

Hyro Limited ACN: 081 368 274 (ASX: HYO)

ASX Preliminary Final Report – 31 December 2009

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Hyro Limited
Year ended 31 December 2009
Results for Announcement to the Market

\$000's

Revenue from ordinary activities	Down	31%	to	39,521
Profit/(Loss) from ordinary activities before individually significant items	Up	94%	to	(827)
Profit/(Loss) from ordinary activities after tax	Up	128%	to	12,038
Net Profit/(Loss) for the period attributable to members	Up	134%	to	15,352

Dividends / Distributions

	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend		Not Applicable

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Hyro Limited
Year ended 31 December 2009
Results for Announcement to the Market

Explanation of Revenue and Net Loss

	2009	2008
	\$'000	\$'000
Operating Revenue	39,521	57,238
Net Profit / (Loss) before individually significant items	(827)	(12,876)
Individually significant items	11,724	(34,813)
Income Tax (Expense)/Benefit	4,455	2,583
Net Profit / (Loss)	<u>15,352</u>	<u>(45,106)</u>
Less: Profit/(loss) from discontinued operations	<u>3,314</u>	<u>(2,655)</u>
Net Profit / (Loss) from Ordinary Activities	<u>12,038</u>	<u>(42,451)</u>

Individually Significant Items

	2009	2008
	\$'000	\$'000
Impairment of Goodwill & Intangible Assets	(6,182)	(23,423)
Amortisation of Intangible Assets	(1,155)	(3,602)
Gain on Debt Derecognition – Convertible Note	18,652	0
Loss on Sale of Synergy Business	(919)	0
Asset write-offs	(868)	(2,621)
Restructuring	(1,118)	(2,512)
Profit/(loss) from discontinued operations	<u>3,314</u>	<u>(2,655)</u>
Total	<u>11,724</u>	<u>(34,813)</u>

Explanation of Dividends

No dividends have been paid or declared in the year

Commentary

During 2009, Hyro remained committed to its business restructure program and achieved the following results:

- Significant increase in net profit from (\$45,106k) to \$15,352k
- Considerable reduction in net loss before individually significant items from (12,876k) to (\$827k)
- Improvement in the Balance Sheet net asset position from (\$22,379k) to (\$5,266k)
- Significant reduction of commercial debt from \$21,701k to \$1,351k
- Sustained its position in the market without a capital raising

Hyro's 2009 performance was achieved in a market environment characterised by:

- an extremely tight credit environment;
- world governments acting to avert recessions in their respective economies;
- many private and public companies, including household names, collapsing or being forced to significantly downsize; and
- many organisations being forced to reduce all expenditure.

In 2009, the Hyro management team continued to execute two priority strategies carried forward from 2008 - debt reduction, and the refocusing of the company on its core business.

By the end of 2009, Hyro had made significant progress: its commercial debt has been reduced from \$21,701k to \$1,351k (the \$1,351k is an equipment lease). Hyro also successfully negotiated a long term agreement with the ATO to manage its legacy debt.

Throughout 2009 the management team was primarily focused on developing the core business and disposing of non-core and non-strategic business units.

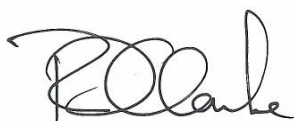
While the legacy issues are now behind Hyro, this achievement has come at a significant cost both in financial terms and the level of Executive Management time and focus spent on addressing them during the past two years.

With management no longer distracted by legacy issues, the business and its shareholders can now look forward to a company performance that more closely reflects Hyro's opportunities created by the market's growing appetite for digital customer engagement.

As part of the company's business plan for 2010, Hyro has launched a number of initiatives designed to increase revenue contributions from long-term service contracts and from Hyro-owned intellectual property (IP), including:

- The formation of an alliance with one of Australia's largest media groups for media buying and placement. This will allow Hyro to provide a complete digital outreach capability for clients by co-ordinating build, deployment and promotion of digital services such as websites.

- The creation of a new business unit which focuses on growing Hyro's Managed Content Services business, which provides outsourced content production, management and distribution.
- Hyro's Identity and Access Management product "idaptive", has been formally separated into a product development business unit. Implementation and support services have been transitioned to the Technology delivery groups. This provides Hyro with an ability to accelerate the sale and distribution of idaptive's technology beyond Hyro's existing client base.
- In 2009, Hyro Australia began to leverage its investment in Hyro Asia, headquartered in Bangkok Thailand, by undertaking a number of offshore digital projects. As part of Hyro's services delivery strategy for 2010, Hyro will be providing its clients with the option to take advantage of this hybrid service, blending project management, customer experience and technology specialist staff from Hyro Australia with Hyro Asia's solution development services. This provides Hyro's clients with a quality outcome at a competitive price.



Rob Clarke
Chairman
26th February 2010



Bill Votsaris
Chief Executive Officer
26th February 2010

Hyro Limited
Preliminary Consolidated Statement of Financial Performance
For the year ended 31 December 2009

	2009	2008
	\$'000	\$'000
Revenue	39,521	57,238
Other Income	20,473	290
Cost of sales	(29,021)	(43,315)
Employee benefit expense	(5,933)	(12,043)
Depreciation	(806)	(1,025)
Amortisation of Intangible Assets	(1,155)	(3,602)
Impairment of Goodwill & Intangible Assets	(6,182)	(23,423)
Write off of software and property, plant & equip	(1,787)	(2,621)
Financing expense	(1,827)	(5,138)
Other expenses from ordinary activities	(5,700)	(11,395)
Profit/(Loss) before income tax	7,583	(45,034)
Income tax (expense) benefit	4,455	2,583
Net Profit/(Loss)	12,038	(42,451)
Profit (Loss) after income tax from discontinued operations	3,314	(2,655)
Profit/(Loss) After Income Tax	15,352	(45,106)
Net Profit / (Loss) attributable to minority interests	-	-
Net Profit/(Loss) attributable to members of Hyro Limited	15,352	(45,106)
	Cents per Share	Cents per Share
Basic profit (loss) per share	2.39	(8.46)
Diluted profit (loss) per share	2.65	(8.46)

Hyro Limited
Preliminary Consolidated Statement of Financial Position
As at 31 December 2009

	2009 \$'000	2008 \$'000
Current Assets		
Cash and cash equivalents	2,873	2,480
Inventories	0	7
Trade and other receivables	4,842	6,355
Other	638	651
	8,353	9,493
Non-Current Assets		
Available for sale investments	40	40
Receivables	1,793	0
Property, plant and equipment	2,512	4,246
Intangible assets and goodwill	217	14,157
	4,562	18,443
Total Assets	12,915	27,936
Current Liabilities		
Trade and other payables	4,642	11,661
Interest-bearing loans and borrowings	10,108	30,433
Income tax payable	0	213
Provisions	1,505	837
	16,255	43,144
Non-Current Liabilities		
Provisions	1,085	1,347
Deferred Tax Liabilities	0	4,455
Interest-bearing loans and borrowings	841	1,369
	1,926	7,171
Total Liabilities	18,181	50,315
Net Assets (Liabilities)	(5,266)	(22,379)
Equity		
Parent entity interest		
Contributed equity	107,634	105,600
Accumulated losses	(114,537)	(129,889)
Reserves	1,637	1,910
	(5,266)	(22,379)
Total Parent Entity Interest	(5,266)	(22,379)
Minority Interests	-	-
Total Equity	(5,266)	(22,379)

Hyro Limited
Preliminary Consolidated Statement of Cash Flows
For the year ended 31 December 2009

	Consolidated	
	Inflows/(Outflows)	
	2009	2008
	\$'000	\$'000
Cash Flows from Operations		
Receipts from customers	41,841	77,254
Payments to suppliers and employees	(41,377)	(75,237)
Interest received	66	223
Borrowing costs	(210)	(580)
Income Tax Paid	0	(80)
Foreign exchange movement	0	492
	320	2,072
Cash Flows from Investing activities		
Payments for plant and equipment	(144)	(1,911)
Payments for Software	(20)	(114)
Proceeds from deferred consideration on disposal of business unit	1,625	0
	1,461	(2,025)
Cash Flows from Financing Activities		
Net proceeds from issue of shares	0	11
Repayment of borrowings	(1,283)	(859)
	(1,283)	(848)
Net increase (decrease) in cash	498	(801)
Cash at the beginning of the year	2,480	3,176
Effect of Foreign Exchange adjustments	(105)	105
Cash at end of year	2,873	2,480

Non-cash Financing and Investing Activities

Disposal of Business Unit

During the year the computer infrastructure procurement and services business was sold. Aggregate details of this transaction are:

	2009
	\$'000
Consideration	5,623
Consideration consisting of:	
Extinguishing debts	2,594
Deferred consideration	1,404
Cash consideration	<u>1,625</u>
	5,623
Assets and liabilities held at disposal date:	
Inventories	7
Property, plant and equipment	234
Intangibles	6,706
Provisions	<u>(405)</u>
	6,542
Net gain/(loss) on disposal	<u>(919)</u>

Settlement of Lehman Brothers Convertible Note

During the year 107,000,000 ordinary shares were issued at \$0.019 and \$757,000 cash were applied to extinguish the convertible note liability of \$21,441,933. The gain on debt derecognition was \$18,651,934.

Hyro Limited
Preliminary Statement of Retained Earnings
For the year ended 31 December 2009

	Issued Capital \$'000	Accumulated Losses \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
At 1 January 2008	105,329	(84,783)	1,439	21,985	0	21,985
						0
Issue of Share capital	271	0	0	271	0	271
Loss for the period	0	(45,106)	0	(45,106)	0	(45,106)
Share-based payment expense	0	0	(126)	(126)	0	(126)
Foreign exchange reserve	0	0	597	597	0	597
At 31 December 2008	105,600	(129,889)	1,910	(22,379)	0	(22,379)
						0
						0
Issue of Share capital	2,034	0	0	2,034	0	2,034
Profit (loss) for the period	0	15,352	0	15,352	0	15,352
Share-based payment expense	0	0	57	57	0	57
Foreign exchange reserve	0	0	(330)	(330)	0	(330)
At 31 December 2009	107,634	(114,537)	1,637	(5,266)	0	(5,266)

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Segment Note

Business segment

The consolidated entity operates in one business segment, being the provision of integrated, technology-based, professional services and solutions.

Geographical segments

Although the entity's divisions are managed on a global basis they operate in two main geographical areas:

Australia, the base country of the parent company, and International: comprising operations in Thailand.

	<i>Australia</i>		<i>International</i>		<i>Inter Segment Eliminations</i>		<i>Consolidated</i>	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Sale to external customers	36,370	51,059	3,151	6,179			39,521	57,238
Inter-segment sales	-	-	382	1,241	(382)	(1,241)	-	-
Total sales revenue	36,370	51,059	3,533	7,420	(382)	(1,241)	39,521	57,238
Other revenue	18,725	223	-	67	-	-	18,725	290
Segment revenue	55,095	51,282	3,533	7,487	(382)	(1,241)	58,246	57,528
Segment net profit before tax	11,670	(43,155)	368	704	-	-	12,038	(42,451)
Reconciliation of segment result to group net profit/(loss) before tax								
- Discontinued operations							3,314	(2,655)
Net Profit before Tax							15,352	(45,106)

Hyro Limited
Notes to the Preliminary Consolidated Financial Statements
For the year ended 31 December 2009
Supplementary Appendix 4E Information

NTA Backing

	2009	2008
Net tangible asset backing per ordinary share (cents)	N/A*	N/A*

* N/A as NTA is negative in 2008 & 2009

Details of entities over which control has been gained or lost

The following wholly owned group companies have ceased trading. The current status and resultant group contingent liabilities are as follows:

Entity	% Ownership (Before Closure)	Date Closed	Contribution to Profit from operating activities
Getronics (HK) Limited	100%	31 March 09	Not Material
Beijing Ben Mei Advertising Company Limited	100%	31 March 09	Not Material
Hyro New Zealand Limited	100%	13 February 09	Not Material

There was no material trading from the above entities and the profit from discontinued operations in the income statement represents the gain on disposal of the subsidiaries.

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Hyro Limited
Notes to the Preliminary Consolidated Financial Statements
For the year ended 31 December 2009
Supplementary Appendix 4E Information

Trends in Performance

	2009	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities	39,521	57,528	59,853	21,929	11,008
Net Profit / (Loss)	15,352	(45,106)	(24,929)	(593)	(11,271)
Sales increase (decrease)	(31%)	(3.9%)	173%	99%	66%
Profit increase (decrease)	134%	(81%)	(4,103%)	(95%)	259%

Basis of Preparation

The preliminary results have been prepared using AASB 1018 on a going concern basis.

Audit

The accounts are subject to audit which is ongoing.

Other Factors likely to affect future results

Continuity

The directors believe that in light of the significant reduction of debt through the settlement of the Lehman Brothers transaction, the successful negotiations of a long term agreement with the ATO to manage its legacy debt, the removal of non core and non performing businesses, continuing operating cost efficiencies achieved in 2009, and the ongoing business plan currently in place, it is expected that the company will continue to be able to pay its debts as and when they fall due.

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