

AUSTIN ENGINEERING LTD
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

<u>Results</u>			
Revenue from ordinary activities	Up	146%	To \$ 38,327,370
Profit from ordinary activities after tax attributable to members	Up	76%	To 1,189,911
Profit attributable to members	Up	76%	To 1,189,911

Explanation of Movements in Revenue and Profit

On 1 September 2004, the Company acquired the business of John's Engineering, an engineering business based in Kewdale, Western Australia. The increase in revenue and profits from the previous financial year largely represents the contribution of John's Engineering during the 2004/2005 financial year.

Dividends

The company has declared its maiden dividend of 1.0 cents per share fully franked for the financial year ending 30 June 2005. The dividend record date will be on 23 September 2005 and the dividend will be paid on 16 December 2005.

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COMMENTARY

Overview

The 2004/2005 financial year has been a significant year of development for the Company. During this period, a key element of the overall operating strategy was realised through the successful establishment of an operational base in Western Australia. This was achieved by the acquisition of John's Engineering, an established business providing manufactured products, including dump truck bodies, excavator buckets and service vehicles, for the resources industry.

The Company's East and West coast manufacturing facilities experienced overall good levels of productive activity during the year, with activity in the second half of the financial year, particularly in the Queensland operation, being at very high levels. Major projects completed during the year, or in the process of being completed at the end of the year, included a number of structural steelwork-related projects for Caltex Australia (Caltex Clean Fuels Project), Clough Projects International (Hegigio Gorge Suspension Bridge Project in Papua New Guinea) and Barclay Mowlem/Roberts and Schaefer Joint Venture (Blackwater CHPP Project). In addition, the Company completed a series of dump truck body, excavator bucket and service module projects for customers including Komatsu Australia, Terex Australia, Terex Mining USA and Hitachi. The acquisition of the John's Engineering business also provided the opportunity of introducing the range of its products into the Queensland operations. During the year a number of dump truck bodies and excavator bucket projects were successfully introduced to, and completed by, the Queensland manufacturing facility.

The Company was also successful during the year in securing a project for the manufacture of 8,000 anode hanger assemblies for the Boyne Island Smelter in Gladstone, Queensland. This project was of particular importance as it enabled the Company to apply its automated robotic welding technology to components used in the aluminium smelter industry. The development of, and penetration into, this market sector has been a key feature of the Company's operating strategy.

Result for the Financial Year

Revenue for the year of \$38.33m was a significant increase over the previous financial year (2004: \$15.53m) and largely represented the effect of the contribution from the John's Engineering business. Earnings before interest and tax (EBIT) for the year of \$2.01m were in accordance with the profit guidance forecast issued to the market in early February 2005 and were over double the level achieved in the previous financial year (2004: \$0.88m). The results achieved by the John's Engineering business were above the internal forecasts set at the time of acquisition of the business.

Profit from ordinary activities after income tax was \$1.19m, an increase of 76% over the year (2004: \$0.68m). The return on net assets (defined as profit before tax expressed in relation to the average level of net assets) was 31%, up from 23% for the financial year ended 30 June 2004.

Net Assets and Cash Flow

Net assets increased to \$6.69m (2004: \$3.91m) at the end of the financial year. In October 2004 the Company completed a programme for the private placement of 4.1m shares and realised a net \$1.60m addition to net assets and equity from this process. The balance sheet at the end of the financial year reflects a number of aspects of the progression of the Company's operational strategy, including the effect of the acquisition of the business of John's Engineering, the purchase of the Queensland workshop facilities and the introduction of new production equipment. As a result, there have been increases from 2004 in the levels of property, plant and equipment, working capital and borrowings.

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COMMENTARY

Net Assets and Cash Flow (Cont'd)

Cash flow from operating activities during the year was \$2.37m. Whilst the statement of cash flows shows an apparent overall net cash outflow of \$1.78m, \$1.97m of surplus cash resources at the end of the financial year were offset against borrowings in order to minimise the Company's borrowing costs. This \$1.97m offset was included within the total of repayment of borrowings, and consequently, overall net cash outflows during the year.

Research and Development and Capital Expenditure

The Company continued to invest in the development of advanced welding technologies and during the year expensed \$0.42m of costs associated with ongoing research and development programmes.

Capital expenditure for the year totalled \$5.79m, with the most significant item of expenditure being the purchase of the Queensland workshop facilities (which were previously leased) for \$4.2m. As previously communicated to the market, the purchase of the property for this fixed price has, based on current property valuations, the potential to unlock a significant capital and cash gain in a subsequent sale and leaseback arrangement. Additional key investments were made in new items of production equipment, including new robotic welding systems, workshop overhead cranes in the East and West and a brake press in the Queensland operation. Investment in these and other items of equipment has been necessary in order to improve productivity and the delivery timescales for manufactured products.

Business Development and Outlook

The Company enters the new financial year with the Queensland and Western Australia operations having good levels of activity through to the early part of the second half of the financial year. Productive activity during this period will be utilised for the completion of various structural steelwork, dump truck body, service module and excavator bucket projects. Conditions for high levels of activity remain favourable as a result of the buoyant market conditions within the mining and resources business sectors. Participation in the aluminium smelter industry remains a key objective and as previously announced, the Company expects to receive its first request to tender for the provision of busbar and anodes for the proposed Sohar Aluminium Smelter in Oman.

In addition, the Company expects to remain very active in its pursuit of earnings growth from existing business operations and potential acquisitions of businesses in related industries. Production facilities at the Queensland workshop will shortly be significantly enhanced by the construction of 1,600 square metres of additional workspace in order to meet the increased demand for the company's products. The sale and leaseback of the Queensland and Western Australia properties, negotiations for which are currently in progress, is also a key business objective in order to realise a material capital gain which will generate cash for the business.

AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Revenues from ordinary activities	1	38,327,370	15,533,234
Raw materials and consumables expenses		(20,679,873)	(7,129,442)
Employment expenses		(10,936,210)	(5,399,015)
Subcontractor expenses		(1,286,073)	(377,998)
Occupancy and utility expenses		(773,791)	(658,590)
Depreciation and amortisation	2	(704,679)	(263,324)
Other expenses from ordinary activities		(1,894,819)	(783,962)
Borrowing expenses		(422,505)	(1,380)
Profit from ordinary activities before income tax expense		1,629,420	919,523
Income tax expense relating to ordinary activities		(439,509)	(243,289)
Profit from ordinary activities after related income tax expense and net profit attributable to members of the Company		1,189,911	676,234
Basic earnings per share (cents)	3	3.33	1.89
Diluted earnings per share (cents)	3	3.04	1.89

The accompanying notes form part of this preliminary statement of financial performance.

AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2005

	Notes	2005 \$	2004 \$
Current Assets			
Cash assets		25,889	1,754,070
Receivables		6,678,247	2,775,576
Inventories		2,597,545	176,933
Other financial assets	4	11,211,411	204,560
Total Current Assets		<u>20,513,092</u>	<u>4,911,139</u>
Non-Current Assets			
Plant and equipment		3,578,298	1,202,673
Intangible assets		731,495	790,095
Total Non-Current Assets		<u>4,309,793</u>	<u>1,992,768</u>
Total Assets		<u>24,822,885</u>	<u>6,903,907</u>
Current Liabilities			
Payables		8,118,632	2,494,340
Interest-bearing liabilities		6,859,145	10,702
Current tax liabilities		439,509	243,289
Provisions		661,612	229,247
Total Current Liabilities		<u>16,078,898</u>	<u>2,977,578</u>
Non-Current Liabilities			
Interest-bearing liabilities		2,051,674	21,333
Total Non-Current Liabilities		<u>2,051,674</u>	<u>21,333</u>
Total Liabilities		<u>18,130,572</u>	<u>2,998,911</u>
Net Assets		<u>6,692,313</u>	<u>3,904,996</u>
Equity			
Contributed equity		4,973,353	3,375,947
Retained profits	5	1,718,960	529,049
Total Equity		<u>6,692,313</u>	<u>3,904,996</u>
Net tangible asset backing per ordinary share		<u>\$0.15</u>	<u>\$0.09</u>

The accompanying notes form part of this preliminary statement of financial performance.

AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Receipts from customers		35,712,798	15,491,395
Payments to suppliers and employees		(32,685,444)	(14,425,739)
Interest received		33,107	43,099
Borrowing costs		(451,113)	(1,380)
Income tax paid		(243,289)	-
Net cash inflow from operating activities	6	<u>2,366,059</u>	<u>1,107,375</u>
Cash flows from investing activities			
Purchase of business		(8,438,519)	-
Purchase of property, plant and equipment		(5,644,419)	(183,835)
Purchase of licences		-	(3,000)
Proceeds from sale of investments		-	2,603
Proceeds from sale of property, plant & equipment		32,563	2,272
Net cash outflow from investing activities		<u>(14,050,375)</u>	<u>(181,960)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,681,000	2,700,000
Proceeds from borrowings		10,435,700	35,603
Repayment of borrowings		(2,132,477)	(1,625,649)
Cost of issue of shares		(83,593)	(143,447)
Net cash inflow from financing activities		<u>9,900,630</u>	<u>966,507</u>
Net (decrease)/ increase in cash held		<u>(1,783,686)</u>	<u>1,891,922</u>
Cash at the beginning of the financial year		1,754,070	(137,852)
Cash at the end of the financial year	7	<u>(29,616)</u>	<u>1,754,070</u>

The accompanying notes form part of this preliminary statement of financial performance.

AUSTIN ENGINEERING LTD
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
1. Revenue		
Revenues from operating activities:		
Steelwork fabrication and engineering activities	38,260,968	15,469,955
Revenues from non-operating activities:		
Rental revenue	-	18,669
Interest received	33,107	43,099
Other revenue	33,295	1,511
	66,402	63,279
	38,327,370	15,533,234
2. Depreciation and amortisation		
Depreciation of plant and equipment	646,083	205,057
Amortisation of intangible assets	58,596	58,267
	704,679	263,324
3. Earnings per share (EPS)		
Weighted average number of ordinary shares used in calculating basic earnings per share	38,780,740	35,705,740
Weighted average number of ordinary shares used in calculating diluted earnings per share	39,177,064	35,714,730
4. Other financial assets		
Land and buildings held for resale	10,256,895	-
Prepayments	251,847	75,893
Other debtors	605,355	128,667
	11,114,097	204,560
5. Retained profits/(losses)		
Retained profits/(losses) at the beginning of the financial year	529,049	(147,185)
Net profit attributable to members of the Company	1,189,911	676,234
	1,718,960	529,049

**AUSTIN ENGINEERING LTD
 NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005**

	2005	2004
	\$	\$
6. Reconciliation of profit from ordinary activities after tax to cash flow from operations:		
Profit from ordinary activities after income tax	1,189,911	676,234
Adjustment for non-cash items:		
Amortisation of intangible assets	58,596	58,267
Depreciation	646,083	205,057
Gain on sale of disposal of investments	-	(1,503)
Gain on sale of plant and equipment	(4,702)	(51)
Changes in assets and liabilities:		
(Increase) in trade debtors	(3,902,671)	(1,297,941)
(Increase) in inventories	(793,401)	(25,190)
(Increase) in prepayments and other assets	(652,642)	(12,316)
Increase in trade creditors and accruals	5,624,292	1,231,888
Increase in income taxes payable	196,220	243,289
Increase in provisions	4,373	29,641
Net cash inflow from operating activities	2,366,059	1,107,375
7. Reconciliation of cash		
Cash on hand and in bank	25,889	1,754,070
Bank overdraft	(55,505)	-
	(29,616)	1,754,070

Surplus cash balances of \$1,973,188 at 30 June 2005 were offset against existing bank debt facilities in order to reduce the Company's overall borrowing costs.

8. Events occurring after reporting date

There are no events after the balance sheet date that, at the date of this report, require to be disclosed.

9. Dividend or distribution reinvestment plans

There were no plans in operation during the period.

10. Control of entities and associates and joint ventures

On 1 September 2004, the company acquired the business of John's Engineering and Cranes, an engineering business based in Kewdale, Western Australia.

11. Compliance statement

This preliminary final report is based on financial statements that are in the process of being audited.