

**AUSTIN ENGINEERING LTD**  
**(ABN 60 078 480 136)**  
**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b><u>Results</u></b>	<b>Half Year to 31 December 2006</b>		<b>Half Year to 31 December 2005</b>
Revenue (including gain on sale of properties in 2005)	29,393,074	<i>up 15% from</i>	25,503,413
Revenue (excluding gain on sale of properties in 2005)	29,393,074	<i>up 25% from</i>	23,604,992
Net Profit After Tax Attributable to Members	2,332,840	<i>up 130% from</i>	1,015,816

**Brief Explanation of Movements in Revenue and Net Profit**  
The increase in revenue and net profit after tax for the period ended 31 December 2006 over the comparative period is principally due to strong performance from the existing businesses and the addition of the business of Kaldura Industries in Mackay. The Company has also continued to benefit from the strong demand for its range of JEC products, including dump truck bodies and excavator buckets, as now manufactured in the Company's Western Australia and Queensland operations.

The comparative net profit after tax for the previous half-year, on which the volume and percentage movements detailed above are based, also includes a \$1,360,123 after-tax gain on the sale of the property at Carole Park, Queensland under a sale and lease-back arrangement.

**Dividends and Dividend Reinvestment Plans**  
The company paid a fully franked dividend of 2.0 cents per share on 31 October 2006, as declared on 29 August 2006 in respect of the financial year ended 30 June 2006.

A maiden interim dividend of 0.5 cents, fully franked, has been declared on 27 February 2007. The record date for determining entitlement to the dividend is 30 March 2007 and the dividend will be paid on 30 April 2007.

There were no dividend reinvestment plans in operation during the period.

<b><u>Net Tangible Assets per Security</u></b>	<b>Half Year to 31 December 2006</b>	<b>Half Year to 31 December 2005</b>
Net tangible asset backing per ordinary security (cents)	22.0	16.5

**Control Gained Over Entities Having a Material Effect**  
The company finalised and settled on the acquisition of the business of Kaldura Industries in Mackay on 7 July 2006. The purchase price was \$5.55 million.

**Associates or Joint Ventures**  
The company has a 50% interest in the Majan Aluminium Services Company, a joint venture formed for the purpose of manufacturing aluminium busbars for the Sohar Aluminium Company, which is constructing a new aluminium smelter facility at Sohar in Oman.

**Audit**  
The financial statements are not subject to audit dispute or qualification. This report is based on financial statements that have been reviewed. A copy of the reviewed half-year financial statements is attached.

**AUSTIN ENGINEERING LTD**  
**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006**

**DIRECTORS' REPORT**

The Directors present their report, together with the financial report for the half-year ended 31 December 2006 and the review report thereon.

**Directors**

The Directors of the company who held office during, or since the end of the half-year, are:

Mr Peter George Fitch (Non-Executive Chairman)  
Mr Michael Douglas Buckland (Managing Director)  
Mr Eugene Fung (Non-Executive Director)  
Mr Peter Louis Pursey (Non-Executive Director)

**Review of Operations**

Revenue was \$29.3 million for the half-year to 31 December 2006, against \$23.6 million (excluding a gain on sale of properties) for the previous half-year, equivalent to a growth factor of 25%. This increase reflects six months of revenue contribution from the Company's operation at Kaldura Industries in Mackay, Queensland, which was acquired in early July 2006. The Company also continued to benefit from strong demand for its JEC product range, including dump truck bodies and excavator buckets, which are now manufactured at the Company's operations in Western Australia (Perth) and Queensland (Brisbane). Profit before tax increased to \$3.3 million from \$1.4 million, up 135%, whilst earnings per share increased to 5.85c from 2.55c, up 129%.

*Western Australia Operation (Perth):*

During the six-month period to December 2006, the operation completed the manufacture of specially-designed dump truck bodies and water tankers for a mine expansion project in West Africa as well as water tankers for projects in Congo and Burkina Faso.

The buoyant market conditions in the Western Australia mining and resources business sector also resulted in orders being secured for multiple-quantity batches of identical tray bodies. Utilising its robotic welding systems, the operation achieved improvements in the throughput and completion timescales for the manufacture of these bodies. It is expected that further productivity improvements will be achieved during the second half of the financial year following changes to the configuration and layout of existing workspace.

*Queensland Operation (Brisbane):*

The operation continued to concentrate on the manufacture of products for the mining and resources business sector during the first half of the year, with approximately 85% of its workload consisting of dump truck body and excavator bucket manufacture and repair.

The nationwide shortage of skilled labour continued to have an influence on the Brisbane operation and impacted the capacity of the operation and product delivery timescales. Further immigrant labour was sourced to mitigate the impact of skills shortages.

Recent increases in workshop space enabled the operation to offer additional productive capacity and improved productive efficiencies. In addition, a new gantry-mounted robotic welding system introduced to the productive environment during the second quarter demonstrated encouraging improvements in efficiencies during December 2006. Orders for mining products have been received that will ensure near-capacity utilisation of the operation for the remainder of the financial year.

*Kaldura Industries (Mackay):*

The acquisition of the Kaldura Industries business was completed on 7 July 2006 and the financial result for the first half of the year includes its full contribution for this period. The operation experienced a very good level of productive activity during the first six months, with productive activity largely concentrating on the assembly of dump truck bodies for a major OEM. The level of six months of contribution for the operation was above internal budgets set at the beginning of the financial year.

The operation, like Brisbane, was impacted by the shortage of skilled labour and immigrant labour was recruited to maintain productive capacity. During the second half of the financial year, redevelopment of the existing productive facilities will commence in order to increase capacity and productivity. New marketing initiatives will also be implemented to grow the business further.

*Oman Joint Venture (Majan Aluminium Services Company LLC):*

During the first half of the financial year the joint venture focused primarily on the set up and establishment of the workshop and equipment. Following this, pre-production of busbar assemblies commenced with the delivery of the first busbar in early February 2007. The production of the busbar assemblies is anticipated to be completed in January 2008. As previously reported, no revenue or profit from the joint venture will be recognised in the financial statements until at least the second half of the current financial year.

**Interim Dividend**

A maiden interim dividend of 0.5 cents, fully franked, was declared on 27 February 2007 and will be paid on 30 April 2007. The record date for determining entitlement to the interim dividend will be 30 March 2007. The dividend has not been provided for in the financial report for the half-year ended 31 December 2006.

**AUSTIN ENGINEERING LTD  
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006**

**DIRECTORS' REPORT**

**Outlook**

The Company's operating environment continues to be buoyant and the outlook for the second half of the financial year remains encouraging, with good levels of productive activity flowing from a strong demand for the Company's product range and capabilities. The Company will also continue to review acquisitions as part of its strategy for growth in its key, as well as new, business areas.

**Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001**

Our auditors have provided the Board of Directors with a signed Independence Declaration in accordance with Section 307C of the Corporations Act 2001 as follows:

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the Act) I hereby declare that to the best of my knowledge and belief there have been:

- i. no contraventions of the auditor independence requirements of the Act in relation to the review of the 31 December 2006 half yearly financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan (Lead Auditor)  
Rothsay Chartered Accountants"

Signed in accordance with a resolution of the Directors.



**Michael D Buckland  
Managing Director**

**27 February 2007**

**AUSTIN ENGINEERING LTD**  
**CONDENSED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Half Year Ended 31 December 2006	Half Year Ended 31 December 2005
		\$	\$
<b>Revenues from continuing operations</b>	8	<b>29,393,074</b>	<b>23,604,992</b>
Gain on sale of properties		-	1,898,421
		<b>29,393,074</b>	<b>25,503,413</b>
Raw materials and consumables expenses		(11,268,997)	(11,706,476)
Employment expenses		(9,517,868)	(8,571,885)
Subcontractor expenses		(1,623,461)	(1,538,990)
Occupancy and utility expenses		(944,759)	(350,494)
Depreciation and amortisation expense		(572,826)	(445,925)
Other expenses from continuing activities		(1,992,646)	(1,063,674)
Borrowing expenses		(139,889)	(408,122)
<b>Profit before income tax expense</b>		<b>3,332,628</b>	<b>1,417,847</b>
Income tax expense		(999,788)	(402,031)
<b>Profit for the half-year attributable to the ordinary equity holders of the company</b>		<b>2,332,840</b>	<b>1,015,816</b>
Basic earnings per share (cents per share)	2	5.85	2.55
Diluted earnings per share (cents per share)	2	5.58	2.55

**AUSTIN ENGINEERING LTD**  
**CONDENSED BALANCE SHEET**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	As At 31 December 2006	As At 31 December 2005
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	7	3,864,749	8,762
Receivables		7,451,252	7,973,670
Inventories		2,195,139	1,693,082
Other	3	898,490	13,007,384
<b>Total Current Assets</b>		<b>14,409,630</b>	<b>22,682,898</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		6,401,883	3,458,707
Intangible assets	4	2,678,007	-
<b>Total Non-Current Assets</b>		<b>9,079,890</b>	<b>3,458,707</b>
<b>Total Assets</b>		<b>23,489,520</b>	<b>26,141,605</b>
<b>Current Liabilities</b>			
Payables		7,181,636	7,223,828
Interest-bearing liabilities		544,299	8,571,301
Current tax liabilities		1,805,942	696,328
Provisions		838,751	896,172
<b>Total Current Liabilities</b>		<b>10,370,628</b>	<b>17,387,629</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities		1,633,270	2,175,887
<b>Total Non-Current Liabilities</b>		<b>1,633,270</b>	<b>2,175,887</b>
<b>Total Liabilities</b>		<b>12,003,898</b>	<b>19,563,516</b>
<b>Net Assets</b>		<b>11,485,622</b>	<b>6,578,089</b>
<b>Equity</b>			
Contributed equity	5	5,011,754	4,973,354
Retained profits	6	6,473,868	1,604,735
<b>Total Equity</b>		<b>11,485,622</b>	<b>6,578,089</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Half Year Ended 31 December 2006	Half Year Ended 31 December 2005
	\$	\$
<b>Total equity at the beginning of the half year</b>	<b>9,913,358</b>	<b>5,961,330</b>
Profit for the half-year	2,332,840	1,015,816
Issue of shares	38,400	-
Dividends paid	(798,976)	(399,057)
<b>Total equity at the end of the half-year</b>	<b>11,485,622</b>	<b>6,578,089</b>

**AUSTIN ENGINEERING LTD**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Half Year Ended 31 December 2006	Half Year Ended 31 December 2005
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		30,368,838	26,594,367
Payments to suppliers and employees		(30,313,204)	(26,968,844)
Interest received		128,636	3,795
Borrowing costs		(125,568)	(418,082)
Income tax paid		(798,469)	(133,736)
<b>Net cash (used)/provided by operating activities</b>		<b>(739,767)</b>	<b>(922,500)</b>
<b>Cash flows from investing activities</b>			
Purchase of business	4	(5,548,434)	-
Purchase of property, plant and equipment		(751,759)	(501,939)
<b>Net cash used in investing activities</b>		<b>(6,300,193)</b>	<b>(501,939)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	5	38,400	-
Proceeds from borrowings		-	2,297,989
Repayment of borrowings		(269,111)	(462,848)
Repayment of deferred consideration on purchase of business		-	(375,000)
Dividends paid		(798,976)	(399,057)
<b>Net cash provided by financing activities</b>		<b>(1,029,687)</b>	<b>1,061,084</b>
<b>Net decrease in cash held</b>		<b>(8,069,647)</b>	<b>(363,355)</b>
Cash and cash equivalents at beginning of half year		11,934,396	(29,616)
<b>Cash at the end of the half year</b>	7	<b>3,864,749</b>	<b>(392,971)</b>

**AUSTIN ENGINEERING LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**Note 1: Basis of Preparation of Half Year Financial Statements**

This general purpose financial report for the half-year ended 31 December 2006 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting*, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2006 and public announcements made by Austin Engineering Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on historical costs modified, where appropriate, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies applied in this financial report are the same as those applied by the Company in the financial report as at and for the year ended 30 June 2006. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

**Note 2: Earnings per Share**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	<u>Half Year Ended 31 December 2006</u>	<u>Half Year Ended 31 December 2005</u>
	\$	\$
Earnings used in the basic earnings per share calculation	2,332,840	1,015,816
Earnings used in the diluted earnings per share calculation	2,332,840	1,015,816
Weighted average number of ordinary shares used in calculating basic earnings per share	39,869,740	39,805,740
Effect of dilutive securities:		
Share options	1,963,413	53,907
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	41,833,153	39,859,647
Basic earnings per share (cents)	5.85	2.55
Diluted earnings per share (cents)	5.58	2.55

**Note 3: Other Current Assets**

Other current assets at 31 December 2005 included land and buildings held for resale.

**Note 4: Acquisition of Business**

The Company finalised and settled on the transaction to acquire the business of Kaldura Industries in Mackay on 7 July 2006. The purchase price was \$5,548,434 in respect of the following:

	\$
Fair value of assets acquired:	
Property	2,346,000
Plant and equipment	524,427
Goodwill on acquisition	2,678,007
	5,548,434

**Note 5: Contributed Equity**

	<u>Number</u>	<u>\$</u>
Ordinary shares, fully paid, net of transaction costs:		
Balance at 1 July 2005 and 31 December 2005	39,805,740	4,973,354
Balance at 1 July 2006	39,805,740	4,973,354
Exercise of Director Options - Mr E. Fung	128,000	38,400
Balance at 31 December 2006	39,933,740	5,011,754

**AUSTIN ENGINEERING LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**Note 6: Retained Profits**

	Half Year Ended <u>31 December 2006</u>	Half Year Ended <u>31 December 2005</u>
	\$	\$
Retained profits at beginning of the period	4,940,004	987,976
Dividends paid	(798,976)	(399,057)
Profit for the half-year	2,332,840	1,015,816
Retained profits at end of the period	<u>6,473,868</u>	<u>1,604,735</u>

**Note 7: Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes:

	Half Year Ended <u>31 December 2006</u>	Half Year Ended <u>31 December 2005</u>
	\$	\$
Cash at bank and in hand	3,864,749	8,762
Bank Overdraft	-	(401,733)
	<u>3,864,749</u>	<u>(392,971)</u>

**Note 8: Segment information**

The Company derives its revenue principally from the manufacture of products, such as dump truck bodies, excavator buckets and equipment used in the resources industry and structural steel, piping and mineral processing equipment servicing the mining, oil, gas and industrial sectors, principally in Australia.

The geographical origination of revenue is as follows:

	Half Year Ended <u>31 December 2006</u>	Half Year Ended <u>31 December 2005</u>
	\$	\$
Australia	25,830,716	22,641,992
Africa	3,549,116	-
Indonesia	13,242	963,000
	<u>29,393,074</u>	<u>23,604,992</u>

**Note 9: Dividends**

On 24 August 2006 the Company declared a fully-franked dividend of 2.0 cents per share for the financial year ended 30 June 2006. The dividend was paid to the Company's shareholders on 31 October 2006.

**Note 10: Contingent liabilities and contingent assets**

There are no contingent liabilities or assets that have a material impact on the financial statements at 31 December 2006.

**Note 11: Events subsequent to reporting date**

No material event subsequent to the end of the interim period and the date of this report has arisen that has not been recognised in the interim financial statements. On 27 February 2007, the Directors declared a fully franked interim dividend of 0.5 cents per share payable on 30 April 2007.

**AUSTIN ENGINEERING LTD**

**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006  
DIRECTORS' DECLARATION**

In the opinion of the Directors of Austin Engineering Ltd:

1. The financial statements and notes thereto set out in pages 4 to 8 are in accordance with the Corporations Act 2001 and:
  - a) Give a true and fair view of the financial position of the company at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - b) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Michael D Buckland  
Managing Director**

**27 February 2007**

## Independent Review Report to the Members of Austin Engineering Ltd

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Austin Engineering Ltd:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the company as at 31 December 2006 and of its performance for the half-year ended on that date; and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Austin Engineering Ltd for the half-year ended 31 December 2006.

The Company's directors are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities Commission. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position and its performance as represented by the results of its operations, changes in equity and its cash flows.

Our procedures included reading the other information with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Whilst we have considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

#### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Rothsay**  
**Chartered Accountants**



**Graham R Swan**  
**Partner**

Dated this 27th day of February 2007



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).