



FLAT GLASS INDUSTRIES LIMITED

30 JUNE 2014

**PRELIMINARY FINAL REPORT
APPENDIX 4E**

ASX Code: FGI

DIRECTORS' REVIEW OF THE PRELIMINARY FINAL REPORT

OPERATING AND FINANCIAL REVIEW

Review of financial condition

The consolidated entity incurred a net loss after taxation of \$2.2 million (2013 – net loss of \$3.3 million), which included an impairment charge of \$nil (2013 - \$0.6 million).

Net Tangible Assets of the consolidated entity as at 30 June 2014 were \$6.8 million (2013 - \$9.0 million), or 10.17 cents per share (2013 – 13.46 cents).

Review of principal business

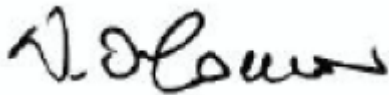
2014 revenues from continuous operations of \$27.0 million increased by 7.5% over the previous year and costs of \$28.9 million (excluding impairment charge and equity accounted losses) increased by 5.7%.

Borrowings

Borrowings as at 30 June 2014 were \$3.4 million, an increase of \$0.7 million on the previous year.

Matters subsequent to the end of the financial year

There were no significant matters subsequent to the end of the financial year.



Signed _____
Nicholas O'Connor
Director
Sydney

Date: 28 August 2014

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1. Company details

Name of entity:	Flat Glass Industries Limited
ABN:	84 003 173 242
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	7.5% to	27,068
Total revenues for continuing and discontinued operations	down	0.6% to	27,068
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	53.4% to	(368)
Loss from ordinary activities after tax attributable to the owners of Flat Glass Industries Limited	down	32.9% to	(2,205)
Loss for the year attributable to the owners of Flat Glass Industries Limited	down	32.9% to	(2,205)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$2,205,000 (30 June 2013: \$3,284,000).

For detailed commentary on results for the year, refer to the reviews of operations preceding this Appendix 4E.

The following table summarises the key reconciling items between normalised profit and statutory profit after tax attributable to the owners of Flat Glass Industries Limited

	Consolidated	
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
Revenue	27,068	25,173
EBITDA	(368)	(790)
Less: Depreciation	(1,107)	(1,105)
Less: Interest expense	(332)	(300)
Add: Interest income	-	4
Impairment of assets	-	(568)
Loss before income tax expense, share of loss of joint venture and discontinued operations from continuing operations	(1,807)	(2,759)
Income tax benefit/(expense)	-	3
Share of losses of joint venture accounted for using the equity method	(398)	-
Loss after income tax (expense)/benefit from discontinued operations	-	(528)
Loss after income tax expense for the year attributable to the owners of Flat Glass Industries Limited	<u>(2,205)</u>	<u>(3,284)</u>

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	10.17	13.46

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Rayson RTK Pty Ltd / Joint venture	37.00%	-%	(398)	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(398)	-
Income tax on operating activities			-	-

9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

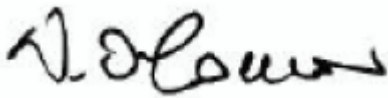
The financial statements are in the process of being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Annual Financial Statements of Flat Glass Industries Limited for the year ended 30 June 2014 is attached

12. Signed



Signed _____

Date: 28 August 2014

Nicholas O'Connor
Director
Sydney

Flat Glass Industries Limited

ABN 84 003 173 242

Preliminary Annual Financial Statements - 30 June 2014

Flat Glass Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

		Consolidated	
		2014	2013
	Note	(unaudited)	(unaudited)
		\$'000	\$'000
Revenue from continuing operations	2	27,068	25,173
Other income		47	-
Expenses			
Raw materials and consumables used		(11,722)	(10,574)
Occupancy costs		(1,768)	(1,990)
Administration and overhead expenses		(1,873)	(1,834)
Employee expenses		(11,169)	(10,641)
Depreciation expense		(1,107)	(1,105)
Travel expenses		(935)	(861)
Impairment of assets		-	(568)
Share of losses of joint venture accounted for using the equity method		(398)	-
Other expenses		(16)	(59)
Finance costs		(332)	(300)
Loss before income tax benefit from continuing operations		(2,205)	(2,759)
Income tax benefit		-	3
Loss after income tax benefit from continuing operations		(2,205)	(2,756)
Loss after income tax (expense)/benefit from discontinued operations	3	-	(528)
Loss after income tax benefit for the year attributable to the owners of Flat Glass Industries Limited		(2,205)	(3,284)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Flat Glass Industries Limited		<u>(2,205)</u>	<u>(3,284)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(2,205)	(2,756)
Discontinuing operations		-	(528)
		<u>(2,205)</u>	<u>(3,284)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Flat Glass Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		(unaudited)	(unaudited)
		\$'000	\$'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Flat Glass Industries Limited			
Basic earnings per share	9	(3.29)	(4.48)
Diluted earnings per share	9	(3.29)	(4.48)
Earnings per share for loss from discontinued operations attributable to the owners of Flat Glass Industries Limited			
Basic earnings per share	9	-	(0.86)
Diluted earnings per share	9	-	(0.86)
Earnings per share for loss attributable to the owners of Flat Glass Industries Limited			
Basic earnings per share	9	(3.29)	(5.33)
Diluted earnings per share	9	(3.29)	(5.33)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Flat Glass Industries Limited
Statement of financial position
As at 30 June 2014

	Consolidated	
	2014	2013
Note	(unaudited)	(unaudited)
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	205	268
Trade and other receivables	4,085	4,209
Inventories	4,347	4,975
Prepayments	147	99
	<u>8,784</u>	<u>9,551</u>
Assets of disposal groups classified as held for sale	-	1,203
Total current assets	<u>8,784</u>	<u>10,754</u>
Non-current assets		
Investments accounted for using the equity method	888	-
Other financial assets	1	1
Property, plant and equipment	4	5,062
Intangibles	419	419
Total non-current assets	<u>6,370</u>	<u>6,491</u>
Total assets	<u>15,154</u>	<u>17,245</u>
Liabilities		
Current liabilities		
Trade and other payables	3,044	3,590
Borrowings	3,390	2,668
Employee benefits	1,379	1,337
	<u>7,813</u>	<u>7,595</u>
Liabilities directly associated with assets classified as held for sale	-	55
Total current liabilities	<u>7,813</u>	<u>7,650</u>
Non-current liabilities		
Borrowings	-	77
Employee benefits	106	67
Other	-	11
Total non-current liabilities	<u>106</u>	<u>155</u>
Total liabilities	<u>7,919</u>	<u>7,805</u>
Net assets	<u>7,235</u>	<u>9,440</u>
Equity		
Issued capital	20,561	20,561
Accumulated losses	(13,326)	(11,121)
Total equity	<u>7,235</u>	<u>9,440</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Flat Glass Industries Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2012	19,513	(7,837)	11,676
Loss after income tax benefit for the year	-	(3,284)	(3,284)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(3,284)	(3,284)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs	1,048	-	1,048
Balance at 30 June 2013	20,561	(11,121)	9,440
Consolidated	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	20,561	(11,121)	9,440
Loss after income tax benefit for the year	-	(2,205)	(2,205)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(2,205)	(2,205)
Balance at 30 June 2014	20,561	(13,326)	7,235

The above statement of changes in equity should be read in conjunction with the accompanying notes

Flat Glass Industries Limited
Statement of cash flows
For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		(unaudited)	(unaudited)
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		29,887	30,034
Payments to suppliers and employees (inclusive of GST)		<u>(30,187)</u>	<u>(29,696)</u>
		(300)	338
Interest received		-	4
Interest and other finance costs paid		(332)	(313)
Income taxes refunded		<u>-</u>	<u>3</u>
Net cash from/(used in) operating activities	8	<u>(632)</u>	<u>32</u>
Cash flows from investing activities			
Payments for property, plant and equipment	4	(240)	(443)
Proceeds from sale of property, plant and equipment		175	372
Proceeds from sale of assets classified as held for sale		<u>-</u>	<u>2,200</u>
Net cash from/(used in) investing activities		<u>(65)</u>	<u>2,129</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,117
Net proceeds from debtor finance		197	2,509
Proceeds from borrowings - related party		550	-
Share issue transaction costs		-	(69)
Repayment of borrowings		-	(5,443)
Payment for hire purchase liabilities		(102)	(220)
Repayment of government grants		<u>(11)</u>	<u>-</u>
Net cash from/(used in) financing activities		<u>634</u>	<u>(2,106)</u>
Net increase/(decrease) in cash and cash equivalents		(63)	55
Cash and cash equivalents at the beginning of the financial year		<u>268</u>	<u>213</u>
Cash and cash equivalents at the end of the financial year		<u><u>205</u></u>	<u><u>268</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 1. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: Glass, Plastic and Other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation and impairment ('EBITDA') and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Glass	Glass processing plants in Sydney and Melbourne
Plastic	Plastic extrusion, including the Star Plug operations
Other	Other non-reportable segments including investments in joint venture

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated - 2014 (unaudited)	Glass \$'000	Plastic \$'000	Other \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	25,941	1,007	-	-	26,948
Intersegment sales	1,062	-	-	(1,062)	-
Total sales revenue	27,003	1,007	-	(1,062)	26,948
Other revenue	108	-	12	-	120
Total revenue	27,111	1,007	12	(1,062)	27,068
Adjusted EBITDA	(634)	271	(5)	-	(368)
Depreciation					(1,107)
Finance costs					(332)
Share of losses of joint ventures accounted for using the equity method					(398)
Loss before income tax expense					(2,205)
Income tax expense					-
Loss after income tax expense					(2,205)
Assets					
Segment assets	17,147	1,155	26,469	(29,617)	15,154
Total assets					15,154
<i>Total assets includes:</i>					
Acquisition of non-current assets	240	-	-	-	240
Liabilities					
Segment liabilities	19,238	262	10,273	(21,854)	7,919
Total liabilities					7,919

Flat Glass Industries Limited
Notes to the financial statements
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Note 1. Operating segments (continued)

Consolidated - 2013 (unaudited)	Glass \$'000	Plastic \$'000	Other \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	23,908	983	-	-	24,891
Intersegment sales	1,370	-	-	(1,370)	-
Total sales revenue	25,278	983	-	(1,370)	24,891
Other revenue	270	-	369	(357)	282
Total revenue from discontinued operations	-	-	-	2,051	2,051
Total revenue	25,548	983	369	324	27,224
Adjusted EBITDA					
Depreciation	(735)	227	(245)	(37)	(790)
Impairment of assets					(1,105)
Interest revenue					(568)
Finance costs					4
Loss on closure of discontinued operation, before tax					(300)
Loss before income tax benefit					(528)
Income tax benefit					(3,287)
Loss after income tax benefit					3
					(3,284)
Assets					
Segment assets	19,058	897	24,769	(27,479)	17,245
Total assets					17,245
<i>Total assets includes:</i>					
Acquisition of non-current assets	443	-	-	-	443
Liabilities					
Segment liabilities	26,104	261	1,158	(19,718)	7,805
Total liabilities					7,805

Note 2. Revenue

	Consolidated 2014 (unaudited) \$'000	2013 (unaudited) \$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	26,948	24,891
<i>Other revenue</i>		
Interest	-	4
Other revenue	120	278
	<u>120</u>	<u>282</u>
Revenue from continuing operations	<u>27,068</u>	<u>25,173</u>

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 3. Discontinued operations

Description

The consolidated entity has entered into an agreement to sell its RTK Industries business, effective 1 July 2013. The operations were included in the metal operating segment.

Financial performance information

	Consolidated	
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
Sale of goods	-	2,017
Other income	-	34
Total revenue	<u>-</u>	<u>2,051</u>
Net gain on disposal of property, plant and equipment	-	91
Total other income	<u>-</u>	<u>91</u>
Raw materials and consumables used	-	(845)
Occupancy costs	-	(347)
Administration and overhead expenses	-	(65)
Employee expense	-	(1,081)
Depreciation expense	-	(252)
Travel expenses	-	(67)
Finance costs	-	(13)
Total expenses	<u>-</u>	<u>(2,670)</u>
Loss before income tax expense	-	(528)
Income tax expense	-	-
Loss after income tax (expense)/benefit from discontinued operations	<u>-</u>	<u>(528)</u>

Cash flow information

	Consolidated	
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
Net cash used in operating activities	-	(396)
Net cash from investing activities	-	302
Net cash from financing activities	<u>-</u>	<u>118</u>
Net increase in cash and cash equivalents from discontinued operations	<u>-</u>	<u>24</u>

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 4. Non-current assets - property, plant and equipment

	Consolidated	Consolidated
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
Leasehold improvements - at cost	76	75
Less: Accumulated depreciation	(25)	(25)
Less: Impairment	(50)	(50)
	<u>1</u>	<u>-</u>
Plant and equipment - at cost	16,077	16,247
Less: Accumulated depreciation	(10,291)	(9,525)
Less: Impairment	(1,050)	(1,050)
	<u>4,736</u>	<u>5,672</u>
Motor vehicles - at cost	1,266	1,293
Less: Accumulated depreciation	(941)	(894)
	<u>325</u>	<u>399</u>
	<u><u>5,062</u></u>	<u><u>6,071</u></u>

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2012	5	8,422	554	8,981
Additions	55	339	49	443
Disposals	-	(312)	(28)	(340)
Impairment of assets	(50)	(518)	-	(568)
Transfers in/(out)	-	(1,027)	(61)	(1,088)
Depreciation expense	(10)	(1,232)	(115)	(1,357)
	<u>-</u>	<u>5,672</u>	<u>399</u>	<u>6,071</u>
Balance at 30 June 2013	-	5,672	399	6,071
Additions	15	168	57	240
Disposals	-	(85)	(35)	(120)
Write off of assets	-	(20)	(2)	(22)
Transfers in/(out)	-	(9)	9	-
Depreciation expense	(14)	(990)	(103)	(1,107)
	<u>(14)</u>	<u>(990)</u>	<u>(103)</u>	<u>(1,107)</u>
Balance at 30 June 2014	<u><u>1</u></u>	<u><u>4,736</u></u>	<u><u>325</u></u>	<u><u>5,062</u></u>

Impairment of assets

The impairment loss of \$568,000 represented the write-off of leasehold improvements and write-down of certain plant and equipment to their recoverable amount. This was recognised in profit or loss as an impairment of assets. The recoverable amount of the assets have been determined based on fair value less costs to sell. The fair value was determined with reference to an active market, where the market price of similar equipment of a similar age was used as the benchmark. Costs for selling the equipment were estimated based on industry averages for selling similar equipment.

Transfers

Transfers out during the prior financial year represent assets classified as held for sale.

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 5. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 6. Contingencies

There are no contingent liabilities as at 30 June 2014 and 30 June 2013.

Note 7. Events after the reporting period

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 8. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
Loss after income tax benefit for the year	(2,205)	(3,284)
Adjustments for:		
Depreciation and amortisation	1,107	1,357
Impairment of property, plant and equipment	-	568
Write off of property, plant and equipment	22	-
Net gain on disposal of property, plant and equipment	(47)	(32)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	24	165
Decrease in inventories	728	573
Increase in prepayments	(48)	-
Increase/(decrease) in trade and other payables	(239)	690
Increase in employee benefits	81	-
Decrease in other provisions	(55)	(5)
Net cash from/(used in) operating activities	<u>(632)</u>	<u>32</u>

Note 9. Earnings per share

	Consolidated	
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Flat Glass Industries Limited	<u>(2,205)</u>	<u>(2,756)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>67,018,039</u>	<u>61,570,906</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>67,018,039</u>	<u>61,570,906</u>
	Cents	Cents
Basic earnings per share	(3.29)	(4.48)
Diluted earnings per share	(3.29)	(4.48)

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 9. Earnings per share (continued)

	Consolidated	Consolidated
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Flat Glass Industries Limited	-	(528)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	67,018,039	61,570,906
Weighted average number of ordinary shares used in calculating diluted earnings per share	67,018,039	61,570,906
	Cents	Cents
Basic earnings per share	-	(0.86)
Diluted earnings per share	-	(0.86)

	Consolidated	Consolidated
	2014	2013
	(unaudited)	(unaudited)
	\$'000	\$'000
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Flat Glass Industries Limited	(2,205)	(3,284)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	67,018,039	61,570,906
Weighted average number of ordinary shares used in calculating diluted earnings per share	67,018,039	61,570,906
	Cents	Cents
Basic earnings per share	(3.29)	(5.33)
Diluted earnings per share	(3.29)	(5.33)

Flat Glass Industries Limited
Notes to the financial statements
30 June 2014

Note 10. Going concern

During the year ended 30 June 2014 the consolidated entity experienced a loss after income tax of \$2,205,000 (2013: loss \$3,284,000 including \$568,000 impairment charge). Revenue from continuing operations were \$27,068,000 which was a 7.5% improvement on the previous comparable period revenue of \$25,173,000.

Net cash outflow from operating activities was \$632,000 (2013: inflow of \$32,000). Net cash outflows were funded by borrowings and management of inventories.

Glass manufacturing businesses in Australia remain negatively affected by high levels of imported finished glass products. The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being successful in growing its revenue base, supplying products at improved profit margins and/or accessing additional sources of capital including utilisation of debtor finance facilities. An alternative solution would be to sell non-core assets.

During the year, the consolidated entity arranged a loan facility from a related party. The facility was only partly drawn during the year, and is to be repaid before the end of the calendar year. Renewal of the facility for the 2015 calendar year has been agreed.

The directors believe that the consolidated entity will be successful in the above matters and no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2014. Accordingly, the financial statements have been prepared on an going concern basis.