austinengineering LTD
ABN 60 078 480 136

Austin Engineering Posts Record Revenue, Profit and Dividends

Financial highlights

	Increase	FY2008	FY2007
Revenue	**85%**	**$106.34m**	**$57.50m**
EBIT	**133%**	**$17.05m**	**$7.31m**
PBT	**131%**	**$16.40m**	**$7.09m**
NPAT	**132%**	**$11.54m**	**$4.97m**
Basic earnings per share	**99%**	**24.73c**	**12.45c**
Net assets	**70%**	**$31.62m**	**$18.61m**
Total annual dividend per share	**88%**	**7.5c**	**4.0c**

Brisbane, August 18, 2008: Austin Engineering Limited (ASX trading code: **ANG**) has continued to reap the benefits of strong demand for its products and services with a record full year net profit after tax (NPAT) more than doubling to $11.54 million for the 12 months to 30 June, 2008.

The result was achieved on an 85% increase in revenue to $106.34 million due mainly to a full year contribution from the Austbore business in Mackay, acquired in April 2007, and seven months from Western Technology Services (Westech) in Wyoming in the US, which was acquired in November 2007 for $19 million.

Highlights of the result include a 133% increase in earnings before interest and tax (EBIT) to $17.05 million, a 99% increase in basic earnings per share (EPS) to 24.7cps and an increase in net assets from $18.6 million to $31.6 million.

The Austin Board has declared a final dividend of 6.5c per share, fully franked, taking full year dividends to 7.5c per share. The record date for the final dividend is 12 September 2008 with the payment due on 10 October 2008.

Chairman Peter Fitch said the record result was underpinned by continuing strong demand for the company's products and services and improved performance across the existing Australian-based operations as a result of efficiencies flowing from high levels of capacity utilisation.

"The Westech business also produced a result ahead of expectations, driven by ongoing strong demand in the North American resources market," he said. "The strength of the result is further enhanced considering we lost three months contribution from our Kaldura operations in Mackay due to unprecedented flooding events."

Austin's productive capacity increased by 65% in WA and Mackay operations following the lease of a second workshop in Perth and the completion of a $3.8m new workshop in Mackay.

Mr Fitch said the new Mackay facility positions the company to take advantage of the expected growth in mining operations in the Central Queensland coalfields and the corresponding requirement for maintenance of heavy mining products.

The company's debt position at the end of the financial year consisted of a US$19 million bank loan for the purchase of Westech and $2 million of finance lease and hire purchase obligations.

The US$19 million loan, which is interest-only and not due for repayment before late November 2009, is an 'evergreen'-type facility and part of an overall $38 million bank funding facility granted by the company's bank, reviewed annually. Interest on the loan attracts US interest rates and at the end of the financial year was less than 4%. The loan also has a facility for locking interest at a fixed rate. The loan has three covenants, none of which are related to the company's share price or market capitalisation, and the company was in compliance with these at the end of the financial year. EBIT interest cover for FY2008 was just under 21 times.

Outlook

Mr Fitch said Austin was well positioned to continue the rapid growth experienced in FY2008.

“The company enters the new financial year with another record order book and a high level of forward activity stretching well into the year across all of its operations,” he said.

“Economic conditions in the mining and resources business sector are expected to remain very strong, as evidenced by further orders received more recently and a high level of enquiries from, and submission of tenders to, the company’s customers.

“We will continue to focus on expanding the company’s operations overseas, as well as increasing productive capacity and capabilities to meet ongoing and strengthening demand for the company’s products and services.

“We are expecting to show further growth in all key financial measures for the FY2009 financial year”.

End

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

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Brisbane, Perth and Mackay. The Brisbane facility provides fabrication facilities servicing the mining, oil, gas and industrial sectors. Key product lines include structural steel, mineral processing equipment, dump truck bodies and excavator buckets. The Perth and Mackay facilities manufacture and assemble products used in the resources industry including dump truck bodies, excavator buckets, materials handling equipment and large service vehicles. Austin own rights to innovative welding processes which are being introduced to improve welding productivity, coupled with robotic applications to suit product lines, general fabrications and any repetitive production processes.

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

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Year to 30 June 2008 $		Year to 30 June 2007 $
Revenue	**106,342,809**	***up 85% from***	**57,499,585**
Net Profit After Tax Attributable to Members	**11,536,494**	***up 132% from***	**4,977,228**

Brief Explanation of Movements in Revenue and Net Profit

The increase in revenue and net profit after tax for the year ended 30 June 2008 over the comparative period is due to a combination of factors including:

- Continued strong demand for the company's products and services due to very favourable market conditions within the mining and resources business sector
- A full year's contribution from Austbore Pty Ltd in Mackay (which was acquired in April 2007 and contributed only three months of revenue and profit in the financial year ended 30 June 2007)
- The acquisition of Western Technology Services Inc ("Westech") in November 2007, which contributed seven months of revenue and profit in the financial year ended 30 June 2008

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
Final dividend paid on 12 October 2007 for the financial year ended 30 June 2007	3.5	3.5
Interim dividend paid on 28 March 2008 for the financial year ended 30 June 2008	1.0	1.0
Final dividend declared for the financial year ended 30 June 2008	6.5	6.5
Record date for determining entitlement to the final dividend	12 September 2008	
Date for payment of final dividend	10 October 2008	

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

Net Tangible Assets per Security

	Year to 30 June 2008	Year to 30 June 2007
Net tangible asset backing per ordinary security (cents)	31.6	22.5

Control Gained Over Entities Having a Material Effect

The Company acquired Western Technology Services Inc, based in Casper, Wyoming, USA, 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, 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

This summarised report is based on financial data that has been subject to audit and for which no material adjustments or misstatements have been identified or require correction.

COMMENTARY

Financial Highlights

	Increase	FY2008	FY2007
	%	$m	$m
Revenue	85%	106.34	57.50
EBIT	133%	17.05	7.31
PBT	131%	16.40	7.09
NPAT	132%	11.54	4.97
Basic earnings per share (cents)	99%	24.73	12.45
Net assets	70%	31.62	18.61
Final dividend per share (cents)	86%	6.5	3.5
Total annual dividend per share (cents)	88%	7.5	4.0

Review of Operations

Revenue was $106.3m for the year ended 30 June 2008, against $57.5m for the previous year, an increase of 85%. Over the course of FY2008 the company continued to experience strong demand for its products and services across all locations. Domestic revenue benefited from a full year's contribution from the Austbore business in Mackay (which contributed only three months in FY2007 following acquisition in April 2007) as well as a 65% growth in the company's productive capacity in Perth and Mackay following the lease of a second workshop in Perth and the completion of a $3.8m new workshop in Mackay. The growth in revenue across domestic operations was also achieved against a background of significantly reduced activity at the company's Kaldura operations in Mackay as a result of unprecedented flooding events and associated delays in the movement of equipment across the Central Queensland coalfields over January to March 2008.

The acquisition of Western Technology Services Inc ("Westech") introduced new, overseas-based revenue streams to the company's operations including mining product revenue from the North American and Canadian resources sector and fees from the licensing of Westech dump truck bodies to the South American mining market. Westech contributed seven months of revenue in FY2008 following its acquisition by the company in late November 2007.

Result for the Financial Year

Earnings before interest and tax increased by 133% to just under $17.1m, up from $7.3m in the previous financial year. The increase in EBIT profitability was largely driven by the growth in revenue, a high level of capacity utilisation across all operations and increased contributions from Austbore and Westech. As previously reported, the flooding in Central Queensland resulted in three months of lost contribution from the company's Kaldura operations in Mackay. Westech produced a result ahead of expectations and enjoyed a high workload level from a solid North American mining and resources sector, despite the adverse conditions in the wider economic environment in the region.

Profit before tax of $16.4m, up 131% from $7.1m in the previous financial year, reflected the increased performance from underlying operations and included the effect of seven months of US dollar-denominated interest cost resulting from a US$19m bank loan that was drawn-down upon the acquisition of Westech.

Financial Position

Net assets increased from $18.6m to $31.6m, up 70% from the previous financial year. The increase in total assets reflected the growth in the company's profitability as well as US$14m of net assets acquired upon the acquisition of Westech. US$19m was expended on purchasing the Westech business and the US$5m of corresponding goodwill, together with associated acquisition costs of $0.6m, were included in net assets at the end of the financial year. The levels of working capital at the end of the financial year were consistent with the increased level of activity throughout and leading up to the end of the financial year.

Cash Flow and Liquidity

The company generated $13.5m of net operational cash inflow over the year, up from $3.7m in FY2007. Increased operational cash flow was in correlation with NPAT for the year and included $4.0m of payments in company income tax.

Operational cash inflow during the year was used to support the significant redevelopment of the company's Kaldura workshop in Mackay, with almost $3.8m being expended in the establishment of a modern facility with the capacity to lift components of up to 90 tons. This new facility positions the company to take advantage of the expected growth in mining operations in the Central Queensland coalfields and the corresponding requirement for maintenance of heavy mining products. $0.5m was also expended on a spare block of land adjacent to the Austbore facility and this has the potential for the establishment of additional workshop operations.

The purchase of Westech for US$19m was accommodated by the utilisation of an equivalent US$19m bank loan. Other non-operational cash flows included $8.0m of repayments of previous borrowings, mainly associated with planned repayments of finance leases and debt associated with the purchase of Austbore. In addition, $2.1m was raised from the completion of a share placement in early July 2007.

Free cash resources at the end of the financial year were $5.8m, compared to $6.3m at the end of the previous financial year.

Debt

At the end of the financial year, the balance sheet included two components of debt - a US$19m bank loan for the purchase of Westech and $2.0m of finance lease and hire purchase obligations.

The US$19m loan, which is interest-only and not due for repayment before late November 2009, is an 'evergreen'-type facility and part of an overall $38m bank funding facility granted by the company's bank, reviewed annually. Interest on the loan attracts US interest rates and at the end of the financial year was less than 4%. The loan also has a facility for locking interest at a fixed rate. The loan has three covenants, none of which are related to the company's share price or market capitalisation, and the company was in compliance with these at the end of the financial year. EBIT interest cover for FY2008 was just under 21 times.

Dividends

The company paid a final dividend of 3.5c per share for FY2007 on 12 October 2007 and an interim dividend of 1.0c per share for FY2008 on 28 March 2008. The interim FY2008 dividend was up 100% from the interim dividend for the previous financial year. A final dividend of 6.5c per share has been declared for FY2008, bringing the total dividend for the year to 7.5c per share, an increase of 88% over the previous full year dividend.

Outlook

The company enters the new financial year with another record order book and a high level of forward activity stretching well into the year across all of its operations. Economic conditions in the mining and resources business sector are expected to remain very strong, as evidenced by further orders received more recently and a high level of enquiries from, and submission of tenders to, the company's customers. As previously reported, particular focus is being given to expanding the company's operations overseas as well as increasing productive capacity and capabilities to meet ongoing and strengthening demand for the company's products and services. Further growth in all key financial measures is expected for FY2009.

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

PRELIMINARY STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2008

		2008		2007	
	Notes	**Economic Entity**	**Parent Entity**	**Economic Entity**	**Parent Entity**
		$	$	$	$
Revenues from continuing operations	2	106,342,809	71,156,109	57,499,585	54,578,194
Raw materials and consumables expenses		(36,524,233)	(27,897,119)	(19,588,983)	(18,880,051)
Employment expenses		(37,184,115)	(23,203,512)	(21,115,882)	(20,315,040)
Subcontractor expenses		(2,159,426)	(1,557,752)	(2,361,250)	(2,265,406)
Occupancy and utility expenses		(2,931,733)	(2,310,528)	(1,790,374)	(1,710,693)
Depreciation and amortisation expense		(1,807,055)	(1,105,107)	(1,147,514)	(1,007,689)
Other expenses from ordinary activities		(8,503,473)	(5,067,780)	(3,992,131)	(3,833,244)
Borrowing expenses		(833,659)	(682,579)	(406,389)	(373,095)
Profit before income tax		16,399,115	9,331,732	7,097,062	6,192,976
Income tax expense		(4,862,621)	(2,568,470)	(2,119,834)	(1,857,893)
Profit for the full year attributable to members of the Company		**11,536,494**	**6,763,262**	**4,977,228**	**4,335,083**
Earnings per Share:					
Basic earnings per share (cents)	3	24.73		12.45	
Diluted earnings per share (cents)	3	23.44		11.74	

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 2008

		2008		2007	
	Notes	Economic Entity	Parent Entity	Economic Entity	Parent Entity
		$	$	$	$
Current Assets					
Cash Assets		5,810,437	4,534,959	6,311,352	6,094,800
Receivables		22,695,164	16,073,635	10,239,016	7,869,603
Inventories		11,500,288	5,233,307	3,158,762	2,724,439
Other		1,171,810	18,897,225	1,852,229	1,775,717
Total Current Assets		41,177,699	44,739,126	21,561,359	18,464,559
Non-Current Assets					
Property, plant and equipment		21,845,871	10,175,714	9,989,518	6,626,045
Investments		1,716,551	20,135,413	-	9,479,969
Intangible assets		16,752,135	2,705,768	9,596,334	2,705,768
Deferred tax assets		1,328,711	332,800	-	-
Total Non-Current Assets		41,643,268	33,349,695	19,585,852	18,811,782
Total Assets		82,820,967	78,088,821	41,147,211	37,276,341
Current Liabilities					
Payables		26,044,274	29,278,834	10,615,909	10,178,948
Interest-bearing liabilities		547,674	120,244	6,105,636	5,457,285
Current tax liabilities		1,123,904	1,088,041	1,711,448	1,151,367
Provisions		1,866,885	887,318	1,354,680	1,147,563
Total Current Liabilities		29,582,737	31,374,437	19,787,673	17,935,163
Non-Current Liabilities					
Interest-bearing liabilities		21,291,327	20,378,363	2,747,567	1,371,352
Deferred tax liabilities		324,160	5,386	-	-
Total Non-Current Liabilities		21,615,487	20,383,749	2,747,567	1,371,352
Total Liabilities		51,198,224	51,758,186	22,535,240	19,306,515
Net Assets		**31,622,743**	**26,330,635**	**18,611,971**	**17,969,826**
Equity					
Contributed equity	4	12,999,796	12,999,796	9,694,133	9,694,133
Retained profits		18,361,216	12,945,839	8,917,838	8,275,693
Reserves		261,731	385,000	-	-
Total Equity		**31,622,743**	**26,330,635**	**18,611,971**	**17,969,826**

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 CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Contributed Equity	Retained Profits	Reserves	Total
	$	$	$	$
Economic Entity				
Opening balance at 1 July 2007	9,694,133	8,917,838	-	18,611,971
Profit for the year	-	11,536,494	-	11,536,494
Issue of shares	3,136,215	-	-	3,136,215
Dividends paid	-	(2,093,116)	-	(2,093,116)
Deferred tax adjustment to share issue costs	169,448	-	-	169,448
Options reserve movement	-	-	385,000	385,000
Foreign exchange reserve movement	-	-	(123,269)	(123,269)
Closing balance at 30 June 2008	12,999,796	18,361,216	261,731	31,622,743
Parent Entity				
Opening balance at 1 July 2007	9,694,133	8,275,693	-	17,969,826
Profit for the year	-	6,763,262	-	6,763,262
Issue of shares	3,136,215	-	-	3,136,215
Dividends paid	-	(2,093,116)	-	(2,093,116)
Deferred tax adjustment to share issue costs	169,448	-	-	169,448
Options reserve movement	-	-	385,000	385,000
Foreign exchange reserve movement	-	-	-	-
Closing balance at 30 June 2008	12,999,796	12,945,839	385,000	26,330,635

The accompanying notes form part of this preliminary statement of changes in equity.

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

PRELIMINARY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

		2008		2007	
	Notes	Economic Entity	Parent Entity	Economic Entity	Parent Entity
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		116,037,606	76,817,224	56,264,537	54,394,267
Payments to suppliers and employees		(97,887,458)	(62,762,759)	(49,185,302)	(48,631,017)
Interest received		183,212	164,196	188,784	186,996
Borrowing costs		(833,659)	(682,579)	(406,389)	(373,095)
Income tax paid		(4,015,198)	(2,789,493)	(3,191,578)	(2,989,210)
Net cash provided by operating activities	5	13,484,503	10,746,589	3,670,052	2,587,941
Cash flows from investing activities					
Purchase of business and company		(22,055,484)	(8,938,893)	(17,037,244)	(15,056,164)
Investment in joint venture		(1,397,949)	(1,397,949)	-	-
Purchase of property, plant and equipment		(5,670,172)	(4,654,776)	(1,435,722)	(1,410,785)
Net cash used in investing activities		(29,123,605)	(14,991,618)	(18,472,966)	(16,466,949)
Cash flows from financing activities					
Proceeds from issue of shares		3,137,625	3,137,625	4,720,778	4,720,778
Proceeds from borrowings		22,377,995	19,874,477	8,294,721	6,889,400
Issue of inter-company loans		-	(12,029,288)	-	-
Repayment of borrowings		(7,981,030)	(6,204,510)	(2,769,896)	(2,505,033)
Dividend payment		(2,093,116)	(2,093,116)	(999,394)	(999,394)
Currency exchange movements		(303,287)	-	-	-
Net cash provided by financing activities		15,138,187	2,685,188	9,246,209	8,105,751
Net (decrease)/increase in cash held		(500,915)	(1,559,841)	(5,556,705)	(5,773,257)
Cash at the beginning of the year		6,311,352	6,094,800	11,868,057	11,868,057
Cash at the end of the year		**5,810,437**	**4,534,959**	**6,311,352**	**6,094,800**

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

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 2007. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

Note 2: Revenue and segment reporting

	2008		2007	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	$	$	$	$
Revenue from operating activities:				
Mining equipment manufacture and repair and steelwork fabrication	105,107,599	70,846,570	57,310,801	54,391,198
Licence fees	894,225	-	-	-
	106,001,824	70,846,570	57,310,801	54,391,198
Interest received	183,212	164,196	188,784	186,996
Other revenue	157,773	145,343	-	-
	106,342,809	71,156,109	57,499,585	54,578,194

Licence fees represent external fees generated from the licensing of the manufacture of dump truck bodies by Westech to an engineering partner based in South America. Licence fees generated by Austin Engineering Ltd's Australian-based operations and payable to Westech, which have been eliminated as inter-company sales on consolidation, amounted to $1,103,266 in the year ending 30 June 2008.

Note 3: Earnings per share

	2008	2007
	$	$
Earnings used in basic and diluted earnings per share calculation	11,536,494	4,977,228
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	46,641,662	39,964,240
Effect of dilutive securities - share options	2,574,750	2,420,667
Weighted average number of ordinary shares used in calculating diluted earnings per share	49,216,412	42,384,907

Note 4: Contributed equity

	2008		2007	
	No.	$	No.	$
Ordinary shares, fully paid, net of transaction costs:				
Balance at beginning of year	43,269,412	9,694,133	39,805,740	4,973,354
Issue of shares on exercise of options	2,222,000	941,600	278,000	113,400
Issue of shares on completion of shareholder share purchase plan	-	-	3,185,672	4,619,225
Issue of shares on completion of placement	1,500,000	2,295,000	-	-
Cost of share issues	-	(100,385)	-	(11,846)
Deferred tax adjustment to cost of share issues	-	169,448	-	-
Balance at end of year	46,991,412	12,999,796	43,269,412	9,694,133

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

Note 5: Reconciliation of profit after income tax to net cash inflow from operating activities

	2008		2007	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	$	$	$	$
Reconciliation of cash flow from operations with profit from ordinary activities after tax:				
Profit after income tax	11,536,494	6,763,262	4,977,228	4,335,083
Depreciation	1,807,055	1,105,107	1,147,514	1,007,689
Share options expense	385,000	385,000	-	-
(Increase)/decrease in receivables	(4,979,028)	(8,204,032)	325,555	56,288
(Increase)/decrease in inventories	(4,001,581)	(2,508,868)	1,930,147	2,101,455
(Increase)/decrease in other assets	1,248,885	907,495	(1,153,020)	(1,110,227)
Increase/(decrease) in payables	8,315,167	12,781,302	(3,217,669)	(3,387,929)
Increase/(decrease) in income taxes payable	(739,854)	(222,433)	(393,157)	(452,730)
Increase/(decrease) in provisions	(87,635)	(260,244)	53,454	38,312
Cash flow from operations	**13,484,503**	**10,746,589**	**3,670,052**	**2,587,941**

Note 6: Acquisition of company
On 30 November 2007, the company, through its newly-formed 100% owned subsidiary Austin Engineering Inc., acquired all of the issued shares of Western Technology Services Inc., for a cash consideration of US$19m. Details of the net assets acquired and corresponding goodwill are as follows:

	US$	$
Purchase consideration	19,000,000	21,590,909
Incidental costs of acquisition		611,853
Total cost of acquisition		22,202,762
Fair value of net assets acquired:		
Cash	1,572,419	1,786,840
Receivables	7,119,546	8,090,393
Inventories	4,198,523	4,771,049
Deferred tax assets	1,555,000	1,767,045
Other assets	165,539	188,113
Property	6,625,000	7,528,409
Plant and equipment	1,058,663	1,203,026
Payables	(3,547,636)	(4,031,405)
Bank overdraft	(459,005)	(521,597)
Other liabilities and provisions	(4,186,660)	(4,757,568)
Net assets acquired	14,101,389	16,024,305
Goodwill on acquisition		6,178,457

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.

Note 7: Contingent liabilities and contingent assets
There are no contingent liabilities or assets that have a material impact on the financial statements at 30 June 2008.

Note 8: 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 18 August 2008, the Directors declared a fully franked final dividend of 6.5 cents per share for the financial year 2007/08, payable on 10 October 2008.