

## ASX AND MEDIA RELEASE

### OPERATING NPAT INCREASES BY 207%

#### Highlights for 2007 Financial Year

- ✓ Consolidation and growth per strategy announced at 2006 AGM
- ✓ Completed acquisition of Kaldura Industries in Mackay
- ✓ Acquired the Austbore business in Mackay
- ✓ EBIT (excluding gain on sale of properties) up 173% to \$7.3m
- ✓ NPAT (excluding gain on sale of properties) up 207% to \$4.9m
- ✓ Earnings per share (excluding gain on sale of properties) up 206% to 12.45 cents
- ✓ Maiden half year dividend of 0.5 cents per share
- ✓ Full year dividend of 4.0 cents per share, up 100%

**Brisbane, 23 August 2007:** Austin Engineering Limited (ASX Trading code: **ANG**) today announced a record NPAT of \$4.9 million, an increase of 207% over 2006 NPAT (excluding the effect of the gain on sale of properties). The result also included a \$0.3 million expense for costs relating to the sale of properties in the previous year.

Commenting on the results, Chairman Peter Fitch stated that the 2006/2007 financial year had been a key period of consolidation and development for the Company. "The benefits of the strategic direction previously undertaken had now become evident through the significantly improved financial result from the previous year" he said.

"The result for the year included a full year's worth of contribution from the Kaldura Industries business as well as three months of contribution from the recently-acquired Austbore business in Mackay. Both of these business units have performed ahead of expectations. In addition, the operational performance of the existing Perth and Brisbane business units has resulted in improved capacity utilisation and efficiencies" he said.

Earnings per share increased by 206% to 12.45 cents chiefly through tight control of costs and efficiencies gained through automation.

"It is also pleasing to report that shareholders are able to enjoy an increased fully-franked dividend, up 100% from 2 cents to 4 cents per share over the year" he said.

The Company enters the 2007/2008 financial year with another record order book and conditions within the mining and resources business sector are expected to remain buoyant in the coming years. As previously advised to the market, EBIT is forecast to be in excess of \$10 million for 2007/2008.

Further details on the financials and operations are included in the following table as well as in the Company's preliminary final report, also released to the market on 23 August 2007.

**End**

For further information, contact Michael Buckland or Colin Anderson on 07 3271 2622.

**Austin Engineering Limited**  
**Highlights for 2007 Financial Year**

	Increase	2007	2006
	%	\$m	\$m
<b>Revenue</b>	<b>18%</b>	<b>57.50</b>	<b>48.88</b>

<b>Excluding</b> gain on sale of properties in 2005/2006:			
<b>EBIT</b>	<b>173%</b>	<b>7.31</b>	<b>2.68</b>
<b>PBT</b>	<b>209%</b>	<b>7.09</b>	<b>2.29</b>
<b>NPAT</b>	<b>207%</b>	<b>4.97</b>	<b>1.62</b>
<b>Earnings per Share (cents)</b>	<b>206%</b>	<b>12.45</b>	<b>4.07</b>

<b>Including</b> gain on sale of properties in 2005/2006:			
<b>EBIT</b>	<b>11%</b>	<b>7.31</b>	<b>6.59</b>
<b>PBT</b>	<b>15%</b>	<b>7.09</b>	<b>6.19</b>
<b>NPAT</b>	<b>14%</b>	<b>4.97</b>	<b>4.35</b>
<b>Earnings per Share (cents)</b>	<b>14%</b>	<b>12.45</b>	<b>10.93</b>

<b>Net Assets</b>	<b>88%</b>	<b>18.61</b>	<b>9.91</b>
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<b>Dividends per Share (cents)</b>	<b>100%</b>	<b>4.0</b>	<b>2.0</b>
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**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2007**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b><u>Results</u></b>	<b><u>Year to 30 June 2007</u></b>		<b><u>Year to 30 June 2006</u></b>
<b><u>Excluding Gain on Sale of Properties in 2005/2006:</u></b>			
Revenue	57,499,585	<i>up 18% from</i>	48,882,661
Net Profit After Tax Attributable to Members	4,977,228	<i>up 207% from</i>	1,619,926
<b><u>Including Gain on Sale of Properties in 2005/2006:</u></b>			
Revenue	57,499,585	<i>up 18% from</i>	48,882,661
Net Profit After Tax Attributable to Members	4,977,228	<i>up 15% from</i>	4,351,084

**Brief Explanation of Movements in Revenue and Net Profit**  
 The increase in underlying revenue and net profit after tax for the year ended 30 June 2007 over the comparative period is principally due to strong performance from the existing businesses, a full year's contribution from the Kaldura Industries operation and the addition of the Austbore business 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.

<b><u>Dividends and Dividend Reinvestment Plans</u></b>	<b><u>Amount per Security</u></b>	<b><u>Franked Amount per Security</u></b>
Final dividend paid for the financial year ended 30 June 2006	2.0	2.0
Interim dividend paid on 30 April 2007 for the financial year ended 30 June 2007	0.5	0.5
Final dividend declared for the financial year ended 30 June 2007	3.5	3.5
Record date for determining entitlement to the final dividend	7 September 2007	
Date for payment of final dividend	12 October 2007	
There were no dividend reinvestment plans in operation during the period.		

<b><u>Net Tangible Assets per Security</u></b>	<b><u>Year to 30 June 2007</u></b>	<b><u>Year to 30 June 2006</u></b>
Net tangible asset backing per ordinary security (cents)	22.5	25.0

**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 for a purchase price of \$5.55m. The Company also finalised and settled on the acquisition of Austbore Pty Ltd in Mackay on 3 April 2007 for a gross purchase price of \$10.5m, excluding a deferred component of \$0.5m, which will be payable to the previous owners of the Company upon the achievement of a pre-determined earnings target in the 2007/08 financial year.

**Associates or Joint Ventures**  
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## AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

### PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

#### COMMENTARY

##### Overview

The 2006/07 financial year has been a key period of consolidation and development for the Company in accordance with the strategic direction outlined by the Board at the 2006 annual general meeting.

In early July 2006, the acquisition of the Kaldura Industries business in Mackay was completed. The acquisition and integration of Kaldura Industries was an important step in the establishment of a presence in the Mackay region, which is generally recognised as being the main hub for servicing the engineering needs of the central Queensland coalfields. In early April 2007, the Company further established its presence in the Mackay region through the acquisition of Austbore Pty Ltd, an established business specialising in the provision of machining and overhaul services to the resources industry. The Company can now offer, from these Mackay-based facilities, a "one-stop" shop for fabrication and complementary maintenance, repair and machining services. This is in addition to the services that it can provide from its existing facilities in Brisbane and Perth.

The Company's West Australian operation continued to enjoy very high levels of activity, with productive capacity being utilised predominantly for the manufacture of dump truck bodies and excavator buckets. The buoyant market conditions resulted in orders being secured for multiple-quantity batches of dump truck bodies which enabled the operation to take advantage of bulk steel buying power. In addition, the robotic welding systems enabled the operation to increase product throughput in times when skilled labour continued to be in short supply. The operation secured a record level of revenue in the financial year.

The change in productive focus and work mix for the Brisbane operation that began in the previous financial year was completed during the year. 'JEC' product lines (dump truck bodies and excavator/loader buckets) now account for approximately 85% of all revenue. A wide variety of these products have now been built and a number of orders from new customers in the mining industry were secured, increasing the size and diversity of the operation's customer base. Significant advances in the use of technology were also made during the year, resulting in increased workshop capacity, productivity and opportunities for higher product margins. The use of technology has also helped to reduce the impact of the skill shortages that continues to be experienced by the industry in general.

The Kaldura operation in Mackay experienced a very good level of productive activity during the year, with productive capacity concentrating on the assembly of dump truck bodies for a major OEM as well as the repair of components and assemblies for large mining customers. The operation mitigated the impact of the shortage of skilled labour by recruiting immigrant labour during the year.

The new Austbore operation was successfully integrated into existing operations and it also experienced a very good level of productive activity during the post-acquisition period of April to June 2007. Productive capacity was largely utilised for the repair and overhaul of mining-related assemblies, including track frames, shovels and other components as well as on-site machining services. The operation produced a financial result for the three-month period above internal budgets set before acquisition.

The Oman project, being the production of busbar assemblies for the Sohar Aluminium Smelter in Sohar, is progressing after a slower than expected start. Productive output is currently being increased and the project is due for completion in February 2008. Profit for this project will be accounted for in the 2007/08 financial year.

##### Result for the Financial Year

Revenue was \$57.5m for the year to 30 June 2007, against \$48.9m for the previous year, representing growth of 18%. This increase reflects a full year's worth of contribution from the Company's operation at Kaldura Industries in Mackay, which was acquired in early July 2006 as well as three month's worth of contribution from Austbore operations, which were acquired at the beginning of April 2007. 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).

Earnings before interest and tax ('EBIT') increased to \$7.3m, up 173% from \$2.7m (excluding a gain on sale of properties) in the previous financial year. The increase in profitability was mainly attributable to favourable market conditions, as evidenced by the growth in revenue, and productivity improvements following the introduction of robotic welding systems in Perth and Brisbane. EBIT for the financial year also included \$0.3m of costs associated with the sale of properties as incurred in the previous financial year.

Profit after tax increased to just under \$5.0m, up from \$1.6m (excluding the effect of the gain on sale of properties) in the previous financial year, an increase of 207%.

##### Financial Position

Net assets increased from \$9.9m to \$18.6m, up \$8.7m from the previous financial year. The increase in total assets was due to three principal factors - cash flow generated from profitability during the year, assets acquired as part of the acquisition process of Kaldura Industries and Austbore and funds received from shareholders pursuant to the completion of the Shareholder Share Purchase Plan in late June 2007. Net assets at the end of the financial year included \$9.6m of goodwill arising on acquisition of the Kaldura and Austbore businesses during the year.

## AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

### PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

#### COMMENTARY

##### **Financial Position (Cont'd)**

The levels of working capital at the end of the financial year were consistent with the level of business activity in the period leading up to the end of the financial year and included the net assets of Austbore.

##### **Debt and Capital Raising**

At the end of the financial year, the balance sheet included three principal sources of debt - \$4.9m of short-term bank debt associated with the purchase of Austbore, \$1.2m of residual bank commercial bills arising from previous business acquisitions and \$2.8m of finance lease and hire purchase obligations related to plant and equipment acquisitions. Shortly after the end of the financial year, the \$4.9m of short-term bank debt was eliminated following the completion of a \$6.9m capital raising programme.

The capital raising programme announced in May 2007, comprising a Shareholder Share Purchase Plan (SPP) and Placement, was successfully completed, raising a total of \$6.9m. The SPP was supported by around 43% of shareholders and raised \$4.6m. The issue of the shares for the SPP was completed on 5 July 2007. The Placement raised \$2.3m and the funds were received on 11 July 2007 with the issue of shares being completed on 12 July 2007.

##### **Cash Flow and Liquidity**

Net cash flows from operations were \$3.7m during the year, after payment of just under \$3.2m of income tax which included \$1.5m of residual tax payments from the previous financial year. Operating cash flows for the year, excluding the effect of these residual tax payments, were \$4.7m against \$4.5m for the previous year, which included a significant advance payment for a major project at that time. Whilst there was an overall net \$5.6m cash outflow for the year, most of this reflected the acquisition of Kaldura Industries which, as highlighted in the financial report for the previous financial year, was paid for from free cash resources at that time.

Free cash resources at the end of the financial year totalled \$8.3m, of which \$2.0m was offset against short-term bank debt associated with the purchase of Austbore. These cash resources included \$4.6m of funds received from the SPP before the end of the financial year.

##### **Capital Expenditure**

Capital expenditure totalled \$1.4m in the 2006/07 financial year. During the year, the Company commenced a number of capital expansion and redevelopment projects, the most significant being a \$3.5m expansion of the Kaldura Industries operation in Mackay. The expanded facility will increase the operation's capacity by 60% and will enable it to lift heavy components and assemblies of up to 90 tonnes, compared to 25 tonnes at present. The expansion is well underway and is expected to be complete by the end of November 2007. At 30 June 2007, \$0.3m had been expended on the project, financed by existing cash resources.

The Company also expended \$0.3m on a new robotic gantry-mounted welding system for the Brisbane operation, which was successfully introduced in the first half of the year. This new system has provided significant improvements in productive efficiency and product quality. Expenditure on this system was also funded from existing cash resources.

##### **Dividends**

In line with the improved financial performance during the year, the Company paid a maiden, fully-franked, interim dividend of 0.5 cents per share on 30 April 2007. In addition, the Company has declared a fully-franked final dividend of 3.5 cents per share in respect of the financial year 2006/07. The total dividend for the year, 4.0 cents per share, represents a 100% increase from the 2.0 cents per share dividend paid for the previous financial year. The record date for entitlement to the final dividend for the year is 7 September 2007, with payment being on 12 October 2007. The final dividend has not been provided for in the preliminary financial result for the year ended 30 June 2007.

##### **Outlook**

The Company enters the 2007/08 financial year with another record order book and, as outlined in its comments to the market in April 2007, forecasts EBIT for 2007/08 to be in excess of \$10m. Conditions within the mining and resources business sector are expected to remain buoyant in the coming years.

Very good levels of productive activity, particularly in the Western Australia operation, are envisaged flowing from a strong demand for the Company's product range and capabilities. In response to this, the Company will increase productive capacity in Western Australia by leasing a workshop facility adjacent to its existing operation. Finalisation of the contractual aspects of the lease is underway and the Company expects to commence operations in the additional facility in September 2007.

The expanded workshop facilities at Kaldura in Mackay are expected to be complete by the end of November 2007 and marketing initiatives are underway to grow the business further and to realise increased revenue opportunities from the co-ordination of business activities with Austbore.

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2007**

**COMMENTARY**

**Outlook (Cont'd)**

In summary, the key objectives for the 2007/08 year are:

- Growth and diversification through acquisition;
- Further implementation of the Company's technology to reduce costs and increase output;
- Revenue growth in Perth and Mackay through capacity increases;
- Acquisition of new product lines;
- Establishment of additional overseas operations.

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**PRELIMINARY STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007		2006
		Economic	Parent	Economic
		Entity	Entity	Entity
		\$	\$	\$
Revenues from continuing operations	2	57,499,585	54,578,194	48,882,661
Gain on sale of properties		-	-	3,901,654
		57,499,585	54,578,194	52,784,315
Raw materials and consumables expenses		(19,589,817)	(18,880,051)	(21,099,188)
Employment expenses		(23,162,098)	(22,361,256)	(16,837,930)
Subcontractor expenses		(315,034)	(219,190)	(3,007,861)
Occupancy and utility expenses		(1,790,374)	(1,710,693)	(1,029,100)
Depreciation and amortisation expense		(1,147,514)	(1,007,689)	(876,286)
Other expenses	3	(3,992,131)	(3,833,244)	(3,199,401)
Borrowing expenses		(406,389)	(373,095)	(539,609)
Profit before income tax		7,097,062	6,192,976	6,194,940
Income tax expense		(2,119,834)	(1,857,893)	(1,843,856)
<b>Profit attributable to members of the Parent Entity</b>		<b>4,977,228</b>	<b>4,335,083</b>	<b>4,351,084</b>
<b>Earnings per Share:</b>				
<b>Excluding</b> gain on sale of properties in 2005/2006:				
Basic earnings per share (cents per share)	4	12.45		4.07
Diluted earnings per share (cents per share)	4	11.74		3.94
<b>Including</b> gain on sale of properties in 2005/2006:				
Basic earnings per share (cents per share)	4	12.45		10.93
Diluted earnings per share (cents per share)	4	11.74		10.57

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

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**PRELIMINARY STATEMENT OF FINANCIAL POSITION**

**AT 30 JUNE 2007**

	Notes	2007		2006
		Economic	Parent	Economic
		Entity	Entity	Entity
		\$	\$	\$
<b>Current Assets</b>				
Cash assets	8	6,311,352	6,094,800	11,934,395
Receivables		10,239,016	7,869,603	7,925,891
Inventories		3,158,762	2,724,439	4,825,894
Other		1,852,229	1,775,717	665,490
<b>Total Current Assets</b>		<b>21,561,359</b>	<b>18,464,559</b>	<b>25,351,670</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		9,989,518	6,626,045	3,352,522
Investments		-	9,479,969	-
Intangible assets		9,596,334	2,705,768	-
<b>Total Non-Current Assets</b>		<b>19,585,852</b>	<b>18,811,782</b>	<b>3,352,522</b>
<b>Total Assets</b>		<b>41,147,211</b>	<b>37,276,341</b>	<b>28,704,192</b>
<b>Current Liabilities</b>				
Payables		10,615,909	10,178,948	13,566,877
Interest-bearing liabilities		6,105,636	5,457,285	692,106
Current tax liabilities		1,711,448	1,151,367	1,604,097
Provisions		1,354,680	1,147,563	1,109,252
<b>Total Current Liabilities</b>		<b>19,787,673</b>	<b>17,935,163</b>	<b>16,972,332</b>
<b>Non-Current Liabilities</b>				
Interest-bearing liabilities		2,747,567	1,371,352	1,818,502
<b>Total Non-Current Liabilities</b>		<b>2,747,567</b>	<b>1,371,352</b>	<b>1,818,502</b>
<b>Total Liabilities</b>		<b>22,535,240</b>	<b>19,306,515</b>	<b>18,790,834</b>
<b>Net Assets</b>		<b>18,611,971</b>	<b>17,969,826</b>	<b>9,913,358</b>
<b>Equity</b>				
Contributed equity	5	9,694,133	9,694,133	4,973,354
Retained profits	6	8,917,838	8,275,693	4,940,004
<b>Total Equity</b>		<b>18,611,971</b>	<b>17,969,826</b>	<b>9,913,358</b>
<b>Statement of Changes in Equity</b>				
Total equity at beginning of the year		9,913,358	9,913,358	5,960,818
Profit for the year		4,977,228	4,335,083	4,351,084
Issue of shares		4,732,625	4,732,625	-
Cost of share issues		(11,846)	(11,846)	-
Dividends paid		(999,394)	(999,394)	(398,544)
<b>Total equity at end of the year</b>		<b>18,611,971</b>	<b>17,969,826</b>	<b>9,913,358</b>

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

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**PRELIMINARY STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007		2006
		Economic	Parent	Economic
		Entity	Entity	Entity
		\$	\$	\$
<b>Cash flows from operating activities</b>				
Receipts from customers		55,264,537	54,394,267	52,599,461
Payments to suppliers and employees		(48,185,302)	(48,631,017)	(46,735,298)
Interest received		188,784	186,996	149,417
Borrowing costs		(406,389)	(373,095)	(838,285)
Income tax paid		(3,191,578)	(2,989,210)	(689,268)
<b>Net cash provided by operating activities</b>	7	<b>3,670,052</b>	<b>2,587,941</b>	<b>4,486,027</b>
<b>Cash flows from investing activities</b>				
Purchase of business and company	9	(17,037,244)	(15,056,164)	-
Purchase of property, plant and equipment		(1,435,722)	(1,410,785)	(792,703)
Proceeds from sale of property, plant and equipment		-	-	15,930,986
<b>Net cash provided/(used) by investing activities</b>		<b>(18,472,966)</b>	<b>(16,467,271)</b>	<b>15,138,283</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	5	4,720,778	4,720,778	-
Proceeds from borrowings		8,294,721	6,889,400	-
Repayment of borrowings		(2,769,896)	(2,505,033)	(6,952,580)
Repayment of deferred consideration on purchase of business		-	-	(375,000)
Dividend payment		(999,394)	(999,394)	(399,057)
<b>Net cash provided/(used) by financing activities</b>		<b>9,246,209</b>	<b>8,105,751</b>	<b>(7,726,637)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(5,556,708)</b>	<b>(5,773,257)</b>	<b>11,897,673</b>
Cash at the beginning of the year	8	11,868,057	11,868,057	(29,616)
<b>Cash at the end of the year</b>	8	<b>6,311,352</b>	<b>6,094,800</b>	<b>11,868,057</b>

The accompanying notes form part of this preliminary statement of cash flows.

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE ENDED 30 JUNE 2007**

**Note 1: Basis of preparation of preliminary financial statements**

The preliminary 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 preliminary 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.

	<b>2007</b>		<b>2006</b>
	<b>Economic Entity</b>	<b>Parent Entity</b>	<b>Economic Entity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Note 2: Revenue</b>			
Revenue from operating activities:			
Manufacture, repair and overhaul of mining-related products and steelwork fabrication	57,186,592	54,266,989	48,685,639
Other revenue:			
Rental and other income	124,209	124,209	47,605
Interest received	188,784	186,996	149,417
	<b>57,499,585</b>	<b>54,578,194</b>	<b>48,882,661</b>

**Note 2: Revenue**

Revenue from operating activities:

Manufacture, repair and overhaul of mining-related products and steelwork fabrication

Other revenue:

Rental and other income

Interest received

**Note 3: Other expenses**

Other expenses from ordinary activities for the financial year ended 30 June 2007 include \$242,964 of costs associated and incurred in the previous financial year on the sale and leaseback of properties.

**Note 4: Earnings per share**

Weighted average number of ordinary shares used in calculating basic earnings per share

Effect of dilutive securities - share options

Weighted average number of ordinary shares used in calculating diluted earnings per share

	39,964,240		39,805,740
	2,420,667		1,350,000
	<b>42,384,907</b>		<b>41,155,740</b>

**Note 5: Contributed equity**

Balance at beginning of year

Shares issued on exercise of Director options on 29 September 2006

Shares issued on exercise of employee options on 19 February 2007

Funds received from shareholders pursuant to Shareholder Share Purchase Plan (shares issued on 5 July 2007)

Cost of share issues

Balance at end of year

	4,973,354	4,973,354	4,973,354
	38,400	38,400	-
	75,000	75,000	-
	4,619,225	4,619,225	-
	(11,846)	(11,846)	-
	<b>9,694,133</b>	<b>9,694,133</b>	<b>4,973,354</b>

**Note 6: Retained profits**

Balance at beginning of year

Net profit for the year

Dividends paid

Balance at end of year

	4,940,004	4,940,004	987,977
	4,977,228	4,335,083	4,351,084
	(999,394)	(999,394)	(399,057)
	<b>8,917,838</b>	<b>8,275,693</b>	<b>4,940,004</b>

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE ENDED 30 JUNE 2007**

	<b>2007</b>		<b>2006</b>
	<b>Economic Entity</b>	<b>Parent Entity</b>	<b>Economic Entity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Note 7: Reconciliation of cash flow from operations with profit from ordinary activities after tax</b>			
Profit after income tax	4,977,228	4,335,083	4,351,084
Adjustment to profit after tax for non-cash flows:			
Depreciation	1,147,514	1,007,689	876,286
Gain on sale of property, plant and equipment	-	-	(2,731,158)
Changes in assets and liabilities:			
(Increase)/Decrease in trade debtors	325,555	56,288	(1,247,644)
Decrease in inventories	1,930,147	2,101,455	92,164
(Increase)/Decrease in prepayments and other assets	(1,153,020)	(1,110,227)	93,258
Increase/(Decrease) in trade creditors and accruals	(3,217,669)	(3,387,929)	1,439,809
Increase/(Decrease) in income taxes payable	(393,157)	(452,730)	1,164,588
Increase in provisions	53,454	38,312	447,640
<b>Cash flow from operations</b>	<b>3,670,052</b>	<b>2,587,941</b>	<b>4,486,027</b>
<b>Note 8: Reconciliation of cash</b>			
Cash in bank and on hand	6,311,352	6,094,800	11,934,395
Bank overdraft	-	-	(66,338)
	<b>6,311,352</b>	<b>6,094,800</b>	<b>11,868,057</b>
<b>Note 9: Acquisition of business and company</b>			
The Company finalised and settled on the transaction to acquire the business of Kaldura Industries in Mackay on 7 July 2006. The details of the acquisition are as follows:			
Fair value of assets acquired:			
Property	2,346,000	2,346,000	-
Plant and equipment	524,427	524,427	-
Goodwill on acquisition	2,705,768	2,705,768	-
	<b>5,576,195</b>	<b>5,576,195</b>	<b>-</b>
The Company finalised and settled on the transaction to acquire Austbore Pty Ltd in Mackay on 3 April 2007. The details of the acquisition are as follows:			
Net purchase price paid on acquisition		9,479,969	-
Fair value of net assets acquired:			
Property	340,000		-
Plant and equipment	3,138,361		-
Inventories and work-in-progress	263,015		-
Trade receivables	2,638,680		-
Trade payables	(46,544)		-
Interest bearing liabilities	(884,111)		-
Provisions for employee leave liabilities and tax	(878,918)		-
Goodwill on acquisition	6,890,566		-
	<b>11,461,049</b>	<b>9,479,969</b>	<b>-</b>
<b>Total acquisition costs</b>	<b>17,037,244</b>	<b>15,056,164</b>	<b>-</b>

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE ENDED 30 JUNE 2007**

**Note10: Contingent liabilities and contingent assets**

There are no contingent liabilities or assets that have a material impact on the financial statements at 30 June 2007.

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

No material event subsequent to the end of the financial year has arisen that has not been recognised in the preliminary financial statements. On 23 August 2007, the Directors declared a fully franked final dividend of 3.5 cents per share for the financial year 2006/07, payable on 12 October 2007.