Bisalloy Steel Group Limited

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2009
Results for announcement to the market

				FY09 $'000	FY08 $'000
Continuing operations					
Revenue	Down	(14.9%)	to	109,008	125,838
Profit before tax from continuing operations	Up	27.0%	to	30,029	23,639
Profit after tax from continuing operations	Up	44.8%	to	22,194	15,323
Discontinued operations					
Revenue	Down	(66.4%)	to	110,481	329,071
Loss before tax from discontinued operations	Down	(63.7%)	to	(31,572)	(86,929)
Loss after tax from discontinued operations	Down	(66.8%)	to	(26,086)	(78,578)

Loss attributable to members	Down	(93.3%)	to	(4,311)	(63,908)

Dividends	Amount per share	Franked amount per share	Tax rate for franking
Final dividend	N/A	N/A	N/A
Previous corresponding period	N/A	N/A	N/A
Record date for determining entitlements to the dividend		N/A	

Other	FY09	FY08
Net tangible asset backing per share	1.5cps	(14.3)cps

Explanation of Results
Please refer to the attached commentary for an explanation of the results. Note that the loss from discontinued operations in FY09 includes the trading results up to the time of sale and adjustments associated with de-recognition of sold entities from the Group.

Highlights

1. Bisalloy Steel Group ("the Company") delivers FY09 EBIT of $32.4m for continuing operations, in the mid range of market guidance. The result comprised EBIT of $18.5m for Bisalloy Operations and EBIT of $13.9m for Corporate Services. The full year result is reflective of a subdued second half in contrast to the strong first half result reported in February 2009.

2. The Bisalloy Operations result was adversely impacted by significantly weaker market conditions which prevailed in the second half consistent with the general steel market.

3. The Corporate Services result was underpinned by $16.4m of foreign exchange gains primarily recorded on close-out of par forward hedges in the first half.

4. On 5 November 2008, the Company completed the sale of its Distribution Business (Atlas Specialty Metals) to a consortium including Balron Nominees Pty Limited and entities associated with Greenstone Partners Private Capital.

5. The Distribution Business recorded EBIT loss of $18.4m ($26.1m after tax) for the period up to its sale, inclusive of costs associated with the sale process.

6. To supplement funding of working capital, the Company has successfully raised $4.9m of equity capital through an unconditional placement of 28m ordinary shares to existing institutional investors and a new sophisticated investor at $0.175 per share.

7. The Company is cautiously optimistic that the modest improvement in quenched and tempered steel market conditions experienced during Q4FY09 will continue throughout FY10 with a return to balanced demand and supply conditions during the second half of the financial year.

Results Summary

Results Summary - Bisalloy Steel Group Limited results for the year ended 30 June 2009		
Group Statutory Reporting Basis	**FY09 $m**	**FY08 $m**
Continuing operations		
Revenues	109.0	125.8
Earnings before interest and taxes (EBIT)	32.4	23.7
Net financing costs	(2.4)	(0.1)
Earnings Before Tax (EBT)	30.0	23.6
Income tax expense	(7.8)	(8.3)
Net Profit after Tax from continuing operations	22.2	15.3
Loss from discontinued operations	(26.1)	(78.6)
Net Loss After Tax	(3.9)	(63.3)
Minority interests	(0.4)	(0.6)
Net Loss After Tax attributable to members of the holding company	(4.3)	(63.9)

Results Summary - Bisalloy Steel Group Limited results for the year ended 30 June 2009						
Normalised Reporting Basis $m	**FY09 H1**	**FY09 H2**	**FY09**	**FY08 H1**	**FY08 H2**	**FY08**
Continuing Operations Only						
Revenues	78.2	30.8	109.0	60.1	65.7	125.8
Earnings before interest and taxes (EBIT)	31.1	1.3	32.4	7.1	16.6	23.7
FX (gains)/losses primarily on close-out par forward hedges	(17.8)	1.4	(16.4)	-	-	-
Costs associated with the sale of the Distribution Business	3.7	(3.7)	-	0.2	(0.2)	
Costs associated with possible ownership transaction	-	-	-	-	0.7	0.7
Redundancies not related to the sale of the Distribution Business	-	-	-	1.2	0.4	1.6
Project debtor provision relating to prior period	-	-	-	0.7	(0.7)	-
Normalised EBIT from continuing operations	17.0	(1.0)	16.0	9.2	16.8	26.0

Review of Corporate Activity

Distribution Business Sold

As noted in the HY09 report and earlier ASX announcements, the sale of the Atlas Distribution Business was approved by shareholders on 30 October 2008 and completed on 5 November 2008.

The EBIT loss incurred by the Distribution Business during FY09 for the period up to its sale was $18.4m, inclusive of costs associated with the sale process. Net proceeds of the sale totalled $73.1m and were applied to reduce Group net debt.

Following sale of the Distribution Business, the Company changed its name to Bisalloy Steel Group Limited, reflecting the future focus and direction of the Group.

Capital Raising Completed

On 2 December 2008 the Company announced a fully underwritten renounceable rights issue of 4 new shares for every 5 shares at an issue price of $0.25 per share. The rights issue was completed in January 2009 and raised $19.7m (net of costs) to fund short-term working capital requirements and strengthen the Company's balance sheet.

Corporate Restructure

Following sale of the Atlas Distribution Business, the Company implemented a corporate restructure to align with the requirements of continuing operations.

- On 6 November 2008 Mr Kym Godson retired as Managing Director and was replaced by Mr Robert Terpening, who had been the General Manager of Bisalloy Steels since 1999.
- On 1 January 2009 Mr John Reid stood down as Chief Financial Officer and was replaced by Mr Martin Matoricz, who had previously held the position of Group Financial Controller for Atlas Group Holdings Limited.
- On 20 February 2009 Mr David Cleland stood down as Company Secretary with secretarial duties assigned to Mr Matoricz.
- On 25 February 2009 the Melbourne based head office of the Company was closed and relocated to the Bisalloy Steels site in Unanderra, NSW.

Review of Operations

Summary

Results Summary - Bisalloy Steel Group Limited results for the year ended 30 June 2009

Group EBIT Basis	**FY09 $m**	**FY08 $m**
EBIT from continuing operations	32.4	23.7
EBIT from discontinued operations	(18.4)	(17.5)
Group EBIT	14.0	6.2
Fair Value adjustments - Distribution	(8.9)	(54.9)
Financing Costs	(6.6)	(14.6)
Income Tax	(2.4)	(0.0)
Net Loss After Tax	(3.9)	(63.3)
Attributable to minority interests	(0.4)	(0.6)
Net Loss After Tax attributable to members of the holding company	(4.3)	(63.9)

Continuing Operations

Bisalloy Operations

Bisalloy Operations comprises Bisalloy Steels Pty Limited in Australia and the partly owned subsidiaries operating distribution businesses in Indonesia and Thailand. The results of Bisalloy Operations were characterised by a strong first half, followed by a subdued second half in line with the general steel market.

The quenched and tempered steel market has been affected by a cycle of de-stocking, initially as excess inventory levels were eliminated, as well as further de-stocking as customers increased focus on working capital management. Of the $109.0m revenue for the full year, $78.2m (or 71.7%) was recorded in the first half.

Bisalloy Operations delivered an EBIT of $18.5m for the financial year. Australian processing operations contributed $15.9m of this result, with the balance of $2.6m returned by operations in Indonesia and Thailand.

Corporate Services

Corporate Services encompasses the small group executive management team and associated public listed entity requirements.

Corporate Services returned an EBIT of $13.9m for the financial year comprising $2.5m of corporate costs, offset by $16.4m of foreign exchange gains primarily recorded on close-out of par forward hedges in the first half.

Costs associated with divestment of the Distribution Business are excluded from these amounts, such costs being recorded against the results of discontinued operations.

Discontinued Operations

Distribution Business

The sale of the Atlas Distribution Business was completed on 5 November 2008. The Distribution Business recorded an EBIT loss of $18.4m for the financial year comprising:

- a trading loss for the four months to 31 October 2008 (Completion date) of $1.2m;
- $13.9m of foreign exchange losses due to insufficient hedging facilities as the Australian dollar tumbled from its record highs; and
- $3.3m of divestment costs.

Safety

Zero harm is a key focus of the business and is delivered through its STAR safety system that involves and challenges employees to STOP, THINK, ASSESS and RESPOND when undertaking any task. Bisalloy Operations recorded a single Lost Time Injury (LTI) during FY09, down from four in the prior year. The human impact was also very pleasing with only two working days lost through the single LTI and no long term impact on the employee's health and wellbeing.

Outlook

Although the Company operates within the steel sector, its marketing mix indicates a strong leverage to the resource sector. Available market analysis indicates the steel sector implemented aggressive production cuts to accelerate inventory correction during Q3FY09, with signs emerging during Q4FY09 that production and pricing has stabilised. Similarly, key commodity prices appear to have stabilised with long term fundamentals remaining intact (i.e. emerging market industrialisation and urbanisation expected to underpin demand for commodities).

The Company's result for FY09 of a strong first half followed by a weaker second half, is consistent with results across the general steel market.

In view of the more stable market conditions for these sectors, together with improved debt and equity markets, the Company is cautiously optimistic the modest improvement in sales volume experienced during Q4FY09 will continue into the first half of FY10. A return to balanced demand and supply conditions in the second half of the financial year is expected to provide opportunity for further improvement.

Finance

Additional Capital Raising

To supplement funding of working capital, the Company today announced it has successfully raised $4.9m of equity capital through an unconditional placement of 28m ordinary shares to existing institutional investors and a new sophisticated investor at $0.175 per share.

Funding

Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited entered into a new facility agreement with GE Commercial Australasia Pty Limited on 5 November 2008. Subsidiary companies of the Group are guarantors to the facility.

The facility provides Bisalloy Steel Group Limited with a:

- $40m revolving loan facility; and
- $12m term loan facility.

As a result of subdued trading in the second half of FY09, the Company has closely monitored its funding requirements to ensure adequate availability of funds. As part of this process, the Company has continued to work closely with its principal financier, GE Commercial, from whom the Company has received significant support. GE has agreed to review financial covenants subsequent to completion of the capital raising announced today and has waived breaches to the date of this report.

The facility had an initial maturity date of 30 June 2009 with the option to extend to 31 October 2010. The extended maturity option has been exercised with the facility now expiring on 31 October 2010.

In view of the position with financial covenants and requirements of accounting standards, the loan has been classified as current.

Working Capital

Working capital overall increased marginally as compared with the level reported at 31 December 2008. Importantly inventory decreased by $9.7m in line with the Company's focus on working capital management in the context of challenging market conditions. The decrease in trade and other receivables is reflective of the lower market activity that prevailed in the second half of FY09. The decrease in trade and other payables is reflective of the Company's purchasing decisions during a period of slowing sales activity and inventory reduction, focussing on just-in-time domestic purchasing to cover gaps in feed inventory mix. The Company is, however, committed to multiple feed inventory sourcing options long term.

Net Working Capital Movement	**30 June 2009 $m**	**31 Dec 2008 $m**	**Var $m**
Trade and other receivables	10.7	22.3	(11.6)
Inventories	27.9	37.6	(9.7)
	38.6	59.9	(21.3)
Less			
Trade and other payables	(8.2)	(30.7)	22.6
	30.4	29.2	1.2

Dividend

No dividend has been declared in respect of the year ended 30 June 2009.

Rounding

Unless specified otherwise, the amounts in this financial report have been rounded to the nearest one thousand dollars.

Directors

The names of directors of Bisalloy Steel Group Limited in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

Name	Office	
Mr Phillip Cave AM B.Bus, FCPA	Non-Executive Chairman	
Mr Kym Godson Dip Tech (Bus Admin) FAICD, FAIM	Chief Executive Officer and Managing Director	(1 July 2008 - 6 November 2008)
	Non-Executive Director	From 6 November 2008
Mr Richard Grellman AM FCA	Non-Executive Director	
Mr Graeme Pettigrew FPNA, FAIM, FAICD	Non-Executive Director	
Mr Robert Terpening	Chief Executive Officer and Managing Director	From 6 November 2008

Consolidated Income Statement
Year ended 30 June 2009

	Notes	Year ended 30 June 2009 $'000	Year ended 30 June 2008 $'000
Continuing operations			
Revenue			
Sales of goods		108,916	125,355
Rendering of services		59	422
Finance revenue	3(a)	33	61
		109,008	125,838
Cost of sales	3(c)	(82,216)	(89,673)
Gross profit		**26,792**	**36,165**
Other income		16,974	157
Distribution expenses		(783)	(809)
Marketing expenses		(1,788)	(1,658)
Occupancy expenses		(2,946)	(2,801)
Administrative expenses		(5,838)	(7,323)
Profit from continuing operations before tax, finance costs		**32,411**	**23,731**
Finance costs	3(b)	(2,382)	(92)
Profit from continuing operations before income tax		**30,029**	**23,639**
Income tax expense		(7,835)	(8,316)
Profit after tax from continuing operations		**22,194**	**15,323**
Discontinued operations			
Loss after tax from discontinued operations	4	(26,086)	(78,578)
Net loss for the period		**(3,892)**	**(63,255)**
Attributable to:			
Minority interest		419	653
Members of the Company		(4,311)	(63,908)
Earnings per share (cents per share)	6		
- basic for loss for the year		(3.0)	(61.3)
- basic for profit from continuing operations		15.2	14.7
- diluted for loss for the year		(3.0)	(61.3)
- diluted for profit from continuing operations		15.2	14.5

Consolidated Balance Sheet
30 June 2009

	Notes	30 June 2009 $'000	30 June 2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	1,784	2,381
Trade and other receivables		10,654	31,577
Inventories		27,939	11,709
Other current assets		605	2,175
Income tax receivable		67	1,275
		41,049	49,117
Assets of disposal groups classified as held for sale	4	-	146,109
Total current assets		**41,049**	**195,226**
Non current assets			
Deferred tax asset		1,414	802
Property, plant and equipment		12,201	10,771
Other financial assets		355	24
Total non current assets		**13,970**	**11,597**
Total assets		**55,019**	**206,823**
LIABILITIES			
Current liabilities			
Trade and other payables		8,187	21,826
Interest bearing loans and borrowings		36,242	130,707
Income tax payable		2,711	697
Provisions		1,202	1,703
		48,342	154,933
Liabilities directly associated with assets classified as held for sale	4	-	62,379
Total current liabilities		**48,342**	**217,312**
Non current liabilities			
Trade and other payables		-	1,260
Provisions		366	320
Total non current liabilities		**366**	**1,580**
Total liabilities		**48,708**	**218,892**
NET ASSETS		**6,311**	**(12,069)**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	5	60,627	40,933
Retained earnings		(57,123)	(52,812)
Other reserves		(753)	(3,122)
Parent interests		**2,751**	**(15,001)**
Minority interests		**3,560**	**2,932**
TOTAL EQUITY		**6,311**	**(12,069)**

Consolidated Cash Flow Statement
Year ended 30 June 2009

	Notes	Year ended 30 June 2009 $'000	Year ended 30 June 2008 $'000
Cash flows from operating activities			
Receipts from customers		257,954	457,668
Payments to suppliers and employees		(248,313)	(430,844)
Interest received		41	-
Borrowing costs		(6,582)	(14,567)
Income tax paid		261	(961)
Net cash inflow from operating activities	7(b)	**3,361**	**11,296**
Cash flows from investing activities			
Proceeds from disposal of distribution business (net of cash disposed)		73,116	-
Proceeds from disposal of property, plant and equipment		-	4,310
Payments for property, plant and equipment		(2,331)	(3,198)
Payments for intangible assets		-	(95)
Net cash inflow from investing activities		**70,785**	**1,017**
Cash flows from financing activities			
Payment of finance lease liabilities		(543)	(1,651)
Repayment of borrowings		(93,921)	(10,433)
Proceeds from issue of ordinary shares		19,694	-
Equity dividend paid		-	(807)
Net cash outflow from financing activities		**(74,770)**	**(12,891)**
Net decrease in cash and cash equivalents		(624)	(578)
Cash and cash equivalents at the beginning of year		2,408	2,986
Cash and cash equivalents the end of year	7(a)	**1,784**	**2,408**

Consolidated Statement of Changes in Equity
Year ended 30 June 2009

	Attributable to equity holders of the Company							
	Issued capital $'000	Employee equity benefits reserve $'000	Net loss / (gain) on cash flow hedges $'000	Foreign currency translation reserve $'000	Retained Earnings $'000	Total $'000	Minority interest $'000	Total equity $'000
At 1 July 2007	**40,205**	**428**	**339**	**(2,284)**	**12,629**	**51,317**	**2,328**	**53,645**
Loss on translation of overseas controlled entities	-	-	-	(1,296)	-	(1,296)	(49)	(1,345)
Net losses on cash flow hedges current year	-	-	(51)	-	-	(51)	-	(51)
Net income recognised in equity	**-**	**-**	**(51)**	**(1,296)**	**-**	**(1,347)**	**(49)**	**(1,396)**
Reversal net gains on cash flow hedges	-	-	(339)	-	-	(339)	-	(339)
Profit / (Loss) for the period	-	-	-	-	(63,908)	(63,908)	653	(63,255)
Total recognised income and expenses for the year	**-**	**-**	**(390)**	**(1,296)**	**(63,908)**	**(65,594)**	**604**	**(64,990)**
Share-based payment grants	-	81	-	-	-	81	-	81
Dividend reinvestment plan	726	-	-	-	(726)	-	-	-
Issue of share capital	2	-	-	-	-	2		2
Payment of dividend	-	-	-	-	(807)	(807)	-	(807)
At 30 June 2008	**40,933**	**509**	**(51)**	**(3,580)**	**(52,812)**	**(15,001)**	**2,932**	**(12,069)**
(Loss)/Gain on translation of overseas controlled entities	-	-	-	(42)	-	(42)	209	167
Net gains on cash flow hedges current year	-	-	51	-	-	51		51
Adjustment on disposal of foreign operation (note 4)	-	-	-	2,845	-	2,845	-	2,845
Net income recognised in equity	**-**	**-**	**51**	**2,803**	**-**	**2,854**	**209**	**3,063**
Profit / (Loss) for the period	-	-	-	-	(4,311)	(4,311)	419	(3,892)
Total recognised income and expenses for the year	**-**	**-**	**51**	**2,803**	**(4,311)**	**(1,457)**	**628**	**(829)**
Share-based payment grants	-	5	-	-	-	5	-	5
Share-based grants-lapsed	-	(490)	-	-	-	(490)	-	(490)
Proceeds from issue of share capital	20,914	-	-	-	-	20,914	-	20,914
Costs associated with issue of share capital	(1,220)	-	-	-	-	(1,220)	-	(1,220)
At 30 June 2009	**60,627**	**24**	**-**	**(777)**	**(57,123)**	**2,751**	**3,560**	**6,311**

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes

1. Summary of significant accounting policies

a. Basis of preparation

This Appendix 4E preliminary final report (Appendix 4E) for the year ended 30 June 2009 has been prepared in accordance with the ASX Listing Rules.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for assets and liabilities classified as held for sale, which are measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the Appendix 4E be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by the Company during the year ended 30 June 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Appendix 4E is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Discontinued operations and disposal group classified as held for sale

On 24 June 2008 the Group announced it had received an offer to acquire its Distribution businesses. The sale of the Distribution businesses was completed on 5 November 2008. The Distribution businesses therefore represent discontinued operations and were classified as a disposal group classified as held for sale at 30 June 2008 in accordance with AASB 5.

b. Going concern

The financial report has been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In determining this basis, the Directors have had regard to the following:

- positive cash flow projections for the Group;
- announcement of a $4.9m equity raising through an unconditional placement of ordinary shares to supplement funding of working capital;
- receipt of a letter of support from its financier committing to the review of facility covenants following completion of the equity raising; and
- the waiver of covenant breaches from its financier to the date of this report.

Based on the above and subject to the successful resetting of financial covenants allowing facility repayments beyond twelve months, the Directors are of the opinion that the Group will continue to be able to meet its obligations as they become due and payable over the next twelve months.

c. Statement of compliance

The financial information contained in the Appendix 4E complies with the recognition, measurement and classification requirements of Australian Accounting Standards.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited (formerly Atlas Group Holdings Limited), and its subsidiaries ("the Group") as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated Income Statement and within equity in the consolidated Balance Sheet, separately from parent shareholders' equity.

e. Significant accounting judgements, estimates and assumptions

Significant accounting judgements
In applying the Group's accounting policies, management have not made any significant accounting judgements which affect the amounts recognised in the financial statements.

Significant accounting estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities are:

Impairment of assets held for sale

As detailed in note 4, the distribution businesses represent discontinued operations and were classified as a disposal group held for sale at 30 June 2008. The carrying amounts of the assets within this disposal group were restated to fair value less costs to sell. Fair value of the disposal group was based on the estimated sales price that will be realised for the disposal group based on negotiations to date. Cost to sell was based on the estimated total costs and fees expected to be paid by the Group in relation to the sale of the disposal group. Variances between the actual costs incurred and the estimated cost to sell have been recognised against the results of discontinued operations.

In accordance with AASB 5, any impairment loss, where the fair value less costs to sell reduces the carrying value of the assets of the disposal group, were allocated to reduce the assets of the disposal group in the following order.

- first to reduce the carrying value of any goodwill attached to the disposal group;
- then, to reduce non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset; and
- then reduce the carrying amount of current assets in order of least liquid to most liquid.

e. Significant accounting judgements, estimates and assumptions (continued)

Net realisable value of inventory

The Group undertakes a detailed review of its inventory by major product category to ensure its provisions reflect inventory at the lower of cost and net realisable value. This review takes into consideration management's assessment of current and forecast market conditions, including drivers of the price of quenched and tempered steel and alloyed steel plate.

Impairment of other non-financial assets

The Group reviews at each reporting date whether there is any indication that an asset may be impaired. If an indicator is present, the Group is required to estimate the assets recoverable amount, which is measured at the lower of its value-in-use and its fair value less costs to sell.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees (including directors and other senior executives) by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model.

	Year Ending 30 June 2009 $'000	Year Ending 30 June 2008 $'000
2. Dividends:		
Dividends paid		
Interim 2009 - $nil (Interim 2008 -$nil)	-	-
Final 2008 dividend - $nil (2007: dividend at 1.5 cents per share (unfranked))	-	1,533
3. Revenues and expenses:		
(a) Finance revenue		
Bank interest receivable	33	61
(b) Finance costs		
Bank interest and borrowing costs	2,382	92
(c) Depreciation, amortisation and costs of inventories sold included in income statement		
Depreciation and amortisation	1,179	1,199
Costs of inventories sold recognised as an expense	82,216	89,673
(d) Lease payment included in income statement		
Rental – operating leases	96	93
(e) Employee benefits expense		
Wages and salaries	8,552	10,169
Termination payments	543	270
Workers' compensation costs	216	345
Superannuation costs	561	560
Expense of share-based payments	5	81
Write-back of lapsed employee options	(490)	-
	9,387	11,425

4. Discontinued operations and assets classified as held for sale in prior year:

During 2006 the Company resolved to close the automotive operations of Southward Engineering Co Limited ("Southward"), a company that manufactured automotive and tubular products in New Zealand.

On 24 January 2007, the Company decided that the Altona-based wire mills would cease production in the first half of 2007. Production was ceased on 17th May 2007.

On 24 June 2008 the Company announced it had received an offer to acquire its Distribution businesses. The sale was completed 5 November 2008. The Distribution businesses therefore represent discontinued operations and were classified as a disposal group classified as held for sale at 30 June 2008. The post tax loss including the loss recognised on measurement of the assets of the disposal group to fair value less costs to sell have been recognised on the consolidated income statement as a single line item.

	CONSOLIDATED				
	2009		*2008*		
The results of the discontinued operations for the period are presented below	Distribution $'000	Total $'000	Distribution $'000	Southward $'000	Total $'000
Revenue	110,481	110,481	329,071	-	329,071
Expenses	(128,863)	(128,863)	(346,520)	(57)	(346,577)
Gross loss	(18,382)	(18,382)	(17,449)	(57)	(17,506)
Finance expense	(4,199)	(4,199)	(14,475)	-	(14,475)
Pre-tax loss	(22,581)	(22,581)	(31,924)	(57)	(31,981)
Loss on sale/recognised on the remeasurement to fair value	(8,991)	(8,991)	(54,948)	-	(54,948)
Loss before tax from discontinued operation	(31,572)	(31,572)	(86,872)	(57)	(86,929)
Income tax benefit: - related to pre-tax loss	5,486	5,486	8,351	-	8,351
Net loss attributable to discontinued operation	(26,086)	(26,086)	(78,521)	(57)	(78,578)

Loss on sale/recognised on the remeasurement to fair value is reconciled as:	
Initial proceeds (net of cash sold)	80,190
Completion account based settlement	(662)
Financial derivative settlement (a)	(6,412)
Sale proceeds (net of cash sold)	73,116
Recognition of additional DTA	61
Carrying value of net assets disposed (net of cash sold)	(79,323)
Write-back of foreign currency translation reserve on disposal	(2,845)
	(8,991)

(a) As part of the sale of the distribution businesses, an additional discount was provided to the purchaser in respect of certain unhedged purchase orders placed in certain foreign currencies at the time of sale. Settlement of this discount was contingent on the exchange rate at which the defined purchase orders were paid by the purchaser. The final realised value of this discount amounted to $6,412,000.

4. Discontinued operations and assets classified as held for sale in prior year (continued)

The major classes of assets and liabilities of the disposal group at date of sale measured at the lower of carrying amount and fair value less costs to sell are as follows:	31 October 2008 Fair Value Less Costs to Sell $'000	30 June 2008 Fair Value Less Costs to Sell $'000
Assets		
Cash and cash equivalents	1,764	27
Inventories	94,771	90,966
Trade and other receivables	52,430	54,122
Deferred tax assets	1,050	-
Other assets	453	994
Total assets attributable to discontinued operations	150,468	146,109
Liabilities		
Creditors and other payables	62,333	55,430
Provisions	5,525	4,904
Interest bearing liabilities	1,523	2,045
Total liabilities attributable to discontinued operations	69,381	62,379

	Year Ended 30 June 2009 $'000	Year Ended 30 June 2008 $'000
The net cash flows incurred by the distribution operations are as follows:		
Operating	(8,753)	(9,787)
Investing	15,095	3,385
Intercompany Financing	(6,001)	7,834
Net cash inflow/(outflow)	341	1,432
The net cash flows incurred by the automotive operations of Southward are as follows:		
Operating	-	252
Investing	-	-
Intercompany Financing	-	-
Net cash inflow/(outflow)	-	252
The net cash flows incurred by the Wiremill operations are as follows:		
Operating	-	44
Investing	-	-
Intercompany Financing	-	-
Net cash inflow/(outflow)	-	44

	30 June 2009 $'000	30 June 2008 $'000
5. Issued capital:		
Ordinary shares		
Issued and fully paid	60,627	40,933

	Thousands	$'000
Movement in ordinary shares on issue		
Balance as at 1 July 2007	**103,682**	**40,205**
Dividend reinvestment plan	883	726
Exercise of performance rights	3	2
Balance as at 1 July 2008	**104,568**	**40,933**
Issued during the year (Refer note 8 a)	83,655	19,694
Balance as at 30 June 2009	**188,223**	**60,627**

6. Earnings per share:

Calculation of the following in accordance with AASB 133:

For basic and diluted earnings per share:

	30 June 2009 $'000	30 June 2008 $'000
Profit attributable to equity holders from continuing operations	22,194	15,323
Net loss attributable to equity holders from discontinued operations	(26,086)	(78,578)
Net loss for the period	(3,892)	(63,255)
Net profit attributable to minority interest holders	419	653
Net loss attributable to equity holders of the parent	(4,311)	(63,908)

	30 June 2009 Thousands	30 June 2008 Thousands
Weighted average number of ordinary shares for basic earnings per share	142,910	104,235
Effects of dilution:		
Performance rights	657	1,587
Adjusted weighted average number of ordinary shares for diluted earnings per share	143,567	105,822
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	522	-

	Year Ended 30 June 2009 $'000	Year Ended 30 June 2008 $'000
7. Cash and cash equivalents		
Cash at bank and in hand	1,784	2,408
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand – continuing operations	1,784	2,381
Cash at bank and in hand – included in disposal group classified as held for sale	-	27
	1,784	2,408
b. Reconciliation of net loss after income tax to net cash flows from operations		
Net loss after income tax	(3,892)	(63,255)
Non cash items		
Loss on disposal of business	8,991	-
Movements in assets and liabilities of disposal group	4,380	-
Impairment charge	-	54,948
Depreciation and amortisation	1,179	6,106
Gain on disposal of plant and equipment	-	(1,718)
Share-based payments expense	5	81
Write back of lapsed employee options	(490)	-
Change in operating assets and liabilities		
Decrease)/(increase) in receivables & other assets	21,934	(43)
(Increase)/decrease in inventories	(16,230)	20,243
Decrease/(increase) in tax assets & liabilities	2,610	(826)
Decrease in prepayments	228	-
Decrease in trade creditors	(14,899)	(1,523)
Decrease in provisions	(455)	(2,071)
Net cash from operating activities	**3,361**	**11,296**

c. Non-cash financing activities

Dividend reinvestment plan

Under the terms and conditions of the dividend reinvestment plan during the financial year ended 30 June 2008 $0.725 million of dividends were paid via the issue of 883,404 shares. No shares were issued under the dividend reinvestment plan during the financial year ended 30 June 2009.

8. Significant Events

(a) Rights issue

On 2 December 2008 the Company announced a fully underwritten renounceable rights issue of 4 New Shares for every 5 Shares held at an issue price of $0.25 per New Share. Applications closed 30 December 2008. In January 2009, 83.7 million New Shares were allotted raising a total of $19.7 million, net of costs of $1.2 million.

9. Commitments and contingencies

At the last annual reporting date the Company disclosed liabilities contingent on completing the sale of the Distribution business. Of these liabilities $1.75 million has crystallised, relating to payments to advisers as a result of the sale of the distribution business and a retention payment to the former CEO K Godson. The impact of this has been taken to account in the result of 30 June 2009.

There are no contingent assets or contingent liabilities as at the reporting date.

10. Subsequent Events

The Company has successfully raised $4.9m of equity capital through an unconditional placement of 28m ordinary shares to existing institutional investors and a new sophisticated investor at $0.175 per share. The Company expects to complete the capital raising on the 21st of September 2009.

Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

☐	The financial statements have been audited.	☐	The financial statements have been supplied to review.
☑	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.