

RECLAIM INDUSTRIES LIMITED AND CONTROLLED ENTITIES

ABN 47 090 671 819

Appendix 4E – Preliminary Final Report

Year Ended 30 June 2009

**Results for announcement to market
Under ASX Listing Rule 4.3A**

Results for Announcement to the Market

				Year Ended 30 June 2009 \$	Year Ended 30 June 2008 \$
Revenue from ordinary activities	Down	18%	to	12,993,833	15,820,340
Profit before Interest, Tax, Depreciation and Amortisation (EBITDA)	Down	320%	to	(1,712,561)	(407,631)
Profit before Interest and Tax (EBIT)	Down	187%	to	(2,151,626)	(748,805)
Net profit for the period attributable to members (NPAT)	Down	201%	to	(2,201,388)	(731,268)

The Directors do not recommend that a dividend relating to the year ending 30 June 2009 be paid.

REVIEW OF OPERATIONS

Earnings Result

The result for the financial year ended 30 June 2009 was a loss of \$2,201,388 compared with last year's loss of \$731,268. The 2009 figure includes the following non-trading transactions:

- Fixed assets written off \$176k
- \$197k in consulting and legal costs related to due diligence for an acquisition which did not eventuate.

It is also noted that the upgrade of the SA plant was funded by a grant under the IIFSA program totalling \$472k, which is not reflected in the above result due to the required treatment of these monies under Australian Accounting Standards, but is a substantial reason why the company has been able to continue its development program at a time of significant trading losses.

Total sales revenue decreased from \$15.8 million to \$13.0 million resulting primarily from a 34% (\$4.3m) dramatic decline in the level of revenue from the surfacing division due to the general deterioration of conditions in the economy and the cessation of government funding for schools for almost all of the year. The BER scheme for schools funding caused a great deal of activity but did not produce any work until late June. However this decline in revenue was partially offset by the increase in sales revenue from the Collections business which rose by 20%.

Much of the year was spent focussing on reducing the operating costs of Reclaim's manufacturing operations. The replacement of aging machinery in Western Australia has realised significant improvements in efficiency and therefore the business has gladly witnessed a sizeable reduction in manufacturing costs. The company realised a 30% reduction in the cost of production in the first two months of operation of the new plant before the end of the financial year. Once the implementation is complete the company expects reduction in the cost of production from this facility in the vicinity of 50%. The installation of a similar facility in South Australia will produce similar results once fully operational. Initial commissioning of the facility in South Australia occurred during August 2009.

REVIEW OF OPERATIONS (Cont'd)

Effective 1 March 2009 Reclaim increased its SA-based tyre collection assets with the purchase of the Budget Tyres business in order to strengthen the continuity of our supply line and extend the vertical business process. There was a positive contribution to the result from this asset acquisition.

During the year 17,120,557 million shares were issued at 6.5 cents per share to raise \$1,112,836. The funds were used to reduce creditors and to continue the above capital equipment upgrades and process improvements.

Future Growth

Reclaim is continuing to develop a strong growth strategy with its unique focus as the only listed company exclusively focussed on rubber recycling. Whilst the company's performance has been severely hampered by the economic downturn, many of our competitors have ceased trading. There are numerous opportunities that present themselves to the business on a regular basis which will enable Reclaim to grow so that it can have a national presence in all aspects of the tyre recycling sector. The board and senior management continue to work their way through these opportunities.

In the past Reclaim Industries has not been capable of producing sufficient levels of rubber products to satisfy its own needs. With the increased capacity of the West Australian production facility and expected future production from the South Australian plant this will provide material in excess of internal requirements at a competitive cost and therefore negotiations have commenced with potential customers for the supply of granulated rubber for use in a number of markets. The company has already had a number of wins in this bulk market both locally and overseas. This is reducing the reliance on the soft-fall surfacing market which has hurt the performance of the business in the previous year and will leave the company with a much more robust and diversified business model.

In July 2009 the company generated an operating profit of \$20,000. We expect a similar positive result in August and therefore the management believe the business is beginning to see the benefits of the cost reductions and development of new markets.

Preliminary Consolidated Income Statement
For the Year ended 30 June 2009

	Note	Consolidated	
		2009 \$	2008 \$
Revenue		12,993,833	15,820,340
Raw materials and consumables used		(3,490,290)	(4,411,583)
Finance costs		(169,573)	(19,431)
Depreciation and amortisation expense		(439,065)	(341,174)
Rent expense		(534,532)	(449,575)
Hire of equipment expense		(238,528)	(216,844)
Fuel expense		(236,511)	(197,093)
Other expenses		(1,278,702)	(1,193,078)
Employee related costs		(5,275,431)	(4,876,834)
External contractors' expense		(2,170,555)	(2,841,199)
Freight expense		(472,504)	(594,341)
Repairs and maintenance expense		(504,173)	(558,186)
Travel and related expense		(198,392)	(653,678)
Net share based payments		18,032	(189,035)
Share of net profits of associates accounted for using the equity method		-	16,029
Profit / (Loss) on sale of assets		(176,125)	12,197
Profit / (Loss) before income tax		(2,172,516)	(693,485)
Income tax expense		(40,771)	(23,887)
Profit / (Loss) for the year		(2,213,287)	(717,372)
Attributable to:			
Equity holders of the parent		(2,201,388)	(731,268)
Minority Interests		(11,899)	13,896
		(2,213,287)	(717,372)
Basic earnings per share (cents per share)	3	(2.75)	(1.0)
Diluted earnings per share (cents per share)	3	(2.75)	(1.0)

The accompanying notes form part of these financial statements.

Preliminary Consolidated Balance Sheet
as at 30 June 2009

	Consolidated	
	2009	2008
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	250,682	1,166,629
Trade and other receivables	1,441,844	1,992,436
Inventories	739,094	634,884
Other	86,150	142,835
TOTAL CURRENT ASSETS	2,517,770	3,936,784
NON-CURRENT ASSETS		
Goodwill	143,118	143,118
Other Intangible Assets	252,044	27,569
Property, plant and equipment	2,750,045	1,520,858
TOTAL NON-CURRENT ASSETS	3,145,207	1,691,545
TOTAL ASSETS	5,662,977	5,628,329
CURRENT LIABILITIES		
Trade and other payables	1,172,959	1,572,482
Customer Deposits	274,032	162,789
Borrowings	844,113	87,635
Provisions	160,762	185,493
TOTAL CURRENT LIABILITIES	2,451,866	2,008,399
NON-CURRENT LIABILITIES		
Borrowings	573,311	282,872
Other liabilities (government grant)	407,937	-
Provisions	39,264	-
TOTAL NON-CURRENT LIABILITIES	1,020,512	282,872
TOTAL LIABILITIES	3,472,378	2,291,271
NET ASSETS	2,190,599	3,337,058
EQUITY		
Issued capital	7,532,552	6,375,692
Reserves	190,059	280,091
(Accumulated losses)	(5,552,939)	(3,351,551)
Parent Entity Interest	2,169,672	3,304,232
Minority Equity Interest	20,927	32,826
TOTAL EQUITY	2,190,599	3,337,058

**Preliminary Consolidated Statement of Recognised Income and Expenses
 For the Year ended 30 June 2009**

	Note	Consolidated	
		2009	2008
		\$	\$
Net income / (expense) recognised directly in equity		-	-
Loss for the period		(2,213,287)	(717,372)
Total recognised income and expenses for the period		<u>(2,213,287)</u>	<u>(717,372)</u>
Attributable to:			
Equity holders of the parent		(2,201,388)	(731,268)
Minority Interests		(11,899)	13,896
		<u>(2,213,287)</u>	<u>(717,268)</u>

**Preliminary Consolidated Cashflow Statement
 For the Year ended 30 June 2009**

	Consolidated	
	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	14,282,340	15,793,586
Payments to suppliers and employees	(15,491,507)	(16,665,277)
Interest and other costs of finance paid	(169,573)	(19,431)
Income Tax Paid	(40,771)	(23,887)
Net cash used in operating activities	(1,419,511)	(915,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(1,217,025)	(250,671)
Proceeds from sale of property, plant and equipment	3,500	60,745
Interest received	27,868	59,603
Payments for deposits	-	(29,908)
Purchase of Budget Tyres business	(101,540)	-
Acquisition of controlled entity, net of cash acquired	-	(50,000)
Net cash used in investing activities	(1,287,197)	(210,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,112,836	500,000
Payment for share buy-back to equity holders of the parent	(998)	(854)
Payment for share issue costs	(26,978)	(30,000)
Proceeds from borrowings	440,975	65,611
Repayment of borrowings	(147,845)	(86,369)
Proceeds from government grant	412,771	-
Net cash provided by financing activities	1,790,761	448,388
Net decrease in cash held	(915,947)	(676,852)
Cash at beginning of financial year	1,166,629	1,843,481
Cash at end of financial year	250,682	1,166,629

Notes to the Preliminary Consolidated Financial Statements
For the Year ended 30 June 2009

Note 1: Basis Of The Preparation Of The Preliminary Final Report

The preliminary final report has been prepared in accordance with the ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated.

Note 2 Segment Reporting

Reclaim Industries Limited operates predominantly in one business segment being the manufacture of recycled rubber and its associated products in Australia only.

Note 3: Earnings per Share

	Consolidated	
	2009	2008
	Cents per share	Cents per share
Basic earnings per share – loss	(2.75)	(1.0)
Diluted earnings per share – loss	(2.75)	(1.0)

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
Earnings	(2,201,388)	(731,268)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the income statement.		
Weighted average number of ordinary shares	No. 80,127,645	No. 72,653,663

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as share options are not considered dilutive.

**Notes to the Preliminary Consolidated Financial Statements
For the Year ended 30 June 2009**

Note 4: Associated Companies

The group previously held a 50% interest in Duskview Pty Ltd which was accounted for under the equity accounting method. During the year ended 30 June 2008 the company purchased the remaining 50% interest in Duskview Pty Ltd (refer to note 7 Acquisition of business). The movement in the equity accounted investment is set out below:

	Consolidated	
	2009	2008
	\$	\$
Carrying amount at the beginning of the financial year	-	230,803
Share of profit after tax	-	16,029
Acquisition of 50% makes investment wholly owned	-	(246,832)
Carrying amount at end of financial year	-	-

**Notes to the Preliminary Consolidated Financial Statements
 For the Year ended 30 June 2009**

Note 5: Issued Capital

	Consolidated	
	2009	2008
	\$	\$
93,710,520 (2008: 77,587,963) fully paid ordinary shares	7,532,552	6,375,692
Ordinary Shares		
	No.	No.
At the beginning of reporting period	77,587,963	71,962,653
Shares issued during year:		
- 29 April 2008	-	100,000
- 29 April 2008	-	1,379,310
- 28 May 2008	-	5,000,000
- 24 June 2008	-	(854,000)
- 5 May 2009	1,735,941	-
- 8 May 2009	15,384,616	-
- Shares bought back 30 June 2009	(998,000)	-
	93,710,520	77,587,963

On 29 April 2008 the Company issued 100,000 shares under its Employee Share Plan.

On 29 April 2008 the Company issued 1,379,310 ordinary shares as consideration for the remaining 50% of the issued capital of Duskview Pty Ltd.

On 28 May 2008 the Company issued 5,000,000 ordinary shares through a placement at 10 cents per share.

On 24 June 2008 the Company bought back 854,000 shares under its Employee Share Plan.

On 5 May 2009 the Company issued 1,735,941 ordinary shares applied for by shareholders under a 1 for 2 non-renounceable rights issue.

On 8 May 2009 the Company issued 15,384,616 ordinary shares to the underwriters of the 1 for 2 non-renounceable rights issue.

On 30 June 2009 the Company bought back 998,000 shares under its Employee Share Plan.

Note 6: Accumulated Losses

	Consolidated	
	2009	2008
	\$	\$
Balance at the beginning of the year	(3,351,551)	(2,620,283)
Loss for the year	(2,201,388)	(731,268)
Balance at the end of the year	(5,552,939)	(3,351,551)

Note 7: Acquisition of Business

On 27 February 2009 Reclaim purchased the tyre collection business of Budget Tyres in South Australia for a total consideration of \$330,000 to be paid over 13 monthly instalments of \$25,385 each.

Details of the fair value of the net assets acquired and the consideration paid are set out below:

Notes to the Preliminary Consolidated Financial Statements
For the Year ended 30 June 2009

	Book Value	Fair Value Adjustment	Fair Value
Plant & Equipment	90,000	-	90,000
Client List	-	240,000	240,000
Net assets acquired	<u>90,000</u>	<u>240,000</u>	<u>330,000</u>

Net cash flow on acquisition

Total purchase consideration	330,000
Less: Vendor Finance	<u>(228,460)</u>
Consideration paid in cash	<u>101,540</u>

On 1 January 2008 Reclaim purchased 50% of the issued capital of Duskview Pty Ltd for a consideration of \$250,000 resulting in Duskview becoming a wholly owned subsidiary.

Previously Reclaim accounted for its investment in Duskview Pty Ltd under the equity accounting method.

Details of the fair value of the net assets acquired and the consideration paid are set out below:

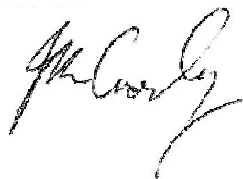
	Book Value	Fair Value Adjustment	Fair Value
Plant & Equipment	510,280	-	510,280
Trade Debtors	167,217	-	167,217
Trade Creditors	(113,058)	-	(113,058)
Lease Liabilities	(135,174)	-	(135,174)
Provisions	(18,816)	-	(18,816)
Bank	(2,619)	-	(2,619)
Loans	(56,565)	-	(56,565)
Other	(797)	-	(797)
Net assets acquired	<u>350,469</u>	<u>-</u>	<u>350,469</u>
Cost of acquisition:			
- original acquisition	226,957		
- controlling interest	250,000		
	<u>476,957</u>		
FV of net assets acquired	350,469		
Less: Adjustment for previous held interest	<u>(16,631)</u>		
	<u>333,838</u>		
Goodwill	<u>143,119</u>		
Total purchase consideration	476,957		
Less: Previously held interest (acquired in previous period)	(226,957)		
Less: Amount paid in shares	<u>(200,000)</u>		
Cash outflow on acquisition	<u>50,000</u>		

Notes to the Preliminary Consolidated Financial Statements
For the Year ended 30 June 2009

Note 8. Compliance Statement:

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

<input type="checkbox"/>	The financial statements have been audited.	<input type="checkbox"/>	The financial statements have been supplied to review.
<input checked="" type="checkbox"/>	The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/>	The financial statements have not yet been audited or reviewed.



John Crosby
Managing Director

Date: 28 August 2009