



ASX RELEASE

Friday, 27 February 2009

## **RESULTS FOR FIRST HALF 2009 ALLOMAK LIMITED (ASX code: AMA)**

Allomak Limited (Allomak or the Company) today released the interim results for the half year ended 31 December 2008 and its ASX Appendix 4D. Overall, sales for the first half were in line with expectations at \$37.2m and 12% up on the previous corresponding period. The Company advises that the core businesses were trading profitably for the half year ended 31 December 2008, although at lower levels than the prior corresponding period,

However, as announced to the market on 23 October 2008 and further discussed in the Trading Update of 3 February 2009, the Company has undertaken a rigorous review of its businesses, which has resulted in a substantial reorganisation. Management is in the process of continually rationalising its businesses where required. The Board has also taken a significant impairment of intangible assets, with write downs and provisioning in line with the accounting and impairment requirements under the Australian and International Financial Reporting Standards (IFRS).

Whilst primarily non cash in nature, the total impairments and write downs taken to account in the half year results were \$62.1 million, out of the total reported loss of \$68.2m and includes the following:

- ▷ Impairment of intangible assets, including goodwill in connection with the previous acquisitions of \$47.2 million;
- ▷ Impairment of plant and equipment of \$1.5m;
- ▷ Provisioning for bad and doubtful debts of \$6.4 million;
- ▷ Provisioning for inventory obsolescence and write downs of \$3.2 million;
- ▷ Other items associated with restructuring the Lines of Business of \$3.8 million.

### Operations:

The Company is entirely focused on operating its businesses efficiently, led by very capable and experienced general managers. Management has taken action to actively reduce headcount and overheads where necessary, to better manage the businesses and maintain profitability.



Our distribution businesses, primarily KT Cables and Alanco which operate in the auto electrical distribution sector, both had 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) as a business 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.

Management of the businesses has curtailed operating expenses and headcount where necessary. As a consequence, approximately 42 full time equivalent staff has been reduced in the half year ended 31 December 2008.

Head office employees and expenses have also been significantly reduced in order to protect the EBIT of the group.

Management continues to review and manage the cost structures of the business and where necessary will divest non performing units.

Management is 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.

The Company has continued with the implementation of its ERP system. This will provide greater transparency to financial reporting and be the basis on which to drive operational efficiencies and cost management within the consolidated entity.

Subject to no further deterioration in the economy and the automotive aftercare market, the Company expects to trade profitably during the second half.

#### Changes in the Company:

The Company has also experienced other changes recently:

- ▷ The Chairman, Mr Anthony McClellan, resigned as a director with effect from 9<sup>th</sup> February 2009;
- ▷ The Chief Executive Officer, Mr Robert Allan, resigned as Managing Director and CEO with effect from 4<sup>th</sup> February 2009.



Financing and recapitalisation:

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

The Board has now engaged an advisor to provide assistance to develop a recapitalisation of the company and Investors are currently being sought to deliver a capital injection.

Discussions continue to take 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.

The Board announced a dividend on 1 September 2008, however given the current environment and certain factors referred to in Allomak's announcement of 23 October 2008, the Board resolved on 20 November 2008 to defer the dividend until 29 May 2009. Given the continuation of discussions with the bank, it is likely the dividend will again be deferred.

The Board is in constant dialogue with the bank and expects the recapitalisation plan will address the current circumstances with the Vendors and arrangements with the bank.

For further information, please contact:

Tom McDonald  
Chief Financial Officer  
Tel: (02) 8244 9200  
[inquiries@allomak.com](mailto:inquiries@allomak.com)