

**AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

<u>Results</u>	<u>Half Year to 31 December 2007</u>		<u>Half Year to 31 December 2006</u>
Revenue	43,212,545	<i>up 47% from</i>	29,393,074
Net Profit After Tax Attributable to Members	4,656,476	<i>up 100% from</i>	2,332,840

Brief Explanation of Movements in Revenue and Net Profit

The increase in revenue and net profit after tax for the half year is principally due to improved performance across the company's business units, backed by high levels of activity and demand for the company's 'JEC' product range comprising of dump truck bodies, excavator buckets as well as machining and steel fabrication services. In addition, the result for the 2007 half year includes six months of contribution from the Austbore business in Mackay, which was purchased on 3 April 2007, and one month of contribution from the Westech business in Casper, Wyoming, USA, which was acquired on 30 November 2007.

Dividends and Dividend Reinvestment Plans

The company paid a fully franked dividend of 3.5 cents per share on 12 October 2007.

An interim dividend of 1.0 cent per share, fully franked, has been declared on 18 February 2008. The record date for determining entitlement to the dividend is 29 February 2008 and the dividend will be paid on 28 March 2008.

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

Net Tangible Assets per Security

	<u>Half Year to 31 December 2007</u>	<u>Half Year to 31 December 2006</u>
Net tangible asset backing per ordinary security (cents)	19.5	22.0

Control Gained Over Entities Having a Material Effect

The company finalised and settled on the acquisition of Western Technology Services Inc. ("Westech") on 30 November 2007. The purchase price was US\$19 million.

Associates or Joint Ventures

The company has a 50% interest in the Majan Aluminium Services Company, a company 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 (ABN 60 078 480 136) AND CONTROLLED ENTITIES
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

DIRECTORS' REPORT

The Directors present their report, together with the financial report for the half-year ended 31 December 2007 and the review report thereon.

Directors

The Directors of the company who held office during and up to the date of this report were:

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

Financial Highlights

	Increase	HY2007	HY2006
	%	\$m	\$m
Revenue	47%	43.21	29.3
EBIT	110%	7.00	3.34
PBT	105%	6.81	3.33
NPAT	100%	4.66	2.33
Basic Earnings per Share (cents)	72%	10.05	5.85
Net Assets	117%	24.90	11.49
Interim Dividend per Share (cents)	100%	1.0	0.5

Review of Operations

Revenue was \$43.2 million for the half-year to 31 December 2007, against \$29.3 million for the equivalent period in 2006, an increase of 47%. During the half-year, the company enjoyed solid and growing demand for its JEC product range which includes dump truck bodies, excavator buckets and water tanks for off-highway vehicles and equipment used in the mining and resources industry.

Revenue and profit for the half year also includes a full six months of contribution for the Austbore business in Mackay, which was acquired in April 2007 and was not included in the previous half year's result. In addition, revenue and profit includes one month of contribution for the Westech Technology Services Inc. ("Westech") business in Casper, Wyoming, USA, which was acquired on 30 November 2007.

EBIT growth in the period was derived from higher volumes of revenue as well as increased performance over the previous year, particularly for the Perth and Brisbane business units. The company continues to enjoy the benefits of the utilisation and development of robotic welding technology in order to improve productivity and throughput.

Outlook

The company believes that the economic outlook for the mining and resources industry remains very positive and that demand for its products and services will remain strong for the foreseeable future. Particular focus is now being given to short as well as long-term revenue growth in the following key business areas:

- Expansion of the Westech product range in South America and Canada
- Follow-on projects in the Middle East
- Manufacture, assembly, repair and maintenance of mining products for the new redeveloped Kaldura facility on Mackay

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 set out on page 10.

Signed in accordance with a resolution of the Directors.



**Michael D Buckland
Managing Director**

18 February 2008

AUSTIN ENGINEERING LTD
INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half Year 2007		Half Year 2006
	Economic	Parent	Economic
	Entity	Entity	Entity
	\$	\$	\$
Revenues from continuing operations	43,212,545	33,117,409	29,393,074
Raw materials and consumables expenses	(15,133,844)	(11,990,008)	(11,268,997)
Employment expenses	(13,281,599)	(10,358,838)	(9,517,868)
Subcontractor expenses	(1,558,973)	(920,336)	(1,623,461)
Occupancy and utility expenses	(1,280,061)	(1,076,441)	(944,759)
Depreciation and amortisation expense	(857,072)	(579,060)	(572,826)
Other expenses	(4,006,299)	(3,396,662)	(1,992,646)
Borrowing expenses	(280,530)	(197,809)	(139,889)
Profit before income tax	6,814,167	4,598,255	3,332,628
Income tax expense	(2,157,691)	(1,363,514)	(999,788)
Profit attributable to members of the Parent Entity	4,656,476	3,234,741	2,332,840
Basic earnings per share (cents per share)	10.05		5.85
Diluted earnings per share (cents per share)	9.56		5.58

The accompanying notes form an integral part of the income statement.

AUSTIN ENGINEERING LTD

BALANCE SHEET
AS AT 31 DECEMBER 2007

	31 December 2007		30 June 2007	
	Economic	Parent	Economic	Parent
	Entity	Entity	Entity	Entity
	\$	\$	\$	\$
Current Assets				
Cash assets	4,724,537	3,864,205	6,311,352	6,094,800
Receivables	18,418,305	8,887,329	10,239,016	7,869,603
Inventories	6,827,406	2,027,556	3,158,762	2,724,439
Other	2,456,550	13,579,036	1,852,229	1,775,717
Total Current Assets	32,426,798	28,358,126	21,561,359	18,464,559
Non-Current Assets				
Property, plant and equipment	22,704,943	10,156,442	9,989,518	6,626,045
Investments	-	18,229,589	-	9,479,969
Intangible assets	15,732,733	2,705,768	9,596,334	2,705,768
Other	919,014	-	-	-
Total Non-Current Assets	39,356,690	31,091,799	19,585,852	18,811,782
Total Assets	71,783,488	59,449,925	41,147,211	37,276,341
Current Liabilities				
Payables	18,188,782	12,152,134	10,615,909	10,178,948
Interest-bearing liabilities	1,984,032	185,000	6,105,636	5,457,285
Current tax liabilities	1,152,471	901,138	1,711,448	1,151,367
Provisions	2,133,557	1,107,795	1,354,680	1,147,563
Total Current Liabilities	23,458,842	14,346,067	19,787,673	17,935,163
Non-Current Liabilities				
Interest-bearing liabilities	23,425,018	22,270,097	2,747,567	1,371,352
Total Non-Current Liabilities	23,425,018	22,270,097	2,747,567	1,371,352
Total Liabilities	46,883,860	36,616,164	22,535,240	19,306,515
Net Assets	24,899,628	22,833,761	18,611,971	17,969,826
Equity				
Contributed equity	12,806,760	12,806,760	9,694,133	9,694,133
Retained profits	12,092,868	10,027,001	8,917,838	8,275,693
Total Equity	24,899,628	22,833,761	18,611,971	17,969,826

The accompanying notes form an integral part of the balance sheet.

AUSTIN ENGINEERING LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Contributed Equity	Retained Profits	Total
	\$	\$	\$
Economic Entity			
Opening balance at 1 July 2006	4,973,354	4,940,004	9,913,358
Profit for the half-year	-	2,332,840	2,332,840
Issue of shares	38,400	-	38,400
Dividends paid	-	(798,976)	(798,976)
Other reserve movements	-	-	-
Closing balance at 31 December 2006	<u>5,011,754</u>	<u>6,473,868</u>	<u>11,485,622</u>
Opening balance at 1 July 2007	9,694,133	8,917,838	18,611,971
Profit for the half-year	-	4,656,476	4,656,476
Issue of shares	3,112,627	-	3,112,627
Dividends paid	-	(1,623,701)	(1,623,701)
Other reserve movements	-	142,255	142,255
Closing balance at 31 December 2007	<u>12,806,760</u>	<u>12,092,868</u>	<u>24,899,628</u>
Parent Entity			
Opening balance at 1 July 2006	4,973,354	4,940,004	9,913,358
Profit for the half-year	-	2,332,840	2,332,840
Issue of shares	38,400	-	38,400
Dividends paid	-	(798,976)	(798,976)
Other reserve movements	-	-	-
Closing balance at 31 December 2006	<u>5,011,754</u>	<u>6,473,868</u>	<u>11,485,622</u>
Opening balance at 1 July 2007	9,694,133	8,275,693	17,969,826
Profit for the half-year	-	3,234,741	3,234,741
Issue of shares	3,112,627	-	3,112,627
Dividends paid	-	(1,623,701)	(1,623,701)
Other reserve movements	-	140,268	140,268
Closing balance at 31 December 2007	<u>12,806,760</u>	<u>10,027,001</u>	<u>22,833,761</u>

The accompanying notes form an integral part of the statement of changes in equity.

AUSTIN ENGINEERING LTD
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half Year 2007		Half Year 2006
	Economic	Parent	Economic
	Entity	Entity	Entity
	\$	\$	\$
Cash flows from operating activities			
Receipts from customers	49,325,490	38,681,814	30,368,838
Payments to suppliers and employees	(40,342,718)	(30,280,935)	(30,313,204)
Interest received	91,335	84,407	128,636
Borrowing costs	(280,326)	(197,809)	(125,568)
Income tax paid	(2,474,393)	(1,613,475)	(798,469)
Net cash provided/(used) by operating activities	6,319,388	6,674,002	(739,767)
Cash flows from investing activities			
Purchase of business and company	(20,611,480)	(21,910,526)	(5,548,434)
Purchase of property, plant and equipment	(4,817,898)	(4,109,457)	(751,759)
Net cash used by investing activities	(25,429,378)	(26,019,983)	(6,300,193)
Cash flows from financing activities			
Proceeds from issue of shares	3,112,625	3,112,625	38,400
Proceeds from borrowings	22,377,995	21,744,108	-
Repayment of borrowings	(6,343,744)	(6,117,646)	(269,111)
Dividend payment	(1,623,701)	(1,623,701)	(798,976)
Net cash provided/(used) by financing activities	17,523,175	17,115,386	(1,029,687)
Net decrease in cash held	(1,586,815)	(2,230,595)	(8,069,647)
Cash at the beginning of the period	6,311,352	6,094,800	11,934,396
Cash at the end of the period	4,724,537	3,864,205	3,864,749

The accompanying notes form an integral part of the statement of cash flows.

AUSTIN ENGINEERING LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

Note 1: Basis of Preparation of Half Year Financial Statements

This general purpose financial report for the half-year ended 31 December 2007 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 2007 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 2007. 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:

	Half Year <u>2007</u> \$	Half Year <u>2006</u> \$
Earnings used in the basic earnings per share calculation	4,656,476	2,332,840
Earnings used in the diluted earnings per share calculation	4,656,476	2,332,840
Weighted average number of ordinary shares used in calculating basic earnings per share	46,325,245	39,869,740
Effect of dilutive securities:		
Share options	2,366,167	1,963,413
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	48,691,412	41,833,153
Basic earnings per share (cents)	10.05	5.85
Diluted earnings per share (cents)	9.56	5.58

Note 3: Acquisition of Business

On 30 November 2007, the company, through its newly-formed 100% owned subsidiary Austin Engineering USA Inc., acquired all of the issued shares in Western Technology Services Inc. for a cash consideration of US\$19 million.

Details of the provisional net assets acquired and provisional goodwill are as follows:

	\$
Fair value of assets acquired:	
Cash	1,786,840
Receivables	8,090,397
Inventories	4,810,222
Deferred tax assets	1,671,493
Other assets	193,433
Property	7,528,409
Plant and equipment	1,203,022
Payables	(3,836,169)
Bank overdraft	(521,596)
Other liabilities and provisions	(4,676,194)
	16,249,857
Goodwill on acquisition	<u>5,341,052</u>
	<u>21,590,909</u>

The fair value of property is based on an independent valuation conducted in November 2007. The fair value of all other assets and liabilities are based on current book values. No acquisition provisions were created.

AUSTIN ENGINEERING LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

Note 4: Contributed Equity

	<u>Number</u>	<u>\$</u>
Ordinary shares, fully paid, net of transaction costs:		
Balance at 1 July 2007	43,269,412	9,694,133
Issue of placement shares	1,500,000	2,295,000
Exercise of options under executive share option plan	2,172,000	916,600
Transaction costs on share issues	-	(98,973)
Balance at 31 December 2007	46,941,412	12,806,760

Ordinary shares issued in the half-year to 31 December 2007 comprised of the following, as previously announced to the market:

- 5 July 2007 - 1,500,000 shares at \$1.53 (\$2,295,000) on the completion of a placement of shares
- 29 August 2007 - 150,000 shares at 50c (\$75,000) on the exercise of employee options
- 3 September 2007 - 1,122,000 shares at 30c (\$336,600) on the exercise of Directors options
- 3 September 2007 - 250,000 shares at 60c (\$150,000) on the exercise of Directors options
- 3 September 2007 - 100,000 shares at 55c (\$55,000) on the exercise of employee options
- 7 September 2007 - 150,000 shares at 50c (\$75,000) on the exercise of employee options
- 5 October 2007 - 75,000 shares at 50c (\$37,500) on the exercise of employee options
- 2 November 2007 - 75,000 shares at 50c (\$37,500) on the exercise of employee options
- 21 December 2007 - 250,000 shares at 60c (\$150,000) on the exercise of Directors options

Note 5: Segment information

The company derives its revenue principally from the manufacture of products, including dump truck bodies, excavator buckets and equipment as well as the repair and overhaul of components used in the mining and resources industry.

The geographical origination of revenue is as follows:

	<u>Half Year 2007</u>	<u>Half Year 2006</u>
	<u>\$</u>	<u>\$</u>
Australia	34,824,050	25,830,716
North America and Canada	3,251,801	-
Indonesia	3,064,657	13,242
Africa	1,676,120	3,549,116
South America	395,917	-
	43,212,545	29,393,074

Note 6: Dividends

On 12 October 2007 the Company paid a fully-franked dividend of 3.5 cents per share for the financial year ended 30 June 2007.

On 18 February 2008 the Company declared a fully-franked interim dividend of 1.0 cent per share (2006 - 0.5 cents) payable on 28 March 2008. The aggregate amount of this dividend, which has not been recognised as a liability at the end of the half-year is \$469,414 (2006 - \$200,420).

Note 7: Contingent liabilities and contingent assets

There are no contingent liabilities or assets that have a material impact on the financial statements at 31 December 2007.

Note 8: 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.

AUSTIN ENGINEERING LTD

**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007
DIRECTORS' DECLARATION**

In the opinion of the Directors of Austin Engineering Ltd:

1. The financial statements and notes thereto set out in pages 3 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 2007 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**

18 February 2008

**DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER
TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

BDO Kendalls (QLD)



Paul Gallagher
Partner

Brisbane : 15 February 2008



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austin Engineering Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission and the Australian Stock Exchange.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 20X1 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XYZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Engineering Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls (QLD)



P A Gallagher
Partner

Brisbane
18 February 2008