

Accelerate



Annual Report 2008 Financial and Statutory Report



AGM Details

Friday 28 November 2008

11.30 am

Elizabeth Room

Royal Automobile Club of Australia

89 Macquarie Street, Sydney

NSW 2000

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Allomak Limited Financial report for the year ended 30 June 2008

Contents

Directors' Report	1
Auditor's Independence Declaration	8
Income Statement	9
Balance Sheet	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Financial Statements	13
Directors' Declaration	47
Independent Auditor's Report	48
Shareholder Information	50
Corporate Governance	52
Corporate Directory	BC

Managing Director's Review of Operations

Please refer to page 8 of the
Shareholder Review

General information

This financial report covers both Allomak Limited as an individual entity and the consolidated entity consisting of Allomak Limited and its subsidiaries. The financial report is presented in Australian currency.

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 29 August 2008.

Directors' Report

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 year ended 30 June 2008.

Directors

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

Anthony McLellan

Rob Allan

Wendy Simpson

John Worton (resigned on 21 November 2007)

The Hon John Anderson (appointed on 18 October 2007)

Chris Sadler (appointed on 27 February 2008)

Principal activities

Allomak's principal activity and purpose is the acquisition, operation and development of complementary businesses with an initial focus on the automotive aftercare market. During the financial year there was no significant change in the nature of those activities.

Dividends - Allomak Limited

Dividends paid to members during the financial year were as follows:

	2008 \$'000	2007 \$'000
Final ordinary fully franked dividend for the year ended 30 June 2007 of 2.2 cents per fully paid share fully paid on 21 November 2007	1,993	–
Interim ordinary fully franked dividend for the year ended 30 June 2008 of 1.1 cents (2007:1.0 cent) per fully paid share fully paid on 22 April 2008	12,412	878
	3,405	878

Review of operations

The net profit for the consolidated entity after providing for income tax and minority interests amounted to \$6,267,000 (2007: \$3,831,000).

Further information is contained in the Managing Director's Review of Operations.

Significant changes in the state of affairs

During the financial year the consolidated entity acquired Mr Gloss, Alanco, KT Cables, LP Gas 1, Surrey Panelcare and Surrey Motorcare. These acquisitions significantly changed the consolidated entity's size.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

In August 2008 the consolidated entity successfully negotiated with Westpac an extension on the bank bill facility of \$35,000,000 to expire on 30 October 2009.

No other matter or circumstance has arisen since 30 June 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

Please refer to the Managing Director's Review of Operations.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this annual 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 significant environmental regulation in respect of its paint supplies and LPG conversion centre operations.

The consolidated entity holds environmental licences 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 year.

Directors' Report Continued

Information on directors

ANTHONY MCLELLAN

Chairman and Non-executive Director

Age: 68

Qualifications: None.

Experience and expertise: Mr McLellan is Chairman of Norton Gold Fields Ltd and, until recently, was Chairman of Bemax Resources Limited. He was also previously a Director of Felix Resources Limited, President and CEO of the predecessor of Barrick Gold, and President of LJ Hooker Corporation in America. Mr McLellan is currently also a Director of The Menzies Research Centre Limited. Mr McLellan is active in social causes, having recently resigned as Chairman of Habitat for Humanity Australia Incorporated; and he remains a Director of Opportunity International Australia Limited.

Other current directorships: Chairman of Norton Gold Fields Ltd; Non-executive Director of The Menzies Research Centre Limited.

Former directorships (in 3 years): Non-executive Director of Felix Resources Limited and Bemax Resources Limited

Special responsibilities: Chairman of the Remuneration Committee and Member of the Audit Committee.

Interests in shares: None.

ROB ALLAN

Managing Director and Chief Executive Officer

Age: 42

Qualifications: BSc, MBA, LL.M, MAICD

Experience and expertise: Mr Allan is the founder of Allomak Ltd. He has a strong background in management consulting, venture capital, mergers and acquisitions and strategy. Immediately prior to founding Allomak, Mr Allan was a partner in the Silicon Valley based venture capital and venture accelerator firm, EnterVentures. His venture capital experience also included time with The Anvil Group in New York and PoleStar, an early stage investment and advisory firm in Sydney. Prior to starting his career in venture capital, Mr Allan worked with the international management consulting firm, McKinsey and Co., as well as Egon Zehnder International, in both Sydney and Palo Alto, California. Mr Allan serves on the board of a number of not-for-profit organisations including as Chairman of Bright Hope Australia.

Other current directorships: Non-executive Director of Alpha Technologies Corporation Limited

Former directorships (in 3 years): None.

Special responsibilities: Managing Director.

Interests in shares: 9,715,592 ordinary shares.

WENDY SIMPSON

Non-executive Director

Age: 53

Qualifications: FRMT, B.Soc Sci, Grad Dip Ed, B. Litt (Deakin), EMBA (AGSM), GAICD

Experience and expertise: Ms Simpson was previously foundation Director, Create foundation (not-for-profit), Foundation chairman, Australian Council of Businesswomen, and Foundation Director, International Women's Federation of Commerce and Industry. Ms Simpson has been a finalist three times, Businesswoman of the Year - QBE, Alcatel and Westpac - and was recently a finalist in the Shanghai Businesswoman of the Year Awards in the business leadership category. Ms Simpson's prior employment includes Victorian Governments Executive Director and Chief Representative of North Asia based in Shanghai, Senior Vice President for Alcatel, Asia Pacific based in Shanghai; and General Manager of TNT International.

Other current directorships: Chairman of Westray Engineering and Non-executive Director of Alliance Tooling Limited.

Former directorships (in 3 years): Non-executive Director of Alcatel Australia Limited.

Special responsibilities: Chairman of the Audit Committee and Member of the Remuneration Committee.

Interests in shares: 7,500 ordinary shares.

JOHN WORTON

(resigned on 21 November 2007)

Title: Chief Financial Officer and Executive Director

Age: 47

Qualifications: BA (Honours), ACIS, ACIM, FAICD

Experience and expertise: Mr Worton's previous experience included Chief Financial Officer for the not-for-profit organisation Opportunity International Australia Limited, Ozemail and a Qantas group associated company.

Other current directorships: None.

Former directorships (in 3 years): None.

Special responsibilities: None.

Interests in shares: None.

THE HON JOHN ANDERSON

(appointed on 18 October 2007)

Non-executive Director

Age: 51

Qualifications: Bachelor of Arts, University of Sydney, Master of Arts, University of Sydney

Experience and expertise: Mr Anderson is the former Deputy Prime Minister of Australia and former Minister for Transport and Regional Services. Mr Anderson's expertise in the political and regulatory aspects impacting the automotive

industry, and his skill and experience in the transport sector are an asset to the Allomak group.

Other current directorships: Chairman of EasternStar Gas Limited and Non-executive director of Clyde Agriculture Limited.

Former directorships (in 3 years): None.

Special responsibilities: None.

Interests in shares: 30,000 ordinary shares.

CHRIS SADLER

(appointed on 27 February 2008)

Non-executive Director

Age: 46

Qualifications: MBA from the University of Rochester New York and has studied at the Victoria University of Wellington New Zealand Wellington, New Zealand

Experience and expertise: Mr Sadler has twenty years' experience in investment banking, working in the United States, Europe, and Asia Pacific. He has an extensive track record of leading major mergers & acquisitions and corporate restructurings including equity and debt financings.

Other current directorships: Director of Mitre 10 Australia, Gloucester Coal Limited, Austock Group Limited, Chairman of the Asia Pacific region for the Alpha organisation, Alpha International in London and Alpha boards in China, India, Indonesia, and Japan.

Former directorships (in 3 years): None.

Special responsibilities: None.

Interests in shares: None.

Joint Company Secretaries

Tracey O'Neill (LLB) has been practicing law since 1992 and is admitted to the Supreme Court of NSW and The High Court of Australia. Prior to Allomak, she was a founding partner in a commercial law firm in the Sydney CBD and since 2001 has been the principal of a small commercial firm located in Sydney. She has advised a diverse client base including large private companies and small to medium public companies at both board and executive level. Her experience has been centred on business structuring and acquisitions, trust law, commercial litigation and general corporate governance.

David Franks (B.Ec, CA, CFP, F.Fin, JP) was appointed joint Company Secretary on 8 January 2008. Mr Franks is principal of Franks and Associates Pty Ltd (Chartered Accountants). In addition to Allomak Limited, he is currently company secretary of the following public companies: Australian Power and Gas Company Limited, Amerod Exploration Limited, Solar Sailor Holdings Limited, Pulse Health Limited, White Energy Company Limited, van Eyk Research Limited and Alpha Technologies Corporation Limited.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Attended	Held	Attended	Held	Attended	Held
Anthony McLellan	7	7	3	3	1	1
Rob Allan	7	7	–	–	–	–
Wendy Simpson	7	7	3	3	1	1
John Worton	3	3	–	–	–	–
The Hon John Anderson	5	5	–	–	–	–
Chris Sadler	3	3	–	–	–	–

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

This remuneration report has been prepared by the Directors of Allomak Limited to comply with the Corporations Act 2001 and the Key Management Personnel (KMP) disclosures required under AASB 124.

A Principles used to determine the nature and amount of remuneration

Key management personnel

The following were key management personnel of the entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

- Anthony McLellan – Non-executive Director and Chairman
- Rob Allan – Managing Director and Chief Executive Officer
- Wendy Simpson – Non-executive Director
- John Worton – Executive Director and Chief Financial Officer (resigned on 21 November 2007)
- The Hon John Anderson – Non-executive Director (appointed on 18 October 2007)
- Chris Sadler – Non-executive Director (appointed on 27 February 2008)

Senior Executives

- Tracey O'Neill – Company Secretary
- Bruce Armstrong – Chief Operating Officer (resigned on 11 July 2008)
- Ian McKenzie – Acquisition and Integration Manager
- Laurence Mosley – Group Financial Controller (appointed on 12 November 2007)
- Donald Easter – Group Executive Manager (appointed on 2 April 2008)

Remuneration policies

The Board is responsible for reviewing the remuneration policies and practices of the company, including the compensation arrangements of Executive Directors, Non-executive Directors and Senior Executives.

The company has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of board member and senior executives.

The objective of these policies is to:

- Make Allomak Limited and its subsidiaries an employer of choice.
- Attract and retain the highest calibre personnel.
- Encourage a culture of reward for effort and contribution.
- Set incentives that reward short and medium term performance for the company as a whole.
- Encourage professional and personal development.

In the case of senior executives, any recommendation for compensation review will be made by the Chief Executive Officer to the remuneration committee.

There is no direct link between remuneration of Executive Director's and other key management personnel and the share price movement. Remuneration is based on management key performance indicators, targets and other benchmarks as determined by the Board or the Chief Executive Officer.

Directors' Report Continued

Non-executive Directors

The Board determines the Non-executive Director remuneration by independent market data for comparative companies.

The remuneration payable from time to time to Non-executive Directors shall be in an amount not exceeding in aggregate a maximum sum that is from time to time approved by resolution of the company, currently \$400,000 per annum.

Non-executive Directors' retirement payments are limited to compulsory employer superannuation.

Executive Directors and Senior Management remuneration

The company's remuneration policy directs that the remuneration packages appropriately reflects the executives' duties and responsibilities and that remuneration levels attract and retain high calibre executives with the skills necessary to successfully manage the company's operations and achieve its strategic and financial objectives.

The total remuneration packages of Executive Directors and senior management is comprised of a base salary plus short term and long term incentives. The company has a policy of rewarding extraordinary contribution to the growth of the company with the grant of an annual discretionary cash bonus and options under the company's Employee Share Option Plan.

Executives are also entitled to be paid for their reasonable travel, accommodation and other expenses incurred in the execution of their duties.

Other than the Allomak Ltd Employee Share Option Plan and office car parking the company does not provide any other non-cash benefits in lieu of salary to executives.

Remuneration packages for executive Directors and Senior Executives generally consist of three components:

- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation;
- Short term incentives; and
- Long term incentives which include issuing options.

Fixed remuneration

Senior executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each executive will be reviewed annually. Following the review, the company may in its sole discretion increase the salary based on that executive's performance, productivity and such other matters as the Board considers relevant.

Superannuation contribution by the company is limited to the statutory level at 9% of wages and salaries.

Short-term incentives

The remuneration of Allomak Ltd Senior Executives includes short-term incentive bonuses as part of their employment conditions based on achieving specific measured objectives. The Board may however approve discretionary bonuses to executives in relation to certain milestones being achieved.

Long-term incentives

The company has adopted a Share Option Plan for the benefit of Executive Directors, full-time and part-time staff members employed by the company.

In accordance with the Plan, the exercise price is based on a minimum of 100% of the average ASX closing price for the 5 days prior to offer/acceptance of the options. Each option is issued for a maximum period of 5 years.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan to Directors and Senior Executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time.

Independent data from applicable sources may be requested by the Board to assess whether the performance hurdles have been met.

Service agreements

The company has entered into a service agreements with the key management personnel that:

- Outlines the components of remuneration payable;
- Term and termination conditions

No executive during the term of their employment agreement shall perform work for any other person, corporation or business without the prior written consent of the company.

Termination of other Executives

Generally, the company or the Executive may terminate employment at any time by giving the other party appropriate contractual notice in writing.

If either the company or the Executive gives notice of termination, the company may, at its discretion, choose to terminate the Executive's employment immediately or at any time during the notice period and pay the executive an amount equal to the salary due to him for the residual period of notice at the time of termination.

The employment of each executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or wilful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the executive or a consistent failure to carry out duties in a manner satisfactory to the company.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the consolidated entity (as defined in AASB 124 Related Party Disclosures) and specified executives of Allomak Limited are set out in the following tables.

The key management personnel of the consolidated entity are the directors of Allomak Limited and the following executives:

- Tracey O'Neill – Company Secretary
- Bruce Armstrong – Chief Operating Officer (resigned on 11 July 2008)
- Ian McKenzie – Acquisition and Integration Manager
- Laurence Mosley – Group Financial Controller (appointed on 12 November 2007)
- Donald Easter – Group Executive Manager (appointed on 2 April 2008)

Name	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		Total \$
	Salary \$	Bonus \$	Other payments \$	Super-annuation \$	Options \$	
2008						
Non-executive directors:						
Anthony McLellan	66,927	–	–	6,023	–	72,950
Wendy Simpson	35,757	–	–	3,218	–	38,975
The Hon John Anderson	37,531	–	–	3,377	–	40,908
Chris Sadler	18,786	–	–	1,690	–	20,476
Executive directors:						
Rob Allan	257,082	178,000	–	17,918	–	453,000
John Worton	46,818	52,568	140,000	4,214	–	243,600
Other key management personnel:						
Tracey O'Neill	82,569	28,500	–	7,431	–	118,500
Bruce Armstrong	153,225	37,390	–	13,790	–	204,405
Ian McKenzie	151,500	29,500	–	13,500	–	194,500
Laurence Mosley	102,920	10,000	–	9,263	–	122,183
Donald Easter	58,320	–	–	5,249	–	63,569
2007						
Non-executive directors:						
Anthony McLellan	41,284	–	–	3,716	–	45,000
Wendy Simpson	18,384	5,999	–	1,655	–	26,038
Executive directors:						
Rob Allan	126,146	89,068	–	11,353	–	226,567
John Worton	100,000	71,000	–	9,000	–	180,000
Other key management personnel:						
Tracey O'Neill	68,807	18,500	–	6,193	2,983	96,483
Bruce Armstrong	119,545	30,000	–	10,759	16,454	176,758
Ian McKenzie	76,358	19,500	–	6,872	1,782	104,512

There were no share-based payments as part of total remuneration for the year ended 30 June 2008.

Share-based payments remuneration included as part of total remuneration for the year ended 30 June 2007:

Tracey O'Neill	3%
Bruce Armstrong	9%
Ian McKenzie	2%

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

ANTHONY MCLELLAN

Non-executive Director and Chairman

Agreement commenced: 13 July 2006

Term of agreement: Not specified.

Details: Base salary \$60,000 per annum including superannuation, no notice period and confidentiality agreement.

ROB ALLAN

Managing Director and Chief Executive Officer

Agreement commenced: 12 June 2006

Term of agreement: 3 years

Details: This agreement may be terminated by Allomak on 12 months written notice and by Mr Allan on 6 months notice. Other material terms

are a base salary (including superannuation) of \$275,000 plus a performance bonus payable at the discretion of the Board of Directors. In addition, options were granted as per the professional service agreements.

Directors' Report Continued

WENDY SIMPSON

Non-executive Director

Agreement commenced: 13 July 2006

Term of agreement: Not specified.

Details: Base salary \$30,000 per annum including superannuation, no notice period and confidentiality agreement.

THE HON JOHN ANDERSON

Non-executive Director

Agreement commenced: 23 November 2007

Term of agreement: Not specified.

Details: Base salary \$60,000 per annum including superannuation, no notice period and confidentiality agreement.

CHRIS SADLER

Non-executive Director

Agreement commenced: 27 February 2008

Term of agreement: Not specified.

Details: Base salary \$60,000 per annum including superannuation, no notice period and confidentiality agreement.

BRUCE ARMSTRONG

(resigned on 11 July 2008)

Chief Operating Officer

Agreement commenced: 1 October 2006

Term of agreement: Not specified.

Details: Base salary \$180,000 per annum including superannuation plus a performance bonus payable at the discretion of the Board of Directors, mutual separation payment of \$95,000, 6 month notice period, confidentiality agreement, non-solicitation and non-competition clauses.

IAN MCKENZIE

Acquisition and Integration Manager

Agreement commenced: 29 June 2007

Term of agreement: Not specified.

Details: Base salary \$165,000 per annum including superannuation plus a performance bonus based on KPI achievement and 3 month notice period.

LAURENCE MOSLEY

Group Financial Controller

Agreement commenced: 12 November 2007

Term of agreement: Not specified.

Details: Base salary \$165,000 per annum including superannuation plus a performance bonus based on KPI achievement, 3 month notice period, confidentiality agreement, non-solicitation and non-competition clauses.

DON EASTER

Group Executive Manager

Agreement commenced: 2 April 2008

Term of agreement: Not specified.

Details: Base salary \$250,000 per annum including superannuation plus a performance bonus of up to \$100,000 payable at the discretion of the Board of Directors, 3 month notice period, confidentiality agreement and non-solicitation clauses.

D Share-based compensation

Issue of shares

There were no shares issued to directors and key management personnel as part of compensation during the year ended 30 June 2008.

Options

The terms and conditions of each grant of options affecting remuneration in this or future reporting years are as follows:

GRANT DATE	DATE VESTED AND AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE
22 June 2006	22 June 2006	22 July 2011	\$0.40	\$0.00
22 July 2006	22 July 2006	22 July 2011	\$0.47	\$0.00
22 July 2006	22 July 2006	22 July 2011	\$0.57	\$0.00
1 September 2006	1/12th every quarter from 1 September 2006	1 September 2011	\$0.40	\$0.10
2 October 2006	1/12th every quarter from 2 October 2006	2 October 2011	\$0.44	\$0.10
23 October 2006	1/12th every quarter from 23 October 2011	23 October 2006	\$0.42	\$0.10

Options granted carry no dividend or voting rights.

Details of options over ordinary shares issued to directors and key management personnel during the year ended 30 June 2008 are set out below:

Name	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2008	2007	2008	2007
Anthony McLellan	–	560,000	280,000	–
Rob Allan	–	–	–	9,750,000
Wendy Simpson	–	560,000	280,000	–
John Worton	–	–	–	3,250,000
Tracey O'Neill	–	75,000	25,000	18,750
Bruce Armstrong	–	400,000	134,000	66,000
Ian McKenzie	–	48,000	16,000	8,000

Shares under option

Unissued ordinary shares of Allomak Limited under option at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
22 July 2006	22 July 2009	\$0.40	750,000
22 July 2006	22 July 2011	\$0.40	1,120,000
22 June 2006	22 June 2011	\$0.47	4,875,000
22 June 2006	22 June 2011	\$0.57	4,875,000
1 September 2006	1 September 2011	\$0.40	75,000
2 October 2006	2 October 2011	\$0.44	200,000
23 October 2006	23 October 2011	\$0.42	48,000
2 April 2007	2 April 2012	\$0.47	60,000
30 March 2007	30 April 2012	\$0.46	120,000

Shares issued on the exercise of options

The following ordinary shares of Allomak Limited were issued during the year ended 30 June 2008 on the exercise of options granted:

DATE OPTIONS GRANTED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
22 July 2006	\$0.40	750,000
22 July 2006	\$0.47	1,625,000
22 July 2006	\$0.57	1,625,000

Insurance of officers

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability as such a director to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 in the financial report.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 in the financial report do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

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

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.

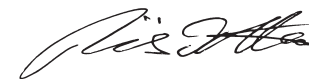
Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor

PKF continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Rob Allan
Managing Director

Dated this 29th day of August 2008
Sydney

Auditor's Independence Declaration



Chartered Accountants
& Business Advisers

To : **The Directors**
 Allomak Limited

As lead auditor for the audit of Allomak Limited for the year ended 30 June 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Tim Sydenham'.

Tim Sydenham
Partner
Sydney

A handwritten version of the PKF logo in black ink.

PKF
Dated this 29th day of August 2008

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Liability limited by a scheme approved under Professional Standards Legislation

Income Statement

For the year ended 30 June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operating activities	4	79,319	36,419	12,532	5,815
Other income	5	104	24	–	–
Expenses					
Raw materials and consumables used		(37,150)	(18,392)	–	–
Employee benefits expense		(18,899)	(7,242)	(1,820)	(1,033)
Depreciation and amortisation expense		(1,081)	(498)	(11)	(5)
Advertising and marketing		(993)	(448)	(1)	–
Insurance		(664)	(221)	(52)	–
Travel and motor vehicle		(2,054)	(778)	(166)	(120)
Occupancy expenses		(2,721)	(1,497)	(75)	(27)
Professional services		(2,246)	(584)	(1,428)	(332)
Research and development		(152)	(165)	–	–
Communication expenses		(531)	(285)	(29)	(17)
Other expenses		(2,882)	(1,461)	(295)	(236)
Finance costs	6	(1,845)	(404)	(1,715)	(195)
Profit before income tax (expense)/benefit		8,205	4,468	6,940	3,850
Income tax (expense)/benefit	7	(2,075)	(812)	1,563	(231)
Profit after income tax (expense)/benefit		6,130	3,656	8,503	3,619
Loss attributable to minority interest		137	175	–	–
Profit after income tax (expense)/benefit attributable to members of Allomak Limited		6,267	3,831	8,503	3,619
		CENTS	CENTS		
Basic earnings per share	40	5.49	5.03		
Diluted earnings per share	40	4.84	4.73		

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	8	3,446	1,302	393	80
Trade and other receivables	9	18,989	8,836	29	546
Inventories	10	11,863	6,148	-	-
Other	11	710	105	498	-
Total current assets		35,008	16,391	920	626
Non-current assets					
Receivables	12	-	-	42,584	6,968
Other financial assets	13	395	389	55,684	31,896
Property, plant and equipment	14	6,685	3,630	273	24
Intangibles	15	74,527	27,237	-	-
Deferred tax	16	1,488	734	746	515
Total non-current assets		83,095	31,990	99,287	39,403
Total assets		118,103	48,381	100,207	40,029
Current liabilities					
Trade and other payables	17	21,023	11,043	3,750	4,937
Borrowings	18	30,143	5,045	29,919	4,943
Income tax	19	1,457	710	1,457	-
Provisions	20	1,451	1,160	77	30
Total current liabilities		54,074	17,958	35,203	9,910
Non-current liabilities					
Borrowings	21	602	3,250	-	3,121
Provisions	22	263	125	2	1
Other	23	1,404	72	1,160	-
Total non-current liabilities		2,269	3,447	1,162	3,122
Total liabilities		56,343	21,405	36,365	13,032
Net assets		61,760	26,976	63,842	26,997
Equity					
Contributed equity	24	56,882	25,153	56,882	25,153
Reserves	25	47	29	47	29
Retained profits	26	4,831	1,969	6,913	1,815
Parent entity interest		61,760	27,151	63,842	26,997
Minority interest	27	-	(175)	-	-
Total equity		61,760	26,976	63,842	26,997

Since 30 June 2008 the Company's bank has confirmed that the bank bills are not due in the next financial year.

If this had occurred prior to 30 June 2008, \$29,919,000 current borrowings would have been classified as non-current, resulting in net current assets of \$10,853,000.

The above balance sheet should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the year ended 30 June 2008

	CONTRIBUTED EQUITY	RESERVES	RETAINED PROFITS	PARENT INTEREST	MINORITY INTEREST	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance 1 July 2006	1,204	–	(984)	220	–	220
Profit after income tax (expense)/benefit	–	–	3,831	3,831	(175)	3,656
Total recognised income/(expense) for the year	–	–	3,831	3,831	(175)	3,656
Contributions of equity, net of transaction costs	23,949	–	–	23,949	–	23,949
Share-based payments	–	29	–	29	–	29
Dividends paid	–	–	(878)	(878)	–	(878)
Balance 30 June 2007	25,153	29	1,969	27,151	(175)	26,976
Balance 1 July 2007	25,153	29	1,969	27,151	(175)	26,976
Profit after income tax (expense)/benefit	–	–	6,267	6,267	(137)	6,130
Total recognised income/(expense) for the year	–	–	6,267	6,267	(137)	6,130
Contributions of equity, net of transaction costs	31,729	–	–	31,729	–	31,729
Share-based payments	–	18	–	18	–	18
Divestment of minority interest	–	–	–	–	312	312
Dividends paid	–	–	(3,405)	(3,405)	–	(3,405)
Balance 30 June 2008	56,882	47	4,831	61,760	–	61,760

	CONTRIBUTED EQUITY	RESERVES	RETAINED PROFITS	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000
Parent entity				
Balance 1 July 2006			1,204	278
Profit after income tax (expense)/benefit			–	3,619
Total recognised income/(expense) for the year			–	3,619
Contributions of equity, net of transaction costs			23,949	23,949
Share-based payments			–	29
Dividends paid			–	(878)
Balance 30 June 2007			25,153	26,997
Balance 1 July 2007			25,153	26,997
Profit after income tax (expense)/benefit			–	8,503
Total recognised income/(expense) for the year			–	8,503
Contributions of equity, net of transaction costs			31,729	31,729
Share-based payments			–	18
Dividends paid			–	(3,405)
Balance 30 June 2008			56,882	63,842

The above statements of changes in income should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		78,868	40,122	–	–
Payments to suppliers (inclusive of GST)		(77,240)	(33,414)	(4,326)	(995)
		1,628	6,708	(4,326)	(995)
Interest received		177	158	78	115
Interest and other finance costs paid		(1,845)	(391)	(1,715)	(185)
Income taxes paid		(1,320)	(523)	(1,320)	(476)
Net cash inflow/(outflow) from operating activities	38	(1,360)	5,952	(7,283)	(1,541)
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired	35	(28,015)	(25,979)	(14,572)	(21,481)
Payments for property, plant and equipment	14	(1,500)	(1,409)	(260)	(29)
Payments for intangibles		(4,297)	–	–	–
Amounts advanced to wholly owned subsidiaries		–	–	–	(2,090)
Amounts advanced to related parties		–	(389)	(14,867)	(276)
Proceeds from sale of property, plant and equipment		328	–	–	–
Net cash inflow/(outflow) from investing activities		(33,484)	(27,777)	(29,699)	(23,876)
Cash flows from financing activities					
Proceeds from issue of shares	24	19,025	23,000	19,025	23,000
IPO costs		–	(1,610)	–	(1,610)
Share issue transaction costs		(739)	–	(739)	–
Proceeds from borrowings		29,736	4,683	29,736	4,878
Dividends paid	28	(2,846)	(878)	(2,846)	(878)
Repayment of borrowings		(8,188)	(2,226)	(7,881)	–
Net cash inflow/(outflow) from financing activities		36,988	22,969	37,295	25,390
Net increase/(decrease) in cash and cash equivalents		2,144	1,144	313	(27)
Cash and cash equivalents at the beginning of the financial year		1,302	158	80	107
Cash and cash equivalents at the end of the financial year	8	3,446	1,302	393	80
Financing arrangements	21				
Non-cash investing and financing activities	39				

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2008

Contents

1	Significant accounting policies	13
2	Critical accounting estimates and judgements	17
3	Segment information	17
4	Revenue	18
5	Other income	19
6	Expenses	19
7	Income tax expense/(benefit)	20
8	Current assets – cash and cash equivalents	20
9	Current assets – trade and other receivables	20
10	Current assets – inventories	21
11	Current assets – other	21
12	Non-current assets – receivables	21
13	Non-current assets – other financial assets	22
14	Non-current assets – property, plant and equipment	22
15	Non-current assets – intangibles	23
16	Non-current assets – deferred tax	24
17	Current liabilities – trade and other payables	25
18	Current liabilities – borrowings	25
19	Current liabilities – income tax	25
20	Current liabilities – provisions	25
21	Non-current liabilities – borrowings	26
22	Non-current liabilities – provisions	27
23	Non-current liabilities – other	27
24	Equity – contributed	27
25	Equity – reserves	28
26	Equity – retained profits	28
27	Equity – minority interest	28
28	Equity – dividends	29
29	Financial instruments	29
30	Key management personnel disclosures	32
31	Remuneration of auditors	34
32	Contingent liabilities	34
33	Commitments for expenditure	34
34	Related party transactions	35
35	Business combinations	36
36	Subsidiaries	43
37	Events occurring after balance date	44
38	Reconciliation of profit after income tax to net cash flows from operating activities	44
39	Non-cash investing and financing activities	45
40	Earnings per share	45
41	Share-based payments	46

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms with International Financial Reporting Standards (IFRSs).

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment property and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of this financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 2.

Amendments to Accounting Standards

In the year to 30 June 2008, the consolidated entity adopted AASB 7 Financial Instruments: Disclosures. The adoption of AASB 7 had no financial impact on the results.

Principles of consolidation

The consolidated financial report incorporate the assets and liabilities of all subsidiaries of Allomak Limited ('company' or 'parent entity') as at 30 June 2008 and the results of all subsidiaries for the year then ended. Allomak Limited and its subsidiaries together are referred to in this financial report as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between company's in the consolidated entity are eliminated.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Minority interests in the results and equity of subsidiaries are shown separately in the income statement and balance sheet of the consolidated entity.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 1. Significant accounting policies continued

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the date of the balance sheet. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

Revenue recognition

Sales revenue represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid.

In the majority of cases the simple process of delivery of goods or service to a customer, where the risks and rewards of ownership pass to the customer, give rise to the recognition of income.

The revenue recognition policy follows AASB 118 and is recognised when the following tests are all met:

- the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the consolidated entity.

Interest revenue is recognised using the effective interest method. It includes amortisation of any discount or premium.

Other revenue is recognised when it is received or when the right to receive payment is established.

Grants and subsidies are recognised as income over the period to which they relate.

Income tax

The income tax expense or benefit for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Allomak Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime from 1 September 2006. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. The current tax liability of each group entity is then subsequently assumed by the parent entity. In addition to its own current and deferred tax amounts, Allomak Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their tax payable.

Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement by no more than 90 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when some doubt as to collection exists.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Investments and other financial assets

Investments and other financial assets are stated at the lower of their carrying amount and fair value less costs to sell. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation is calculated on either a straight line or diminishing value basis (class or asset must have either a straight line or diminishing value not both) as considered appropriate to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. The expected useful lives are as follows:

Note 1. Significant accounting policies continued

Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired year of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

Plant and equipment

The expected useful life of purchased plant and equipment is two to fifteen years. Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they now relate.

Furniture and equipment

The cost of furniture and equipment is carried at cost or fair value less any accumulated depreciation. The expected useful life of furniture and equipment is two to ten years.

Motor vehicles

The cost of motor vehicles is carried at cost or fair value less any accumulated depreciation. The expected useful life of motor vehicles is four to eight years.

Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs.

The leased asset is depreciated on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at the reporting date are being amortised over periods ranging from three to five years.

Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Intangible assets

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Product development

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

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial product or use, is capitalised only when technical feasibility studies identify that the product or service will deliver future economic benefits and these benefits can be measured reliably. Expenditure on development activities have a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful economic life of the product or service.

Patents and trademarks

Patents and trademarks are recognised at the cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and impairment losses. Patents and trademarks are amortised over their estimated useful life of 5 years.

Intellectual property

Intellectual property is recognised at the cost of acquisition and amortised on a straight line over 10 years, being the period of expected benefit. There was no amortisation for the year ended 30 June 2008 as the intellectual property was acquired at the end of the year and it was deemed to be insignificant to amortise the cost.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on:

- short term and long term borrowings
- finance leases

Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in provisions and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 1. Significant accounting policies continued

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of Black Scholes model. The expected value used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, other risk factors and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

For the year ended 30 June 2007 the business segments were reported as "Automotive aftercare diagnostics and environmental services" and "Automotive aftercare wholesale". For 30 June 2008 the business segments have changed to "Manufacturing", "Distribution" and "Business services". The 30 June 2007 comparative information has been restated accordingly. Refer to note 3 for further information.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part

of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations are set out below.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12)

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity, as the consolidated entity already capitalises borrowing costs relating to qualifying assets.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 1 July 2009.

Revised AASB 3 Business Combinations

A revised AASB 3 was issued in March 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. There are a number

Note 1. Significant accounting policies continued

of changes in this standard. For example, it requires the expensing of transaction costs relating to acquisitions. Currently these costs are included in the cost of acquisitions. This standard will impact the consolidated entity's accounting for acquisitions made after 1 July 2009.

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 3. Segment information

Primary reporting – business segments

Allomak has a diverse interest in companies servicing the automotive aftercare market. Allomak has logically divided its portfolio into three distinct business segments:

Manufacturing This segment comprises businesses that add value to a product primarily through a manufacturing process.

Distribution This segment specialises in the distribution of a wide variety of industrial, paints auto and auto-electrical parts.

Business Services This segment provides services to the automotive sector in panel repair, LPG conversions and environmental and emission related testing services.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the consolidated entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

When the consolidated entity acquires a business combination the initial total purchase consideration is calculated on a basis on a multiple of estimated Earnings Before Interest and Taxes (EBIT). This estimated EBIT is based on historical performance and forecasted expected results. This is then measured over actual EBIT for up to three years, with the amount payable to the vendor increasing if actual EBIT is higher than estimated EBIT; and decreasing if actual EBIT is lower than estimated EBIT. This is reviewed and remeasured every six months and the differences are booked between goodwill and deferred cash consideration payable.

Critical judgements in applying the consolidated entity's accounting policies

There are no critical judgements that are likely to affect the current or future financial years.

	MANUFACTURING	DISTRIBUTION	BUSINESS SERVICES	INTERSEGMENT ELIMINATIONS / UNALLOCATED	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Sales to external customers	24,800	29,049	24,670	–	78,519
Intersegment sales	–	–	2,471	(2,471)	–
Total sales revenue	24,800	29,049	27,141	(2,471)	78,519
Other income	424	194	248	38	904
Total segment revenue	25,224	29,243	27,389	(2,433)	79,423
Segment result	4,189	5,932	3,524	–	13,645
Unallocated revenue less unallocated expenses					(5,440)
Profit before income tax expense					8,205
Income tax expense					(2,075)
Profit after income tax expense					6,130
Segment assets	37,378	35,016	48,599	(37,247)	83,746
Unallocated assets					34,357
Total assets					118,103
Segment liabilities	13,349	22,239	17,345	(37,247)	15,686
Unallocated liabilities					40,657
Total liabilities					56,343
Acquisition of non-current segment assets	1,146	4,455	10,491	260	16,352
Depreciation and amortisation expense	446	165	459	11	1,081

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 3. Segment Information continued

	MANUFACTURING	DISTRIBUTION	BUSINESS SERVICES	INTERSEGMENT ELIMINATIONS / UNALLOCATED	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000	\$'000
2007					
Sales to external customers	25,912	6,487	3,862	–	36,261
Total sales revenue	25,912	6,487	3,862	–	36,261
Other income	164	9	9	–	182
Total segment revenue	26,076	6,496	3,871	–	36,443
Segment result	4,989	(325)	1,654	–	6,318
Unallocated revenue less unallocated expenses					(1,850)
Profit before income tax expense					4,468
Income tax expense					(812)
Profit after income tax expense					3,656
Segment assets	36,619	6,842	7,473	(9,065)	41,869
Unallocated assets					6,512
Total assets					48,381
Segment liabilities	9,381	5,807	2,455	(9,065)	8,578
Unallocated liabilities					12,827
Total liabilities					21,405
Acquisition of non-current segment assets	2,793	299	363	–	3,455
Depreciation and amortisation expense	393	47	53	5	498

Secondary reporting – geographical segments

	SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITION OF NON-CURRENT SEGMENT ASSETS	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia/New Zealand	72,577	32,532	114,900	47,913	16,352	3,455
USA	2,051	1,469	1,099	283	–	–
Europe	2,435	1,435	1,890	115	–	–
South Asia	163	501	1	70	–	–
Other	1,293	324	213	–	–	–
	78,519	36,261	118,103	48,381	16,352	3,455

Note 4. Revenue

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
From continuing operations				
Sales revenue				
Sale of goods	50,339	36,062	–	–
Service and hire	28,180	199	–	–
	78,519	36,261	–	–

Note 4. Revenue continued

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other revenue				
Dividends received	–	–	12,450	5,700
Interest received	177	158	78	115
Other revenue	623	–	4	–
	800	158	12,532	5,815
Revenue from continuing operations	79,319	36,419	12,532	5,815

Note 5. Other income

Foreign exchange gain	72	7	–	–
Net gain on sale of property, plant and equipment	26	17	–	–
Subsidies and grants	6	–	–	–
Other income	104	24	–	–

Note 6. Expenses

Profit before income tax includes the following specific expenses:

Cost of sales

Cost of sales	37,150	18,392	–	–
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Finance costs

Interest and finance charges paid/payable	1,531	394	1,401	185
Borrowing costs	314	10	314	10
Finance costs expensed	1,845	404	1,715	195

Rental expense relating to operating leases

Minimum lease payments	2,372	1,239	56	27
Total rental expense relating to operating leases	2,372	1,239	56	27

Defined contribution superannuation expense

Defined contribution superannuation expense	1,463	817	123	64
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Bad debts expense

Bad debts expense	213	248	–	–
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Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 7. Income tax expense/(benefit)

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Income tax expense/(benefit)				
Current tax	2,601	930	(1,581)	277
Deferred tax	(452)	(101)	(64)	(46)
Under/(over) provision in prior years	(74)	(17)	82	–
Aggregate income tax expense/(benefit)	2,075	812	(1,563)	231
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:				
Decrease/(increase) in deferred tax assets (note 16)	(452)	(101)	(64)	(46)
	(452)	(101)	(64)	(46)
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable				
Profit before income tax (expense)/benefit	8,205	4,468	6,940	3,850
Tax at the Australian tax rate of 30%	2,462	1,340	2,082	1,155
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable dividends	–	–	(3,735)	(1,710)
Entertainment and legal expenses	9	4	2	–
Research and development concession	(322)	(243)	–	–
Sundry items	–	–	6	–
	2,149	1,101	(1,645)	(555)
Under/(over) provision in prior years	(74)	(17)	82	–
Prior year tax losses not recognised now recouped	–	(160)	–	–
Adjustment to deferred tax balances for acquired companies and prior years	–	(112)	–	50
Tax losses transferred from subsidiaries	–	–	–	736
Income tax expense/(benefit)	2,075	812	(1,563)	231
Note 8. Current assets – cash and cash equivalents				
Cash on hand	13	7	–	–
Cash at bank	3,433	1,295	393	80
	3,446	1,302	393	80
Note 9. Current assets – trade and other receivables				
Trade receivables	18,719	8,799	–	3
Less: Provision for impairment of receivables	(235)	(142)	–	–
	18,484	8,657	–	3
Other receivables	505	179	29	543
	18,989	8,836	29	546

Bad and doubtful trade receivables

The consolidated entity has recognised a loss of \$213,000 (2007: \$248,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2008. The loss has been included in “other expenses” in the income statement.

Note 9. Current assets – trade and other receivables continued

Impairment of receivables

The aging of the provision for impairment of receivables recognised above is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
3 to 6 months	47	–	–	–
Over 6 months	188	142	–	–
	235	142	–	–

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	142	38	–	–
Additional provisions recognised	213	248	–	–
Receivables written off during the year as uncollectible	(120)	(144)	–	–
Closing balance	235	142	–	–

Past due but not impaired

Customers with balances past due but without provision for doubtful debts amount to \$3,059,000 at 30 June 2008. Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and recognising a tacit extension to the recorded credit terms of customers based on recent collection practices.

The aging of the past due but not impaired receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1 to 3 months	3,883	1,020	–	–
3 to 6 months	850	165	–	–
Over 6 months	93	–	–	–
	4,826	1,185	–	–

Note 10. Current assets – inventories

Raw materials – at cost	3,842	2,045	–	–
Work in progress – at cost	1,001	545	–	–
Finished goods – at cost	7,020	3,558	–	–
	11,863	6,148	–	–

Note 11. Current assets – other

Prepayments	710	105	498	–
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Note 12. Non-current assets – receivables

Receivable from subsidiaries	–	–	39,404	6,968
Receivable from subsidiaries – tax related	–	–	3,180	–
	–	–	42,584	6,968

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 13. Non-current assets – other financial assets

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares in subsidiaries (note 36)	–	–	55,403	31,620
Other loans	395	389	281	276
	395	389	55,684	31,896

Note 14. Non-current assets – property, plant and equipment

Leasehold improvements – at cost	346	15	–	–
Less: Accumulated depreciation	(19)	–	–	–
	327	15	–	–
Plant and equipment – at cost	4,900	2,818	232	–
Less: Accumulated depreciation	(652)	(251)	–	–
	4,248	2,567	232	–
Plant and equipment under lease	564	242	–	–
Less: Accumulated depreciation	(151)	(57)	–	–
	413	185	–	–
Furniture and equipment – at cost	1,063	684	57	29
Less: Accumulated depreciation	(346)	(123)	(16)	(5)
	717	561	41	24
Motor vehicles – at cost	1,176	359	–	–
Less: Accumulated depreciation	(196)	(57)	–	–
	980	302	–	–
	6,685	3,630	273	24

Reconciliations

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

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	PLANT UNDER LEASE	FURNITURE AND EQUIPMENT	MOTOR VEHICLES	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance 1 July 2006	–	421	366	–	–	787
Additions	15	1,523	–	44	–	1,582
Additions through business combinations (note 35)	–	874	–	640	359	1,873
Disposals	–	–	(124)	–	–	(124)
Depreciation expense	–	(251)	(57)	(123)	(57)	(488)
Balance 30 June 2007	15	2,567	185	561	302	3,630
Additions	9	1,557	165	177	501	2,409
Additions through business combinations (note 35)	321	861	162	220	491	2,055
Disposals	–	(208)	(1)	(51)	(90)	(350)
Depreciation expense	(18)	(529)	(98)	(190)	(224)	(1,059)
Balance 30 June 2008	327	4,248	413	717	980	6,685

Note 14. Non-current assets – property, plant and equipment continued

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	PLANT UNDER LEASE	FURNITURE AND EQUIPMENT	MOTOR VEHICLES	PARENT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Parent entity						
Balance 1 July 2006	–	–	–	–	–	–
Additions	–	–	–	29	–	29
Depreciation expense	–	–	–	(5)	–	(5)
Balance 30 June 2007	–	–	–	24	–	24
Additions	–	232	–	28	–	260
Depreciation expense	–	–	–	(11)	–	(11)
Balance 30 June 2008	–	232	–	41	–	273

Note 15. Non-current assets – intangibles

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Goodwill – at cost	66,699	26,673	–	–
	66,699	26,673	–	–
Product development – at cost	1,187	545	–	–
Less: Accumulated amortisation	(31)	(4)	–	–
	1,156	541	–	–
Patents and trademarks – at cost	12	34	–	–
Less: Accumulated amortisation	–	(11)	–	–
	12	23	–	–
Intellectual property – at cost	6,660	–	–	–
	6,660	–	–	–
	74,527	27,237	–	–

Reconciliations

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

	GOODWILL	PRODUCT DEVELOPMENT	PATENTS AND TRADEMARKS	INTELLECTUAL PROPERTY	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance 1 July 2006	,738	–	22	–	3,760
Additions	–	545	–	–	545
Additions through business combinations (note 35)	22,935	–	6	–	22,941
Amortisation expense	–	(4)	(5)	–	(9)
Balance 30 June 2007	26,673	541	23	–	27,237
Additions	–	637	–	6,660	7,297
Additions through business combinations (note 35)	41,120	–	–	–	41,120
Write-off of assets	–	–	(11)	–	(11)
EBIT adjustments to previous acquisitions	(1,094)	–	–	–	(1,094)
Amortisation expense	–	(22)	–	–	(22)
Balance 30 June 2008	66,699	1,156	12	6,660	74,527

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 15. Non-current assets – intangibles continued

Intangible assets other than goodwill have finite useful lives. The current amortisation charge in respect of intangible assets is included under depreciation and amortisation expense in the income statement.

Goodwill is allocated to cash-generating units which are based on the consolidated entity's reporting segments.

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Manufacturing	19,975	21,049
Distribution	18,767	3,342
Business Services	27,957	2,282
	66,699	26,673

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period using an estimated growth rate. The cash flows are discounted at the beginning of the budgeted year.

The following assumptions were used in the value-in-use calculations:

Growth Rate	3%
Discount Rate	14%

Management has based the value-in-use calculations on budgets. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the years which are consistent with inflation rates applicable to Allomak Limited. Discount rates are pre-tax and are adjusted to incorporate risks associated with Allomak Limited.

Note 16. Non-current assets – deferred tax

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Doubtful debts	58	63	–	–
Employee benefits	503	306	19	9
Accrued expenses	175	64	91	37
Research and development	(347)	(168)	–	–
Inventory	403	–	–	–
Sundry items	60	–	–	–
	852	265	110	46
Amounts recognised in equity:				
Transaction costs on share issue	636	469	636	469
	636	469	636	469
Deferred tax asset	1,488	734	746	515
Movements:				
Opening balance	734	164	515	–
Credited/(charged) to the income statement (note 7)	452	101	64	46
Credited/(charged) to equity	167	469	167	469
Acquired in business combinations	135	–	–	–
Closing balance	1,488	734	746	515

Note 17. Current liabilities – trade and other payables

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	8,919	4,089	253	114
Deferred cash consideration	9,105	5,346	2,740	4,109
Other payables	2,999	1,608	757	714
	21,023	11,043	3,750	4,937

The consolidated entity has acquired a number of subsidiaries and businesses with deferred consideration potentially payable in the future. The deferred cash consideration to be paid by the consolidated entity is dependent upon the trading performance of the business and other factors that will only be known with certainty at a future point in time. However, the consolidated entity has estimated the amount payable, based on forward projections.

Note 18. Current liabilities – borrowings

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank bills	29,919	4,943	29,919	4,943
Other loans – unsecured	4	5	–	–
Lease liability	220	97	–	–
	30,143	5,045	29,919	4,943

Since 30 June 2008 the Company's bank has confirmed that the bank bills are not due in the next financial year. If this had occurred prior to 30 June 2008, \$29,919,000 current borrowings would have been classified as non-current, resulting in net current assets of \$10,853,000.

Refer to note 21 for further information.

Note 19. Current liabilities – income tax

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Provision for income tax	1,457	710	1,457	–

Note 20. Current liabilities – provisions

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Provisions – annual leave	925	647	62	30
Provisions – long service leave	481	297	–	–
Provisions – dividends	15	–	15	–
Provisions – unpaid commissions	30	216	–	–
	1,451	1,160	77	30

Amounts not expected to be settled within the next 12 months

The current provision for annual leave is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave within the next 12 months.

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 20. Current liabilities – provisions continued

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Annual leave obligation expected to be settled after 12 months	234	162	16	8
Long service leave obligation expected to be settled after 12 months	272	209	–	–
Total obligations expected to be settled after 12 months	506	371	16	8

Note 21. Non-current liabilities – borrowings

Bank bills	–	3,121	–	3,121
Lease liability	602	129	–	–
	602	3,250	–	3,121

Since 30 June 2008 the Company's bank has confirmed that the bank bills are not due in the next financial year. If this had occurred prior to 30 June 2008, \$29,919,000 current borrowings would have been classified as non-current, resulting in net current assets of \$10,853,000.

Total secured liabilities

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

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank bills	29,919	8,064	29,919	8,064
Lease liability	822	226	–	–
	30,741	8,290	29,919	8,064

Assets pledged as security

The bank bills 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

Unrestricted access was available at balance date to the following lines of credit:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total facilities				
Bank bills	35,000	15,000	35,000	15,000
	35,000	15,000	35,000	15,000
Used at balance date				
Bank bills	29,919	8,064	29,919	8,064
	29,919	8,064	29,919	8,064
Unused at balance date				
Bank bills	5,081	6,936	5,081	6,936
	5,081	6,936	5,081	6,936

There were no breaches of the covenants with the company's bank during the course of the year.

Note 22. Non-current liabilities – provisions

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Provisions – long service leave	263	125	2	1

Note 23. Non-current liabilities – other

Deferred cash consideration	1,404	72	1,160	–
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Note 24. Equity – contributed

	CONSOLIDATED AND PARENT ENTITY		CONSOLIDATED AND PARENT ENTITY	
	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Ordinary shares – fully paid	133,982,379	89,823,042	56,882	25,153

Movements in ordinary share capital

DETAILS	DATE	NO OF SHARES	ISSUE PRICE	\$'000
Balance	1 July 2006	22,763,510		1,204
Shares issued to vendor	23 August 2006	2,500,000	\$0.40	1,000
Shares issued to vendor	24 August 2006	367,467	\$0.41	150
Prospectus issue	31 August 2006	59,000,000	\$0.40	23,600
Shares issued to vendor	31 August 2006	637,545	\$0.41	260
Transaction costs on share issue	31 August 2006	–	\$0.00	(2,483)
Correction to pre IPO shares	31 August 2006	150,000	\$0.00	–
Vendor share adjustments	31 August 2006	133,599	\$0.00	–
Shares issued to vendor	17 October 2006	1,174,669	\$0.43	500
Shares issued to vendor	20 October 2006	1,087,335	\$0.41	–
Shares issued to vendor	21 May 2007	1,397,540	\$0.46	643
Shares issued to vendor	21 May 2007	158,261	\$0.47	75
Shares issued to vendor	25 June 2007	453,116	\$0.45	204
Balance	30 June 2007	89,823,042		25,153
Conversion of options	17 October 2007	750,000	\$0.40	300
Shares issued	17 October 2007	13,000,000	\$0.82	10,660
Conversion of options	21 November 2007	1,625,000	\$0.47	764
Dividend reinvestment plan	21 November 2007	436,539	\$0.84	373
Shares issued	27 November 2007	7,731,707	\$0.82	6,340
Shares issued to vendor	4 December 2007	254,043	\$0.75	190
Shares issued to vendor	4 December 2007	10,180,835	\$0.61	6,159
Shares issued to vendor	4 December 2007	28,852	\$0.87	25
Shares issued to vendor	4 December 2007	2,788,348	\$0.91	2,535
Shares issued to vendor	5 December 2007	179,391	\$0.94	170
Conversion of options	21 December 2007	1,325,000	\$0.57	755
Conversion of options	22 December 2007	300,000	\$0.57	171
Dividend reinvestment plan	22 April 2008	457,842	\$0.37	170
Shares issued to vendor	13 June 2008	5,101,780	\$0.71	3,650
Transaction costs on share issue				(533)
Balance	30 June 2008	133,982,379		56,882

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 24. Equity – contributed continued

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 25. Equity – reserves

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Option reserve	47	29	47	29
			Option \$'000	Consolidated \$'000
Consolidated				
Balance 1 July 2006			–	–
Share-based payments			29	29
Balance 30 June 2007			29	29
Share-based payments			18	18
Balance 30 June 2008			47	47
			Option \$'000	Parent \$'000
Parent entity				
Balance 1 July 2006			–	–
Share-based payments			29	29
Balance 30 June 2007			29	29
Share-based payments			18	18
Balance 30 June 2008			47	47

Option reserve

The option reserve is used to record the fair value of equity benefits provided to employees and directors as part of their compensation.

Note 26. Equity – retained profits

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Retained profits/(accumulated losses) at the beginning of the financial year	1,969	(984)	1,815	(926)
Profit after income tax (expense)/benefit	6,267	3,831	8,503	3,619
Dividends paid (note 28)	(3,405)	(878)	(3,405)	(878)
Retained profits at the end of the financial year	4,831	1,969	6,913	1,815
Note 27. Equity – minority interest				
Retained profits	–	(175)	–	–

Note 28. Equity – dividends

	PARENT ENTITY	
	2008 \$'000	2007 \$'000
Final ordinary fully franked dividend for the year ended 30 June 2007 of 2.2 cents per fully paid share fully paid on 21 November 2007	1,993	–
Interim ordinary fully franked dividend for the year ended 30 June 2008 of 1.1 cents (2007:1.0 cent) per fully paid share fully paid on 22 April 2008	1,412	878
	3,405	878
Franking credits available for subsequent financial years based on a tax rate of 30%	–	3,056

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 29. Financial instruments

Financial risk management objectives

The consolidated entity's activities exposes it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk.

Risk management is carried out by senior finance executives (finance) under policies approved by the board of directors. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Market risk

Foreign currency risk

Dyno Dynamics Europe Limited, a subsidiary, is denominated in Pound Sterling and also certain purchases are made in US Dollars. Therefore the consolidated entity is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	ASSETS		LIABILITIES	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Consolidated				
US Dollar	–	–	855	–
Pound Sterling	1,577	–	–	–
	1,577	–	855	–

The consolidated entity had assets denominated in Pound Sterling of AUD\$1,577,000 as at 30 June 2008. Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the Pound Sterling with all other variables held constant, the consolidated entity's profit for the year and equity would have been \$158,000 higher/\$158,000 lower.

The consolidated entity had assets dominated in US Dollars of AUD\$855,000 as at 30 June 2008. Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the consolidated entity's profit for the year and equity would have been \$86,000 higher/\$86,000 lower.

The actual foreign exchange gain for the year ended 30 June 2008 was \$115,000.

The parent entity had no foreign currency denominated financial assets and financial liabilities at the reporting date.

The consolidated entity and parent entity do not employ foreign currency hedges and have no official foreign currency policy. As the transactional value, net asset position and overall exposure increases it is likely that a policy will be adopted to mitigate risk.

Price risk

The consolidated entity and parent entity are not exposed to price risk.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 29. Financial instruments continued

Interest rate risk

The consolidated entity and parent entity's main interest rate risk arises from long-term borrowings. All borrowings are issued at variable rates and this exposes the consolidated entity and parent entity to interest rate risk. The consolidated entity and parent entity attempt to mitigate this interest rate risk exposure by maintaining an adequate interest cover ratio and gearing ratio that ensures financing costs are not significant costs.

For the consolidated entity and parent entity the bank bills outstanding, totalling \$29,919,000, are principal and interest repayment bank bills. Monthly cash outlays of approximately \$240,000 per month are required to service the interest payments. An official increase in interest rates of one percentage point would have an adverse affect on profit of \$300,000 per annum. An official decrease in interest rates of one percentage point would have a positive affect on profit of \$300,000 per annum. In addition, principal repayments of \$875,000 per quarter, with the first repayment due on 30 October 2008, are required.

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit and obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheets and notes to the financial statements.

As at 30 June 2008 the consolidated entity had a significant one-off receivable of \$4,941,000 for the sale of goods. This is due for payment on 30 September 2008 and the risk has been mitigated by fixed and floating charge over the company which owes the receivable. Management considers that there is no significant risk of default and therefore the debt is not impaired.

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Undrawn borrowing facilities at the reporting date to which the consolidated entity and the parent entity had access to are disclosed in note 21.

The bank bill facility had matured during the year ended 30 June 2008 and was provided on a month to month basis, subject to the financier's approval. In August 2008 the consolidated entity successfully negotiated with Westpac an extension on the bank bill facility of \$35,000,000 to expire on 30 October 2009.

Liquidity and interest rate risk management

The following tables detail the consolidated entity's and parent entity's remaining contractual maturity for its derivative and non-derivative financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity and parent entity can be required to pay. The tables include both interest and principal cash flows, disclosed as remaining contractual maturities and these totals differ from their carrying amount in the balance sheet for interest-bearing liabilities due to the interest component.

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	OVER 1 TO 2 YEARS	OVER 2 TO 3 YEARS	OVER 3 TO 4 YEARS	REMAINING CONTRACTUAL MATURITIES
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated - 2008						
Non-derivatives						
Non-interest bearing						
Trade payables	-	8,919	-	-	-	8,919
Other payables	-	2,999	-	-	-	2,999
Other loans	-	4	-	-	-	4
Deferred cash consideration	-	9,105	1,404	-	-	10,509
Interest bearing - variable rate						
Bank bills	9.41	32,734	-	-	-	32,734
Interest bearing - fixed rate						
Lease liability	8.76	276	669	-	-	945
Total non-derivatives		54,037	2,073	-	-	56,110

Note 29. Financial instruments continued

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	OVER 1 TO 2 YEARS	OVER 2 TO 3 YEARS	OVER 3 TO 4 YEARS	REMAINING CONTRACTUAL MATURITIES
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated - 2007						
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,089	-	-	-	4,089
Other payables	-	1,608	-	-	-	1,608
Other loans	-	5	-	-	-	5
Deferred cash consideration	-	5,346	72	-	-	5,418
Interest bearing - variable rate						
Bank bills	8.60	5,424	3,255	-	-	8,679
Interest bearing - fixed rate						
Lease liability	7.60	110	138	-	-	248
Total non-derivatives		16,582	3,465	-	-	20,047

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	OVER 1 TO 2 YEARS	OVER 2 TO 3 YEARS	OVER 3 TO 4 YEARS	REMAINING CONTRACTUAL MATURITIES
	%	\$'000	\$'000	\$'000	\$'000	\$'000

Parent entity - 2008

Non-derivatives

Non-interest bearing

Trade payables	-	253	-	-	-	253
Other payables	-	757	-	-	-	757
Deferred cash consideration	-	2,740	1,160	-	-	3,900
Interest bearing - variable rate						
Bank bills	-	32,734	-	-	-	32,734
Total non-derivatives		36,484	1,160	-	-	37,644

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	OVER 1 TO 2 YEARS	OVER 2 TO 3 YEARS	OVER 3 TO 4 YEARS	REMAINING CONTRACTUAL MATURITIES
	%	\$'000	\$'000	\$'000	\$'000	\$'000

Parent entity - 2007

Non-derivatives

Non-interest bearing

Trade payables	-	114	-	-	-	114
Other payables	-	714	-	-	-	714
Deferred cash consideration	-	4,109	-	-	-	4,109
Interest bearing - variable rate						
Bank bills	8.60	5,424	3,255	-	-	8,679
Total non-derivatives		10,361	3,255	-	-	13,616

Fair value of financial instruments

The carrying amounts of financial instruments reflect their fair value.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 29. Financial instruments continued

Capital risk management

The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The consolidated entity has a process of monitoring overall cash balances on a strategic long term basis and at an operational level on a weekly basis. This is to ensure ongoing liquidity, prompt decision making and allow proactive communication with its funders.

Historically acquisition of other businesses has been one of the key growth strategies for the consolidated entity. In the future, the consolidated entity may continue to make further acquisitions depending on market conditions and the availability of suitable strategic targets. The consolidated entity has used a mixture of debt and equity to fund these activities, taking into account the cost of each source of finance, the costs of raising the funds and the overall gearing of the consolidated entity. It is expected these same considerations would be relevant going forward.

The consolidated entity's current focus is to pay dividends with free cash flows after scheduled and pre-committed debt repayments and other capital commitments, after forecasting future cash flows. Also, financial covenants are taken into account before any dividend is declared to ensure that these are not breached.

The consolidated entity may issue new shares or sell assets to either reduce debt or to invest in income producing assets. This is decided on the basis of maximising shareholder returns over the long term.

The consolidated entity's overall capital risk management strategy remains unchanged from the previous financial year.

There were no breaches of the covenants with Westpac during the course of the year.

Note 30. Key management personnel disclosures

Directors

The following persons were directors of Allomak Limited during the financial year:

Anthony McLellan	Chairman and Non-executive Director
Rob Allan	Managing Director and Chief Executive Officer
Wendy Simpson	Non-executive Director
John Worton (resigned on 21 November 2007)	Chief Financial Officer and Executive Director
The Hon John Anderson (appointed on 18 October 2007)	Non-executive Director
Chris Sadler (appointed on 27 February 2008)	Non-executive Director

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

Tracey O'Neill	Company Secretary
Bruce Armstrong (resigned on 11 July 2008)	Chief Operating Officer
Ian McKenzie	Acquisition and Integration Manager
Laurence Mosley (appointed on 12 November 2007)	Group Financial Controller
Donald Easter (appointed on 2 April 2008)	Group Executive Manager

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employee benefits	1,487,393	780,523	1,487,393	780,523
Post-employment benefits	85,673	49,548	85,673	49,548
Other long-term benefits	–	4,068	–	4,068
Share-based payments	–	21,219	–	21,219
	1,573,066	855,358	1,573,066	855,358

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Note 30. Key management personnel disclosures continued

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS	BALANCE AT THE END OF THE YEAR
2008					
Ordinary shares					
Rob Allan *	11,125,790	–	159,802	(1,570,000)	9,715,592
Wendy Simpson	7,500	–	–	–	7,500
John Worton **	366,089	–	–	(366,089)	–
The Hon John Anderson	–	–	30,000	–	30,000
Tracey O'Neill	243,103	–	7,185	–	250,288

* Rob Allan's disposals represents an off-market transfer to a charitable trust (prescribed private fund). No further beneficial ownership is held by Rob Allan, or any related entity.

** John Worton resigned on 21 November 2007 and disposals of 366,089 represent his shareholding at that date.

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS	BALANCE AT THE END OF THE YEAR
2007					
Ordinary shares					
Rob Allan	9,015,312	–	2,110,478	–	11,125,790
Wendy Simpson	–	–	7,500	–	7,500
John Worton	188,501	–	177,588	–	366,089
Tracey O'Neill	182,327	–	60,776	–	243,103

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED	BALANCE AT THE END OF THE YEAR
2008					
Ordinary shares					
Anthony McLellan	560,000	–	–	–	560,000
Rob Allan	9,750,000	–	–	–	9,750,000
Wendy Simpson	560,000	–	–	–	560,000
John Worton	3,250,000	–	(3,250,000)	–	–
Tracey O'Neill	75,000	–	–	–	75,000
Bruce Armstrong	400,000	–	–	(200,000)	200,000
Ian McKenzie	48,000	–	–	–	48,000

2007

Ordinary shares

Anthony McLellan	–	560,000	–	–	560,000
Rob Allan	9,750,000	–	–	–	9,750,000
Wendy Simpson	–	560,000	–	–	560,000
John Worton	3,250,000	–	–	–	3,250,000
Tracey O'Neill	–	75,000	–	–	75,000
Bruce Armstrong	–	400,000	–	–	400,000
Ian McKenzie	–	48,000	–	–	48,000

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 30. Key management personnel disclosures continued

Further disclosures

The consolidated entity has applied the relief outlined in AASB 200-4, by disclosing the full key management personnel disclosures in the directors' report only, thus not duplicating that information in the financial report. These transferred disclosures have been audited.

Note 31. Remuneration of auditors

During the year the following fees were paid or payable for services provided by PKF, the auditor of the company, and its related practices:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Audit services – PKF				
Audit or review of the financial report	476,200	212,000	476,200	212,000
	476,200	212,000	476,200	212,000
Other services – PKF				
Advisory services, including due diligence for IPO and proposed acquisitions	6,000	17,000	6,000	–
Taxation	188,281	11,000	188,281	11,000
	194,281	28,000	194,281	11,000
	670,481	240,000	670,481	223,000

Note 32. Contingent liabilities

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial trade arrangements entered into by its subsidiaries. It is not practicable to ascertain or estimate the maximum amount for which the parent entity may become liable in respect thereof. At 30 June 2008 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity and all amounts owed have been brought to account as liabilities in the financial statements.

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank guarantees	2,031	1,889	1,827	1,827

Note 33. Commitments for expenditure

Capital commitments – Property, plant and equipment

Committed at reporting date but not recognised as liabilities, payable:

Within one year	130	–	–	–
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Lease commitments – operating

Committed at reporting date but not recognised as liabilities, payable:

Within one year	2,689	1,411	314	45
One to five years	5,715	3,351	192	56
More than five years	205	322	–	–
	8,609	5,084	506	101

Note 33. Commitments for expenditure continued

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Lease commitments – finance				
Committed at reporting date and recognised as liabilities, payable:				
Within one year	276	110	–	–
One to five years	669	138	–	–
Total commitment	945	248	–	–
Less: Future finance charges	(123)	(22)	–	–
Net commitment recognised as liabilities	822	226	–	–
Representing:				
Lease liability – current (note 18)	220	97	–	–
Lease liability – non-current (note 21)	602	129	–	–
	822	226	–	–

Property leases periods 1 to 5 years (shown as operating leases) are non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments be increased by CPI or a percentage factor. Certain agreements have option arrangements to renew the lease for an additional term and an option to purchase the premises at the market price at time of option exercise.

Finance leases relate to motor vehicles and a fork lift and are generally leased over a five year period with a 40% residual on completion. The leases are secured by a charge over the respective asset financed.

Note 34. Related party transactions

Parent entity

The parent entity is Allomak Limited.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Other income				
Dividends received from subsidiaries	–	–	12,450,000	5,700,000
Payment for other expenses:				
Rent paid to Ray Malone (Silvane Bond Pty Ltd)	142,623	–	–	–
Rent paid to Ray Malone (Malone Superannuation Fund)	33,020	–	–	–

Receivable from and payable to related parties

There are no trade receivables from or trade payables to related parties at the reporting date.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 34. Related party transactions continued

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Non-current receivables:				
Loan to key management personnel	274,111	260,254	274,111	260,254
Loan to subsidiaries	–	–	39,404,127	6,968,040
Receivable from subsidiaries – tax related	–	–	3,180,000	–

At the time of the listing Allomak entered into a loan agreement with Mr Rob Allan for an advance of an amount of \$245,000 for the purpose of assisting Mr Allan to discharge existing loans which were incurred to facilitate the acquisition of equity in the company. This loan is secured by a proportion of Mr Allan's shareholding in the company. The loan carries a commercial interest rate of 7.50% per annum accruing and payable annually in arrears. The loan is repayable in full within 5 years. The balance at 30 June 2008 was \$274,111 (2007: \$260,254), which was the highest balance during the financial year.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except for loans to subsidiaries which are non-interest bearing.

Note 35. Business combinations

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:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
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		16,965
Total purchase consideration		17,477
Representing:		
Consideration paid or payable to the vendor		16,985
Direct costs paid relating to the acquisition		492
		17,477

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	17,477	–	17,477	–
Less: payments to be made in future periods	(603)	–	(603)	–
Less: 10,360,226 shares issued by parent entity as part of consideration	(6,329)	–	(6,329)	–
Outflow of cash	10,545	–	10,545	–

The deferred payment of \$603,000 will be settled by shares issued by the parent entity.

Note 35. Business combinations continued

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:

	ACQUIREE'S CARRYING AMOUNT		FAIR VALUE	
	\$'000		\$'000	
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	2,154		2,179	
Goodwill			10,310	
Total purchase consideration			12,489	
Representing:				
Consideration paid or payable to the vendor			12,019	
Direct costs paid relating to the acquisition			470	
			12,489	
	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	12,489	–	–	–
Less: payments to be made in future periods	(2,642)	–	–	–
Less: 2,788,348 shares issued by parent entity as part of consideration	(2,535)	–	–	–
Outflow of cash	7,312	–	–	–

The deferred payment of \$2,642,000 will be settled by cash payments.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 35. Business combinations continued

KT Cables

On 1 October 2007 Allomak Limited acquired KT Cable Accessories Pty Limited, a subsidiary, for \$7,023,000. The principal activity of this subsidiary is the production of wiring and cabling accessories.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
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 paid or payable to the vendor		6,746
Direct costs paid relating to the acquisition		277
		7,023

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	7,023	–	7,023	–
Less: payments to be made in future periods	(2,746)	–	(2,746)	–
Less: 272,718 shares issued by parent entity as part of consideration	(250)	–	(250)	–
Outflow of cash	4,027	–	4,027	–

The deferred payment of \$2,746,000 will be settled by a yet-to-be determined mixture of shares issued by the parent entity and cash payments.

Note 35. Business combinations continued

LP Gas 1

On 1 July 2007 LP Gas 1 Pty Limited, a subsidiary, acquired the business LP Gas 1 for \$5,460,000. The principal activity of this business is petrol/diesel and LP Gas hybrid conversions.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
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)
Net assets acquired	(436)	(422)
Goodwill		5,882
Total purchase consideration		5,460
Representing:		
Consideration paid or payable to the vendor		5,382
Direct costs paid relating to the acquisition		78
		5,460

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	5,460	–	–	–
Less: payments to be made in future periods	(241)	–	–	–
Less: 1,895,121 shares issued by parent entity as part of consideration	(1,656)	–	–	–
Outflow of cash	3,563	–	–	–

The deferred payment of \$241,000 will be settled by a yet-to-be determined mixture of shares issued by the parent entity and cash payments.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 35. Business combinations continued

Surrey Panelcare and Surrey Motorcare

On 1 January 2008 Mr Gloss Holdings Pty Limited, a subsidiary, acquired the businesses of Surrey Panelcare and Surrey Motorcare for \$1,958,000.

The principal activity of these businesses is the provision of smash repair services.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Raw materials	56	56
Work in progress	3	3
Plant and equipment	174	174
Furniture and equipment	35	35
Motor vehicles	31	31
Employee benefits	(58)	(58)
Net assets acquired	241	241
Goodwill		1,717
Total purchase consideration		1,958

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	1,958	-	-	-
Less: 1,805,836 shares issued by parent entity as part of consideration	(979)	-	-	-
Outflow of cash	979	-	-	-

Acquisition accounting

The values identified for the acquisition of Mr Gloss Pty Limited, Alanco Australia Pty Limited, KT Cable Accessories Pty Limited and LP Gas 1 Pty Limited were provisional as at 31 December 2007 and the valuations are now finalised at 30 June 2008.

Contribution to consolidated entity

Included in revenue and net profit after tax for the year are \$37,138,000 and \$4,478,000 respectively, which is attributable to the additional business generated by Mr Gloss Pty Limited, Alanco Australia Pty Limited, KT Cable Accessories Pty Limited, LP Gas 1 Pty Limited, Surrey Panelcare and Surrey Motorcare. Due to contracted confidentiality terms in the agreements between Allomak and the vendors, the company has not disclosed the individual revenue and profit by businesses.

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 35. Business combinations continued

ECB Pty Ltd

On 1 July 2006, the Group acquired 100% of issued share capital of East Coast Bullbars Pty Ltd A.C.N 071 749 507, with the consideration being 3,674,669 ordinary shares at a value of \$1,500,000 and \$18,958,540 in cash. In addition, there were acquisition costs of \$270,421. ECB Pty Ltd's principal activity is the manufacture and supply of auto protection equipment and is particularly recognized for the manufacture and sale of aftermarket aluminium bull bars.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Cash equivalents	–	133
Trade receivables	–	6,072
Inventories	–	1,315
Plant and equipment	–	441
Trade payables	–	(734)
Net assets acquired	–	7,227
Goodwill		13,501
Total purchase consideration		20,728

Autolac Pty Limited

On 1 July 2006, the Group acquired 100% of issued share capital of Autolac Pty Ltd, with the consideration being 367,467 ordinary shares at a value of \$150,000 and \$1,844,000 in cash (\$820,000 payable deposit on settlement). In addition, there were acquisition costs of \$33,626. Autolac Pty Ltd's principal activity is distribution of automotive paint and smash repair consumables in Australia, including having preferred supplier status for a number of products.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Trade receivables	–	1,431
Inventories	–	1,282
Plant and equipment	–	138
Deferred tax asset	–	1
Trade payables	–	(1,872)
Bank overdraft	–	(2,226)
Net assets acquired	–	(1,246)
Goodwill		2,662
Total purchase consideration		1,416

Fluidrive Holdings Pty Ltd

On 1 July 2006, the Group acquired the business and certain business assets of Fluidrive Holdings Pty Ltd, with the consideration being 637,545 ordinary shares at a fair value of \$260,245 and \$2,736,625 in cash. In addition, there were acquisition costs of \$75,916. Fluidrive Holdings Pty Ltd is a wholesale specialist in the remanufacturing of transmissions, servicing major car manufacturers for products under warranty and the dealer/workshop aftercare market.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Inventories	–	480
Plant and equipment	–	708
Trade payables	–	(198)
Net assets acquired	–	990
Goodwill		2,083
Total purchase consideration		3,073

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 35. Business combinations continued

Diesel Test Resources Pty Ltd

On 1 January 2007 the group acquired Diesel Test Pty Ltd (A.C.N 077 044 083) and Diesel Test Resources Pty Ltd (A.C.N 104 778 798), with the consideration being ordinary shares at a value of \$744,101 and \$2,854,197 in cash. In addition there were acquisition costs of \$44,795. Diesel Test group build equipment and conduct emission testing on trucks and other vehicles. They currently are the only Company approved with the Australian Taxation Office to carry out DT80 testing, to qualify for the diesel rebate of 18.5 cents per litre, on all diesel vehicles, 10 years or older, and more than 4.5 tonnes.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Cash equivalents	–	957
Trade receivables	–	234
Plant and equipment	–	449
Trade payables	–	(281)
Net assets acquired	–	1,359
Goodwill		2,282
Total purchase consideration		3,641

Perth Brakes Pty Ltd

On 1 January 2007, the Group acquired the business and certain business assets of Perth Brake Parts Pty Ltd, with the consideration being ordinary shares at a fair value of \$857,344 and \$1,674,440 in cash. In addition, there were acquisition costs of \$168,808. Perth Brake Parts Pty Ltd is a wholesale specialist in the remanufacturing of brake parts and the sales and distribution of new brake parts servicing and the dealer/workshop aftercare market.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Trade receivables	–	250
Inventories	–	560
Plant and equipment	–	108
Trade payables	–	(198)
Net assets acquired	–	720
Goodwill		1,980
Total purchase consideration		2,700

Mark 1 Auto Parts Pty Ltd

On 2 January 2007, Allomak acquired the business and certain business assets of Mark 1 Auto Parts Pty Ltd through its wholly owned subsidiary Autolac Pty Ltd. Autolac paid a cash consideration of \$151,350. This consideration includes an amount of \$42,000 to be paid based on the estimated net profit after tax (NPAT) performance of former businesses of Mark 1 Auto Parts Pty Limited in future years. Net tangible assets to be acquired and included in the above payment figure are estimated at \$109,350 (giving rise to goodwill on acquisition of \$42,000).

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Inventories	–	92
Plant and equipment	–	18
Net assets acquired	–	110
Goodwill		42
Total purchase consideration		152

Note 35. Business combinations continued

Autolac Newcastle Pty Ltd

On 1 January 2007, Allomak acquired the business and certain business assets of Autolac Newcastle Pty Ltd, through its wholly owned subsidiary Autolac Pty Ltd, with the consideration being ordinary shares at a value of \$203,902 and \$252,120 in cash. Autolac Newcastle principal activity is distribution of automotive paint and smash repair consumables in the Newcastle region of NSW Australia.

Details of the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000
Inventories	–	167
Plant and equipment	–	11
Trade payables	–	(28)
Net assets acquired	–	150
Goodwill		303
Total purchase consideration		453

Note 36. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	EQUITY HOLDING		PARENT ENTITY	
		2008 %	2007 %	2008 \$'000	2007 \$'000
Dyno Dynamics Pty Ltd	Australia	100.00	100.00	4,757	5,832
Alanco Australia Pty Ltd	Australia	100.00	100.00	–	–
Dyno Exports Pty Ltd	Australia	100.00	100.00	–	–
Fluidrive Holdings Pty Ltd	Australia	100.00	100.00	–	–
Susa Automotive Services Pty Ltd	Australia	100.00	100.00	–	–
Diesel Test Pty Limited	Australia	100.00	100.00	4,105	3,643
Emission Services Pty Ltd	Australia	100.00	100.00	–	–
DT Emmission Services Pty Ltd	Australia	100.00	100.00	–	–
Dyno Dynamics Limited	New Zealand	100.00	100.00	–	–
E C B Pty Ltd	Australia	100.00	100.00	20,729	20,729
Autolac Pty Limited	Australia	100.00	100.00	998	1,416
Perth Brake Parts Pty Ltd	Australia	100.00	100.00	–	–
Dual LPG Pty Ltd	Australia	100.00	50.10	314	–
Dual LPG Conversions Pty Ltd	Australia	100.00	50.10	–	–
Multipoint LPG Systems Pty Ltd	Australia	100.00	50.10	–	–
Alloair Systems Pty Ltd	Australia	100.00	100.00	–	–
LP Gas 1 Pty Limited	Australia	100.00	100.00	–	–
LP Gas 1 Franchising Pty Ltd	Australia	100.00	100.00	–	–
LP Gas 1 (NSW) Pty Ltd	Australia	100.00	–	–	–
Mr Gloss Holdings Pty Ltd	Australia	100.00	–	17,477	–
KT Cable Accessories Pty Limited	Australia	100.00	–	7,023	–
Allomak Technology Holdings Pty Ltd	Australia	100.00	–	–	–
Dyno Dynamics Europe Limited	United Kingdom	100.00	–	–	–
				55,403	31,620

Stor Pty Ltd changed its name to Dyno Dynamics Pty Ltd on 26 November 2007.

Spanss Trucks Pty Ltd changed its name to ACN 107 954 610 on 13 November 2007 and then to Alanco Australia Pty Ltd on 28 November 2007.

Fluidrive Holdings Pty Ltd changed its name to Fluidrive Holdings Pty Ltd on 23 June 2008.

Diesel Test Resources Pty Ltd changed its name to Emission Services Pty Ltd on 12 September 2007.

ACN 124 071 816 Pty Ltd changed its name to Alloair Services Pty Ltd on 9 April 2008 and then to Alloair Systems Pty Ltd on 11 April 2008.

Fluidrive Automotive Technologies Pty Ltd changed its name to LP Gas 1 Pty Ltd on 20 December 2007.

ACN 124 619 843 Pty Ltd changed its name to LP Gas 1 Franchising Pty Ltd on 20 December 2007.

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 37. Events occurring after balance date

In August 2008 the consolidated entity successfully negotiated with Westpac an extension on the bank bill facility of \$35,000,000 to expire on 30 October 2009.

No other matter or circumstance has arisen since 30 June 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.

Note 38. Reconciliation of profit after income tax to net cash flows from operating activities

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit after income tax (expense)/benefit	6,130	3,656	8,503	3,619
Depreciation and amortisation	1,081	498	11	5
Net loss/(profit) on sale of non-current assets	(26)	17	–	–
Share based payments	18	29	18	29
Dividend – non-cash	–	–	–	(5,700)
Transfer of taxes from subsidiaries	–	–	–	736
Write-off of non-current assets	11	–	–	–
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(8,214)	405	(16,807)	(70)
(Increase)/decrease in inventories	(3,105)	(106)	–	–
(Increase)/decrease in deferred tax assets	(966)	(470)	(498)	(506)
(Increase)/decrease in prepayments	(510)	(42)	–	–
(Increase)/decrease in other operating assets	7	–	–	–
Increase/(decrease) in trade and other payables	3,450	644	–	320
Increase/(decrease) in provision for income tax	747	523	1,457	–
Increase/(decrease) in deferred tax liabilities	119	798	–	26
Increase/(decrease) in employee benefits	(95)	–	33	–
Increase/(decrease) in other provisions	(7)	–	–	–
Net cash inflow/(outflow) from operating activities	(1,360)	5,952	(7,283)	(1,541)

Note 39. Non-cash investing and financing activities

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Acquisition of plant and equipment by means of finance leases	346	–	–	–
Shares issued under dividend reinvestment plan	543	–	543	–
Shares issued in relation to acquisitions	12,729	2,832	12,729	2,832
Shares issued to consultants for acquisitions	171	–	171	–
Shares issued on conversion of loan notes	–	325	–	325
	13,789	3,157	13,443	3,157

Note 40. Earnings per share

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Profit after income tax	6,130	3,656
Loss attributable to minority interest	137	175
Profit after income tax attributable to members of Allomak Limited	6,267	3,831
Weighted average number of ordinary shares used in calculating basic earnings per share	114,149,776	76,096,000
Adjustments for calculation of diluted earnings per share:		
Options	15,333,520	4,917,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,483,296	81,013,000
	Cents	Cents
Basic earnings per share	5.49	5.03
Diluted earnings per share	4.84	4.73

Notes to the Financial Statements Continued

For the year ended 30 June 2008

Note 4.1. Share-based payments

The Company has adopted an Employee Share Option Plan for the benefit of executive and non-executive Directors and full-time or part-time staff members employed by the Company. At the date of this report options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 3 years and vest over 3 years or quarterly in arrears over 3 years.

The exercise price is based on a minimum of 100% of the average ASX closing price for the 5 days prior to offer/acceptance of the options.

During the financial year ended 30 June 2008 there were no options issued.

Set out below are summaries of options granted under the plan:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED	BALANCE AT THE END OF THE YEAR
2008							
22/06/06	22/06/06	\$0.47	6,500,000	-	(1,625,000)	-	4,875,000
22/06/06	22/06/11	\$0.57	6,500,000	-	(1,625,000)	-	4,875,000
10/07/06	10/07/11	\$0.40	120,000	-	-	(120,000)	-
22/07/06	22/07/09	\$0.40	1,500,000	-	(750,000)	-	750,000
22/07/06	22/07/11	\$0.40	1,120,000	-	-	-	1,120,000
01/09/06	01/09/11	\$0.40	75,000	-	-	-	75,000
02/10/06	02/10/11	\$0.44	400,000	-	-	(200,000)	200,000
23/10/06	23/10/11	\$0.42	48,000	-	-	-	48,000
02/04/07	02/04/11	\$0.47	60,000	-	-	-	60,000
30/03/07	30/04/12	\$0.46	120,000	-	-	-	120,000
2007							
22/06/06	22/06/06	\$0.47	6,500,000	-	-	-	6,500,000
22/06/06	22/06/11	\$0.57	6,500,000	-	-	-	6,500,000
10/07/06	10/07/11	\$0.40	-	120,000	-	-	120,000
22/07/06	22/07/09	\$0.40	-	1,500,000	-	-	1,500,000
22/07/06	22/07/11	\$0.40	-	1,120,000	-	-	1,120,000
01/09/06	01/09/11	\$0.40	-	75,000	-	-	75,000
02/10/06	02/10/11	\$0.44	-	400,000	-	-	400,000
23/10/06	23/10/11	\$0.42	-	48,000	-	-	48,000
02/04/07	02/04/11	\$0.47	-	60,000	-	-	60,000
30/03/07	30/04/12	\$0.46	-	120,000	-	-	120,000

Fair value was measured using Black-Scholes and the inputs to it were as follows:

Exercise price	\$0.40 to \$0.57
Expected volatility	45.00 – 65.00%
Option life	5 years
Dividend yield	0.00 – 8.00%
Risk-free interest rate	6.30%

Allomak Limited Directors' Declaration

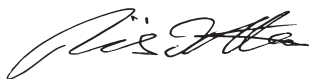
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Accounting Standards, the Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date;
- the audited remuneration disclosures that are contained in sections A, B, C and D of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporation Regulations 2001; and
- there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Robert Allan
Managing Director

Dated this 29th day of August 2008
Sydney

Independent Auditor's Report

To the members of Allomak Limited



Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Allomak Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising Allomak Limited (the company) and the entities it controlled (the consolidated entity) at the year end.

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 controls 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.

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 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 Allomak Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2008 and of its 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; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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Chartered Accountants
& Business Advisers

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'remuneration report' in the directors' report for the year ended 30 June 2008. 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Allomak Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Tim Sydenham
Partner
Sydney

PKF

Dated this 29th day of August 2008

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Shareholder Information

The shareholder information set out below was applicable as at 12 October 2008.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares
1 – 1,000	38
1,001 – 5,000	240
5,001 – 10,000	210
10,001 – 100,000	514
100,001 – 9,999,999,999	133
Totals	1,135
Holding less than a marketable parcel	15

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	% of total shares issued
National Nominees Limited	12,165,120	9.05
Gloss Pty Ltd	10,180,835	7.57
ANZ Nominees Limited (Cash Income Account)	8,287,334	6.16
Citicorp Nominees Pty Limited	5,612,786	4.17
JP Morgan Nominees Australia Limited	4,552,589	3.39
Three Degrees Holdings Pty Ltd	4,454,974	3.31
Queensland Investment Corporation	3,921,935	2.92
Mr Robert Eric Allan	3,835,358	2.85
Jese Pty Ltd (The Leadbetter Family Account)	3,674,669	2.73
Invia Custodian Pty Ltd (Black Account)	3,662,363	2.72
ANZ Nominees Limited (Income Reinvestment Plan Account)	3,072,662	2.29
Nowa Pty Ltd (Golding Number 2 S/F Account)	2,727,270	2.03
Ms Rachel Anne Costigan	2,166,460	1.61
UBS Nominees Pty Ltd	1,900,000	1.41
JPH Pty Ltd (Humphries Family Super Fund Account)	1,837,335	1.37
Yerrus Holdings Pty Ltd (Surrey Panels Pens Fund Account)	1,805,836	1.34
Perpetual Trustees Consolidated Limited (C_L Account)	1,745,944	1.30
Mr Robert Allan & Mrs Julie Allan & Caf Community Fund Ltd (Ephram Foundation Account)	1,570,000	1.17
Merrill Lynch (Australia) Nominees Pty Limited (Berndale Account)	1,435,528	1.07
Mr Robert Mace Purdue & Mrs Heather Purdue	1,102,426	0.82
	79,711,424	59.28

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	12,123	8

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	12,165,120	9.05
ANZ	11,359,996	8.45
Gloss Pty Ltd	10,180,835	7.57
Mr Robert Eric Allan	9,715,592	7.23

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Listing rule 14.10.19

The entity used the cash and assets in a form readily convertible to cash that it had at the time of admission consistently with its business objectives.

Corporate Governance

for the year ended 30 June 2008

The Board of Directors of Allomak Limited is committed to high standards of corporate governance and supports the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council in March 2003.

Given the size and specific circumstances of Allomak Limited the Board recognises that some best practice recommendations are more relevant to larger companies.

Unless disclosed below, all relevant best practice recommendations of the ASX Corporate Governance Council have been applied for the financial year ended 30 June 2007.

The Company's website contains a clearly marked corporate governance section.

1. THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT

The Board of Directors is accountable to the shareholders for the performance of the Company. The Board sets the Company's strategic direction and delegates responsibility for the management of the Company to the Managing Director.

A copy of the Board Charter, which promotes a culture within the Company of accountability, integrity and transparency, is available from the Company's website.

Each Board member must at all times act honestly, fairly and diligently in all respects in accordance with the Corporations Law as it applies to our Company.

Key matters reserved to the Board include the following:

- Oversight of the Company, including its control, accountability and compliance systems
- Appointment, monitoring, managing the performance of and if necessary removal of the Chief Executive Officer, Chief Financial Officer and Company Secretary.

- Input, assessment appraisal and final approval of management's development of corporate strategy and performance objectives.
- Monitoring risk management
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approval and monitoring financial and other reporting;
- Ensuring the market and shareholders are fully informed of material developments; and
- Recognising the legitimate interests of stakeholders.

The Board holds a minimum of six formal meetings a year. Additional meetings are held as required.

Details of current members of the Board are disclosed in the Directors' Report.

2. STRUCTURE OF THE BOARD TO ADD VALUE

The Board currently has five Directors, comprising four non-executive Directors, including the Chairperson and one executive Director.

The Board has adopted the following principles:

- The same individual should not exercise the roles of chairperson, and chief executive officer;
- The Board should not comprise a majority of executive Directors;
- The Board should comprise persons with a broad range of skills and experience appropriate to the needs of the Allomak Group.

Under recommendation 2:1 of the ASX Corporate Governance Council Best Practice Recommendations the majority of the Board should be independent Directors. Independent Directors are those who are independent of management and free of any business or other relationship that could materially interfere with — or could reasonably be perceived to materially interfere with — the exercise of their unfettered and independent judgment.

In assessing the independence of Directors, an independent Director is a non-executive Director and:

- Is not a substantial shareholder, as defined in section 9 of the corporations act, of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Has not within the last three years been employed in an executive capacity by the Company or another group member;
- Has not within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member;
- Is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or another group member;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

In applying the best practice recommendations for independence the independent Directors of the Company at the date of this report are:

- **Anthony McIellan** appointed 13 July 2006
- **Wendy Simpson** appointed 13 July 2006
- **Chris Sadler** appointed 27 February 2008
- **The Hon John Anderson** appointed 18 October 2007

However, the Board considers that the current composition of the Board is structured in both size and commitment to adequately discharge its responsibility and duties in addition:

1. Has a proper understanding of, and competence to deal with, the current and emerging issues of the business.
2. Can effectively review and challenge the performance of management and exercise independent judgment.

Corporate Governance Continued

The Board has considered the following:

1. The size of the Company and spread of shares amongst the substantial shareholders'
2. The appointment of additional independent Directors would cause undue financial pressure.
3. The experience and personal qualities of the non-executive Directors
4. The skills of the non-executive Directors are complementary to other Board members
5. The non executive Directors are independent of management and other relationships that could materially interfere with the exercise of their unfettered and independent judgment.
6. The Board continues to review its governance structures, including the level of independent Directors, as the Company develops and changes to ensure that it continues to meet effective governance given the size and specific circumstances of the Company.

Given the size and requirements of the Company the Board has decided that a nomination committee is not required at this point in time. At present all members of the Board consider the composition of the Board and appointment of new Directors.

The Company acknowledges Directors require high quality information and advice on which to base their decisions and considerations. All Directors have the right to seek advice and clarification from the Company auditors, financial and legal advisors on any matter relating to the Company or Board performance.

Directors additionally have the right to seek independent professional advice to help them carry out their responsibilities. Expenses will need to be approved in advance by the chairperson. If the chairperson is unable or unwilling to give approval, then board approval will be required. Any costs incurred will be borne by the Company.

3. PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Board has developed a code of conduct for Directors and Company officers. The key elements of the code are:

- Conflicts of interest;
- Corporate opportunities;
- Confidentiality;
- Fair dealing;
- Protection of assets
- Compliance with laws and regulations; and
- Promotion of ethical and lawful behaviour.

A copy of the Allomak Code of Conduct can be obtained from the Corporate Governance section of the Allomak website.

Share Trading Policy

The Board has developed and adopted a policy concerning trading in Company securities by Directors, officers and employees. The Company and the Board encourages Directors, officers and employees to own shares in the Company thereby fostering a further link between their interests and the interests of all shareholders.

The key elements of the policy are:

- Insider trading;
- Continuous disclosure;
- When a designated officer must not deal in securities;
- When a designated officer may deal;
- Exceptional circumstances — permission to deal;
- When employees (other than designated officers) may deal;
- When employees (other than designated officers) must not deal;
- Notification of Directors dealing in securities;
- Breach of policy; and
- Speculative dealing.

A copy of the share trading policy can be obtained from the Corporate Governance section of the Allomak website.

4. THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Audit Committee

The Board has an audit committee which:

- Has two members who are non-executive Directors;
- Details of the members of the Audit Committee can be obtained from the Annual Report;
- Has a written charter which can be obtained from the Corporate Governance section of the Allomak website;
- Includes members who are all financial literate; and
- Details of the members are disclosed in the Directors' Report

The key elements of the Audit Committee Charter are:

- Role of the committee;
- Membership;
- Meetings;
- Responsibilities;
- Authority;
- Independence; and
- Non-audit work.

The Board and Audit Committee closely monitor the independence of the external auditor. The Audit Committee meets a minimum of twice a year in private, with management without the external auditor and with the external auditor without management.

5. THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

The Company has established procedures to ensure compliance with ASX Listing Rules 3.1 which requires that when an entity becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

A Continuous Disclosure Policy and Procedure has been prepared and is available from the Corporate Governance section of the Company's website.



Corporate Directory

Directors

Anthony McLellan
Rob Allan
Wendy Simpson
The Hon John Anderson
Chris Sadler

Joint Company Secretaries

Tracey O'Neill
David Franks

Principal registered office in Australia

Level 5
1 Castlereagh Street
Sydney NSW 2000

Share register

Registries Limited
Level 7
207 Kent Street
Sydney NSW 2000
Telephone: (02) 9290 9600

Auditor

PKF
Level 10
1 Margaret Street
Sydney NSW 2000

Solicitors

O'Neill Marengo
1 Castlereagh Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
GPO BOX 4045
Sydney NSW 2000

Stock exchange listing

Allomak Limited shares are listed on the
Australian Stock Exchange under the
symbol AMA

Website address

www.allomak.com