

## APPENDIX 4D HALF-YEAR REPORT

### 1. Company details

Name of entity:	<b>Allomak Limited</b>
ABN:	50 113 883 560
Reporting period:	<b>Half-year ended 31 December 2008</b>
Previous corresponding period:	Half-year ended 31 December 2007

### 2. Results for announcement to the market

Revenues from operating activities	up	12%	to	\$37,255,000
Net (loss)/profit from ordinary activities after tax attributable to members	down	n/a	to	(\$68,167,000)
Net (loss)/profit for the period attributable to members	down	n/a	to	(\$68,167,000)

#### *Dividends*

No Dividends were paid. Allomak declared a dividend on 1 September 2008, however the Board on 20 November 2008 resolved that given the current economic climate and certain factors referred to in Allomak's announcement of 23 October 2008, it has decided to defer the final dividend payment until at least 29 May 2009.

#### *Comments*

The half year revenue growth in the period has been in line with expectations with growth of 12% from \$33.3M in December 2007 to \$37.2M in December 2008, however Net Profit attributable to Allomak across the same period has decreased from a profit of \$1.4M to a loss of \$68.2M. This loss was attributable to a number of factors including impairment of intangible assets primarily due to the deterioration of economic conditions, which has impacted heavily in all industries. The core businesses, prior to any impairment of intangibles and restructuring provisions, are operating profitably.

Included in this loss are costs associated with rationalising and winding down the following businesses:

Diesel Test Pty Ltd; Emission Services Pty Ltd; Dual LPG Pty Ltd; Alloair Systems Pty Ltd; and Allomak Technology Holdings Pty Ltd.

We have shifted our focus from acquiring businesses and are concentrating on reducing our cost base and recapitalising our balance sheet in order to build a platform for us to survive the current economic conditions and to take advantage of any opportunities that may arise in the future.

#### *Summary of key businesses*

KT Cables and Alanco operate in the auto electrical distribution sector, both have strong operating performance and continue to demonstrate growth potential despite the difficult market conditions.

Mr Gloss (Panel Shop) and ECB (automotive protection equipment) are both operating profitably and remain premier businesses in their respective markets. Their profits contracted in line with the general economic slowdown.

LP Gas 1 (LPG conversions). It is a business that has slowed after a period of high activity when petrol prices were higher. We aim to restructure this business in order to ensure it is ready to take advantage of opportunities that LPG conversion provides to consumers and business fleets.

We have continued with the implementation of our ERP system. This will provide greater transparency to financial reporting and performance and be the basis to drive operational changes within the consolidated entity to assist with cost management.

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**3. NTA backing**

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(30.27) cents	(10.06) cents

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**4. Control gained over entities**

Name of entities (or group of entities)

N/A

Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)

\$ -

Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)

\$ -

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**5. Loss of control over entities**

Name of entities (or group of entities)

N/A

Date control lost

Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)

\$ -

Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)

\$ -

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**6. Dividends**

	Amount per security	Franked amount per security
<i>Current period</i>		
Final dividend announced on 1 September 2008	2.100 cents	2.100 cents

No Dividends were paid. Allomak declared a dividend on 1 September 2008, however the Board on 20 November 2008 resolved that given the current economic climate and certain factors referred to in Allomak's announcement of 23 October 2008, it has decided to defer the final dividend payment until at least 29 May 2009.

*Previous corresponding period*

	Amount per security	Franked amount per security
On 28 February 2008 the directors declared a fully franked dividend of 1.10 cents per ordinary share with a record date of 31 March 2008 which was paid 22 April 2008.		

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**7. Dividend reinvestment plans**

*The following dividend or distribution plans are in operation:*

The Allomak Limited dividend reinvestment plan dated 29 August 2006 is current.

When a dividend is declared, the election notice must be received prior to the record date.

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**8. Details of associates and joint venture entities**

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to net profit/(loss) (where material)	
	<u>Current period</u>	<u>Previous corresponding period</u>	<u>Current period</u>	<u>Previous corresponding period</u>
N/A				
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from operating activities before income tax				
Income tax on operating activities				

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

N/A

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The accounts were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review opinion contains an emphasis of matter regarding going concern.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Report for the half-year ended 31 December 2008 for Allomak Limited is attached.

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**12. Signed**

Signed: \_\_\_\_\_

Date: 27 February 2009

Chris Sadler  
Director  
Sydney



**Allomak Limited**  
ABN 50 113 883 560

**Interim Financial Report**  
**for the half-year ended 31 December 2008**

For personal use only



**Allomak Limited**  
**Directors' report**  
**31 December 2008**

The Directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allomak Limited and the entities it controlled for the half-year ended 31 December 2008.

**Directors**

The following persons were directors of Allomak Limited during the financial half-year and up to the date of this report:

Chris Sadler  
The Hon John Anderson  
Ray Malone (appointed 30 January 2009)  
Don Easter (appointed 30 January 2009)  
Anthony McLellan (resigned 9 February 2009)  
Robert Allan (resigned 4 February 2009)  
Wendy Simpson (resigned 26 October 2008)

**Principal activities**

The consolidated entity's principal activity is the operation and development of complementary businesses in the automotive aftercare market. It focuses on the wholesale vehicle aftercare and accessories sector, including automotive and electrical components, smash repair shops, vehicle protection bull bars, LP Gas conversions, and other servicing workshops for brakes and transmissions.

**Review of operations**

The half year revenue growth in the period has been in line with expectations with growth of 12% from \$33.3M in December 2007 to \$37.2M in December 2008, however Net Profit attributable to Allomak across the same period has decreased from a profit of \$1.4M to a loss of \$68.2M. This loss was attributable to a number of factors including impairment of intangible assets primarily due to the deterioration of economic conditions, which has impacted heavily in all industries. The core businesses, prior to any impairment of intangibles and restructuring provisions, are operating profitably.

Included in this loss are costs associated with rationalising and winding down the following businesses:  
Diesel Test Pty Ltd; Emission Services Pty Ltd; Dual LPG Pty Ltd; Alloair Systems Pty Ltd; and  
Allomak Technology Holdings Pty Ltd.

We have shifted our focus from acquiring businesses and are concentrating on reducing our cost base and recapitalising our balance sheet in order to build a platform for us to survive the current economic conditions and to take advantage of any opportunities that may arise in the future.

*Summary of key businesses*

KT Cables and Alanco operate in the auto electrical distribution sector, both have strong operating performance and continue to demonstrate growth potential despite the difficult market conditions.

Mr Gloss (Panel Shop) and ECB (automotive protection equipment) are both operating profitably and remain premier businesses in their respective markets. Their profits contracted in line with the general economic slowdown.

LP Gas 1 (LPG conversions). It is a business that has slowed after a period of high activity when petrol prices were higher. We aim to restructure this business in order to ensure it is ready to take advantage of opportunities that LPG conversion provides to consumers and business fleets.

We have continued with the implementation of our ERP system. This will provide greater transparency to financial reporting and performance and be the basis to drive operational changes within the consolidated entity to assist with cost management.

## **Significant changes in the state of affairs**

The significant changes in the state of the affairs of the group are as follows:

- The Chairman, Mr Anthony McClellan, resigned as a director effective 9<sup>th</sup> February 2009;
- The Chief Executive Officer, Mr Robert Allan, resigned as Managing Director and CEO effective 4<sup>th</sup> February 2009;
- Mr Tom McDonald joined the Company as Chief Financial Officer, effective 22<sup>nd</sup> September 2008;
- Management continues to conduct a rationalising of the company and has taken into account impairments and write downs;
- The Head Office management team and overhead cost structure have changed significantly;
- Management are in the process of rationalising and winding down the following businesses:  
Diesel Test Pty Ltd; Emission Services Pty Ltd; Dual LPG Pty Ltd; Alloair Systems Pty Ltd; and Allomak Technology Holdings Pty Ltd.

## **Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

## **Likely developments and expected results of operations**

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this interim report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## **Environmental regulation**

The consolidated entity is subject to environmental regulation in respect of its paint supplies and LPG conversion centre operations.

The consolidated entity holds environmental licenses for its paint and LPG service centres. These licenses arise under the requirements of various state government regulations.

Management continues to work with local regulatory authorities to achieve, where practical, best practice environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements.

The consolidated entity had no adverse environmental issues during the financial half-year.

## **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the directors' report and half-year financial report. Consequently amounts in the directors' report and half-year financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

This report is made in accordance with a resolution of directors.

On behalf of the directors



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Chris Sadler  
Director

Dated this 27<sup>th</sup> day of February 2009  
Sydney



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

**To: The Directors  
Allomak Limited**

As lead auditor for the review of Allomak Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Allomak Limited and the entities it controlled during the half year.

PKF

PKF

**Tim Sydenham  
Partner**

**Sydney**

**Dated this 27<sup>th</sup> day of February 2009**

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**Allomak Limited**  
**Financial report**  
**For the half-year ended 31 December 2008**

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**General information**

This financial report covers Allomak Limited as a consolidated entity consisting of Allomak Limited and the entities it controlled for the half-year ended 31 December 2008. The financial report is presented in Australian Dollars.

Allomak Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5

1 Castlereagh Street

Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 27 February 2009.

**Allomak Limited**  
**Income statement**  
**For the half-year ended 31 December 2008**

		<b>Consolidated Half-year</b>	
	<b>Note</b>	<b><u>2008</u> \$'000</b>	<b><u>2007</u> \$'000</b>
<b>Revenue from continuing operating activities</b>	4	37,255	33,270
Other income	5	459	490
<b>Expenses</b>			
Raw materials and consumables used		(19,284)	(15,827)
Inventory obsolescence		(3,161)	-
Employee benefits expense		(14,859)	(9,155)
Advertising and marketing		(840)	(533)
Insurance		(257)	(359)
Travel and motor vehicle		(787)	(768)
Occupancy expenses		(1,805)	(1,215)
Professional services		(1,455)	(1,138)
Research and development		(166)	(18)
Communication expenses		(291)	(259)
Depreciation and amortisation expense		(963)	(466)
Bad and doubtful debts		(6,410)	-
Finance costs		(1,568)	(752)
Hire of equipment		(2,946)	-
Other expenses		(937)	(1,475)
<b>(Loss)/Profit before impairment and income tax expense</b>		(18,015)	1,795
Impairment of intangibles		(47,239)	-
Impairment of assets		(1,425)	-
<b>(Loss)/Profit before income tax expense</b>		(66,679)	1,795
Income tax expense		(1,488)	(501)
<b>(Loss)/Profit after income tax expense</b>		(68,167)	1,294
Loss attributable to minority interest		-	137
<b>(Loss)/Profit after income tax expense attributable to members of Allomak Limited</b>		<u>(68,167)</u>	<u>1,431</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(50.71)	1.44
Diluted earnings per share		(50.71)	1.26

**Allomak Limited**  
**Balance sheet**  
**As at 31 December 2008**

		<b>Consolidated</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2008</b>	<b>2008</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		1,290	3,446
Trade and other receivables	7	9,455	18,989
Inventories		8,677	11,863
Other		550	710
Total current assets		<u>19,972</u>	<u>35,008</u>
<b>Non-current assets</b>			
Other financial assets		-	395
Property, plant and equipment	8	5,129	6,685
Intangibles	9	32,638	74,527
Deferred tax		-	1,488
Total non-current assets		<u>37,767</u>	<u>83,095</u>
<b>Total assets</b>		<u>57,739</u>	<u>118,103</u>
<b>Current liabilities</b>			
Trade and other payables	10	23,382	21,023
Borrowings	11	33,249	30,143
Income tax		1,535	1,457
Provisions	12	4,610	1,451
Total current liabilities		<u>62,776</u>	<u>54,074</u>
<b>Non-current liabilities</b>			
Borrowings	13	595	602
Provisions	14	2,760	263
Other	15	-	1,404
Total non-current liabilities		<u>3,355</u>	<u>2,269</u>
<b>Total liabilities</b>		<u>66,131</u>	<u>56,343</u>
<b>Net assets/(liabilities)</b>		<u>(8,392)</u>	<u>61,760</u>
<b>Equity</b>			
Contributed equity	16	57,715	56,882
Reserves		47	47
Retained profits/(accumulated losses)		<u>(66,154)</u>	<u>4,831</u>
<b>Total equity</b>		<u>(8,392)</u>	<u>61,760</u>

**Allomak Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2008**

	<b>Contributed Equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained Profits \$'000</b>	<b>Parent Interest \$'000</b>	<b>Minority Interest \$'000</b>	<b>Total Equity \$'000</b>
<b>Consolidated</b>						
Balance 1 July 2007	25,153	29	1,969	27,151	(175)	26,976
Profit after income tax expense attributable to members of Allomak Limited	-	-	1,431	1,431	(137)	1,294
Total recognised income/(expense) for the half-year	-	-	1,431	1,431	(137)	1,294
Contributions of equity, net of transaction costs	27,914	-	-	27,914	-	27,914
Share-based payments	-	9	-	9	-	9
Divestment of minority interest	-	-	-	-	312	312
Dividends paid	-	-	(1,993)	(1,993)	-	(1,993)
Balance 31 December 2007	<u>53,067</u>	<u>38</u>	<u>1,407</u>	<u>54,512</u>	<u>-</u>	<u>54,512</u>
<b>Consolidated</b>						
Balance 1 July 2008	56,882	47	4,831	61,760	-	61,760
Total recognised income/(expense) for the half-year	-	-	(68,167)	(68,167)	-	(68,167)
Contributions of equity, net of transaction costs	81	-	-	81	-	81
Share-based payments	752	-	-	752	-	752
Divestment of minority interest	-	-	-	-	-	-
Dividends declared	-	-	(2,818)	(2,818)	-	(2,818)
Balance 31 December 2008	<u>57,715</u>	<u>47</u>	<u>(66,154)</u>	<u>(8,392)</u>	<u>-</u>	<u>(8,392)</u>

**Allomak Limited**  
**Cash flow statement**  
**For the half-year ended 31 December 2008**

		Consolidated Half-year	
	Note	<u>2008</u> \$'000	<u>2007</u> \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		44,834	37,138
Payments to suppliers (inclusive of GST)		<u>(45,023)</u>	<u>(34,344)</u>
		(189)	2,794
Interest received		80	85
Interest and other finance costs paid		(1,568)	(752)
Income taxes paid		<u>-</u>	<u>(819)</u>
Net cash inflow/(outflow) from operating activities		<u>(1,677)</u>	<u>1,308</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired		(1,281)	(26,890)
Payments for intangible assets		(1,877)	-
Payments for property, plant and equipment		(569)	(1,320)
Proceeds from sale of property, plant and equipment		72	79
Amounts advanced to related parties		-	(20)
Development costs paid		<u>-</u>	<u>(327)</u>
Net cash inflow/(outflow) from investing activities		<u>(3,655)</u>	<u>(28,478)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	16	-	18,065
Proceeds from borrowings		4,126	22,219
Dividends paid	17	-	(1,575)
Repayment of borrowings		<u>(950)</u>	<u>(7,874)</u>
Net cash inflow/(outflow) from financing activities		<u>3,176</u>	<u>30,835</u>
Net increase/(decrease) in cash and cash equivalents		(2,156)	3,665
Cash and cash equivalents at the beginning of the financial half-year		<u>3,446</u>	<u>1,302</u>
Cash and cash equivalents at the end of the financial half-year		1,290	4,967

**Note 1. Significant accounting policies**

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Note 2. Going Concern and Solvency**

The Directors have prepared this report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This is notwithstanding that the consolidated entity incurred losses for the half year of \$68.2 million, of which more than \$47 million relates to the impairment of goodwill and intangible assets, which were created at the acquisition of subsidiary businesses.

The losses have negatively impacted the consolidated entity's cash flows, have contributed to the breach of certain bank covenants, and resulted in a net current liability position of \$42.8 million and a net liability position of \$8.4 million at 31 December 2008. This has given rise to significant uncertainty regarding the ability of the consolidated entity to continue as a going concern and pay its debts as and when they fall due, and to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this report.

The company continues to work with its banker, Westpac Banking Corporation, having regard to this uncertainty. In the Board's opinion, the discussions with Westpac have been positive.

During the half year ended 31 December 2008, the Board has taken the following actions to restructure the business, to resolve the going concern issue and to protect the financial security of the consolidated entity:

- Management are in the process of rationalising and winding down the following businesses:  
Diesel Test Pty Ltd; Emission Services Pty Ltd; Dual LPG Pty Ltd; Alloair Systems Pty Ltd; Allomak Technology Holdings Pty Ltd. Two other businesses are still under review;
- The previously announced dividend was deferred to 29 May 2009;
- In other businesses, management has curtailed operating expenses and headcount where necessary. As a consequence, staff have been reduced in the half year ended 31 December 2008 by approximately 42 full time equivalents;
- Head office employees and expenses have been significantly reduced in order to protect the EBIT of the group;
- The Board is investigating the sale of subsidiaries and the due diligence of a smaller business is currently underway;
- Discussions with the bank are currently continuing and the company continues to provide information to the bank for that process;
- Discussions have taken place with the vendors of certain businesses who are owed settlement. A non cash settlement is being considered, although no terms have been agreed as yet;

Subsequent to 31 December 2008:

- The Board has engaged an advisor to provide assistance with a plan to recapitalise the company; and
- Investors are being sought to recapitalise the company to deliver a capital injection.

The Board will continue to review and manage the cost structures of the business and where necessary will divest non performing units. The Board is in constant dialogue with the bank and expects the recapitalisation plan will address ongoing banking arrangements. It will also continue to work with its advisors to recapitalise the business.

The Board is confident that one or more of the above actions will come to fruition, thereby resolving the going concern issue.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that differ from those stated in the report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern or pay its debts as and when they become due and payable.

### Note 3. Segment information

#### Primary reporting - business segments

The consolidated entity operates in two business segments: manufacturing and distribution. These business segments are the basis on which the consolidated entity reports its primary segment information.

<b>Half-year 2008</b>	<b><u>Manufacturing</u> \$'000</b>	<b><u>Distribution</u> \$'000</b>	<b><u>Intersegment eliminations</u> \$'000</b>	<b><u>Consolidated</u> \$'000</b>
Sales to external customers	24,387	12,868	-	37,255
Total sales revenue	24,387	12,868	-	37,255
Other income	332	127	-	459
Total segment revenue	24,719	12,995	-	37,714
Segment result	(53,979)	(1,940)	-	(55,919)
Unallocated corporate expenses				(10,760)
Net profit before income tax				(66,679)
Income tax expense				(1,488)
Net profit after income tax expense				(68,167)

<b>Half-year 2007</b>	<b><u>Manufacturing</u> \$'000</b>	<b><u>Distribution</u> \$'000</b>	<b><u>Intersegment eliminations</u> \$'000</b>	<b><u>Consolidated</u> \$'000</b>
Sales to external customers	22,333	10,937	-	33,270
Total sales revenue	22,333	10,937	-	33,270
Other income	329	161	-	490
Total segment revenue	22,662	11,098	-	33,760
Segment result	2,902	1,332	-	4,234
Unallocated corporate expenses				(2,439)
Net profit before income tax expense				1,795
Income tax expense				(501)
Net profit after income tax expense				1,294

### Note 4. Revenue

	<b><u>Consolidated Half-year</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods	7,375	19,598
Service and hire	29,880	13,672
	<u>37,255</u>	<u>33,270</u>

**Note 5. Other income**

	<b>Consolidated Half-year</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Interest received	80	85
Other revenue	379	368
Foreign exchange gain	-	3
Net gain on sale of property, plant and equipment	-	31
Subsidies and grants	-	3
	<u>-</u>	<u>3</u>
Other income	<u>459</u>	<u>490</u>

**Note 6. Expenses**

	<b>Consolidated Half-year</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) before income tax includes the following specific items:		
<b>Expenses</b>		
Cost of sales	25,564	15,827
Loss on sale or disposal of property, plant and equipment	56	-
Foreign currency exchange loss	91	-
<i>Finance costs</i>		
Interest and finance charges paid/payable	1,702	752
<i>Rental expense relating to operating leases</i>		
Lease payments	1,393	1,754
Onerous lease recognition	3,091	-
Defined contribution superannuation expense	1,033	769

**Note 7. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	10,403	18,719
Less: Bad and doubtful debt provision	(1,558)	(235)
	<u>8,845</u>	<u>18,484</u>
Other receivables	610	505
Less: Bad and doubtful debt provision	-	-
	<u>610</u>	<u>505</u>
	<u>9,455</u>	<u>18,989</u>



## Note 8. Non-current assets - property, plant and equipment

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements - at cost	315	346
Less: Accumulated depreciation and impairment	(21)	(19)
	<u>294</u>	<u>327</u>
Plant and equipment - at cost	4,912	4,900
Less: Accumulated depreciation and impairment	(1,618)	(652)
	<u>3,294</u>	<u>4,248</u>
Plant and equipment under lease	704	564
Less: Accumulated depreciation and impairment	(327)	(151)
	<u>377</u>	<u>413</u>
Furniture and equipment - at cost	997	1,063
Less: Accumulated depreciation and impairment	(556)	(346)
	<u>441</u>	<u>717</u>
Motor vehicles - at cost	1,168	1,176
Less: Accumulated depreciation and impairment	(445)	(196)
	<u>723</u>	<u>980</u>
	<u><u>5,129</u></u>	<u><u>6,685</u></u>

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	<u>Leasehold</u>	<u>Plant and</u>	<u>Plant</u>	<u>Furniture</u>	<u>Motor</u>	<u>Consolidated</u>
	<u>improvements</u>	<u>equipment</u>	<u>under lease</u>	<u>and</u>	<u>Vehicles</u>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
Balance 1 July 2008	327	4,248	413	717	980	6,685
Additions	3	506	40	57	71	677
Impairment	(25)	(1,033)	-	(248)	(119)	(1,425)
Disposals	-	(68)	(25)	-	(103)	(196)
Depreciation expense	<u>(11)</u>	<u>(359)</u>	<u>(51)</u>	<u>(85)</u>	<u>(106)</u>	<u>(612)</u>
Balance 31 December 2008	<u><u>294</u></u>	<u><u>3294</u></u>	<u><u>377</u></u>	<u><u>441</u></u>	<u><u>723</u></u>	<u><u>5,129</u></u>

## Note 9. Non-current assets – intangibles

	Consolidated	
	31 December 2008 \$'000	30 June 2008 \$'000
Goodwill - at cost	71,832	66,699
Less: Accumulated amortisation and impairment	(39,215)	-
	<u>32,617</u>	<u>66,699</u>
Product development - at cost	1,382	1,187
Less: Accumulated amortisation and impairment	(1,382)	(31)
	<u>-</u>	<u>1,156</u>
Patents and trademarks - at cost	21	12
Less: Accumulated amortisation and impairment	-	-
	<u>21</u>	<u>12</u>
Intellectual property - at cost	7,025	6,660
Less: Accumulated amortisation and impairment	(7,025)	-
	<u>-</u>	<u>6,660</u>
	<u>32,638</u>	<u>74,527</u>

### Reconciliations

Reconciliations of the fair values at the beginning and end of the current financial half-year are set out below:

	<u>Goodwill</u> \$'000	<u>Product development</u> \$'000	<u>Patents and trademarks</u> \$'000	<u>Intellectual Property</u> \$'000	<u>Consolidated</u> \$'000
<b>Consolidated</b>					
Balance 1 July 2008	66,699	1,156	12	6,660	74,527
Movements as a result of business combinations	5,133	-	-	-	5,133
Additions	-	195	9	365	569
Amortisation expense	-	-	-	(352)	(352)
Impairment expense	(39,215)	(1,351)	-	(6,673)	(47,239)
Balance 31 December 2008	<u>32,617</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>32,638</u>

## Note 10. Current liabilities - trade and other payables

	Consolidated	
	31 December 2008 \$'000	30 June 2008 \$'000
Trade payables	6,315	8,919
Deferred consideration	12,983	9,105
Other payables	<u>4,084</u>	<u>2,999</u>
	<u>23,382</u>	<u>21,023</u>

**Note 11. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Bank bills	33,044	29,919
Other loans - unsecured	-	4
Lease liability	205	220
	<u>33,249</u>	<u>30,143</u>

Refer to note 13 for further information.

**Note 12. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for dividend	2,821	15
Provision for onerous leases	620	-
Provision for annual leave	839	925
Provision for long-service leave	315	481
Other	15	30
	<u>4,610</u>	<u>1,451</u>

**Note 13. Non-current liabilities – borrowings**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Lease liability	595	602
	<u>595</u>	<u>602</u>

**Total secured liabilities**

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Bank bills	33,044	29,919
Lease liability	800	822
	<u>33,844</u>	<u>30,741</u>

### Note 13. Non-current liabilities – borrowings (cont'd)

#### *Assets pledged as security*

The bank loans are secured by a fixed and floating charge over all of the assets and uncalled capital of Allomak Limited and all of its subsidiaries.

The lease liabilities are effectively secured as the rights to the leased assets recognised in the balance sheet revert to the lessor in the event of default.

#### *Financing arrangements*

In August 2008 the bank bills facility was renegotiated with an expiry date of 31 October 2009, however due to the breach of bank covenants during the period the company is under regular review. Refer to Note 2 for details in relation to going concern and solvency.

Due to the breach of certain bank covenants there are no further draw downs currently available on the bank bills as shown below:

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank bills	33,044	35,000
	<u>33,044</u>	<u>35,000</u>
Used at balance date		
Bank bills	33,044	29,919
	<u>33,044</u>	<u>29,919</u>
Unused at balance date		
Bank bills	-	5,081
	<u>-</u>	<u>5,081</u>

### Note 14. Non-current liabilities - provisions

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for onerous leases	2,325	-
Provision for long service leave	435	263
	<u>2,760</u>	<u>263</u>

### Note 15. Non-current liabilities - other

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b><u>2008</u></b>	<b><u>2008</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred consideration	-	1,404
	<u>-</u>	<u>1,404</u>

## Note 16. Equity – contributed

	Consolidated		Consolidated	
	<u>31 December</u> <u>2008</u> Shares	<u>30 June</u> <u>2008</u> Shares	<u>31 December</u> <u>2008</u> \$'000	<u>30 June</u> <u>2008</u> \$'000
Ordinary shares - fully paid	135,543,534	133,982,379	57,715	56,882

### *Movements in ordinary share capital during the half-year*

<u>Details</u>	<u>Date</u>	<u>No of shares</u>	<u>Issue price</u>	<u>\$'000</u>
Balance	1 July 2008	133,982,379		56,882
Shares issued to vendor	15 September 2008	483,871	\$0.31	150
Shares issued to vendor	2 December 2008	1,077,284	\$0.56	603
Transaction costs - tax benefit				80
Balance	31 December 2008	<u>135,543,534</u>		<u>57,715</u>

### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

## Note 17. Equity – dividends

	Consolidated Half-year	
	<u>2008</u> \$'000	<u>2007</u> \$'000
Dividends declared/paid during the half-year	2,818	1,993

## Note 18. Business combinations

### 2008

There were no business combinations during the 6 months ended 31 December 2008.

### 2007

#### *Mr Gloss*

On 1 July 2007 Allomak Limited acquired Mr Gloss Holdings Pty Limited, a subsidiary, for \$17,477,000. The principal activity of this subsidiary is the provision of smash repair services.

Details of the acquisition are as follows:

	<b>Acquiree's Carrying Amount \$'000</b>	<b>Fair value \$'000</b>
Raw materials	79	79
Leasehold improvements	224	224
Plant and equipment	494	494
Furniture and equipment	57	57
Motor vehicles	57	57
Deferred tax asset	-	83
Employee benefits	(276)	(276)
Lease liability	(206)	(206)
Net assets acquired	429	512
Goodwill		22,965
Total purchase consideration		23,477
Representing:		
Consideration due to vendor		22,985
Direct costs paid relating to the acquisition		492
		23,477
	<b>Consolidated Half-year 2008 \$'000</b>	<b>2007 \$'000</b>
Outflow of cash to acquire subsidiary, net of cash acquired:		
Total purchase consideration	23,477	17,356
Less: Allomak Limited shares issued to vendor	(6,932)	(6,329)
Less: payments to be made in future periods	(6,000)	(603)
Outflow of cash	10,545	10,424

**Note 18. Business combinations (cont'd)***Alanco*

On 1 July 2007 Alanco Australia Pty Limited, a subsidiary, acquired the business of Alanco Australia for \$12,489,000. The principal activity of this business is importation and distribution of auto electrical and auto accessories.

Details of the acquisition are as follows:

	<b>Acquiree's carrying amount \$'000</b>	<b>Fair value \$'000</b>
Trade receivables	580	580
Finished goods	1,353	1,353
Prepayments	65	65
Plant and equipment	241	241
Deferred tax asset	-	25
Employee benefits	(85)	(85)
Net assets acquired	<u>2,154</u>	<u>2,179</u>
Goodwill		<u>10,310</u>
Total purchase consideration		<u><u>12,489</u></u>
Representing:		
Consideration due to vendor		12,019
Direct costs paid relating to the acquisition		<u>470</u>
		<u><u>12,489</u></u>
	<b>Consolidated Half-year 2008 \$'000</b>	<b>2007 \$'000</b>
Outflow of cash to acquire business, net of cash acquired:		
Total purchase consideration	12,489	10,951
Less: Allomak Limited shares issued to vendor	(2,642)	(2,535)
Less: payments to be made in future periods	<u>(1,385)</u>	<u>(1,118)</u>
Outflow of cash	<u><u>8,462</u></u>	<u><u>7,298</u></u>

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On 1 October 2007 Allomak Limited acquired KT Cable Accessories Pty Limited, a subsidiary, for \$7,182,000. The principal activity of this subsidiary is the production of wiring and cabling accessories.

Details of the acquisition are as follows:

	<b>Acquiree's carrying <u>amount</u> \$'000</b>	<b>Fair value <u>\$'000</u></b>
Trade receivables	796	796
Raw materials	841	841
Prepayments	8	8
Plant and equipment	78	78
Furniture and equipment	98	98
Motor vehicles	91	91
Deferred tax asset	-	13
Trade payables	(344)	(344)
Other payables	(52)	(52)
Employee benefits	(42)	(42)
Lease liability	(84)	(84)
Net assets acquired	1,390	1,403
Goodwill		5,620
Total purchase consideration		7,023
Representing:		
Consideration due to vendor		6,746
Direct costs paid relating to the acquisition		277
		7,023
	<b>Consolidated Half-year</b>	
	<b><u>2008</u> \$'000</b>	<b><u>2007</u> \$'000</b>
Outflow of cash to acquire subsidiary, net of cash acquired:		
Total purchase consideration	7,023	7,182
Less: payments to be made in future periods	(2,862)	(3,058)
Less: share issued as part of consideration	(250)	-
Outflow of cash	3,911	4,124



**Note 18. Business combinations (cont'd)***LP Gas 1*

On 1 July 2007 LP Gas 1 Pty Limited, a subsidiary, acquired the business LP Gas 1, for \$7,373,000. The principal activity of this business is petrol/diesel and LP Gas hybrid conversions.

Details of the acquisition are as follows:

	<b>Acquiree's carrying amount \$'000</b>	<b>Fair value \$'000</b>
Trade receivables	563	563
Raw materials	278	278
Prepayments	22	22
Other current assets	7	7
Leasehold improvements	97	97
Plant and equipment	36	36
Furniture and equipment	30	30
Motor vehicles	312	312
Deferred tax asset	-	14
Trade payables	(1,720)	(1,720)
Other payables	(6)	(6)
Employee benefits	(48)	(48)
Other liabilities	(7)	(7)
	<u>(436)</u>	<u>(422)</u>
Net assets acquired		5,882
Goodwill		
Total purchase consideration		<u><u>5,460</u></u>
Representing:		
Consideration due to vendor		5,382
Direct costs paid relating to the acquisition		<u>78</u>
		<u><u>5,460</u></u>
	<b>Consolidated Half-year</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Outflow of cash to acquire business, net of cash acquired:		
Total purchase consideration	5,460	7,373
Less: payments to be made in future periods	(241)	(4,478)
Less: share issued as part of consideration	<u>(1,656)</u>	<u>-</u>
Outflow of cash	<u><u>3,563</u></u>	<u><u>2,895</u></u>

## **Note 18. Business combinations (cont'd)**

### *Acquisition accounting*

The accounting for the above entities has been finalised at the reporting date in accordance with AASB 3: Business combinations.

### *Contribution to consolidated entity*

Included in revenue and net profit after tax for the period are \$15,102,000 and \$2,937,000 respectively, which is attributable to the additional business generated by Mr Gloss Pty Limited, Alanco Australia Pty Limited, KT Cable Accessories Pty Limited and LP Gas 1 Pty Limited in the half year ended 31 December 2007. Due to contracted confidentiality terms in the agreements between Allomak and the vendors, the company has not disclosed the individual revenue and profit by company.

### *Dual LPG*

On 30 September 2007 Allomak Limited, the parent entity, acquired the 49.9% outside equity interest of Dual LPG for a total purchase consideration of \$314,000. In the agreement it also acquired the share of net liabilities \$312,000, resulting in total goodwill of \$626,000 being recognised for this acquisition.

## **Note 19. Contingent assets and contingent liabilities**

There were no contingent assets or contingent liabilities as at 31 December 2008.

## **Note 20. Events occurring after balance date**

No matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

**Allomak Limited**  
**Directors' declaration**

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Chris Sadler  
Director

Dated this 27<sup>th</sup> day of February 2009  
Sydney



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Allomak Limited

### Report on the half year Financial Report

We have reviewed the accompanying half year financial report of Allomak Limited and controlled entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises Allomak Limited and the entities it controlled at the half year end or from time to time during the half year period.

#### *Directors' Responsibility for the half year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with the 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 half year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Corporations Act 2001. As the auditor of Allomak Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Allomak Limited is not in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year then ended on that date; and
- ii) Complying with the Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

**Significant Uncertainty regarding Going Concern**

Without qualification to the conclusion expressed above, attention is drawn to note 2 of the half year financial report. As disclosed in the note, the consolidated entity has recorded a loss for the period of \$68.2 million and has net liabilities of \$8.4 million at 31 December 2008. This gives rise to a significant uncertainty regarding the ability of the consolidated entity to continue as a going concern and pay its debts as and when they fall due, and whether it will therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern or be unable to pay its debts as and when they fall due.

PKF

PKF



**Tim Sydenham**  
**Partner**

Sydney, 27 February 2009