13
Buduva Pty Ltd	100,000	1.04
FDF Commercial Services Pty Ltd	85,000	0.88
Milton Yannis	82,819	0.86
Edward James Stephen Dally	80,000	0.83
Darryl Jeffrey Rainsbury	80,000	0.83
Margaret Patricia Young	72,993	0.76
	<b>4,538,559</b>	<b>47.24</b>

## 2 Stock exchange listing

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

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# CORPORATE DIRECTORY

Corporate Directory – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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## LEMARNE CORPORATION LIMITED

### Board of Directors

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

### Company Secretary

S L Mason, BComm, LLB, FCPA, FCIS

### Group Management

Peter Murphy, Group Chief Executive  
Stephen Mason, Finance Director  
& Group Company Secretary  
Kong Hoe Mun, Managing Director,  
Lemtronics Sdn Bhd  
Brad Dolphin, Managing Director,  
C10 Communications Pty Ltd  
Gordon Patrick, Managing Director  
Lemarne Healthcare Pty Ltd  
Kathy Kotsiopoulos, Group Financial Controller  
(to 16 February 2007)  
Sam Porter, Group Financial Controller  
(from 19 February 2007)

### Auditors

KPMG, Chartered Accountants

### Tax Agents

KPMG, Chartered Accountants

### Bankers

Australia & New Zealand Banking Group Ltd  
HSBC Bank Malaysia Berhad  
Malayan Bank Berhad

### Solicitors

Deacons

### Share Register

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
ABBOTSFORD VIC 3067  
Telephone (03) 9415 5000  
Facsimile (03) 9473 2500

### Registered Office

Lemarne Corporation Limited  
Level 1  
492 St Kilda Road  
MELBOURNE VIC 3004  
Telephone (03) 9820 2400  
Facsimile (03) 9820 2038  
Email: mastewart@lemarne.com.au  
www.lemarne.com.au

## LEMTRONICS SDN BHD

Phase 2, Bayan Lepas Free Industrial Zone  
11900 PENANG MALAYSIA  
Telephone (604) 619 1000  
Facsimile (604) 619 1101  
www.lemtronics.net

## C10 COMMUNICATIONS PTY LTD

Unit R8  
Regents Park Estate  
391 Park Road  
REGENTS PARK NSW 2143  
Telephone (02) 9722 3360  
Facsimile (02) 9722 3344  
www.c10.com.au

## LEMARNE HEALTHCARE PTY LTD

Level 1  
492 St Kilda Road  
MELBOURNE VIC 3004  
Telephone (03) 9820 2400  
Facsimile (03) 9820 2038

## Molescan Australia Pty Ltd

Suite 1, 36 Station Road  
INDOOROPILLY QLD 4068  
Telephone (07) 3378 6555  
Facsimile (07) 3378 6304  
www.molescan.com.au

## Australian Dermatopathology Laboratories Pty Ltd

Suite 3, 36 Station Road  
INDOOROPILLY QLD 4068  
Telephone (07) 3871 4700  
Facsimile (07) 3871 4711

LEMARNE CORPORATION LIMITED  
 ABN 72 004 834 584  
 LEVEL 1, 492 ST KILDA ROAD  
 MELBOURNE VICTORIA 3004  
 AUSTRALIA

www.lemarne.com.au  
 (links to all subsidiaries appear  
 on the company's web site)

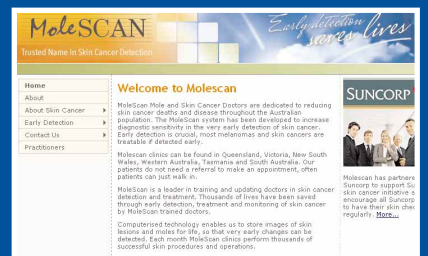
www.c10.com.au



www.valuenet.com.au



www.molescan.com.au



www.lemtronics.net

