Lemarne Corporation Limited

2009 ANNUAL REPORT

CONTENTS

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 Australian Institute of Management, 181 Fitzroy Street, St.Kilda, on 28 October 2009 at 11.30 a.m.

A formal notice of meeting and proxy form are enclosed herewith.

HIGHLIGHTS

Profit before tax increased to $9.9 million.

Profit after tax increased to $8.4 million.

Shareholder funds $38.2 million at 30 June 2009 with cash on deposit totalling $28 million.

Earnings per share from continuing operations increased to 53.1 cents per share.

Net tangible asset backing per share increased to $4.40 per share.

Final dividend of 50 cents per share bringing total dividends for the year to 79 cents per share.

GROUP FINANCIAL PERFORMANCE

		2009	2008	CHANGE
EBIT[1]	$000s	**10,003**	4,777	+ 109%
Net profit before tax	$000s	**9,949**	4,717	+ 111%
Operating profit/(loss) after income tax	$000s	**8,384**	3,177	+164%
Earnings per ordinary share	cents	**88.2**	33.1	+167%
Net tangible asset backing per ordinary share	cents	**440**	373	+ 18%
Dividend paid per ordinary share*	cents	**79.0**	25.0	
Shareholders' equity	$000s	**38,185**	36,809	+ 4%
Operating profit after income tax/shareholders' equity	%	**22.0**	8.6	+154%
Net borrowings/shareholders' equity	%	**(71)**	(65)	
Share price (at 30 June)	cents	**362**	348	+ 4%

These figures are based on the consolidated accounts.

* 2009 includes the final dividend of 50 cents per share which was declared after 30 June 2009 and hence was not included in the financial statements.

* 2008 includes the final dividend of 12.5 cents per share which was declared and paid after 30 June 2008 and hence was not included in the financial statement.

1 EBIT reported is based on earnings before interest expense and taxation.

FIVE YEAR GROUP RECORD

OPERATING RESULTS		**2009[1] $'000s**	2008 $'000s	2007 $'000s	2006 $'000s	2005 $'000s
Group sales		**56,238**	65,610	71,013	85,085	76,738
EBITDA[2] before non-recurring items		**9,579**	8,971	6,628	7,808	9,412
EBIT[2] before non-recurring items		**8,524**	7,839	5,032	5,664	7,460
Non-recurring/significant items before tax		**1,479**	(3,062)	1,658	8,173	–
Borrowing costs		**(54)**	(60)	(158)	(438)	(256)
Profit/(loss) before tax		**9,949**	4,717	6,532	13,399	7,204
Income tax expense/(benefit)		**1,565**	1,540	391	1,510	1,821
Profit for the year		**8,384**	3,177	6,141	11,889	5,383
Minority interests		**–**	–	–	–	102
Profit after tax attributable to shareholders		**8,384**	3,177	6,141	11,889	5,281
Dividends – ordinary		**3,898[1]**	1,201	1,777	4,508	2,294
Payout ratio	%	**46[1]**	38	29	38	43
FINANCIAL POSITION						
Share capital		**3,672**	4,178	3,677	6,867	6,187
Total equity		**38,185**	36,809	36,361	46,102	39,776
Net borrowings		**(27,163)**	(23,800)	(13,585)	(24,854)	(3,173)
Current assets		**39,633**	40,351	35,237	45,145	32,393
Total assets		**44,177**	44,838	47,301	65,905	60,683
Current liabilities		**5,396**	7,451	10,438	15,964	19,087
Non-current liabilities		**596**	578	502	3,839	1,820

PER ORDINARY SHARE						
Earnings	cents	**88.2**	33.1	52.7	82.3	36.2
Net tangible asset backing	cents	**440**	373	315	250	160
Asset backing	cents	**444**	376	379	314	261
Dividend	cents	**79.0[1]**	25.0	18.5	31.0	15.5
ANALYTIC INFORMATION						
EBIT[2]/total assets	%	**23**	11	14	21	12
EBIT[2]/trading capital employed	%	**26**	13	17	28	17
Operating profit after tax/members' equity	%	**22**	9	17	26	14
Net borrowings/total equity	%	**(71)**	(65)	(37)	(54)	(8)
Total debt/total assets	%	**2**	1	7	4	7
Current assets/current liabilities		**7.3**	5.4	3.4	2.8	1.7
Net interest cover		**186.1**	79.5	42.4	31.6	29.0
Shares on issue	millions	**8.6**	9.8	9.6	14.7	14.3

1 2009 includes the final dividend of 50 cents per share which was declared after 30 June 2009 and hence was not included in the financial statements.

2 EBIT reported is based on earnings before interest expense and taxation.

DEAR SHAREHOLDER

Against the background of challenging economic conditions and unpredictable movements in major currencies, Lemarne achieved excellent results in 2008/9. Profit before tax increased from $4.7 million in 2007/8 to $9.9 million, while net profit after tax increased by 164% to $8.4 million.

This pleasing profit resulted from the continuing strong performance of Lemtronics Sdn Bhd and 10 month's contribution from C10 Communications prior to its divestment, which yielded an abnormal profit after tax of $1.5 million.

The divestment of C10 Communications and the major buyback of an institutional shareholding in April 2009 represent the final phase in the restructuring of Lemarne. Lemarne has a very strong balance sheet with shareholder funds of $38 million, no debt and $28 million on deposit at 30 June 2009. Net tangible assets per share increased from $3.73 to $4.40 and earnings per share rose from 33.1 cents to 88.2 cents.

The focus of the Group is now on Lemtronics which continues to show solid profitability despite very challenging trading conditions.

DIVIDENDS

In April 2009 an interim unfranked dividend of 14 cents per share was paid and the Directors have declared a final unfranked dividend of 50 cents per share to be paid on 19 October 2009 which is in line with the Company's long held policy of maximizing its return to shareholders.

FUTURE

Lemarne will continue to actively explore how best to utilize its strengths to maximize returns to shareholders. The aim is for Lemtronics to continue to achieve strong growth with the further upgrade of its capital equipment and facilities, core manufacturing processes and to expand its business development capability into Australasia, UK, France and Scandanavia.

BRIAN NOXON
CHAIRMAN

PETER MURPHY
MANAGING DIRECTOR

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, and ensuring compliance with relevant market authorities. 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.

		2009	2008	2007	2006	2005
Total sales	$000s	**48,452**	48,745	49,491	38,568	29,507
EBIT before non-recurring items	$000s	**6,607**	5,837	3,439	339	1,300
EBIT[1]	$000s	**6,607**	5,837	3,979	(1,456)	1,300
Total assets	$000s	**22,371**	20,031	19,007	17,474	14,432
Employees		**511**	701	688	576	515

[1] EBIT reported is based on earnings before interest expense and taxation.

MAIN PRODUCTS

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

In spite of an extremely challenging year reflecting the global, economic turmoil, Lemtronics succeeded in posting operating profits similar to that achieved in the previous year on a lower revenue base.

The continued focus on cost control, material costs savings and improvement in operating efficiencies has greatly assisted the company in maintaining its operating profits.

Over the last three years, Lemtronics has also transformed its balance sheet with careful monitoring of its inventories and receivables. The funds released from these activities have been re-invested in manufacturing and test equipment and the company's overall infrastructure.

It is expected that 2009/2010 will prove equally challenging as the world economic climate starts stabilising. However Lemtronics, with its continued investment in personnel, customers and business development activities, should continue to achieve good results. Opportunities are also being sought to expand its market penetration with the acquisition of a similar sized electronic manufacturing company.

Kong Hoe Mun FCPA
MANAGING DIRECTOR

This statement outlines the main corporate governance practices in place throughout the year, which comply with Australian Stock Exchange Corporate Governance Council recommendations including the Revised Principles effective from 1 July 2008 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. Each board of directors establishes the functions to be delegated to the senior executives.

Lemarne has a relatively small board of five directors in keeping with its size, four of whom including the Chairman are non executive directors. As two of 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, the Company 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. A self evaluation process is used to assess the performance of the board and the evaluation for 2008/2009 has been undertaken in August 2009.

The term of office for each director (apart from the Managing Director), is 3 years in accordance with the Company's Constitution.

Details of directors including their skills and experience 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.

In addition to the Remuneration Committee, the Managing Director is responsible for evaluating the performance of the senior executives within the Group and such evaluations have occurred during the financial year in accordance with the policies as set out in the Remuneration Report.

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 Audit Committee has a formal Audit Committee Charter which is disclosed on the Lemarne website (www.lemarne.com.au). 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, Akaterine Kotsiopoulos, acts as the Company's ASX Liaison Officer, and in conjunction with the Company's Solicitors, Minter Ellison, 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.
- 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 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 well established. The programme requires management within 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 statistics and periodic reports and presentations as considered appropriate.

The Managing Director has the formal responsibility for monitoring this function and preparing an audit report to the board for each subsidiary at least annually which reports on the effectiveness of the Company's management of business risk. This report covers matters such as environmental risks, occupational health and safety, trade practices compliance, equal opportunity, workplace practices, employment issues, financial risk, treasury, insurance and operating risks.

Both the Managing Director and the Financial Controller have stated to the board in writing, and provided declarations in accordance with S295A of the Corporations Act, 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.

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 available on the Lemarne website (www.lemarne.com.au) and is only posted to shareholders who request it from the Company. 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 half yearly 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 posted on the Lemarne web site and/or 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

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INCOME STATEMENTS

		2009 $000	*2008 $000	2009 $000	2008 $000
Continuing operations	*Note*	*Consolidated*		*Lemarne Corporation Limited*	
Revenue	5	48,452	48,745	678	1,154
Cost of sales		(37,699)	(38,908)	–	–
Gross profit		10,753	9,837	678	1,154
Other income	5	62	378	7,985	–
Distribution expenses		(1,495)	(1,952)	–	–
Administrative expenses		(4,429)	(3,559)	(2,371)	(2,215)
Impairment of goodwill and property, plant and equipment/investment		(3)	(7)	–	–
Other expenses		(72)	6	–	–
Results from operating activities		**4,816**	**4,703**	**6,292**	**(1,061)**
Finance income	9	1,176	1,238	1,062	1,159
Finance expenses	9	(54)	(47)	–	–
Net finance income		**1,122**	**1,191**	**1,062**	**1,159**
Profit from ordinary activities before income tax expense		**5,938**	**5,894**	**7,354**	**98**
Income tax expense	7(a)	(888)	(1,212)	146	(15)
Profit after tax from continuing operations		**5,050**	**4,682**	**7,500**	**83**
Discontinued operations					
Profit/(loss) from discontinued operation net of tax	10	3,334	(1,505)	–	(5,896)
Profit/(loss) for the year		**8,384**	**3,177**	**7,500**	**(5,813)**
Attributable to:					
- Equity holders of the parent		8,384	3,177	7,500	(5,813)
Earnings per share:					
Basic earnings per share from all operations (cents)	12	88.2	33.1		
Basic earnings per share from continuing operations (cents)	12	53.1	48.7		
Diluted earnings per share from all operations (cents)	12	88.2	33.1		
Diluted earnings per share from continuing operations (cents)	12	53.1	48.7		

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The income statements are to be read in conjunction with notes 1 to 33 to the financial statements.

** 2008 results restated following sale of C10 Communications Pty Ltd, refer also notes 5, 6, 7, 10 and 32.*

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Note	*Consolidated* **2009 $000**	*Consolidated* 2008 $000	*Lemarne Corporation Limited* **2009 $000**	*Lemarne Corporation Limited* 2008 $000
Foreign currency translation differences for foreign operations	*23*	1,317	(964)	–	–
Income and expense recognised directly in equity		**1,317**	**(964)**	**–**	**–**
Profit for the year		**8,384**	**3,177**	**7,500**	**(5,813)**
Total recognised income and expense for the year		**9,701**	**2,213**	**7,500**	**(5,813)**
Attributable to:					
Equity holders of the parent		9,701	2,213	7,500	(5,813)

Other movements in equity arising from transactions with owners as owners are set out in note 23. The amounts recognised directly in equity are disclosed net of tax – see note 7 for tax effect.

The statements of recognised income and expense are to be read in conjunction with the notes 1 to 33 to the financial statements.

BALANCE SHEETS

Balance Sheets as at 30 June 2009 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		2009 $000	2008 $000	**2009 $000**	2008 $000
	Note	*Consolidated*		*Lemarne Corporation Limited*	
Assets					
Cash and cash equivalents	*30(i)*	27,992	24,176	16,526	19,241
Trade and other receivables	*13*	6,531	10,150	102	495
Inventories	*14*	4,886	5,502	–	–
Prepayments and deposits for current assets	*15*	224	523	45	325
TOTAL CURRENT ASSETS		39,633	40,351	16,673	20,061
Investments	*26*	–	–	6,550	6,550
Property, plant and equipment	*16*	3,988	3,765	12	6
Deferred tax assets	*7(e)*	259	425	256	285
Intangible assets	*17*	297	297	–	–
TOTAL NON-CURRENT ASSETS		4,544	4,487	6,818	6,841
TOTAL ASSETS		**44,177**	**44,838**	**23,491**	**26,902**
Liabilities					
Bank overdraft	*30(i)*	–	1	–	–
Trade and other payables	*18*	3,540	5,598	110	252
Loans from controlled entities	*18*	–	–	–	2,550
Loans and borrowings	*19*	394	143	–	–
Employee benefits	*20*	308	1,030	160	452
Current tax payable	*7(c)*	600	262	352	(71)
Provisions	*21*	–	103	–	–
Deferred income	*22*	554	314	–	–
TOTAL CURRENT LIABILITIES		5,396	7,451	622	3,183
Loans and borrowings	*19*	434	231	–	–
Deferred tax liabilities	*7(d)*	114	168	22	34
Employee benefits	*20*	48	179	48	61
TOTAL NON-CURRENT LIABILITIES		596	578	70	95
TOTAL LIABILITIES		**5,992**	**8,029**	**692**	**3,278**
NET ASSETS		**38,185**	**36,809**	**22,799**	**23,624**
Equity					
Issued capital	*23*	3,672	4,178	3,672	4,178
Reserves	*23*	(456)	(1,773)	325	325
Retained earnings	*23*	34,969	34,404	18,802	19,121
TOTAL EQUITY		**38,185**	**36,809**	**22,799**	**23,624**

The balance sheets are to be read in conjunction with notes 1 to 33 to the financial statements.

	Note	Consolidated		Lemarne Corporation Limited	
		2009 $000	2008 $000	**2009 $000**	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		60,254	67,289	1,031	870
Cash paid to suppliers and employees		(49,993)	(58,219)	(2,537)	(1,850)
Cash generated from operations		10,261	9,070	(1,506)	980
Dividends received		–	–	7,985	–
Interest received		1,277	1,230	1,107	1,159
Interest paid		(54)	(60)	–	–
Income tax contribution from controlled entities	*7*	–	–	586	(7)
Income taxes paid (net of refunds)	*7*	(1,286)	(1,331)	(1)	(259)
Net cash from/(to) operating activities	*30(ii)*	**10,198**	**8,909**	**8,171**	**(87)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments/disposal of subsidiary (net of cash disposed)		2,200	5,886	–	6,000
Proceeds from sale of property, plant and equipment		15	31	–	19
Payments for other expenditure/acquisition of controlled entities/business (net of cash)		–	(157)	–	(157)
Acquisition of property, plant and equipment	*16*	(981)	(1,997)	(11)	(39)
Payments for disposal of business/controlled entity		(76)	(936)	–	(664)
Net cash from/(to) investing activities		**1,158**	**2,827**	**(11)**	**5,159**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital	*23*	–	501	–	501
Share buy-back	*23*	(4,427)	–	(4,427)	–
Proceeds from borrowings		973	416	–	–
Repayment of borrowings		(519)	(2,759)	–	–
Loans from controlled entities		–	–	(2,550)	1,750
Dividends paid	*11*	(3,898)	(2,161)	(3,898)	(2,161)
Net cash from/(to) financing activities		**(7,871)**	**(4,003)**	**(10,875)**	**90**
Net increase/(decrease) in cash and cash equivalents		**3,485**	**7,733**	**(2,715)**	**5,162**
Cash at the beginning of the financial year	*30(i)*	24,175	16,477	19,241	14,079
Effect of exchange rate fluctuations on cash held		332	(35)	–	–
Cash at the end of the financial year	*30(i)*	**27,992**	**24,175**	**16,526**	**19,241**

The statements of cash flows are to be read in conjunction with notes 1 to 33 to the financial statements.

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1 REPORTING ENTITY

Lemarne Corporation Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 492 St Kilda Road, Melbourne, Victoria 3004. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and the companies it controlled at any time during the financial year (together referred to as the "consolidated entity"). The consolidated entity primarily is involved in the manufacture of electronic components.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial report of the Group and Parent also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial report was approved by the Board of Directors on 19 August 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. 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, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements 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. Actual results may differ from these estimates. 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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- note 17 – measurement of the recoverable amounts of property, plant and equipment
- note 7 – utilization of tax losses
- notes 21 and 25 – provisions and contingencies
- note 31 – valuation of financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the consolidated entity.

The Company and consolidated entity have not elected to early adopt any accounting standards or amendments.

The comparative income statement and segment reporting note have been represented as if the operations discontinued during the current period had been discontinued from the start of the comparative period (see note 10).

(a) 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 are currently 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated entity.

(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) 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.

(b) 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) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at reporting date. The income 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 the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(c) 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 (d)).

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. If a quoted market price is not available, then the fair value is estimated.

(d) 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, 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 is still 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.

(e) 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)).

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" in profit or loss.

(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.

(f) 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. Borrowing costs related to the development of the expenditure are recognized in profit or loss as incurred. 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 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.

(g) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

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

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.

Trade and other payables

Trade and other payables are stated at amortised cost.

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.

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.

(h) 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.

(i) Impairment

Financial Assets

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's financial assets 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 recognized 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.

(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.

Non-financial assets

The carrying amounts of the consolidated entity's non financial assets, other than inventories (see accounting policy (h)), and deferred tax assets (see accounting policy (p)), 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 (i(i))).

For goodwill and intangible assets that have an indefinite useful life or 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 of 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 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 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.

(j) Share capital

(i) Issue of shares

Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) 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.

(iii) Dividends

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

(k) 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 oncosts 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.

(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.

(vi) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(l) Deferred income

Deferred income consists of customer advances for project work in progress.

(m) 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.

(n) 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.

(o) 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) Finance income and expenses

Finance income comprises 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.

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, and gains and losses on hedging instruments that are recognised in the profit or loss (see accounting policy (d)).

Foreign currency gains and losses are reported on a net basis.

(p) 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.

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 recognition of 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.

(q) 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. Segment information is presented in respect of the consolidated entity's business and geographical segments. The consolidated entity's primary format for segment reporting is based on business segments. The business segments are determined based on the consolidated entity's management and internal reporting structure.

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 comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

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 re-measurement.

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. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

(s) 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.

(t) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the profit or loss; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net asset; guidance on issues such as acquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statement. The consolidated entity has determined that the revised standard will not have an effect on the consolidated entity's financial report.
- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactioins with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in a income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statement, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

- Revised AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8 which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Managing Director in order to assess each segment's performance and to allocate resources to them. Currently the consolidated entity presents segment information in respect of its business and geographical segments (see note 28) which are the same as the segments per the internal reporting. Therefore, there will be no impact of the revised standard in the Group's 30 June 2010 financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendments to Australian Accounting Standards* arising from the *Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.
- AI 17 *Distributions of Non-Cash Assets to Owners* provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AI 17 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the interpretation.
- AI 18 *Transfers of Assets from Customers* provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the interpretation.

4 FINANCIAL RISK MANAGEMENT

Overview

The Company and consolidated entity have exposure to the following risks from their use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantative disclosures are included throughout this financial report.

The Managing Director and Group Financial Controller are responsible for the risk management framework. The Managing Director and Group Financial Controller develop and monitor risk management policies and regularly report to the Board of Directors.

Risk management policies are established to identify and analyse the risks faced by the Company and consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and the consolidated entity's activities.

The Audit Committee oversees how management monitors compliance with the Company's and consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and consolidated entity. Internal Audits are undertaken to include both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company and consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company and consolidated entity's receivables from customers and investment funds on deposit.

<u>Trade and other receivables</u>

The Company's and consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Board of Directors for each company has established a credit committee and credit policy under which each new customer is analysed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the credit committee; these limits are reviewed frequently. Customers that fail to meet each company's benchmark creditworthiness may transact with the consolidated entity only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the consolidated entity may have a secured claim. The consolidated entity does not require collateral in respect of trade and other receivables.

The Company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Cash including short term deposits

The Company and consolidated entity minimise credit risk on short term deposits by ensuring funds are placed with major banks, who have a minimum credit rating of A.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in note 25.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 to 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

Currency risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its controlled entities, primarily the Australian dollar (AUD), but also the Malaysian Ringgit (MYR). The currencies in which these transactions primarily are denominated are United States Dollars (USD) and Euros.

The consolidated entity uses forward exchange contracts to hedge its currency risk. Most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the consolidated entity, primarily Malaysian Ringgit. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group adopts a policy that a portion of its exposure to changes in interest rates on borrowings is on a fixed rate basis in order to manage the risk of fluctuations in interest rates.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as operating profit before tax and interest expense divided by capital employed (being net assets plus interest bearing borrowings less net deferred tax assets). The consolidated entity's return on capital employed for the year ended 30 June 2009 was 27.8% (including profit on disposal of businesses during the year) (2008: 12.9%). The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the consolidated entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Lemarne Corporation Limited 2009 $000	Lemarne Corporation Limited 2008 $000
5 REVENUE					
Revenue from continuing operations					
Sale of goods revenue		48,452	48,745	–	–
Rendering of services		–	–	678	1,154
Total revenues		**48,452**	**48,745**	**678**	**1,154**
Other income					
Dividends:					
Controlled entity		–	–	7,985	–
Other		–	–	–	–
Net gain on disposal of non-current assets:					
plant and equipment		9	3	–	–
shares held for trading		–	–	–	–
Other		53	375	–	–
Total other income		62	378	7,985	–
Total revenues and other income from continuing operations		**48,514**	**49,123**	**8,663**	**1,154**
Revenues from discontinued operations					
Revenue from sale of goods		7,786	16,865	–	–
Other income					
Other income		192	–	–	–
Total other income		192	–	–	–
Net gain on sale of business/controlled entity	6(a)	1,479	–	–	–
Total revenues and other income from discontinued operations		**9,457**	**16,865**	**–**	**–**
Total revenues and other income		**57,971**	**65,988**	**8,663**	**1,154**

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Lemarne Corporation Limited 2009 $000	Lemarne Corporation Limited 2008 $000
6 PROFIT/(LOSS) FROM OPERATIONS					
(a) Items included in profit/(loss) from discontinued operations before income tax expense.					
Consideration received from sale of controlled entity/business		3,056	6,150	–	6,000
Cost of disposal	10	(1,577)	(9,212)	–	(9,035)
Intercompany loans written off		–	–	–	(2,861)
Net profit/(loss) on disposal		1,479	(3,062)	–	(5,896)
(b) Profit from continuing operations before income tax has been arrived at after charging/(crediting) the following specific expenses:					
Impairment losses					
Property, plant and equipment		–	7	–	–
Stock obsolescence provisions		2	47	–	–
		2	54	–	–
Other expenses:					
Personnel expenses					
Wages and salaries		6,059	5,370	1,073	1,216
Contributions to defined contribution superannuation funds		128	153	128	153
Other associated personnel expenses		1,629	1,509	16	72
Increase in liability for annual leave		(83)	53	(8)	35
Increase in liability for long service leave		15	16	15	16
Share based payments		–	7	–	7
Terminations benefits		–	145	–	145
		7,748	7,253	1,224	1,644
Depreciation of non–current assets:					
Plant and equipment		943	660	5	46
Amortisation of non–current assets:					
Leasehold property		79	36	–	–
Total depreciation and amortisation		**1,022**	**696**	**5**	**46**
Other expense items					
Movement in impairment of receivables		(131)	(33)	–	–
Movement in stock obsolescence provision		672	47	–	–
Movement in warranty provision		(124)	47	–	–
Net foreign exchange loss/(gain)		86	(211)	–	–
Operating lease rentals		97	94	97	94
Net profit/(loss) on disposal of property, plant and equipment		9	1	–	–

	Note	**2009 $000**	2008 $000	**2009 $000**	2008 $000
		Consolidated		*Lemarne Corporation Limited*	
7 INCOME TAX					
(a) Recognised in the income statement					
Current tax expense					
Current year		2,161	1,609	(42)	45
Adjustments for prior years		(438)	(114)	(6)	(54)
		1,723	1,495	(48)	(9)
Deferred tax expense					
Origination and reversal of temporary differences		(158)	39	(98)	24
Benefit of tax losses recognised		–	6	–	–
		(158)	45	(98)	24
Total income tax expense in income statement		1,565	1,540	(146)	15
Attributable to:					
Continuing operations		888	1,212	(146)	15
Income tax related to discontinued operations	*10*	677	328	–	–
Total income tax expense in income statement		**1,565**	**1,540**	**(146)**	**15**
(b) Reconciliation between tax expense and pre–tax net profit					
Profit/(loss) before tax–continuing operations		5,938	5,894	7,354	98
Profit before tax discontinued operations		4,011	(1,177)	-	(5,896)
Profit/(loss) before tax		9,949	4,717	7,354	(5,798)
Income tax using the domestic corporation tax rates of 30%		2,985	1,415	2,206	(1,739)
Increase in income tax expense due to:					
Capital losses not brought to account		–	720	–	1,769
Employee share options expensed		–	(31)	–	2
Sundry items		109	104	49	37
Decrease in income tax expense due to:					
Non–assessable capital profits		(444)	–	–	–
Effect of lower rates of tax on overseas income		(328)	(237)	–	–
Tax amortisation of intellectual property		–	–	–	–
Dividends received		–	–	(2,395)	–
Export and other allowances		(319)	(244)	–	–
Sundry items		–	(73)	–	–
		2,003	239	(140)	69
Income tax under/(over) provided in prior year		(438)	(114)	(6)	(54)
Income tax expense reported in the income statement		**1,565**	**1,540**	**(146)**	**15**

	2009 $000	2008 $000	2009 $000	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
(c) Current tax liabilities				
Movements during the year:				
Balance at beginning of year	262	72	(71)	70
Income tax (paid)	(1,348)	(1,661)	(60)	(589)
Refund received	62	330	59	330
Current year's income tax	2,161	1,609	(42)	45
Exchange rate movement	(3)	(6)	–	–
Transfer to deferred tax asset	–	–	–	191
Contribution from group member	–	–	586	(7)
Balance transferred out on disposal of subsidiary	–	–	–	(38)
Losses utilised	(104)	(52)	(104)	(52)
Under/(over) provision in prior year	(430)	(30)	(16)	(21)
	600	262	352	(71)
(d) Deferred tax liabilities				
Accelerated depreciation for tax purposes	88	122	–	–
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	26	36	22	34
	114	168	22	34
(e) Deferred tax assets				
Employee benefit	32	103	32	115
Provisions	193	183	190	31
Tax losses carried forward	34	139	34	139
	259	425	256	285
(f) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Capital losses carried forward	1,896	2,298	1,896	2,298
	1,896	2,298	1,896	2,298

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. The Company's ability to utilise unrecognised tax losses is contingent on satisfying the relevant criteria per the tax legislation at the time the losses are to be recouped.

	2009 $	2008 $	2009 $	2008 $
	Consolidated		*Lemarne Corporation Limited*	
8 AUDITORS' REMUNERATION				
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	89,534	133,125	77,034	108,971
Overseas KPMG Firms:				
Audit and review of financial reports	13,617	11,437	–	–
Other auditors:				
Audit and review of financial reports	–	–	–	–
	103,151	144,562	77,034	108,971
Other services				
Auditors of the Company				
KPMG Australia:				
Other assurance services	19,127	10,000	19,127	10,000
Taxation services	52,097	71,531	32,547	62,231
Overseas KPMG Firms:				
Taxation services	5,665	2,974	–	–
KPMG related practices				
Due diligence services	25,360	30,000	25,360	30,000
	102,249	114,505	77,034	102,231

	$000	$000	$000	$000
9 NET FINANCING INCOME				
Interest income	1,176	1,238	1,062	1,159
Interest expense	(54)	(47)	–	–
Net financing income	1,122	1,191	1,062	1,159

	2009 $000	2008 $000
	Discontinued Operations	

10 DISCONTINUED OPERATIONS

On 30 April 2009, the consolidated entity's subsidiary Lemvest Pty Ltd, sold its shares in C10 Communications Pty Ltd, the telecommunications business segment. The segment was not a discontinued operation or classified as held for sale as at 30 June 2008 and the comparative income statement and segment reporting has been restated to show the discontinued operation separately from continuing operations.

On 23 January 2008, the consolidated entity sold its shares in Lemarne Healthcare Pty Ltd, the skin cancer medical clinic business segment (see notes 6 and 32).

On 29 April 2008, the consolidated entity's subsidiary C10 Communications Pty Ltd, sold its interest in the ValueNet business, part of the telecommunications business segment (see notes 6 and 32).

The results of the two discontinued operations for the period until disposal are presented below:

	2009 $000	2008 $000
(i) Financial performance information		
Revenue	7,786	16,865
Cost of sales	(4,141)	(9,229)
Gross profit	3,645	7,636
Other income	192	–
Distribution expenses	(591)	(2,521)
Administrative expenses	(773)	(3,187)
Other operating expenses	(7)	(22)
Operating profit before financing costs	2,466	1,906
Financial income	66	101
Financial expenses	–	(122)
Net financing (costs)/income	66	(21)
Profit/(loss) before income tax	2,532	1,885
Income tax expense	(677)	(431)
Profit after income tax of discontinued operations	1,855	1,454
Profit/(loss) on sale of the controlled entity/business before income tax	1,479	(3,062)
Tax on profit/(loss) on sale	–	103
Profit/(loss) from discontinued operations	3,334	(1,505)
(ii) Cash flow information		
Net cash inflow/(outflow) from operating activities	2,214	1,148
Net cash inflow/(outflow) from investing activities	(8)	(303)
Net cash inflow/(outflow) from financing activities	(3,747)	(805)
Net cash(outflow)/inflow	(1,541)	40
(iii) Carrying amounts of assets and liabilities		
Cash and cash equivalents	–	264
Trade receivables	1,218	243
Other receivables	–	132
Inventories	1,160	26
Prepayments and deposits	4	196
Property, plant and equipment	50	2,323

	2009 $000	2008 $000
	Discontinued Operations	
Deferred tax assets	144	80
Intangibles	–	5,716
Interest bearing loans and borrowings	–	(176)
Deferred tax liabilities	(1)	(2)
Employee benefits	(249)	(237)
Trade payables	(887)	(479)
Net identifiable assets and liabilities	1,439	8,086
Consideration received, satisfied in cash	2,200	6,150
Cash disposed of	–	(264)
Net cash (inflow) at June 2009	2,200	5,886
Consideration received in cash	2,200	6,150
Consideration receivable at 30 June 2009	856	–
Less: Disposal costs paid and accrued	(138)	(1,126)
Less: Net book value of assets disposed	(1,439)	(8,086)
Profit/(loss) on sale of discontinued operation	1,479	(3,062)

	2009 $000	2008 $000	**2009 $000**	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
11 DIVIDENDS PROVIDED FOR OR PAID				
The amounts paid, declared or provided for by way of dividend by the parent entity are:				
(i) An interim unfranked ordinary dividend of 14 cents per share was paid on 23 April 2009 (2008: 12.5 cents fully franked)	1,205	1,201	1,205	1,201
(ii) No final unfranked ordinary dividend was declared or paid in respect of the year ended 30 June 2009 (2008: 12.5 cents per share fully franked was paid on 20 October 2008)	1,224	960	1,224	960
(iii) A special fully franked dividend of 15 cents per share was paid on 10 December 2008	1,469	–	1,469	–
Total dividends in accounts	3,898	2,161	3,898	2,161
After Year End				
(iv) 2009: a final unfranked dividend of 50 cents per share was declared payable on 19 October 2009; (2008: 12.5 cents)	4,303	1,224	4,303	1,224
This dividend was not provided for in the accounts.				
Dividend franking account				
Franking credits available to shareholders of Lemarne Corporation Ltd for subsequent financial years	349	990	349	990

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

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end

(d) franking credits that the entity may be prevented from distributing in subsequent years.

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

	2009	2008
	Consolidated	
12 EARNINGS PER SHARE		
Earnings per share for continuing and discontinued operations		
Basic earnings per share (cents)		
From continuing operations	53.1	48.7
From discontinued operations	35.1	(15.6)
	88.2	33.1
Diluted earnings per share (cents)		
From continuing operations	53.1	48.7
From discontinued operations	35.1	(15.6)
	88.2	33.1

The calculation of basic earnings per share for the financial year ended 30 June 2009 has been based on the profit attributable to shareholders of $8,384K (continuing $5,050K, discontinued $(3,334K) (2008: profit attributable to shareholders $3,177K, being $4,682K continuing and ($1,505K) discontinued) and a weighted average number of ordinary shares outstanding of 9,504,036 (2008: 9,608,263) calculated as follows:

	$000	$000
Earnings reconciliation		
Net profit/(loss)	8,384	3,177
Basic and diluted earnings	8,384	3,177

	Number of Shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	9,504,036	9,608,263
Effect of executive share options on issue	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	9,504,036	9,608,263

	Note	Consolidated		Lemarne Corporation Limited	
		2009 $000	2008 $000	**2009 $000**	2008 $000
13 TRADE & OTHER RECEIVABLES					
Current					
Trade debtors		5,551	10,083	–	–
Less:					
Provision for impairment losses		–	(127)	–	–
		5,551	9,956	–	–
Other debtors		980	194	102	169
Owing by controlled entities	29	–	–	–	326
		6,531	10,150	102	495

The consolidated entity's currency risk and impairment losses related to trade and other receivables, are disclosed in note 31.

	Consolidated 2009 $000	2008 $000	Lemarne 2009 $000	2008 $000
14 INVENTORIES				
Current				
Finished goods				
At cost	1,231	1,461	–	–
Less: provision for obsolescence	(33)	(12)	–	–
Net realisable value	1,198	1,449	–	–
Raw materials				
At cost	3,900	3,577	–	–
Less: provision for obsolescence	(916)	(302)	–	–
Net realisable value	2,984	3,275	–	–
Work in progress				
At cost	704	778	–	–
Carrying amount of inventories stated at cost or at net realisable value	4,886	5,502	–	–
15 PREPAYMENTS & DEPOSITS				
Prepayments	220	288	45	94
Deposits	4	4	–	–
Deferred expenses	–	231	–	123
	224	523	45	325

	CONSOLIDATED				*LEMARNE*
	Leasehold land & buildings	*Leasehold improvements*	*Plant & equipment*	*TOTAL*	*Plant & equipment*
	$000	*$000*	*$000*	*$000*	*$000*
16 PROPERTY, PLANT & EQUIPMENT					
Year ended 30 June 2009					
Balance at 1 July 2008 net of depreciation and impairment	538	182	3,045	3,765	6
Additions	–	158	822	980	11
Disposals	–	–	(38)	(38)	–
Impairment	–	–	(3)	(3)	–
Depreciation charge for the year	(25)	(54)	(976)	(1,055)	(5)
Exchange rate adjustments	56	10	322	388	–
Balance transferred out on disposal of subsidiary	–	–	(49)	(49)	–
Net carrying amount at 30 June 2009	**569**	**296**	**3,123**	**3,988**	**12**
At 30 June 2009					
Cost	637	401	7,528	8,566	108
Accumulated depreciation and impairment	(68)	(105)	(4,405)	(4,578)	(96)
Net carrying amount	**569**	**296**	**3,123**	**3,988**	**12**
Year ended 30 June 2008					
Balance at 1 July 2007 net of depreciation and impairment	599	687	4,195	5,481	35
Additions	–	10	1,987	1,997	39
Disposals	–	–	(424)	(424)	(22)
Impairment	–	(5)	(9)	(14)	–
Depreciation charge for the year	(22)	(60)	(1,012)	(1,094)	(46)
Exchange rate adjustments	(39)	(14)	(196)	(249)	–
Balance transferred out on disposal of subsidiary	–	(436)	(1,496)	(1,932)	–
Net carrying amount at 30 June 2008	**538**	**182**	**3,045**	**3,765**	**6**
At 30 June 2008					
Cost	579	233	7,192	8,003	97
Accumulated depreciation and impairment	(41)	(51)	(4,147)	(4,238)	(91)
Net carrying amount	**538**	**182**	**3,045**	**3,765**	**6**

	Goodwill $000 *Consolidated*
17 INTANGIBLE ASSETS	
Year ended 30 June 2009	
Balance at 30 June 2008 and 30 June 2009	297
At 30 June 2008 and 30 June 2009	
Cost (gross carrying amount)	575
Accumulated amortisation and impairment	(278)
Net carrying amount	297

Impairment tests for cash generating units containing goodwill

	Consolidated	
	2009 $000	**2008 $000**
Goodwill	297	297
	297	297

Goodwill is attributable to the Company's investment in its subsidiary Lemvest Pty Ltd. The recoverable amount of the goodwill has been assessed on a value in use basis, based on cash flow projections for the next fives years. The cash flow projections are based on budgeted and forecast performance based on management's experience and applying the current customer base. A discount rate of 12% has been applied to this analysis.

2008

Following the sale of Lemarne Healthcare there is no remaining goodwill in the accounts relating to the Healthcare business.

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Lemarne Corporation Limited 2009 $000	Lemarne Corporation Limited 2008 $000
18 TRADE & OTHER PAYABLES					
Current					
Trade creditors		2,771	3,547	–	–
Other creditors and accruals		769	2,051	110	252
		3,540	5,598	110	252
Loans from controlled entity	29	–	–	–	2,550

The consolidated entity's currency and liquidity risks to trade and other payables are disclosed in note 31.

19 LOANS & BORROWINGS

This note provides information about the contractual terms of the Company's and consolidated entity's interest –bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and consolidated entity's exposure to interest rate, foreign currency and liquidity risk, see note 31.

	Consolidated 2009 $000	Consolidated 2008 $000	Lemarne Corporation Limited 2009 $000	Lemarne Corporation Limited 2008 $000
Current				
Bank overdraft	–	1	–	–
Hire purchase liabilities	394	143	–	–
	394	144	–	–
Non–current				
Hire purchase liabilities	434	231	–	–
	434	231	–	–

The bank overdrafts are secured by fixed and floating charges over the assets and undertakings of the consolidated entity and by guarantees from the parent entity.

Hire purchase liabilities

Hire purchase liabilities of the consolidated entity are payable as follows:

In thousands of AUD	*Future minimum lease payments* **2009**	*Interest* **2009**	*Present value of minimum lease payments* **2009**	*Future minimum lease payments* *2008*	*Interest* *2008*	*Present value of minimum lease payments* *2008*
Less than one year	430	36	394	161	18	143
Between one and five years	449	15	434	242	11	231
	879	51	828	403	29	374

The Company has no finance lease liabilities.

	2009 $000	2008 $000	2009 $000	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
Facilities used at balance date:				
Bank overdrafts	–	1	–	–
Hire purchases leases	828	374	–	–
Standby letters of credit	–	931	–	–
Indemnity/guarantees	115	1,778	–	–
	943	3,084	–	–
Facilities not used at balance date:				
Bank overdrafts	1,225	1,612	–	–
Bank loans and commercial bills	2,800	2,545	–	–
Hire purchases leases	–	100	–	–
Indemnity/guarantees	–	400	–	–
	4,025	4,657	–	–

20 EMPLOYEE BENEFITS

	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Salaries and wages	187	751	100	411
Long service leave	32	–	32	41
Annual leave	89	279	28	–
	308	1,030	160	452
Non–current				
Annual leave	28	22	28	22
Long service leave	20	157	20	39
	48	179	48	61

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 $212,313 for the financial year ended 30 June 2009 (2008: $499,979) for continuing and discontinued operations

	No.	No.	No.	No.
Number of employees at end of financial year	514	717	3	3

	Consolidated		Lemarne Corporation Limited	
	2009 $000	2008 $000	**2009 $000**	2008 $000
21 PROVISIONS				
Current				
Warranties	–	103	–	–
	–	103	–	–
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits provision, are set out below:				
Warranties				
Carrying amount at beginning of year	103	63	–	–
Provisions made during the year	(123)	47	–	–
Payments made during the year	–	–	–	–
Exchange rate adjustments	20	(7)	–	–
Disposal of a subsidiary	–	–	–	–
	–	103	–	–
22 DEFERRED INCOME				
Current				
Deferred income	554	314	–	–

	Share capital	*Translation reserve*	*Options granted reserve*	*Retained earnings*	*Total equity*
	$000	*$000*	*$000*	*$000*	*$000*
23 CAPITAL AND RESERVES					
Reconciliation of movement in capital and reserves					
Consolidated					
Balance at 1 July 2007	3,677	(1,134)	430	33,388	36,361
Total recognised income and expense	–	(964)	–	3,177	2,213
Amortisation of options	–	–	7	–	7
Options forfeited	–	–	(112)	–	(112)
Shares issued	501	–	–	–	501
Dividends to shareholders	–	–	–	(2,161)	(2,161)
Balance at 30 June 2008	4,178	(2,098)	325	34,404	36,809
Balance at 1 July 2008	4,178	(2,098)	325	34,404	36,809
Total recognised income and expense	–	1,317	–	8,384	9,701
Share buy-back	(506)	–	–	(3,921)	(4,427)
Dividends to shareholders	–	–	–	(3,898)	(3,898)
Balance at 30 June 2009	3,672	(781)	325	34,969	38,185
Lemarne Corporation Ltd					
Balance at 1 July 2007	3,677		430	27,095	31,202
Total recognised income and expense	–		–	(5,813)	(5,813)
Options forfeited	–		(112)	–	(112)
Amortisation of options	–		7	–	7
Shares issued	501		–	–	501
Dividends to shareholders	–		–	(2,161)	(2,161)
Balance at 30 June 2008	4,178		325	19,121	23,624
Balance at 1 July 2008	4,178		325	19,121	23,624
Total recognised income and expense	–		–	7,500	7,500
Shares bought back	(506)		–	(3,921)	(4,427)
Dividends to shareholders	–		–	(3,898)	(3,898)
Balance at 30 June 2009	3,672		325	18,802	22,799

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 2009

	Share Capital	
	30 June 2009 $000	30 June 2008 $000
Issue of ordinary shares from the exercise of options under the Key Executive Option Plan	–	501

	Ordinary Shares	
	30 June 2009 No.	30 June 2008 No.
On issue at 1 July	9,793,714	9,606,214
Issued for cash	–	187,500
Share buy-back	(1,186,900)	–
On issue at 30 June fully paid	8,606,814	9,793,714

On 2 April 2009 shareholders approved in a general meeting the buy-back of 1,186,900 shares from Howson Tattersall (Mackenzie Financial) incorporating Saxon World Growth and MD Growth Investments Limited at $3.73 per share.

The buy-back was completed on 3 April 2009 for a total consideration of $4,427,137.

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 24).

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 a self-sustaining foreign controlled entity are brought to account by entries made directly to the foreign currency translation reserve, as described in note 3(b).

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 the income statement on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

24 SHARE BASED PAYMENTS

There are no outstanding options on issue as at 30 June 2009 (30 June 2008: nil).

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

	2009 No. 000	**2009 WAEP**	2008 No. 000	2008 WAEP
Outstanding at the beginning of the year	–	–	287	2.64
Forfeited during the year	–	–	100	2.57
Exercised during the year	–	–	187	2.67
Outstanding at the end of the year	–	–	–	–

	2009 $000	2008 $000	2009 $000	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
25 COMMITMENTS AND CONTINGENCIES				
The estimated maximum amount of commitments and contingent liabilities not provided for in the financial statements of the group as at 30 June 2009 are set out below:				
Operating leases				
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.				
Operating lease rental commitments				
Future operating lease rentals of property:				
Due:				
within one year	38	97	38	76
after one year but not more than five years	–	52	–	38
	38	149	38	114
Capital expenditure commitments				
Property, plant and equipment:				
Due:				
within one year	988	362	–	–
Employee compensation commitments				
Key management personnel commitments under non–cancellable employment contracts not provided for in the financial statements:				
Due:				
within one year	359	316	250	233

Contingent liabilities

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) An overseas subsidiary has received 2 claims for unfair dismissal which it has denied and is challenging

	2009 $000	2008 $000	**2009 $000**	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
26 INVESTMENTS				
Shares in controlled entities - at original cost	–	–	6,550	6,550
Less: impairment	–	–	–	–
	–	–	6,550	6,550

Investments in controlled entities

Name of entity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Parent entity			
Lemarne Corporation Limited	Australia		
Controlled entities			
Lemvest Pty Ltd	Australia	**100**	**100**
Controlled entities			
Fine Pearl Sdn.Bhd	Malaysia #	**100**	**100**
- Lemtronics Sdn.Bhd	Malaysia #	**100**	**100**
C10 Communications Pty Ltd*	Australia	**0**	**100**

#Controlled entities audited by KPMG firms in local countries.
*This entity was sold on 30 April 2009.

27 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	Director (non-executive)
P G Davenport	Director (non-executive)
J C Larking	Director (non-executive)

(ii) Executives:

A Kotsiopoulos	Group Financial Controller/Company Secretary, Lemarne Corporation Ltd (appointed Company Secretary on 1 November 2007)
K H Mun	Chief Executive, Lemtronics Sdn Bhd

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

	2009 **$**	2008* $	**2009** **$**	2008 $
	Consolidated		*Lemarne Corporation Limited*	
Short-term employee benefits	1,247,829	1,367,453	829,245	1,138,089
Other long term benefits	9,556	3,584	9,556	3,584
Post-employment benefits	164,844	176,373	113,205	139,650
Termination benefits	–	144,670	–	144,670
Equity compensation benefits	–	7,406	7,406	–
	1,422,229	1,699,486	952,006	1,433,399

* 2008 compensation restated to remove personnel who are no longer key management personnel in 2009.

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 57 to 60.

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, (2008: nil).

Equity instruments

There were no options outstanding as at 30 June 2009, (2008: nil).

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 no options were exercised or shares issued.

Option holdings

There was no 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.

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:

	Held at 1 July 2008	*Purchases*	*Sales*	*Held at 30 June 2009*
Current Year				
E B Noxon	1,105,230	–	–	1,105,230
P G Davenport	373,670	–	–	373,670
J C Larking	591,575	–	762	590,813
S L Mason	382,845	–	–	382,845
P A Murphy	32,000	–	–	32,000
A Kotsiopoulos	5,000	–	–	5,000
TOTAL	**2,490,320**	–	**762**	**2,489,558**

	Held at 1 July 2007	*Purchases*	*Sales*	*Held at 30 June 2008*
Previous Year				
Directors				
E B Noxon	1,105,230	–	–	1,105,230
P A Murphy	–	32,000	–	32,000
P G Davenport	373,670	–	–	373,670
J C Larking	581,306	11,212	943	591,575
S L Mason	195,345	187,500	–	382,845
Executive				
A Kotsiopoulos	–	5,000	–	5,000
TOTAL	**2,255,551**	**235,712**	**943**	**2,490,320**

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.

28 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.
Telecommunication products	ISDN, ADSL access products, filters and telephone accessories. This segment was sold on 30 April 2009 (refer note 10).

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.
Asia	Manufacturing facilities for electronic equipment products and sub-assemblies.
Europe	Customers for electronic equipment.
North America	Customers for electronic equipment.

28 SEGMENT REPORTING (Cont.)

Primary reporting
Business segments

	Continuing Operations *restated								Discontinued Operations *restate						TOTAL OPERATIONS	
	Electronics		*Unallocated*		*Eliminations*		*Subtotal Continuing*		*Healthcare*		*Telecommunications Products*		*Subtotal Discontinued*			
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
External sales revenue	48,452	48,745	–	–	–	–	48,452	48,745	–	4,253	7,786	12,612	7,786	16,865	56,238	65,610
Inter–segment revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other revenue	62	378	8,663	1,154	(8,663)	(1,154)	62	378	–	–	192	–	192	–	254	378
Total segment revenue	**48,514**	**49,123**	**8,663**	**1,154**	**(8,663)**	**(1,154)**	**48,514**	**49,123**	**–**	**4,253**	**7,978**	**12,612**	**7,978**	**16,865**	**56,492**	**65,988**
Segment result																
Results from operating activities	6,510	5,764	(1,694)	(1,061)	–	–	4,816	4,703	–	43	2,466	(1,863)	2,466	1,906	7,282	6,609
Net financing costs							1,122	1,191					66	(21)	1,188	1,170
Profit before tax and before disposal of businesses							**5,938**	**5,894**					**2,532**	**1,885**	**8,470**	**7,779**
Income tax expense							(888)	(1,212)					(677)	(431)	(1,565)	(1,643)
Gain/(loss) on sale of discontinued operation	–	–	–	–	–	–	–	–	–	(2,402)	1,479	(660)	1,479	(3,062)	1,479	(3,062)
Income tax expense on sale											–		–	103	–	103
Net gain on sale									–	(2,402)	1,479	(660)	1,479	(2,959)	1,479	(2,959)
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**5,050**	**4,682**	**–**	**–**	**–**	**–**	**3,334**	**(1,505)**	**8,384**	**3,177**
Depreciation and amortisation	1,017	650	5	46	–	–	1,022	696	–	315	33	156	33	471	1,055	1,167
Non–cash expenses other than depreciation and amortisation	1,228	807	7	53	–	–	1,235	860	–	2,344	(7)	721	(7)	3,065	1,228	3,925
Individually significant items	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,402)**	**1,479**	**(660)**	**1,479**	**(3,062)**	**1,479**	**(3,062)**
Inventory write–down	672	(47)	–	–	–	–	672	(47)	–	–	4	(4)	4	(4)	676	51

28 SEGMENT REPORTING (Cont.)

Primary reporting
Business segments

	Continuing Operations *restated								Discontinued Operations *restate						TOTAL OPERATIONS	
	Electronics		*Unallocated*		*Eliminations*		*Subtotal Continuing*		*Healthcare*		*Telecommunications Products*		*Subtotal Discontinued*			
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Assets																
Segment assets	22,371	20,031	28,099	29,670	(6,293)	(9,180)	44,177	40,521	–	–	–	4,317	–	4,317	44,177	44,838
Liabilities																
Segment liabilities	4,064	5,552	1,929	4,119	–	(2,550)	5,993	7,121	–	–	–	908	–	908	5,993	8,029
Capital expenditure	959	1,776	11	39	–	(35)	970	1,780	–	140	11	77	11	217	981	1,997

** See discontinued operations note 10.*

Secondary reporting
Geographical segments

	Australasia		*Asia*		*Europe*		*North America*		*Other*		*Unallocated*		*Consolidated*	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
External segment revenue by location of customers	12,252	16,340	9,990	4,897	29,214	39,107	4,782	5,269	–	–	–	–	56,238	65,610
Segment assets by location of assets	–	4,317	22,371	20,031	–	–	–	–	–	–	21,806	20,490	44,177	44,838
Capital expenditure	22	182	959	1,776	–	–	–	–	–	–	–	39	981	1,997

	2009 $000	2008 $000	**2009 $000**	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
29 NON-DIRECTOR RELATED PARTIES				
The consolidated entity has a related party relationship with its subsidiaries (note 26) and with its key management personnel (note 27):				
Transactions				
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:				
Interest revenue-subsidiaries				
Wholly-owned controlled entities	–	–	–	109
Revenue from management fees – subsidiaries	–	–	678	1,154
Revenue from dividends – subsidiaries	–	–	7,985	–
Loans to subsidiaries				
Amounts receivable from subsidiaries - current	–	–	–	326
Amounts receivable from subsidiaries – non-current	–	–	–	–
Amounts payable to subsidiaries - current	–	–	–	2,550
Percentage of equity interest				
Details of equity interests held in classes of related parties are set out as follows:				
Controlled entities – note 26.				
Other related party disclosures are contained in notes 24 and 27.				
30 NOTES TO THE STATEMENTS OF CASH FLOWS				
[i] Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts.				
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash	2,414	4,663	732	2,847
Short term deposits	25,578	19,513	15,794	16,394
Bank overdraft	–	(1)	–	–
	27,992	24,175	16,526	19,241

The consolidated entity's exposure to interest rate risk is disclosed in note 31.

	2009 $000	2008 $000	2009 $000	2008 $000
	Consolidated		*Lemarne Corporation Limited*	
[ii] Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	8,384	3,177	7,500	(5,813)
Add/(less) items classified as investing/financing activities				
(Profit)/loss on sale of non–current assets	(9)	2	–	2
(Profit)/loss on sale of subsidiary/business	(1,479)	3,062	–	5,896
Add/(less) non–cash items				
Amortisation	79	109	–	–
Depreciation	976	1,058	5	46
Amounts set aside to provisions	1,257	637	7	51
Bad debts and movement in provision for impairment	(31)	221	–	–
Fixed assets scrapped/written down	35	13	–	–
Discount on acquisition	(10)	(10)	–	–
Equity settled share based payments	–	(105)	–	7
Unrealised foreign exchange gain/(loss) on translation of controlled entities	602	(700)	–	–
Net cash provided by operating activities before change in assets and liabilities	9,804	7,464	7,512	189
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities				
(Increase)/decrease in inventories	(679)	1,525	–	–
(Increase)/decrease in prepayments/deposits	63	(59)	49	(80)
(Increase)/decrease in trade and other debtors	3,265	189	66	(75)
(Increase)/decrease in amounts owing to related entity	–	–	326	(124)
(Decrease)/increase in trade and other creditors	(1,515)	16	90	50
Payments from provisions	(1,287)	(411)	(311)	243
(Decrease)/increase in income received in advance	240	(8)	–	–
(Decrease)/increase in current tax payable	575	190	423	(142)
(Decrease)/increase in deferred taxes payable	(268)	3	16	(148)
Net cash provided by operating activities	**10,198**	**8,909**	**8,171**	**(87)**

31 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 3 to the accounts.

(b) Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the consolidated entity's interest-bearing financial instruments was:

In thousands of AUD	**2009** Consolidated *Carrying amount*	2008 Consolidated *Carrying amount*	**2009** Company *Carrying amount*	2008 Company *Carrying amount*
Fixed rate instruments				
Financial assets	25,578	19,509	15,794	16,394
Financial liabilities	828	374	–	–

All fixed rate financial instruments are accounted for at amortised cost.

The Company and the consolidated entity manage exposure to interest rate risk by ensuring that fixed rate financial assets (ie term deposits) are placed on terms no longer than 180 days.

	2009	2008	**2009**	2008
Variable rate instruments				
Financial assets	2,412	4,666	732	2,847
Financial liabilities	–	1	–	–

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would not have a material effect on the profit or loss or equity of the Company or consolidated entity.

(c) Currency risk

Exposure to currency risk

The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In thousands of AUD	USD 30 June 2009	EURO 30 June 2009	GBP 30 June 2009	USD 30 June 2008	EURO 30 June 2008	GBP 30 June 2008
Trade receivables	4,306	1,002	229	4,178	3,942	308
Trade payables	(1,179)	(340)	–	(1,365)	(291)	(95)
Gross balance sheet exposure	3,127	662	229	2,813	3,651	213

The following exchange rates applied during the year:

	2009 *Average rate*	2008 *Average rate*	**2009** *Reporting date spot rate*	2008 *Reporting date spot rate*
Euro	0.5574	0.6179	0.5845	0.6175
MYR	2.6135	2.9589	2.8569	3.1434
USD	0.7540	0.9012	0.8179	0.9674
GBP	0.4701	0.4545	0.4973	0.4888

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

Effect in thousands of AUD	***Consolidated Profit or loss***
30 June 2009	
USD	(283)
Euro	(60)
GBP	(11)
30 June 2008	
USD	(241)
Euro	(332)
GBP	(19)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had approximately the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the report date was:

In thousands of AUD	*Note*	**2009**	2008
		Carrying amount	
Trade and other receivables	*13*	6,531	10,150
Cash and cash equivalents	*30(i)*	27,992	24,175
Other forward exchange contracts		–	1,675
The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
In thousands of AUD			
Australasia		1,275	1,588
Europe		2,120	6,519
USA		343	1,122
Asia		1,813	854
		5,551	10,083
The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:			
In thousands of AUD			
Telecommunications		–	1,815
Electronics		5,551	8,268
		5,551	10,083

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was nil for Asia (2008: $326,400). All receivables are with subsidiaries.

31 FINANCIAL INSTRUMENTS (Cont.)

Impairment losses

The aging of the consolidated entity's trade receivables at the report date was:

In thousands of AUD	***Gross* 2009**	***Impairment* 2009**	*Gross* 2008	*Impairment* 2008
Not past due	5,394	–	9,345	–
Past due 0 – 30 days	126	–	459	–
Past due 31 – 120 days	14	–	155	–
Past due 121 days to one year	17	–	24	(27)
More than one year	–	–	100	(100)
	5,551	–	10,083	(127)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of AUD	**2009**	2008
Balance at 1 July	127	193
Provision for impaired receivables	(31)	179
Debtors written off against impairment provision	(118)	(234)
Exchange rate adjustments	22	(11)
Balance at 30 June	–	127

Based on historic performance, the consolidated entity does not believe an impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days. Specific impairment provisions for trade receivables over 30 days is made on a case by case basis.

(e) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated *In thousands of AUD*	***Carrying Amount***	***Contractual cash flow***	***6 mths or less***	***6-12 mths***	***1-2 years***	***2-5 years***
30 June 2009						
Non-derivative financial liabilities						
Hire purchase lease liabilities	828	879	215	215	381	68
Trade and other payables	3,540	3,540	3,540	–	–	–
Derivative financial liabilities						
Nil						
30 June 2008						
Non-derivative financial liabilities						
Hire purchase lease liabilities	374	403	89	72	144	98
Trade and other payables*	5,598	5,598	5,598	–	–	–
Bank overdraft	1	1	1	–	–	–
Derivative financial liabilities						
Other forward exchange contracts:						
Inflow	1,675	1,675	1,675	–	–	–

* Excludes derivatives (shown separately).

Company
30 June 2009
Nil
30 June 2008
Nil

32 ACQUISITION/DISPOSAL OF CONTROLLED ENTITIES

2009 Acquisitions

Nil

2008 Acquisitions

Nil

	Consolidated profit/(loss) on disposal $000	The consolidated entity's interest %
2009 Disposals		
On 30 April 2009 the consolidated entity's subsidiary Lemvest Pty Ltd, sold its shares in C10 Communications Pty Ltd, the telecommunications segment	1,479	100
2008 Disposals		
On 23 January 2008 the consolidated entity sold its shares in Lemarne Healthcare Pty Ltd, the skin cancer medical clinic business segment.	(2,402)	100
On 29 April 2008 the consolidated entity's subsidiary, C10 Communications Pty Ltd sold its interest in the ValueNet business, part of the telecommunications segment.	(660)	100

See notes 6 and 10 for further details.

33 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2009.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Lemarne Corporation Limited ("the Company"):

(a) the financial statements and notes and the remuneration report in section 11 of the Directors' Report, set out on pages 10 to 53 and pages 57 to 60 respectively, are in accordance with the Corporation Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 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 2; and

(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 Group Financial Officer for the financial year ended 30 June 2009.

Dated at Melbourne this 19th day of August 2009.

Signed in accordance with a resolution of the directors.

P A MURPHY
Director

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

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 2009, and the income statements, statements of recognised income and expense and statements of cash flow for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 33 and the directors’ declaration set out on page 54 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.

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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

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 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 57 to 60 of the directors’ report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lemarne Corporation Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

Adrian V King
Partner

Melbourne
19 August 2009

The directors have pleasure in presenting the Annual Financial Report of the Company and the consolidated entity for the year ended 30 June 2009, 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 71.

Peter Geoffrey Davenport, M.A., M.I.E.E.
Director since 1981 Previously electrical/electronics engineer and management consultant
Age 71.

John Campbell Larking, M.B. Ch.B., M.R.C.O.G., F.R.A.C.O.G.
Director since 1986
Age 70.

Stephen Leslie Mason, B.Comm., LL.B., F.C.P.A., F.C.I.S.
Director since 1997
Age 57.

Peter Anthony Murphy, B.Sc(Hon)
Managing Director since March 2006.
Age 64

In accordance with the Company's Constitution Messrs E B Noxon and S L Mason retire by rotation from the board of directors and being eligible, offer themselves for re-election.

2. Company Secretary

Mrs Akaterine Kotsiopoulos the Group Financial Controller was appointed company secretary on 1 November 2007.

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	11	11
Mr P G Davenport	11	11
Mr J C Larking	10	11
Mr S L Mason	11	11
Mr P A Murphy	11	11

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 financial facilities to related entities.

5. Review of operations

A detailed review of operations is set out in pages 3 to 5.

6. Dividends

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

	2009 $000	2008 $000
(a) No final unfranked dividend (2008: 12.5 cents per share, fully franked in respect of the year ended 30 June 2008 was paid on 20 October 2008) was paid in respect of the year ended 30 June 2009	1,224	960
(b) An interim unfranked ordinary dividend of 14 cents per share (2008: 12.5 cents fully franked) was paid on 23 April 2009	1,205	1,201
(c) A special fully franked dividend of 15 cents per share was paid on 10 December 2008	1,469	–
Total dividends paid or provided for in accounts	3,898	2,161

(d) A final unfranked dividend of 50 cents per share was declared by the directors on 19 August 2009 and is payable on 19 October 2009 to members on the register at 7 pm on 9 October 2009.

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 2009 are referred to in the Chairman/Managing Director's review of operations as set out on page 3 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	970,336	Beneficial interest in shares registered in the name of EBN Superannuation Fund
	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	373,670	Beneficial interest in shares registered in the name of Maintop Superannuation Pty Ltd <Davenport Super Fund A/c>
S L Mason	376,735	Shareholder
P A Murphy	32,000	Beneficial interest in shares registered in the name of Rohsian Pty Ltd <P & LS Murphy Superfund A/c>

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. There were two Remuneration and Succession Planning Committee meetings held during the year and all members attended.

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 $220,000 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 has a 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 comprises the directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

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.
- 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 24.

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 profitable growth.

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 2009.

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

			Short term		Post employment	Share based payment	Long term benefits	Termination benefits			
		Base remuneration	Incentive schemes	Non-monetary benefits	Super contributions	Options issued*	Long service leave	Termination	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	$	%	%
Director											
P A Murphy	2009	387,835	133,384	32,223	50,000	–	4,820	–	608,262	22	–
	2008	379,433	402,000	29,393	30,654	–	2,276	–	843,756	48	–
S L Mason	2009	38,605	–	–	3,475	–	–	–	42,080	–	–
	2008	67,359	9,615	22,011	7,755	7,406	(1,452)	144,670	257,364	4	3
E B Noxon	2009	90,000	–	–	–	–	–	–	90,000	–	–
	2008	52,500	–	–	37,500	–	–	–	90,000	–	–
P G Davenport	2009	–	–	–	50,000	–	–	–	50,000	–	–
	2008	–	–	–	50,000	–	–	–	50,000	–	–
J C Larking	2009	36,700	–	–	3,300	–	–	–	40,000	–	–
	2008	36,700	–	–	3,300	–	–	–	40,000	–	–
Officer of the Company											
A Kotsiopoulos	2009	71,448	39,050	–	6,431	–	4,736	–	121,665	32	–
	2008	76,442	27,368	–	6,880	–	2,760	–	113,450	24	–
S Porter	2009	–	–	–	–	–	–	–	–	–	–
	2008	30,267	5,000	–	3,561	–	–	–	38,828	–	–
Total Lemarne	2009	**624,588**	**172,434**	**32,223**	**113,206**	**–**	**9,556**	**–**	**952,007**		
	2008	**642,701**	**443,984**	**51,404**	**139,650**	**7,406**	**3,584**	**144,670**	**1,433,399**		
K H Mun	2009	189,833	222,093	6,658	51,638	–	–	–	470,222	47	-
	2008	149,042	72,808	7,514	36,723	–	–	–	266,087	31	–
Consolidated Totals	2009	**814,421**	**394,527**	**38,881**	**164,844**	**–**	**9,556**	**–**	**1,422,229**		
	2008	**791,743**	**516,792**	**58,918**	**176,373**	**7,406**	**3,584**	**144,670**	**1,699,486**		

Analysis of bonuses included in remuneration – audited

Details of the vesting profile of the short-term incentives cash bonuses awarded as remuneration to each of the five named company executives of the Company and relevant Group executives and other key management personnel are detailed below:

	Short term incentive bonus		
	Included as remuneration $(A)	***% vest in the year***	***% forfeited in the year (B)***
Executives			
P A Murphy	133,384	100	Nil
A Kotsiopoulos	39,050	100	Nil
K H Mun	222,093	100	Nil

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2009 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

12. Equity instruments

Options and rights over equity instruments granted as compensation
There were no options over ordinary shares of the Company that were granted as compensation during the reporting period.

No options have been granted since the end of the financial year.

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 and 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 service

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 APES110 Code of Ethics for Professional Accountants, 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 next page.

	Consolidated	
	2009	2008
	$	$
Statutory audit		
Auditors of the Company		
-audit and review of financial reports (KPMG Australia)	89,534	133,125
-audit and review of financial reports (Overseas KPMG firms)	13,617	11,437
Other auditors		
-audit and review of financial reports (non-KPMG firms)	–	–
Services other than statutory audit		
Other assurance services		
-completion audit services (KPMG Australia & overseas)	19,127	10,000
-due diligence services (KPMG related practices)	25,360	30,000
Other services		
-taxation compliance services (KPMG Australia)	52,097	71,531
-taxation compliance services (Overseas KPMG firms)	5,665	2,974

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 2009.

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 19th day of August 2009.

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

P A MURPHY
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Adrian V King

Partner

Melbourne

19 August 2009

STOCK EXCHANGE INFORMATION

1. Share Capital at 14 August 2009

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

Shares	*Shareholders*
1 – 1,000	316
1,001 – 5,000	358
5,001 – 10,000	90
10,001 - 100,000	124
100,001 and over	13
Total	901

(ii) Holding less than a marketable parcel 22

(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 14 August 2009 by or on behalf of the twenty largest shareholders was 46.63%.

(d) Substantial shareholders

The number of shares held by the substantial shareholders as at 14 August 2009 were:

	No.	%
Edward Brian Noxon & Ann Elspeth Noxon <EBN Superannuation Fund A/c> C/- E.L.& C.Baillieu, PO Box 48, Collins St West, Vic	970,336	11.27

(e) Twenty largest shareholders as at 14 August 2009

	Fully paid	
	Number	**%**
Edward Brian Noxon & Ann Elspeth Noxon <EBN Superannuation Fund A/c>	970,336	11.27
Stephen Leslie Mason	376,735	4.38
Maintop Superannuation Pty Ltd <Davenport Super Fund A/c>	373,670	4.34
John Larking <Superannuation Fund A/c>	324,426	3.77
Stephen John Milner & Helen Ruth Milner <Thurso Rental Property Unit A/c>	200,000	2.32
John Larking <Larking Family Fund A/c>	193,175	2.24
Sandhurst Trustees Ltd <JMFG Consol A/c>	180,378	2.10
Angueline Investments Pty Limited <Angueline A/c>	161,900	1.88
Ross George Yannis	133,744	1.55
Buduva Pty Ltd	130,625	1.52
Citicorp Nominees Pty Limited	125,231	1.46
FDF Commercial Services Pty Ltd	125,000	1.45
Rosherville Pty Ltd	125,000	1.45
Graeme Edmund Moir	100,000	1.16
Doctors'own Pty Ltd <P&K Bowden Super Fund A/c>	98,839	1.15
Edward James Stephen Dally	83,002	0.96
Milton Yannis	82,819	0.96
Aberford Pty Ltd	79,000	0.92
McNiven & Co Pty Ltd <Executive Super Fund A/c>	76,538	0.89
Margaret Patricia Young	72,993	0.85
	4,013,411	**46.63**

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.

CORPORATE DIRECTORY

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

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
A Kotsiopoulos, B.Comm, BEng (Hons), C.A., MBA.

Group Management
Peter Murphy, Group Chief Executive
Kathy Kotsiopoulos, Group Company Secretary
(appointed 1 November 2007)
Kong Hoe Mun, Managing Director,
Lemtronics Sdn Bhd
Kathy Kotsiopoulos, Group Financial Controller

Auditors
KPMG, Chartered Accountants

Tax Agents
KPMG, Chartered Accountants

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

Solicitors
Minter Ellison

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

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

www.lemarne.com.au
(Subsidiary link appears
on the company's web site)

www.lemtronics.net