austinengineering LTD
ABN 60 078 480 136

2009 Annual Report

Chairman's Report

In view of the turmoil in the financial health of the world's major economies and the downgrading of profit results for many companies in the resources services sector as a result of this, I am pleased to be able to report the fifth year of revenue and profit growth for your company and the achievement of our full year profit forecast made at the half year.

Revenue has increased by 69% year-on-year to $179m and profit after tax improved by 29% to $14.83m. Earnings per share increased from 24.73cps to 31.39cps and net assets rose by 64% to $51.95m.

This was the first full year of contribution from Western Technology Services Inc. ("Westech") in the USA and whilst they experienced a relative slowdown in activity in the second half as the US mining companies cut back capital expenditure, their performance was most commendable particularly as no licence fees for external support were generated in the year. The Westech "optimised load" dump truck tray design has enjoyed increasing support from Australian customers and was a big factor in the decision to make the acquisition in Chile as the mining companies in South America have also recognised the efficiency gains they can achieve using Westech designs for their large haul trucks. These key South American customers are very supportive of our intentions to manufacture Westech products in the region. The Westech products, together with the 'TAE' dump truck body designs gained from the recent acquisition of the Conymet dump truck body business in Chile, will place the company in a dominant position for the supply of tray bodies in South America.

There has been widespread press commentary regarding the first signs of recovery for the world economy from the global financial crisis. It is obviously important for our continued growth that our mining and resources customers are satisfied that this recovery is real and that they return to their expansion plans, most of which were deferred in the last six to nine months.

We are seeing some signs of a resurgence in activity and business confidence and our Australian east coast operations have a solid workload through to the third quarter of the 09/10 financial year. On the west coast, although the recovery in the iron ore sector is more subdued, our operations have a solid base workload through to the end of the second quarter and there are increasing indications that new orders may be forthcoming in the near future for delivery early in the 2010 calendar year. In the USA recovery is also proceeding more slowly however Westech have recently started receiving some new orders and with the tight cost control their management have in place we believe they will be profitable this year, albeit not to the level of last year.

As a result of the capital raising through the institutional placement and the share purchase plan that was completed recently, the acquisition in Chile of the Conymet steel dump truck body business has not added to the company's debt levels and we believe that the operation will perform to our expectations. We have already received orders for over 50% of the budgeted first year's activity and indications are that the balance of the budget is readily achievable.

Your company has grown remarkably in the last five years with the majority of growth from acquisitions, however organic growth through product development and technology transfer between facilities has also played a recognisable role. We plan to take not only the Westech products to Chile but also the JEC product line developed in our Perth facility as we have identified a good market for these products in South America. This will be the next major growth focus for us and we will also be examining other acquisition opportunities in Australia and overseas.

The Board declared a final dividend of 6.5c per share, similar to the previous year's level, for the 08/09 financial year, bringing the total dividend for the year to 8.0c per share, an increase of 7%. This final dividend will be paid on shares issued under both tranches of the Placement and Shareholder Share Purchase Plan. The dividend payout ratio for the year is approximately 35%, consistent with the company's existing dividend payout ratio policy of 25% to 40%.

In conclusion, the financial health of your company is good and we expect to be well-positioned for continued growth as soon as the major resource industries reactivate their expansion plans. In the meantime we are well-placed to service their existing equipment fleets, the majority of which are continuing to operate at close to maximum capacity. Our management and staff are a highly motivated and dedicated team and on your behalf I would like to congratulate them on another record year in the midst of difficult economic conditions.

Peter Fitch
Non-Executive Chairman

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Austin Engineering Limited and the entities it controlled during, and at the end of, the financial year ended 30 June 2009.

Directors
The following persons held the position of director throughout the course of the financial year:

Managing Director:
Michael Buckland

Chairman and Independent Non-Executive Director:
Peter Fitch

Independent Non-Executive Directors:
Eugene Fung
Peter Pursey
Paul Reading (appointed 1 January 2009)

Secretary
Colin Anderson

Principal Activities
The principal activities of the group during the financial year were the manufacture, repair, overhaul and supply of mining attachment products, general steelwork structures and other associated products and services for the industrial and resources-related business sectors.

Review of Operations and Results

	Year Ended 30 June 2009	Year Ended 30 June 2008	Increase
	$m	$m	%
Revenue	179.32	106.34	69%
EBIT	21.61	17.05	27%
PBT	20.87	16.40	27%
NPAT	14.83	11.54	29%
Basic earnings per share (cents)	31.39	24.73	27%
Net assets	51.95	31.62	64%
Final dividend per share (cents)	6.5	6.5	-
Total annual dividend per share (cents)	8.0	7.5	7%

Operational Review
Revenue was $179.3m for the year ended 30 June 2009, up 69% from the previous year's level of $106.3m. Over the course of the financial year, the company continued to experience strong demand for its products and services both domestically and overseas. The first six months of the financial year was a period of intense activity for the company as a result of record activity levels across the mining and resources sector. Growing customer acceptance of the company's Westech dump truck body range was also a key feature of revenue development during the year. The receipt of orders totalling $32m for 75 bodies over the course of January and February 2009 at the peak of the global economic crisis was a significant achievement for the company. Whilst not completely insulating the company from the effects of the economic slowdown, the orders still enabled the company to operate with a solid base workload in the second half of the financial year.

Result for the Financial Year
Earnings before interest and tax (EBIT) increased by 27% to $21.6m, up from $17.1m in the previous financial year. The volume growth in EBIT followed the increased level of activity across operations in the year. EBIT margins over the year were less than the corresponding period due to a number of one-off factors, including provisions and recovery costs related to an unpaid trade receivable from a customer, lower than average initial margins on a newly-introduced product line earlier in the year and no external licence fee revenue.

Profit before tax of $20.9m, up 27% from $16.4m in the previous financial year, largely tracked the development of EBIT and included a full twelve months of interest cost associated with the USD 19m bank loan that was drawn-down upon the acquisition of Westech. Interest costs on this loan are US dollar-denominated and over the latter part of the financial year were very low as a result of underlying downward interest rate movements in the US economy.

Financial Position
Net assets increased to $52m from $31.6m in the previous financial year, an increase of 64%. The increase in total assets reflected the growth in the company's profitability as well as the introduction of $10.2m of new equity towards the end of June 2009, representing funds received from Tranche 1 of the Institutional Placement announced to the market on 16 June 2009. The levels of working capital at the end of the financial year were consistent with the level of activity throughout and leading up to the end of the financial year.

Cash Flow and Liquidity
The company generated $21.6m of net operational cash inflow over the year, up from $13.5m in the previous financial year. Despite the economic disturbances caused by the global financial crisis, the company was able to maintain its existing commercial relationships and trading terms with customers and suppliers, resulting in good operational cash flows throughout the year.

The company undertook a number of capital expenditure programs during the period, with almost $3.2m being expended on initiatives to increase productivity and to introduce new revenue streams to the operations, including $0.8m on a new plasma cutting system in the Perth workshop. $2.5m was also expended on the purchase of the Austbore workshop in Mackay, which was rented from the previous owners of the business until March 2009. $0.4m of the purchase price was funded from operational cash flows, with the remaining $2.1m being financed by way of a bank loan.

Directors' Report

Review of Operations and Results

Cash Flow and Liquidity (Cont'd)

Free cash resources at the end of the financial year were $25.1m, including $10.2m of new equity from Tranche 1 of the Institutional Placement. Underlying year-end cash balances of $14.9m compared to $5.8m at the end of the previous financial year.

Debt

At the end of the financial year, the balance sheet included three components of debt totalling $27m; a USD19m ($23.6m Australian dollar equivalent) bank loan for the acquisition of Westech in 2007, a $2.0m bank loan for the purchase of the Austbore workshop in Mackay drawn-down in April 2009 and $1.4m of finance lease and hire purchase obligations.

The USD 19m loan, which is interest-only, attracts US interest rates and at the end of the financial year these were 1.85%, including the bank's margin. The company's banking facilities were renewed in December 2008 with repayment of the Westech loan being extended to late October 2010. Other working capital and bank guarantee facilities were maintained until the next review of facilities due in October 2009. Following the annual review of bank facilities in December 2008, the cost of facilities more than doubled from the levels applied previously. Virtually of all this increase was a direct result of the increased cost of funding within the wider banking environment.

The provision of banking facilities requires that the company complies with three principal covenants, mainly in relation to debt servicing and interest cover. The company operated within the covenants very comfortably throughout the financial year, with EBIT interest cover of over 23 times for the year and a year-end Debt-to-EBITDA ratio of 1.13. None of the covenants have conditions related to the company's share price or market capitalisation.

Dividends

The company paid a final dividend of 6.5c per share for the 07/08 financial year on 10 October 2008 and an interim dividend of 1.5c per share for the 08/09 financial year on 27 March 2009. The interim 08/09 dividend was up 50% from the previous year's level. A final dividend of 6.5c per share, similar to the previous year's level, has been declared for the 08/09 financial year, bringing the total dividend for the year to 8.0c per share, an increase of 7%. This final dividend will be paid on shares issued under both tranches of the Placement and Shareholder Share Purchase Plan. The dividend payout ratio for the year is approximately 35%, consistent with the company's existing dividend payout ratio policy of 25% to 40%.

Significant Changes in State of Affairs - Capital Raisings

On 16 June 2009 the company announced a $31m capital raising program, consisting of a $26m Institutional Placement and a $5m Shareholder Share Purchase Plan.

The proceeds of the Placement were received in two Tranches, with Tranche 1 raising $10.2m from the issue of 7.0m shares at $1.45 per share on 22 June 2009. Tranche 2 of the Placement was completed on 23 July 2009, with $15.8m being raised from the issue of 10.9m shares, also at $1.45 per share. The $26m raised from the Placement was used to fund the cost of an expansion of the company's activities into Chile in South America, by way of the acquisition of the steel dump truck body business of Conymet Ltda. The acquisition of Conymet was confirmed on 3 August 2009 for a cash consideration of USD 19.6m.

The Share Purchase Plan was completed on 27 July 2009, with $4.9m of the $5.0m sought by the company being raised by the issue of 3.3m shares at $1.45 per share. The proceeds of the Share Purchase Plan will be used to provide the company with additional working capital, to repay the balance of the bank loan for the purchase of the Austbore workshop in Mackay and to assist with the purchase of property associated with the Conymet acquisition.

After Balance Date Events

No material event has arisen after the end of the financial year that requires to be recognised in the financial statements.

Outlook

The company enters the new financial year with markedly different business conditions from the same time last year. Whilst the global economic disturbances led to a marked reduction in the level of activity by the major miners in the first calendar half of 2009, there are signs that business conditions are stabilising and improving. This has become particularly evident for the company with enquiries and tendering activity for the company's products having increased significantly in recent periods.

The company's Queensland operations begin the 09/10 financial year with a solid workload well into the 2010 calendar year, mainly servicing the equipment requirements of miners in the Hunter Valley and Bowen Basin regions. In more recent weeks, further orders have been received for dump truck bodies for the Bowen Basin in Queensland. Of particular note is an order for 8 "ultra-class" bodies for a major OEM, which will be the first time that these large bodies will be manufactured and delivered in Australia. Business conditions in WA are improving, with orders now being received for dump truck bodies for manufacture and delivery into the beginning of the 2010 calendar year. Miners and OEMs remain cautious in North America, however enquiry and tendering activities are also showing signs of recovery.

As announced to the market on 3 August 2009, the acquisition of the dump truck body business of Conymet Ltda in Chile enables the company to enter into a key market where major miners are progressing with expansion plans, their equipment needs are significant and where competition and operational risks are low. Integration of the Conymet business (which will operate under the name of Austin Ingenieros Chile Ltda.) into Austin's existing business structure and expansion of the company's Westech and JEC product ranges into Chilean operations will be a key business and operational objective throughout the 09/10 financial year. In addition, a joint venture will be established in Brazil in order to take advantage of the market opportunity that also exists in that region.

Technology

The group continues to have a strong focus on the development and introduction of automated welding technology to secure improvements in productivity, growth in productive capacity and to mitigate the impact of shortages in skilled labour. Further investment in automated welding technology is planned across the group in FY2010, together with expenditure on other capital equipment directed towards securing improvements in logistics and productivity.

Directors' Report

Environmental Issues
The group has blasting and painting facilities at its Brisbane operation and these are subject to environmental regulation. A licence to operate this facility has been granted.

Information on Directors
Michael Buckland, Managing Director since 2003
Michael Buckland is a mechanical engineer with 25 year's experience encompassing operational, business development and senior management positions with several large engineering organisations. He held a variety of general management positions with the ANI Group from 1979 to 1998, which were chiefly within fabrication and engineering operations in Australia and overseas. He served as chief executive officer of Kirkfield Engineering and Construction Pty Ltd and Minproc Ghana Pty Ltd from 1998 to 2000 and was chief executive officer of aiEngineeering Pty Ltd from 2000 to 2001. He was a director of West Australian Metals Ltd from January 2003 to March 2004.

Interests in shares and options at 30 June 2009: 2,513,448 ordinary shares and 1,000,000 options.
Directorships held in other listed entities: none

Peter Fitch, Non-Executive Chairman since 2004
Peter Fitch is a qualified engineer who has over 36 years' experience in the engineering and mining industries in Australia and overseas. He was previously an executive director of ANI with responsibility for Australian and international engineering and construction operations and was also formerly chairman of Oldenberg Stamler Australasia and Oldenberg Mining South Africa.

Interests in shares and options at 30 June 2009: 603,448 ordinary shares and 250,000 options.
Directorships held in other listed entities: none.

Peter Pursey, AM, Non-Executive Director since 2004
Peter Pursey has extensive experience as a company director of both listed and non-listed public companies in Australia and the USA. He is experienced in executive management and currently provides corporate advisory and development services to emerging and growth companies, particularly in the areas of strategic planning, capital raising and project management.

Interests in shares and options at 30 June 2009: 534,000 ordinary shares and 500,000 options.
Directorships held in other listed entities: none.

Eugene Fung, Non-Executive Director since 2004
Eugene Fung is a corporate lawyer and partner of a national law firm. He advises both listed and unlisted companies regularly on corporate finance matters, mergers and acquisitions, corporate governance and the ASX listing rules. He is a member of the Australian Institute of Company Directors and is a Fellow of the Financial Services Institute of Australasia and holds a graduate Diploma in Applied Finance from FinSIA (formerly the Securities Institute of Australia).

Interests in shares and options at 30 June 2009: 558,448 ordinary shares and 250,000 options.
Directorships held in other listed entities: none.

Paul Reading, Non-Executive Director since 1 January 2009
Paul Reading is an experienced company director who has sat on a number of boards both in Australia and overseas. He has a commercial background and his executive career was spent in the manufacturing and heavy engineering industries. He is the principal of a business advisory and consulting company that provides assistance and advice relating to the management and operational issues of varying types of businesses. He was also a consultant to the Sydney Organising Committee for the Olympic Games (SOCOG) for three years, prior to becoming Group General Manager - Commercial & Marketing for that organisation. He held senior finance positions with Australian National Industries Limited (ANI), from 1978 until 1995, including five years as Finance Director.

Interests in shares and options at 30 June 2009: none.
Directorships held in other listed entities: none.

Information on Company Secretary
Colin Anderson, Company Secretary since January 2007
Colin Anderson is a chartered accountant with over 23 years' experience encompassing strategic business planning, financial control and systems development with a number of engineering and manufacturing companies in Australia and overseas. He was as a member of the formative senior management team when the Austin Engineering business was purchased in 2003 and chief financial officer and company secretary up to August 2005 and he rejoined the group on 31 January 2007.

Audited Remuneration Report
Remuneration levels for directors and senior executives of the group are competitively set to attract, motivate and retain appropriately qualified and experienced directors and senior executives. The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Directors' Report

Audited Remuneration Report

Principles used to determine the nature and amount of remuneration

The objective of the group's remuneration policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of senior executives is reviewed annually by the board through a process that considers the performance of individual business units and the overall performance of the group. In addition, external analysis and advice is sought by the board, where considered appropriate, to ensure that the remuneration for directors and senior executives is competitive in the market place. The policy attempts to align executive reward with the achievement of strategic objectives and the creation of value for shareholders. The major features are:

- Economic profit is a core component
- Attract and retain high quality executives
- Reward capability and experience
- Reflect competitive rewards for contributing to growth in shareholders wealth
- Provide recognition for contribution

Non-executive directors:
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors and their contribution towards the performance of the group.

Non-executive directors' fees and payments are reviewed annually by the board. Non-executive directors' fees are determined with an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 of which $249,034 was paid in 2009.

In order to align the interests of shareholders and non-executive directors, the group's policy is to grant options over unissued shares to non-executive directors, but subject to shareholder approval.

Executive directors and senior executives:
All remuneration paid to executive directors and senior executives is valued at cost to the executive remuneration and comprises four components:

- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through the issue of options
- Other remuneration such as superannuation

Base pay and benefits:
Executive directors and senior executives are offered a competitive base pay with due regard to current market rates. This base pay is calculated on a total cost basis and may include charges associated with the provision or a motor vehicle, including FBT charges, as well as employer contributions to superannuation funds. The remuneration of senior executives is reviewed annually by the board. There is no guaranteed base pay increases included in any executive directors or senior executive's contracts.

Short-term incentives:
Each year the board sets the KPIs (key performance indicators) for the executive directors, currently consisting only of the managing director. The managing director is eligible for short-term incentive cash bonus payments based on the achievement of the KPIs as specified in his executive service agreement. These KPIs include the achievement of each of the group's business units and the group as a whole achieving budgeted profit and cash flow targets and the completion of a major new offshore contract generating set revenue and profit targets.

In addition to the foregoing, the managing director is entitled, after the end of any financial year, to 50,000 ordinary shares in the company at nil cost where the volume weighted average price of the company's shares in the twenty trading days after the release of the company's full year final audited financial statements exceeds a pre-determined target share price. The target share price is set at the beginning of the financial year and takes into account forecast net profit after tax for the forthcoming financial year, industry price-earnings multiples and the number of shares on issue.

Short-term incentives paid to senior executives are made on a discretionary basis as determined by the managing director. These incentives, while not guaranteed, are determined by the achievement of a number of performance criteria including, but not limited to, financial performance indicators for budgeted profit, cash flow, and various performance targets specific for each area of operational responsibility.

The KPIs set for executive directors and senior executives are the significant profit and cash flow drivers which are linked to the company's growth and profitability and hence shareholder value. Performance is measured against budgets as this is the most accurate measure available against which to assess the achievement of the KPIs. No bonus is awarded where performance falls below the minimum acceptable KPI levels as determined by the board or the managing director.

Long-term incentives:
Long-term performance incentives are delivered through the grant of options to executive directors, non-executive directors and to selected senior executives. The issue of options to executive and non-executive directors and senior executives is based upon a number of factors including, but not limited to:

- Achievement of financial performance, financial position and liquidity exceeding approved internal budgets
- Comparison to other similar companies in related business segments and industries
- Development of the company share price and payment of dividends
- Obtaining benchmarking advice from independent professional advisors where appropriate

Directors' Report

Audited Remuneration Report
Principles used to determine the nature and amount of remuneration (cont'd)
Long-term incentives:

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth since 2005 and forms the background against which the grant of options over the relevant periods has been considered:

	30 June 2009	30 June 2008	30 June 2007	30 June 2006*	30 June 2005
Revenue ($000s)	179,316	106,343	57,500	48,883	38,327
Earnings before interest and tax ($000s)	21,610	17,050	7,310	2,680	2,019
Profit after tax ($000s)	14,832	11,536	4,977	1,620	1,190
Share price at start of year ($)	2.09	1.83	0.41	0.29	0.29
Share price at end of year ($)	1.53	2.09	1.83	0.41	0.28
Interim dividend - fully franked (cents)	1.5	1.0	0.5	-	-
Final dividend - fully franked (cents)	6.5	6.5	3.5	2.0	1.0
Basic earnings per share (cents)	31.39	24.73	12.45	4.07	3.33
Diluted earnings per share (cents)	29.39	23.44	11.74	3.94	3.04

*excludes gain on sale of properties

The company's share price during the year ended 30 June 2009 was impacted by global economic conditions. Following the stabilisation of markets after the end of the financial year, the company's share price has strengthened and the company is confident of increasing its long-term earnings and share price development through continued market expansion, with a particular emphasis on growing its operations into South America.

Details of remuneration
Amounts paid or payable, or otherwise made available to directors and senior executives were:

	Short-Term Benefits			Post-Employment Benefits	Share Based Payments - Equity Settled		Total	Total % Performance Related	Total % Options Related
	Salary & Fees $000	Cash Bonus $000	Motor Vehicle $000	Super-annuation $000	Shares $000	Options $000	$000	%	%
2009:									
Executive Director:									
Michael Buckland	385	124	32	34	63	-	638	29	-
Non-Executive Directors:									
Peter Fitch	75	-	-	-	-	-	75	-	-
Eugene Fung	70	-	-	-	-	-	70	-	-
Peter Pursey	70	-	-	-	-	-	70	-	-
Paul Reading	35	-	-	-	-	-	35	-	-
	250	-	-	-	-	-	250		
Senior Executives:									
Colin Anderson	194	32	-	20	-	67	313	10	21
Total	829	156	32	54	63	67	1,201		

The cash bonus paid to Michael Buckland in the year ended 30 June 2009 was granted on 1 September 2008 and represented 100% of the bonus that vested. The bonus was paid on the achievement of predetermined profit and business development KPI targets set for the financial year. The cash bonus paid to Colin Anderson was granted on 1 September 2008 and represented 100% of the bonus that vested. The bonus was paid on the achievement of predetermined profit and other internal KPI targets set for the financial year.

On 28 November 2008, the issue of 150,000 shares to Michael Buckland was approved by shareholders in general meeting, pursuant to the company entering into an executive services contract with Michael Buckland on 30 June 2008. This executive services contract includes an executive remuneration component comprising of the issue of 50,000 shares to Michael Buckland in respect of each of the financial years ending on 30 June 2008, 2009 and 2010. The issue of the shares is dependent upon the company's volume weighted average share price (VWAP), in the 20 days after the release of the company's annual audited financial statements for the relevant financial year, exceeding a target price. The target price is based on factors including budget net profit after tax for the relevant financial year, industry price/earnings multiples and the number of shares on issue. At the end of each financial year the board compares the actual VWAP performance against the target and the shares are issued only if the target is met or exceeded. The shares are issued at no cost to Michael Buckland.

The performance measures were chosen as they directly align Michael Buckland's reward to the KPI's of the company and to its strategy and performance. The method of assessment was chosen as it provides the Board with an objective assessment of Michael Buckland's performance. On 5 December 2008, 50,000 shares (the '2008 shares') were issued to Michael Buckland in recognition of the achievement of the performance targets. The weighted average fair value of the shares at the measurement date was $1.25 each.

Directors' Report

Audited Remuneration Report
Details of remuneration (cont'd)

	Short-Term Benefits			Post-Employment Benefits	Share Based Payments - Equity Settled		Total	Total % Perform-ance Related	Total % Options Related
	Salary & Fees $000	Cash Bonus $000	Motor Vehicle $000	Super-annuation $000	Options $000	Shares $000	$000	%	%
2008:									
Executive Director:									
Michael Buckland	295	99	32	27	135	-	588	17	23
Non-Executive Directors:									
Peter Fitch	54	-	-	-	68	-	122	-	56
Eugene Fung	49	-	-	-	68	-	117	-	58
Peter Pursey	49	-	-	-	68	-	117	-	58
	152	-	-	-	204	-	356		
Senior Executives:									
Colin Anderson	157	-	-	14	15	-	186	-	8
Total	604	99	32	41	354	-	1,130		

The cash bonus paid to Michael Buckland in the year ended 30 June 2008 was granted on 1 September 2007 and represented 100% of the bonus that vested. The bonus was paid on the achievement of predetermined profit and business development KPI targets set for the financial year.

Service agreements
Remuneration for executive directors and senior executives are formalised in service agreements and employment contracts.

Michael Buckland has an executive service agreement dated 30 June 2008 with Austin Engineering Limited. The agreement lasts until 30 June 2011. The agreement can be terminated by either party providing six months written notice is given or immediately in the case of gross misconduct. If the company terminates employment for non-performance, then the company can make a payment in lieu of notice of three months' remuneration and benefits. If the company terminates employment for a reason other than incapacity, misconduct or non-performance, then a termination payment will be paid equal to the salary and superannuation that would have been paid for the remainder of the term of the agreement.

Colin Anderson, Chief Financial Officer and Company Secretary, has an employment contract with Austin Engineering Limited dated 13 December 2006. There is no prescribed duration in the contract, which can be terminated with three months notice by either party. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments.

Share-based compensation
Options issued during the year:
Options are issued to directors and senior executives from time to time as part of their remuneration. Options are issued to align the interests of directors, executives and shareholders and are issued at the discretion of the directors after consideration of the company's financial performance. The issue of options is not based on fixed or specific performance criteria. Board approval is required to be obtained prior to security being provided over options issued as part of remuneration. During the year, the following options were issued:

	Number	Grant Date	Vesting Period	First Exercise Date	Last Exercise And Expiry Date	Value per Option at Grant Date ($)	Exercise Price ($)	Number and % Vested
Senior Executives:								
Colin Anderson	150,000	22 Dec 2008	2 years	22 Dec 2010	22 Dec 2011	0.14	1.50	Nil

None of the options detailed above were forfeited. The options were issued at no cost to the recipient. Options carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The amounts disclosed for emoluments relating to options are the assessed fair values at grant date using, where appropriate, a Black Scholes pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility and dividend yield of the underlying share and the risk-free interest rate for the term of the option. The options vest after two years of employment with the company.

Directors' Report

Audited Remuneration Report
Share-based compensation (cont'd)
Unexercised options at the end of the year:
At 30 June 2009 the following options were unexercised:

	Number	Grant Date	Vesting Period	First Exercise Date	Last Exercise and Expiry Date	Value per Option at Grant Date	Exercise Price	Number and % Vested
Executive Director:						$	$	
Michael Buckland	500,000	23 Nov 2007	Nil	23 Nov 2007	23 Nov 2010	0.27	2.00	500,000 (100%)
Michael Buckland	500,000	17 Nov 2006	Nil	1 Dec 2006	1 Dec 2009	0.13	0.60	500,000 (100%)
Non-Executive Directors:								
Peter Fitch	250,000	23 Nov 2007	Nil	23 Nov 2007	23 Nov 2010	0.27	2.00	250,000 (100%)
Eugene Fung	250,000	23 Nov 2007	Nil	23 Nov 2007	23 Nov 2010	0.27	2.00	250,000 (100%)
Peter Pursey	250,000	23 Nov 2007	Nil	23 Nov 2007	23 Nov 2010	0.27	2.00	250,000 (100%)
Peter Pursey	250,000	17 Nov 2006	Nil	1 Dec 2006	1 Dec 2009	0.13	0.60	250,000 (100%)
Senior Executives:								
Colin Anderson	200,000	1 Sept 2007	2 years	1 Sept 2009	1 Sept 2010	0.32	1.90	Nil
Colin Anderson	150,000	22 Dec 2008	2 years	22 Dec 2010	22 Dec 2011	0.14	1.50	Nil

(End of Remuneration Report)

Options
At the date of this report, the total number of unissued ordinary shares of Austin Engineering Limited under option was as follows:

Number of Options	Exercise Price	Expiry Date
750,000	$0.60	1 Dec 2009
650,000	$1.90	1 Sept 2010
1,250,000	$2.00	23 Nov 2010
1,050,000	$1.50	22 Dec 2011
3,700,000		

Meetings of Directors
The number of meetings of the board of directors and the audit committee during the year was:

	Board of Directors		Audit Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Michael Buckland	9	9	-	-
Peter Fitch	9	9	2	2
Peter Pursey	9	9	4	4
Eugene Fung	9	9	4	4
Paul Reading	4	4	2	2

Indemnification of Directors and Officers
The company has previously entered into agreements to indemnify the directors and officers against liability (including costs and expenses) for an act or omission by them in their capacity of directors and officers of the company, other than (amongst other things) conduct involving a lack of good faith. The company has also paid premiums in respect of directors and officers liability. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company
During the year, no person has applied for leave of court to bring proceedings on behalf of the company or group or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

At 30 June 2009, the company was in the process of pursuing payment of an unpaid receivable from a customer by legal means.

Directors' Report

Non-Audit Services
The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110; Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standard Board.

The following fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2009:

	$
Auditors of the parent entity:	
Taxation services	40,316
Corporate advisory services	43,383
	83,699
Auditors of subsidiary companies:	
Taxation services	10,552
Corporate advisory services	7,859
	18,411

Auditors' Independence Declaration
A copy of the lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out in page 10.

Rounding of Amounts
The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the directors:

Michael Buckland

Director
25 September 2009

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN 70 202 702 402

DECLARATION OF INDEPENDENCE

BY PAUL GALLAGHER TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2009, I declare that, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Austin Engineering Limited and the entities it controlled during the period.

BDO Kendalls (QLD)

Paul Gallagher
Partner

Dated at Brisbane this 25th day of September 2009

Corporate Governance Statement

Introduction

The board of Austin Engineering Ltd is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the company's business. The directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance.

The directors have established the processes to protect the interests and assets of shareholders and to ensure the highest standard of integrity and governance of the company.

The Australian Securities Exchange Corporate Governance Council sets out best practice recommendations including corporate governance practices and suggested disclosures. ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX recommendations and to give reasons for not following them.

Unless otherwise indicated, the best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, have been adopted by the company for the year ended 30 June 2009 as relevant to the size and complexity of the company and its operations. The board has adopted a formal board charter, audit committee charter, audit policy, external communications policy (including a continuous disclosure policy), securities trading policy and code of conduct for directors and officers.

PRINCIPLE 1: LAY A SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

The Austin Engineering Ltd Board Charter sets out the functions and responsibilities of the board. The directors of the company are accountable to shareholders for the proper management of business and affairs of the company.

The key responsibilities of the board are to:

- establish, monitor and modify the corporate strategies of the company;
- ensure proper corporate governance;
- monitor the performance of management of the company;
- ensure that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- assess the necessary and desirable competencies of board members, review board succession plans, evaluate its own performance and consider the appointment and removal of directors;
- consider executive remuneration and incentive policies, the company's recruitment, retention and termination policies and procedures for senior management and the remuneration framework for non-executive directors
- monitor financial results;
- approve decisions concerning the capital, including capital restructures, and dividend policy of the company; and
- comply with the reporting and other requirements of the law.

The board delegates responsibility for day-to-day management of the company to the managing director, subject to certain financial limits. The managing director must consult the board on matters that are sensitive, extraordinary, of a strategic nature or matters outside the permitted financial limits.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives

The directors are of the opinion that in the period to 30 June 2009, the company was not of a size, nor were its affairs of such complexity, to warrant the formation of a separate nomination and remuneration committee. Accordingly, the responsibilities of these committees were carried out by the full board. All senior executives were reviewed during the financial year in accordance with the general process of review. In addition, pursuant to the board charter, the board conducted an annual review of itself during the financial year, taking into account developments, trends and standards set in the external market place.

After the end of the financial year ended 30 June 2009, the board has resolved to form a nomination and remuneration committee of which the members will be Peter Fitch and Paul Reading. The committee will operate pursuant to a nomination and remuneration committee charter. The nomination and remuneration committee will be responsible for various aspects of remuneration and nomination, including the review of senior executives and board members at least annually.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the Board should be independent directors

The board presently comprises five directors, four of whom, including the chairman, are non-executive and independent directors. The managing director is an executive director. Profiles of the directors are set out on page 4 of this annual report. All directors (except the managing director) are subject to retirement by rotation but may stand for re-election by the shareholders every three years. The terms of the managing director's appointment are governed by his terms of engagement.

The composition of the board is determined by the board and, where appropriate, external advice is sought. The board has adopted the following principles and guidelines in determining the composition of the board:

Corporate Governance Statement

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the Board should be independent directors (cont'd)

The majority of directors ought to be independent:

To be independent, a director ought to be non-executive and:

- not be a substantial shareholder of the company or an officer of, or be otherwise associated directly with a substantial shareholder of the company;
- not be employed in an executive capacity with the company in the last three years or been a director after ceasing to hold such employment;
- not within the last three years been a principal of, professional adviser or a consultant to the company or an employee materially associated with the service provider, whose annual billings to the company represent more than 1% of the company's annual revenue or more than 5% of the professional advisor's or consultant's total annual billings;
- not be a supplier or customer of the company or an officer of, or otherwise associated directly with a supplier or customer whose annual billings to the company represent more than 1% of the company's annual revenue or more than 5% of the supplier's or customer's total annual revenue;
- not have a material contractual relationship with the company other than as director of the company;
- not been on the board for a period which could materially interfere with the director's ability to act in the best interests of the company; and
- is otherwise free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Recommendation 2.2: The chair should be an independent director

The chairman, Peter Fitch, is an independent director. He is responsible for the leadership of the board and he has no other positions that hinder the effective performance of this role.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual

The role of chairman is held by Peter Fitch whilst the role of managing director (equivalent to CEO) is held by Michael Buckland.

Recommendation 2.4: The Board should establish a nomination committee

The directors are of the opinion that in the period to 30 June 2009, the company was not of a size, nor were its affairs of such complexity, to warrant the formation of a separate nomination and remuneration committee. Accordingly, the responsibilities of these committees were carried out by the full Board.

However after the end of the financial year ended 30 June 2009, the board has resolved to form a nomination and remuneration committee of which the members will be Peter Fitch and Paul Reading. The committee will operate pursuant to a nomination and remuneration committee charter. The charter will set out the responsibilities of the committee including reviewing board succession plans to ensure an appropriate balance of skills and expertise, developing policies and procedures for the appointments of directors and identifying directors with appropriate qualifications to fill board committee vacancies. The term of non-executive directorships is set out in the company's constitution.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

The board and its committees undertook self-assessment in accordance with their relevant charters during the financial year. Peter Fitch undertook to conduct annual one-on-one personal performance discussions with each of the individual directors.

The board was provided with all company information it needed in order to effectively discharge its responsibilities and were entitled to, and did, request additional information when considered necessary or desirable.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code to guide the directors, managing director, the chief financial officer and other key executives in responsible decision-making

The company has developed codes of conduct to guide all of the company's employees, particularly directors, the managing director, the chief financial officer and other senior executives, in respect of ethical behavior. These codes are designed to maintain confidence in the company's integrity and the responsibility and accountability of all individuals within the company for reporting unlawful and unethical practices. These codes of conduct embrace such areas as:

- conflicts of interest
- corporate opportunities
- confidentiality
- fair dealing and trade practices
- protection of assets
- compliance with laws, regulations and industry codes
- 'whistle-blowing'
- security trading
- commitment to and recognition of the legitimate interests of stakeholders

Corporate Governance Statement

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (cont'd)

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy

Directors and other shareholders are encouraged to be long-term holders of the company's shares. For directors and officers, the company has adopted a formal securities trading policy. Directors and officers may not deal in any of the company's securities at any time if they have inside information. A director or officer may trade in securities in the four-week period after the release to the ASX of the half-yearly and annual results, the end of the annual general meeting or at any time the company has a prospectus open, but only if they have no inside information and the trading is not for short-term or speculative gain. A director or officer may trade in securities at other times only if they are personally satisfied that they are not in possession of inside information and have obtained the approval of the chairman or in the case of any proposed trade by the chairman, of another non-executive director nominated by the chairman for the purpose.

Directors and officers must advise the company secretary in writing of the details of completed transactions within two business days following each transaction. Such notification is necessary whether or not prior authority has been required. The secretary must maintain a register of securities transactions. The company must comply with its obligations to notify the ASX in writing of any changes in the holdings of securities or interest in securities by directors.

PRINCIPLE 4: SAFEGUARD THE INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee

The board-appointed audit committee operates in accordance with the audit committee charter. The details of the committee meetings held during the year and attendance at those meetings are detailed in the directors meetings schedule in the directors' report.

Recommendation 4.2: The audit committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not chair of the board and has at least three members

The composition of the company's audit committee was consistent in all aspects of recommendation 4.1. The audit committee consists of:

Peter Pursey (Chairman)

Eugene Fung

Paul Reading

Each of the members of the committee are independent non-executive directors and the chairman of the committee is not the chairman of the board. The managing director and the chief financial officer/company secretary may attend the meetings at the invitation of the committee.

All members of the committee are financially literate (i.e. they are able to read and understand financial statements) and have an understanding of the industry in which the company operates. Paul Reading is an experienced financial professional and he spent his executive career in the manufacturing and heavy engineering industries.

The audit committee will provide an independent review of:

- the effectiveness of the accounting and internal control systems and management reporting which are designed to safeguard company assets;
- financial information produced by the company;
- the accounting policies adopted by the company;
- the quality of the internal and external audit functions;
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary; and
- approving internal audit plans including identified risk areas.

Recommendation 4.3: The audit committee should have a formal charter

A formal audit committee charter has been adopted by the board. This charter sets out the role and responsibilities, composition, structure and membership requirement of the audit committee.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies

The board recognises that the company as a publicly-listed entity has an obligation to make timely and balanced disclosure in accordance with the requirements of the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The board also is of the view that an appropriately informed shareholder base, and market in general, is essential to an efficient market for the company's securities. The board is committed to ensuring that shareholders and the market have timely and balanced disclosure of matters concerning the company. In demonstration of this commitment, the company has adopted a formal external communications policy including a continuous disclosure policy.

Corporate Governance Statement

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE (cont'd)

Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies (cont'd)

In order to ensure the company meets its obligations of timely disclosure of such information, the company has adopted the following policies:

- immediate notification to ASX of information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities as prescribed under listing rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the listing rules;

- the company has a website and all information disclosed to ASX will be promptly placed on the website following receipt of confirmation from ASX and, if deemed desirable, released to the wider media; and

- the company will not respond to market rumors or speculation, except where required to do so under the listing rules.

Based on information provided to the company secretary by directors, officers and employees, the company secretary is responsible for determining which information is to be disclosed and for the overall administration of this policy.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy

The company has an external communications policy and the board recognises that shareholders are the beneficial owners of the company and respects their rights and is continually seeking ways to assist shareholders in the exercise of those rights. The board also recognises that as owners of the company the shareholders may best contribute to the company's growth, value and prosperity if they are informed. To this end the board seeks to empower shareholders by:

- communicating effectively with them;
- enabling them to have to access to balanced and understandable information about the company, its operations and proposals; and
- assisting shareholder participation in general meetings.

All shareholders are entitled to receive a copy of the company's annual and half-yearly reports. In addition, the company's website provides opportunities for shareholders to access company announcements, media releases and financial reports through electronic means.

The board is committed to assisting shareholders participation in meetings and has adopted the following measures:

- adoption of the ASX Corporate Governance Council's recommendation and guidelines as published in the Council's *Principles of Good Governance and Best Practice Recommendations* in respect of notices of meetings; and
- ensuring that a representative of the company's external auditor, subject to availability, is present at all annual general meetings and that shareholders have adequate opportunity to ask questions of the auditor at that meeting concerning the audit and preparation and content of the auditor's report.

The board has determined that the company website is the primary source of information for shareholders.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The board has overall responsibility to all stakeholders for the identification, assessment, management and monitoring of the risks faced by the company. The company currently has in place informal policies and procedures for risk management but the audit committee seeks to ensure compliance with regulatory requirements. The operational risks are managed at the senior management level and escalated to the board for direction where the issue is exceptional, non-recurring or may impose a material financial or operational burden on the company. The relatively small size of the company means that communication and decision-making is largely centralised ensuring early identification of risks by senior management. It also allows senior management to respond to each risk as appropriate without the need for a written risk management policy.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

Given the relatively small centralized management team, the nature of the products and services supplied by the company and that the majority of the independent directors sit on the audit committee, the board is continuously kept informed of the effectiveness of the company's internal control systems.

The board is in the process of formalising risk management policies. In addition, the managing director and chief financial officer have informed the board that the integrity of the financial statements is founded on a system of risk management and internal control which implements the policies adopted by the board and that the company's risk management and internal control system is operating effectively in all material respects to manage the company's material business risks.

Corporate Governance Statement

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBILY

Recommendation 8.1: The board should establish a remuneration committee

The directors are of the opinion that in the period to 30 June 2009, the company was not of a size, nor were its affairs of such complexity, to warrant the formation of a separate remuneration committee. Accordingly, the responsibilities of this committee were carried out by the full board. All senior executives were reviewed during the financial year in accordance with the general process of review. In addition, pursuant to the board charter, the board conducted an annual review of itself during the financial year, taking into account developments, trends and standards set in the external market place.

After the end of the financial year ended 30 June 2009, the board has resolved to form a nomination and remuneration committee of which the members will be Peter Fitch and Paul Reading. The committee will operate pursuant to a nomination and remuneration committee charter. The nomination and remuneration committee will be responsible for various aspects of remuneration, including the review of senior executives and board members at least annually.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

Non-executive directors are remunerated by way of fees. They may receive options (subject to shareholder approval) but there is no scheme for retirement benefits, other than statutory superannuation. Executive directors are paid a salary and provided with shares and/or options and bonuses as part of their remuneration and incentive package. The do not receive a separate payment for participation on the board.

.

Income Statement for the year ended 30 June 2009

		2009		2008	
	Notes	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
		$000	$000	$000	$000
Revenue	2	179,316	107,640	106,343	71,156
Raw materials and consumables expenses		(75,417)	(51,599)	(36,524)	(27,897)
Employment expenses		(59,671)	(30,729)	(37,184)	(23,203)
Subcontractor expenses		(1,461)	(1,264)	(2,160)	(1,558)
Occupancy and utility expenses		(3,564)	(2,765)	(2,932)	(2,310)
Depreciation and amortisation expense		(2,243)	(1,314)	(1,807)	(1,105)
Other expenses from ordinary activities		(15,161)	(6,023)	(8,503)	(5,068)
Finance costs	3	(929)	(809)	(834)	(683)
Profit before income tax	3	20,870	13,137	16,399	9,332
Income tax expense	4	(6,038)	(3,548)	(4,863)	(2,569)
Profit for the full year attributable to members of the parent entity		**14,832**	**9,589**	**11,536**	**6,763**
Earnings per share:					
Basic earnings per share (cents)	8	31.39		24.73	
Diluted earnings per share (cents)	8	29.39		23.44	

The accompanying notes form an integral part of these financial statements.

Balance Sheet as at 30 June 2009

	Notes	2009 Consolidated Entity	2009 Parent Entity	2008 Consolidated Entity	2008 Parent Entity
		$000	$000	$000	$000
Current Assets					
Cash and cash equivalents	9	25,070	17,931	5,810	4,535
Trade and other receivables	10	18,845	10,331	22,695	16,074
Inventories	11	9,712	5,447	11,500	5,233
Other	12	611	16,590	1.172	18,897
Total Current Assets		54,238	50,299	41,177	44,739
Non-Current Assets					
Property, plant and equipment	13	26,704	10,875	21,846	10,176
Other financial assets	14	3,918	23,460	1,717	20,135
Intangible assets	15	17,708	2,706	16,752	2,706
Deferred tax assets	19	2,777	1,463	1,329	333
Total Non-Current Assets		51,107	38,504	41,644	33,350
Total Assets		105,345	88,803	82,821	78,089
Current Liabilities					
Trade and other payables	16	20,689	18,158	26,044	29,279
Financial liabilities	17	1,025	689	548	120
Current tax liabilities	18	1,385	1,042	1,124	1,088
Provisions	20	4,112	2,167	1,867	887
Total Current Liabilities		27,211	22,056	29,583	31,374
Non-Current Liabilities					
Financial liabilities	17	25,928	25,351	21,291	20,379
Deferred tax liabilities	19	259	15	324	5
Total Non-Current Liabilities		26,187	25,366	21,615	20,384
Total Liabilities		53,398	47,422	51,198	51,758
Net Assets		**51,947**	**41,381**	**31,623**	**26,331**
Equity					
Contributed equity	21	23,094	23,094	13,000	13,000
Retained earnings		29,910	18,767	18,361	12,946
Reserves	22	(1,057)	(480)	262	385
Total Equity		**51,947**	**41,381**	**31,623**	**26,331**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2009

	Contributed Equity	Retained Profits	Options Reserve	Foreign Currency Translation Reserve	Available for Sale Investments Reserve	Total
	$000	$000	$000	$000	$000	$000
Consolidated Entity						
Opening balance at 1 July 2007	9,694	8,918	-	-	-	18,612
Profit for the year	-	11,536	-	-	-	11,536
Issue of shares	3,236	-	-	-	-	3,236
Share issue costs	(100)	-	-	-	-	(100)
Dividends paid	-	(2,093)	-	-	-	(2,093)
Deferred tax adjustment to equity items	170	-	-	-	-	170
Share based payments	-	-	385	-	-	385
Currency translation differences	-	-	-	(123)	-	(123)
Closing balance at 30 June 2008	13,000	18,361	385	(123)	-	31,623
Opening balance at 1 July 2008	13,000	18,361	385	(123)	-	31,623
Profit for the year	-	14,832	-	-	-	14,832
Issue of shares	10,253	-	-	-	-	10,253
Share issue costs	(227)	-	-	-	-	(227)
Dividends paid	-	(3,768)	-	-	-	(3,768)
Deferred tax adjustment to equity items	68	-	-	-	517	585
Adjustment to value of available for sale financial assets	-	-	-	-	(1,723)	(1,723)
Share based payments	-	-	341	-	-	341
Currency translation differences	-	485	-	(454)	-	31
Closing balance at 30 June 2009	23,094	29,910	726	(577)	(1,206)	51,947
Parent Entity						
Opening balance at 1 July 2007	9,694	8,276	-	-	-	17,970
Profit for the year	-	6,763	-	-	-	6,763
Issue of shares	3,236	-	-	-	-	3,236
Share issue costs	(100)	-	-	-	-	(100)
Dividends paid	-	(2,093)	-	-	-	(2,093)
Deferred tax adjustment to equity items	170	-	-	-	-	170
Share based payments	-	-	385	-	-	385
Closing balance at 30 June 2008	13,000	12,946	385	-	-	26,331
Opening balance at 1 July 2008	13,000	12,946	385	-	-	26,331
Profit for the year	-	9,589	-	-	-	9,589
Issue of shares	10,253	-	-	-	-	10,253
Share issue costs	(227)	-	-	-	-	(227)
Dividends paid	-	(3,768)	-	-	-	(3,768)
Deferred tax adjustment to equity items	68	-	-	-	517	585
Adjustment to value of available for sale financial assets	-	-	-	-	(1,723)	(1,723)
Share based payments	-	-	341	-	-	341
Closing balance at 30 June 2009	23,094	18,767	726	-	(1,206)	41,381

The accompanying notes form an integral part of these financial statements.

Cash flow statement for the year ended 30 June 2009

	Notes	2009 Consolidated Entity	2009 Parent Entity	2008 Consolidated Entity	2008 Parent Entity
		$000	$000	$000	$000
Cash flows from operating activities					
Receipts from customers		189,943	121,474	116,037	76,817
Payments to suppliers and employees		(162,108)	(106,053)	(97,887)	(62,763)
Interest received		202	186	183	164
Dividends received		217	217	-	-
Borrowing costs		(929)	(809)	(834)	(683)
Income tax paid		(5,760)	(4,130)	(4,015)	(2,789)
Net cash provided by operating activities	26a	21,565	10,885	13,484	10,746
Cash flows from investing activities					
Purchase of business and company	26b	(219)	(219)	(22,683)	(9,616)
Investment in available for sale financial assets	14	(4,347)	(4,347)	(1,399)	(1,399)
Receipt of cash from joint venture	14	972	972	-	-
Purchase of property, plant and equipment		(5,741)	(2,014)	(5,670)	(4,655)
Net cash used in investing activities		(9,335)	(5,608)	(29,752)	(15,670)
Cash flows from financing activities					
Proceeds from issue of shares		10,026	10,026	3,136	3,136
Proceeds from borrowings		2,100	2,100	21,590	21,590
Issue of inter-company loans		-	-	-	(13,068)
Repayment of borrowings		(667)	(239)	(6,866)	(6,201)
Dividend payment	7	(3,768)	(3,768)	(2,093)	(2,093)
Net cash provided by financing activities		7,691	8,119	15,767	3,364
Net increase/(decrease) in cash held		19,921	13,396	(501)	(1,560)
Cash at the beginning of the year	9	5,810	4,535	6,311	6,095
Currency exchange movements		(661)	-	-	-
Cash at the end of the year	9	**25,070**	**17,931**	**5,810**	**4,535**

The accompanying notes form an integral part of the statement of these financial statements.

Notes to the financial statements for the year ended 30 June 2009

The registered office and principal place of business of Austin Engineering Limited is 173 Cobalt Street, Carole Park, Queensland, 4300, Australia.

Note 1: Statement of Compliance and Significant Accounting Policies
This financial report includes the consolidated financial statements and notes of Austin Engineering Limited and controlled entities (‘Consolidated Group’ or ‘Group’), and the separate financial statements and notes of Austin Engineering Limited as an individual parent entity (‘Parent Entity’). Austin Engineering Limited is a listed public company incorporated and domiciled in Australia.

Basis of Preparation
The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.
The financial report has been prepared on an accruals basis and is based on historical costs except for derivatives, land and buildings and available for sale financial instruments that have been measured at fair value. The financial report is presented in Australian dollars.

a. **Principles of Consolidation**

A controlled entity is any entity over which Austin Engineering Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity’s incremental borrowing rate. In the company’s financial statements, investments in subsidiaries are carried at cost.

Goodwill is recognised initially at the excess of cost over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer’s interest is greater than cost, the surplus is immediately recognised in profit or loss.

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).
Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.
Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.
Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.
Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Notes to the financial statements for the year ended 30 June 2009

c. **Inventories**

Inventories consist of raw materials, consumables and work in progress and are valued at the lower of cost and net realisable value. Work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under payables.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms and conditions of the contract and an allocation of overhead expenses incurred in connection with the Company's activities in general.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%-3%
Leasehold improvements	10%
Plant and equipment	5%-40%
Furniture, fittings and office equipment	20%-40%
Motor vehicles	20%-40%
Computer equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. **Research and Development Expenditure**

Costs associated with research and development activities are expensed in the year incurred.

f. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements for the year ended 30 June 2009

g. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. **Interests in Joint Ventures**

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 14.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

i. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

j. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

k. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within twelve months of the reporting date have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than twelve months of the reporting date have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

l. **Equity-settled compensation**

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

m. **Provision for Warranties**

Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

Notes to the financial statements for the year ended 30 June 2009

n. **Provision for Doubtful Debts**

The carrying amount of receivables is reduced by the use of an allowance account where there is objective evidence that it may not be possible to recover all amounts due. Evidence of impairment may include indications that the customer is experiencing significant financial difficulty, where there is a fair probability that the customer will be put into liquidation, where debt collection procedures have commenced or where there are commercial disagreements with the customer. The amount of the provision is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the effective interest rate. When receivables for which an impairment has previously been recognised are determined to be uncollectible, they are written off against the allowance account. If no provision for impairment was previously recognised, the impairment is written off against the receivable directly. Impairment losses arising from the use of allowance accounts or bad debts are recognised in the income statement as part of other expenses from ordinary activities.

Receivables are determined to be uncollectible only when there is no expectation of recovering any additional cash. This may occur when a final distribution from administrators or liquidators or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote.

o. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

p. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

q. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

r. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

u. **Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars.

v. **Critical Accounting Estimates and Judgments**

Key Estimates:

Options

The amounts disclosed for emoluments relating to options are the assessed fair values at grant date using, where appropriate, a Black Scholes pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility and dividend yield of the underlying share and the risk-free interest rate for the term of the option. The assumptions and estimates used in the valuation process are based on reasonable forward estimates and expectations which may subsequently be different over time due to market and wider economic factors.

Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and require the group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

Notes to the financial statements for the year ended 30 June 2009

	2009		2008	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$000	$000	$000	$000
Note 2: Revenue				
Operating activities:				
Sale of goods	178,514	106,431	105,108	70,847
Royalties	-	-	894	-
Other	383	331	158	145
	178,897	106,762	106,160	70,992
Non-operating activities:				
Interest received - bank deposits	202	661	183	164
Dividends received	217	217	-	-
Total	**179,316**	**107,640**	**106,343**	**71,156**
Note 3: Profit for the year				
Profit for the year is derived after charging:				
Cost of goods sold	136,490	83,886	77,058	54,759
Finance costs - bank loans	929	809	834	683
Rental expense on operating leases - minimum lease payments	2,514	2,313	2,053	1,811
Provision for doubtful debts	505	-	-	-
Realised foreign currency exchange losses	253	-	-	-
Unrealised foreign currency exchange losses	180	-	-	-
Note 4: Income tax expense				
Components of tax expense:				
The components of tax expense comprise:				
Current tax - current period	6,416	4,084	4,779	2,836
Deferred tax - origination and reversal of temporary differences	(378)	(536)	375	59
Over-provision in respect of prior years	-	-	(291)	(326)
	6,038	**3,548**	**4,863**	**2,569**
Prima facie tax reconciliation:				
The prima facie tax on profit before income tax is reconciled to the income tax charge as follows:				
Prima facie tax payable on profit before income tax at 30% (2008:30%)	6,261	3,941	4,920	2,800
Add tax effect of:				
Non-deductible depreciation and amortisation	97	97	13	13
Other non-allowable items	21	21	15	13
Accounting expenditure on research and development	157	157	133	133
Share options expensed in the year	102	102	116	116
Under-provision for tax in prior years	-	-	35	-
Differences in overseas tax rates	266	-	141	-
Less tax effect of:				
Research and development expenses	(274)	(274)	(166)	(166)
Other capital allowances	(97)	(97)	(13)	(13)
Under provision for tax in prior years	-	-	(326)	(326)
Non-assessable interest	(143)	(143)	-	-
Fully-franked dividends	(65)	(65)	-	-
Investment allowances and other items	(287)	(191)	(5)	(1)
Income tax attributable to entity	**6,038**	**3,548**	**4,863**	**2,569**
Applicable weighted average effective tax rates	29%	27%	30%	28%

Note 5: Key management personnel and compensation
Key management personnel:
The names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year were:

Person	***Position***
Michael Buckland	Managing Director
Colin Anderson	Chief Financial Officer and Company Secretary
Peter Fitch	Non-Executive Chairman
Eugene Fung	Non-Executive Director
Peter Pursey	Non-Executive Director
Paul Reading	Non-Executive Director (appointed 1 January 2009)

Notes to the financial statements for the year ended 30 June 2009

Note 5: Key management personnel and compensation (cont'd)
Remuneration for key management personnel:

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Short-term employment benefits	1,017	1,017	735	735
Post-employment benefits	54	54	41	41
Share-based payments	130	130	354	354
	1,201	1,201	1,130	1,130

Options held by key management personnel:

2009:

	Balance at beginning of year	Granted during the year as compensation	Exercised during the year	Balance at end of year	Total vested at reporting date	Total exercisable at reporting date
	No.	No.	No.	No.	No.	No.
Michael Buckland	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Peter Fitch	250,000	-	-	250,000	250,000	250,000
Eugene Fung	250,000	-	-	250,000	250,000	250,000
Peter Pursey	500,000	-	-	500,000	500,000	500,000
Paul Reading	-	-	-	-	-	-
Colin Anderson	200,000	150,000	-	350,000	-	-
Total	2,200,000	150,000	-	2,350,000	2,000,000	2,000,000

2008:

	Balance at beginning of year	Granted during the year as compensation	Exercised during the year	Balance at end of year	Total vested at reporting date	Total exercisable at reporting date
Michael Buckland	1,000,000	500,000	(500,000)	1,000,000	1,000,000	1,000,000
Peter Fitch	500,000	250,000	(500,000)	250,000	250,000	250,000
Eugene Fung	372,000	250,000	(372,000)	250,000	250,000	250,000
Peter Pursey	500,000	250,000	(250,000)	500,000	500,000	500,000
Colin Anderson	100,000	200,000	(100,000)	200,000	-	-
Total	2,472,000	1,450,000	(1,722,000)	2,200,000	2,000,000	2,000,000

Shares held by key management personnel:

2009:

	Balance at beginning of year	Options exercised during the year	Granted during the year	Sold during the year	Balance at end of year
	No.	No.	No.	No.	No.
Michael Buckland	2,463,448	-	50,000	-	2,513,448
Peter Fitch	603,448	-	-	-	603,448
Eugene Fung	558,448	-	-	-	558,448
Peter Pursey	534,000	-	-	-	534,000
Paul Reading	-	-	-	-	-
Colin Anderson	123,448	-	-	-	123,448
Total	4,282,792	-	50,000	-	4,332,792

2008:

	Balance at beginning of year	Options exercised during the year	Granted during the year	Sold during the year	Balance at end of year
Michael Buckland	1,963,448	500,000	-	-	2,463,448
Peter Fitch	103,448	500,000	-	-	603,448
Eugene Fung	186,448	372,000	-	-	558,448
Peter Pursey	284,000	250,000	-	-	534,000
Colin Anderson	23,448	100,000	-	-	123,448
Johan Andersson	150,000	-	-	(150,000)	-
Total	2,710,792	1,722,000	-	(150,000)	4,282,792

None of the shares are held nominally.

Notes to the financial statements for the year ended 30 June 2009

	2009 Consolidated Entity	2009 Parent Entity	2008 Consolidated Entity	2008 Parent Entity
	$	$	$	$
Note 6: Auditor's remuneration				
Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial report of any entity in the group	60,000	60,000	51,000	51,000
Taxation services	40,316	40,316	2,406	2,406
Corporate advisory services	43,383	43,383	19,537	19,537
	143,699	143,699	72,943	72,943
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report	71,906	-	54,864	-
Taxation services	10,552	-	16,034	-
Corporate advisory services	7,859	-	-	-
	90,317	-	70,898	-
	$000	$000	$000	$000
Note 7: Dividends				
Distributions paid - final dividends:				
Fully franked ordinary dividend of 6.5 cents per share franked at a tax rate of 30% for the financial year ended 30 June 2008, paid on 10 October 2008	3,061	3,061	-	-
Fully franked ordinary dividend of 3.5 cents per share franked at a tax rate of 30% for the financial year ended 30 June 2007, paid on 12 October 2007	-	-	1,624	1,624
Distributions paid - interim dividends:				
Fully franked ordinary dividend of 1.5 cents per share franked at a tax rate of 30% for the financial year ended 30 June 2009, paid on 27 March 2009	707	707	-	-
Fully franked ordinary dividend of 1.0 cents per share franked at a tax rate of 30% for the financial year ended 30 June 2008, paid on 28 March 2008	-	-	469	469
	3,768	3,768	2,093	2,093
Balance of franking account at year end	7,304	7,304	4,655	4,655
Adjustment for franking credits arising from payment of provisional income tax	1,056	1,056	1,102	1,102
Adjustment for payment of final dividend declared for the year	(1,930)	(1,930)	(1,312)	(1,312)
	6,430	6,430	4,445	4,445
Note 8: Earnings per share				
Reconciliation of earnings to profit:				
Profit after tax	14,832		11,536	
Earnings used to calculate basic and diluted earnings per share	14,832		11,536	
Weighted average number of ordinary shares:	No. (000)		No. (000)	
Used to calculate basic earnings per share	47,256		46,641	
Effect of dilutive securities - share options	3,205		2,575	
Used to calculate diluted earnings per share	50,461		49,216	
Note 9: Cash and cash equivalents				
Cash at bank and in hand	25,070	17,931	5,810	4,535
	25,070	**17,931**	**5,810**	**4,535**
Note 10: Trade and other receivables				
Trade receivables	19,350	10,331	22,695	16,074
Provision for impairment of receivables	(505)	-	-	-
	18,845	**10,331**	**22,695**	**16,074**

The carrying amounts of the consolidated entity's trade receivables are denominated in the following currencies:

	2009 Consolidated Entity	2008 Consolidated Entity
Australian dollars	12,213	17,891
US dollars (Australian dollar equivalent)	6,632	4,804
	18,845	22,695

Notes to the financial statements for the year ended 30 June 2009

Note 10: Trade and other receivables (cont'd)
At 30 June 2009, a provision of $505,513 was made in respect of one trade receivable for the consolidated entity for which payment was overdue (2008: nil). Recovery of this trade receivable is subject to an ongoing litigation process. The provision of $505,513 represents 42% of the total receivable and is based on a prudent assessment of the ultimate recovery upon the conclusion of the litigation process. The total of the net receivable ultimately recovered could be higher or lower than the net amount recorded at the end of the financial year. No current trade receivables of the parent entity are considered impaired at 30 June 2009 (2008: nil). The ageing analysis of trade receivables was as follows:

	2009		2008	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$000	$000	$000	$000
Current	12,396	7,177	15,386	10,643
0-30 days	4,140	1,967	6,155	5,221
31-60 days	1,171	993	369	147
61-90 days	152	150	351	-
91+days	986	44	434	63
	18,845	**10,331**	**22,695**	**16,074**

At 30 June 2009, $6,449,000 of trade receivables were past due but not impaired (2008: $7,309,000). These relate to a number of customers for whom there is no recent history of default or other indicators of impairment.

	2009 Consolidated Entity	2009 Parent Entity	2008 Consolidated Entity	2008 Parent Entity
Note 11: Inventories				
Raw materials and consumables	4,288	2,390	4,031	391
Work-in-progress	5,424	3,057	6,253	4,842
Finished goods	-	-	1,216	-
	9,712	**5,447**	**11,500**	**5,233**
Note 12: Other assets				
Prepayments	506	260	617	436
Deferred tax assets	-	-	439	-
Inter-company loans and trading accounts	-	16,225	-	18,348
Other assets	105	105	116	113
	611	**16,590**	**1,172**	**18,897**
Note 13: Property, plant and equipment				
Land:				
Freehold land at:				
Fair value on acquisition	3,345	1,005	1,970	1,005
Cost	563	14	556	18
Total land	3,908	1,019	2,526	1,023
Buildings:				
Buildings at:				
Fair value on acquisition	10,433	1,341	7,813	1,341
Cost	3,520	3,476	3,523	3,476
Less accumulated depreciation	(323)	(166)	(128)	(66)
Total buildings	13,630	4,651	11,208	4,751
Total land and buildings	17,538	5,670	13,734	5,774
Capital work in progress:				
Capital work in progress at:				
Cost	231	-	-	-
Plant and equipment:				
Plant and equipment at:				
Fair value on acquisition	3,364	511	3,364	511
Cost	11,950	9,491	9,083	7,478
Less accumulated depreciation	(6,379)	(4,797)	(4,335)	(3,587)
	8,935	5,205	8,112	4,402
Total property, plant and equipment	**26,704**	**10,875**	**21,846**	**10,176**

Notes to the financial statements for the year ended 30 June 2009

Note 13: Property, plant and equipment (cont'd)

Movements in carrying amounts:

	Freehold Land	Buildings	Capital Work in Progress	Plant And Equipment	Total
	$000	$000	$000	$000	$000
Consolidated Entity:					
Balance at 1 July 2007	1,052	1,774	296	6,868	9,990
Additions	555	3,523	(296)	1,968	5,750
Additions through acquisitions of entities	998	6,530	-	1,203	8,731
Disposals	-	-	-	(125)	(125)
Foreign currency exchange movements	(79)	(516)	-	(98)	(693)
Depreciation expense	-	(98)	-	(1,709)	(1,807)
Balance at 30 June 2008	2,526	11,213	-	8,107	21,846
Additions	1,217	1,497	232	2,674	5,620
Additions through acquisitions of entities	-	-	-	-	-
Disposals	-	-	-	(23)	(23)
Foreign currency exchange movements	169	1,119	(1)	217	1,504
Depreciation expense	(4)	(195)	-	(2,044)	(2,243)
Balance at 30 June 2009	**3,908**	**13,634**	**231**	**8,931**	**26,704**
Parent Entity:					
Balance at 1 July 2007	1,005	1,312	296	4,013	6,626
Additions	20	3,477	(296)	1,468	4,669
Disposals	-	-	-	(14)	(14)
Depreciation expense	-	(38)	-	(1,067)	(1,105)
Balance at 30 June 2008	1,025	4,751	-	4,400	10,176
Additions	-	-	-	2,013	2,013
Disposals	-	-	-	-	-
Depreciation expense	(4)	(100)	-	(1,210)	(1,314)
Balance at 30 June 2009	**1,021**	**4,651**	**-**	**5,203**	**10,875**

The group's properties and plant and equipment acquired as part of the acquisition of Kaldura Industries, Austbore Pty Limited and Western Technology Services Inc. were valued in April and November 2007 by independent valuers. The Austbore Pty Limited workshop property acquired in the financial year ended 30 June 2009 was valued in February 2009 by an independent valuer.

Notes to the financial statements for the year ended 30 June 2009

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Note 14: Other financial assets				
Investments accounted for using the equity method:				
Majan Aluminium Services Company LLC:	1,082	745	1,717	1,717
Investments in controlled entities, at cost:				
Austbore Pty Ltd	-	9,961	-	9,961
Western Technology Services Inc.	-	619	-	612
Austin Engineering USA Inc.	-	9,299	-	7,845
Austin Inversiones Chile Ltda.	212	212	-	-
Available for sale financial assets, at fair value:				
Listed equity securities	2,624	2,624	-	-
Net carrying value	**3,918**	**23,460**	**1,717**	**20,135**
Movements during the year:				
Majan Aluminium Services Company LLC:				
Balance at beginning of year	1,717	1,717	318	318
New investments during the year	-	-	1,399	1,399
Share of profits of joint venture	337	-	-	-
Return of cash from joint venture	(972)	(972)	-	-
Balance at end of year	1,082	745	1,717	1,717
Austbore Pty Ltd:				
Balance at beginning of year	-	9,961	-	9,480
Provision for earn-out payment	-	-	-	500
Adjustment to prior period acquisition costs	-	-	-	(19)
Balance at end of year	-	9,961	-	9,961
Western Technology Services Inc.:				
Balance at beginning of year	-	612	-	-
New investments during the year	-	7	-	612
Balance at end of year	-	619	-	612
Austin Engineering USA Inc.:				
Balance at beginning of year	-	7,845	-	-
New investments during the year	-	-	-	8,523
Effect of foreign currency exchange movements		1,454		(678)
Balance at end of year	-	9,299	-	7,845
Austin Inversiones Chile Ltda.:				
Balance at beginning of year	-	-	-	-
New investments during the year	212	212	-	-
Balance at end of year	212	212	-	-
Listed equity securities:				
Balance at beginning of year	-	-	-	-
New investments during the year	4,347	4,347	-	-
Revaluation deficit transferred to equity	(1,723)	(1,723)	-	-
Balance at end of year	2,624	2,624	-	-

	Country of Incorporation	Percentage Owned 2009	Percentage Owned 2008
Parent entity:			
Austin Engineering Ltd	Australia		
Subsidiaries of Austin Engineering Limited:			
Austbore Pty Ltd	Australia	100%	100%
Austin Engineering USA Inc.	USA	100%	100%
Austin Inversiones Chile Ltda.	Chile	100%	-
Subsidiaries of Austin Engineering USA Inc.:			
Western Technology Services inc.	USA	100%	100%

Austin Engineering Limited has a 50% interest in Majan Aluminium Services Company LLC, incorporated in Oman, which was formed for the purpose of manufacturing aluminium busbars for the Sohar Aluminium Company in Oman. Austin Inversiones Chile Ltda. was formed after the end of the financial year for the purpose of acquiring the assets of the steel dump truck body business of Conymet Ltda. New investments during the financial year ended 30 June 2009 represent formation costs incurred during the financial year on the establishment of operations in South America.

Notes to the financial statements for the year ended 30 June 2009

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Note 15: Intangible assets				
Goodwill				
Cost	17,708	2,706	16,752	2,706
Accumulated impairment losses	-	-	-	-
Net carrying value	**17,708**	**2,706**	**16,752**	**2,706**
Movements:				
Balance at beginning of year	16,752	2,706	9,596	2,706
Acquisitions through business combinations	7	-	7,598	-
Effect of foreign exchange movements	949	-	(442)	-
Balance at end of year	17,708	2,706	16,752	2,706

Goodwill has an infinite life. The allocation of goodwill, including that arising from business acquisitions during the year, has been made to the consolidated group's business units and at the balance date this goodwill has been tested for impairment across those business units. Goodwill allocated to the business units is as follows:

Kaldura Industries	2,706	2,706	2,706	2,706
Austbore Pty Ltd	8,310	-	8,310	-
Western Technology Services Inc.	6,692	-	5,736	-
Net carrying value	17,708	2,706	16,752	2,706

The recoverable amount of goodwill in each cash generating unit is based on value in-use calculations, using cash flow projections based on the following year's budget, extended over five years. The cash flows are discounted using an estimated average cost of capital of 12%. The underlying operating assumptions have been determined based on Management's assessment of the company's market position, industry conditions in the past and likely business conditions in the future. The principal assumptions used across all business units include annual growth rates of 5%, CPI of 4% and a USD/AUD exchange rate of 79 cents. Significant changes in the underlying major assumptions would be required to generate an impairment charge.

Note 16: Trade and other payables				
Current unsecured liabilities:				
Trade payables	11,334	8,104	18,025	13,898
Sundry payables and accrued expenses	6,553	3,910	4,611	2,951
Progress payments in advance	2,802	2,802	3,408	3,408
Inter-company loans and trading accounts	-	3,342	-	9,022
	20,689	**18,158**	**26,044**	**29,279**

The carrying amounts of the consolidated entity's trade and other payables are denominated in the following currencies:

Australian dollars	15,685		21,321	
US dollars (Australian dollar equivalent)	5,004		4,723	
	20,689		26,044	

Note 17: Financial liabilities				
Current secured liabilities:				
Hire purchase and lease obligations	545	209	548	120
Bank loan	480	480	-	-
	1,025	**689**	**548**	**120**
Non-current secured liabilities:				
Hire purchase and lease obligations	833	256	1,417	505
Bank loans	25,095	25,095	19,874	19,874
	25,928	**25,351**	**21,291**	**20,379**
Total of current and non-secured liabilities:				
Hire purchase and lease obligations	1,378	465	1,965	625
Bank loans	25,575	25,575	19,874	19,874
	26,953	**26,040**	**21,839**	**20,499**

Hire purchase and lease obligations are secured by a charge over the relevant assets.

Note 18: Current tax liabilities				
Income tax	1,385	1,042	1,124	1,088
	1,385	**1,042**	**1,124**	**1,088**

Notes to the financial statements for the year ended 30 June 2009

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Note 19: Deferred tax				
Deferred tax assets - current				
Prior period losses	-	-	439	-
	-	-	439	-
Deferred tax assets - non-current				
Non-current deferred tax assets comprise:				
Employee leave entitlements	585	308	331	266
Warranty and other provisions	852	493	-	-
Transaction costs on equity issue	73	74	32	33
Prior period losses	626	-	916	-
Revaluation of available for sale financial assets	517	517	-	-
Other	124	71	50	34
	2,777	1,463	1,329	333
Total deferred tax assets	**2,777**	**1,463**	**1,768**	**333**
Deferred tax liabilities - non-current				
Non-current deferred tax assets comprise:				
Revaluation of assets on acquisition	259	15	324	5
Total deferred tax liabilities	**259**	**15**	**324**	**5**
Movements - deferred tax assets:				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Current:				
Prior period losses:				
Opening balance	439	-	-	-
Acquired on acquisition of subsidiaries	-	-	629	-
Movement to income statement	(439)	-	(146)	-
Foreign currency exchange differences	-	-	(44)	
Closing balance	-	-	439	-
Non-Current:				
Employee leave entitlements:				
Opening balance	331	266	-	-
Under provision from prior year	-	-	355	293
Movement to income statement	254	42	(24)	(27)
Closing balance	585	308	331	266
Warranty and other provisions:				
Opening balance	-	-	-	-
Movement to income statement	852	493	-	-
Closing balance	852	493	-	-
Transaction costs on equity issue:				
Opening balance	32	33	-	-
Movement to equity	41	41	32	33
Closing balance	73	74	32	33
Prior period losses:				
Opening balance	916	-	-	-
Acquired on acquisition of subsidiaries	-	-	1,160	-
Movement to income statement	(290)	-	(158)	-
Foreign currency exchange differences	-	-	(86)	-
Closing balance	626	-	916	-
Revaluation of available for sale financial assets:				
Opening balance	-	-	-	-
Movement to equity	517	517	-	-
Closing balance	517	517	-	-
Other:				
Opening balance	50	34	-	-
Under provision from prior year	-	-	35	27
Movement to income statement	74	37	15	7
Closing balance	124	71	50	34

Notes to the financial statements for the year ended 30 June 2009

	2009 Consolidated Entity	2009 Parent Entity	2008 Consolidated Entity	2008 Parent Entity
	$000	$000	$000	$000
Note 19: Deferred tax (cont'd)				
Movements - deferred tax liabilities:				
The movement in deferred tax liabilities for each temporary difference during the year is as follows:				
Revaluation of assets on acquisition:				
Opening balance	319	5	-	-
Under provision from prior year	-	-	465	-
Movement to income statement	(75)	5	(146)	-
	244	5	319	-
Other:				
Opening balance	5	5	-	-
Movement to income statement	10	10	5	5
	15	15	5	5
Note 20: Provisions				
Employee leave entitlements:				
Balance at beginning of year	1,475	837	935	728
Provided during the year	1,555	862	892	654
Utilised during the year	(1,198)	(671)	(781)	(545)
Acquired on acquisition of subsidiaries	-	-	466	-
Foreign currency exchange differences	72	-	(37)	-
Balance at end of year	1,904	1,028	1,475	837
Warranty provisions:				
Balance at beginning of year	392	50	250	250
Provided during the year	2,092	1,152	887	578
Utilised during the year	(373)	(63)	(57)	(18)
Released during the year	-	-	(1,029)	(760)
Acquired on acquisition of subsidiaries	-	-	371	-
Foreign currency exchange differences	18	-	(30)	-
Balance at end of year	2,129	1,139	392	50
Deferred maintenance:				
Balance at beginning of year	-	-	170	170
Provided during the year	159	-	-	-
Utilised during the year	(80)	-	(170)	(170)
Balance at end of year	79	-	-	-
Total current provisions	**4,112**	**2,167**	**1,867**	**887**

The provision for employee leave entitlements relates to annual leave and long service leave. In calculating the present value of future cash flows in relation to long service leave, the probability of leave being taken is based on an estimate of the expected service periods. Provision is made for potential warranty claims at the balance date and is based on management assessments of the likelihood of claims arising from products delivered during the year as well as historical costs incurred on meeting warranty claims in prior years. The deferred maintenance provision is for possible one-off, significant, maintenance costs associated with the use of production equipment in the company's operations. Provision is made on the basis of an assessment of historical costs incurred and the extent of the use of equipment in the relevant financial year.

	2009 Parent Entity		2008 Parent Entity	
Note 21: Issued capital	No. 000	$000	No. 000	$000
Ordinary shares (fully paid):				
Balance at beginning of year	46,991	13,000	43,269	9,694
Shares issued during the year:				
Exercise of options	100	50	2,222	942
Issue of placement shares	7,037	10,203	1,500	2,295
Issue of performance-related shares	50	-	-	-
Cost of share issues	-	(227)	-	(100)
Deferred tax adjustment to cost of share issues	-	68	-	169
Balance at end of year	**54,178**	**23,094**	**46,991**	**13,000**

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one per share.

Notes to the financial statements for the year ended 30 June 2009

Note 21: Issued capital (cont'd)

On 16 June 2009 the company announced a $31m capital raising program, consisting of a $26m Institutional Placement and a $5m Shareholder Share Purchase Plan. The proceeds of the Placement were received in two Tranches, with Tranche 1 raising $10.2m from the issue of 7.0m shares at $1.45 per share on 22 June 2009. Tranche 2 of the Placement was completed on 23 July 2009, with $15.8m being raised from the issue of 10.9m shares, also at $1.45 per share. The Share Purchase Plan was completed on 27 July 2009, with $4.9m of the $5.0m sought by the company being raised by the issue of 3.3m shares at $1.45 per share.

Options

For information relating to Austin Engineering Limited's employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the year-end, refer to note 27: Share-based payments. For information relating to share options issued to key management personnel during the financial year, also refer to refer to note 27: Share-based payments.

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's total capital is defined as the shareholders' net equity plus net debt, and amounted to $53,830,000 at 30 June 2009 (30 June 2008: $47,652,000). The objective when managing the group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The group does not have a fixed target debt-to-equity ratio but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains below 50%. The gearing ratios for the years ending 30 June 2009 and 30 June 2008 are as follows:

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Total borrowings	26,953	26,040	21,839	20,499
Less cash and cash equivalents*	(14,867)	(7,728)	(5,810)	(4,535)
Net debt*	12,086	18,312	16,029	15,964
Total equity*	41,744	31,178	31,623	26,331
Total capital*	53,830	49,490	47,652	42,295
Gearing ratio*	22%	37%	34%	38%

*excludes $10,203,000 of funds received in late June 2009 in relation to tranche 1 of placement shares issued to fund the expansion of the company's operations into South America.

Note 22: Reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchanges differences arising on the translation of foreign controlled subsidiaries.

Option reserve

The option reserve records items recognised as expenses on the valuation of director and employee share options.

Available for sale investments reserve

The available for sale investments reserve records differences arising on the comparison of the purchase price of investments against the market value at the balance date.

Note 23: Capital and leasing commitments

Finance and hire purchase lease commitments:

Not later than one year	633	231	646	130
Between one and five years	883	260	1,529	555
Minimum lease payments	1,516	491	2,175	685
Less: future finance charges	(138)	(26)	(210)	(60)
	1,378	465	1,965	625

Plant and equipment is leased from Westpac Banking Corporation for periods lasting between one and five years. Lease payments are for fixed amounts over the term of the leases. Lease liabilities are secured by a charge over the leased assets.

Operating lease commitments:

Not later than one year	2,222	2,222	1,484	1,297
Between one and five years	7,921	7,921	5,186	5,186
Greater than 5 years	10,390	10,390	9,888	9,888
	20,533	20,533	16,558	16,371

The company has various property leases under non-cancellable arrangements expiring between 1 and 12 years with rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum payments be increased by CPI or current market rental at various review periods. Options exist to renew the leases at the end of their term for additional periods and conditions. The leases allow for subletting of the lease areas.

Notes to the financial statements for the year ended 30 June 2009

Note 23: Capital and leasing commitments

	2009		2008	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$000	$000	$000	$000
Capital commitments:				
Plant and equipment purchases	1,201	-	1,100	1,100
	1,201	-	1,100	1,100

These capital commitments are payable within twelve months. No capital commitments are payable after twelve months.

Note 24: Contingent liabilities

Bank guarantees are issued to third parties arising out of dealings in the normal course of business. The values of guarantees issued are shown in note 26.

Note 25: Segment reporting

Primary reporting - revenue source

	Mining Products		Licence Fees		Aluminium Products	
	2009	2008	2009	2008	2009	2008
	$000	$000	$000	$000	$000	$000
Revenue	186,368	106,403	-	1,997	2,319	-
Result:						
Segment result	23,090	18,352	-	894	337	-
Unallocated expenses	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Profit before income tax	23,090	18,352	-	894	337	-
Income tax expense	-	-	-	-	-	-
Profit after income tax	23,090	18,352	-	894	337	-
Assets:						
Segment assets	105,345	82,821	-	-	-	-
Liabilities:						
Segment liabilities	53,398	51,198	-	-	-	-
Other:						
Depreciation of segment assets	2,243	1,807	-	-	-	-
Acquisition of non-current segment assets	-	8,731	-	-	-	-

	Eliminations		Consolidated	
	2009	2008	2009	2008
	$000	$000	$000	$000
Revenue	(9,371)	(2,058)	179,316	106,342
Result				
Segment result	-	-	23,427	19,246
Unallocated expenses	(1,629)	(2,013)	(1,629)	(2,013)
Finance costs	(928)	(834)	(928)	(834)
Profit before income tax	(2,557)	(2,847)	20,870	16,399
Income tax expense	(6,038)	(4,863)	(6,038)	(4,863)
Profit after income tax	(8,595)	(7,710)	14,832	11,536
Assets				
Segment assets	-	-	105,345	82,821
Liabilities				
Segment liabilities	-	-	53,398	51,198
Other				
Depreciation of segment assets	-	-	2,243	1,807
Acquisition of non-current segment assets	-	-	-	8,731

Notes to the financial statements for the year ended 30 June 2009

Note 25: Segment reporting (cont'd)
Secondary reporting - geographical source

	Segment revenues from external customers		Carrying amount of segment assets		Carrying amount of segment liabilities		Acquisitions of non-current assets	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$000	$000	$000	$000	$000	$000	$000	$000
Geographical source:								
Australia	106,998	76,020	75,753	61,836	48,722	47,483	-	-
North America	57,455	19,926	28,847	20,985	4,676	3,715	-	8,731
Indonesia	10,967	6,539	-	-	-	-	-	-
Middle East	2,319	-	745	-	-	-	-	-
Africa	270	1,980	-	-	-	-	-	-
South America	131	996	-	-	-	-	-	-
Russia	-	881	-	-	-	-	-	-
Japan	1,176	-	-	-	-	-	-	-
	179,316	106,342	105,345	82,821	53,398	51,198	-	8,731

Accounting policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities include deferred income taxes.

Inter-segment transfers
Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length basis. These transfers are eliminated on consolidation.

Business and geographical segments
The consolidated group does not operate on a divisional basis as most of its activities related to the manufacture of mining products of a very similar nature across all operations. Accordingly, the primary segment reporting is performed on the basis of revenue sources, being mining products manufacture and fees generated from the manufacture of these products under licence.

The consolidated group's business segments, together with manufacturing operations, are located only in Australia and North America. Each of these operations generates revenue domestically and internationally and this is reflected in the secondary segment reporting on the basis of the geographical source of revenue.

Note 26: Cash flow information

	2009		2008	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
a) Reconciliation of cash flow from operations with profit after income tax				
Profit after income tax	14,832	9,589	11,536	6,763
Depreciation	2,243	1,314	1,807	1,105
Share of joint venture profits	(337)	-	-	-
Share options expense	341	341	385	385
(Increase)/decrease in receivables	4,897	5,744	(4,978)	(8,204)
(Increase)/decrease in inventories	3,204	(214)	(4,002)	(2,509)
(Increase)/decrease in other assets	594	4,535	1,249	907
Increase/(decrease) in payables	(6,068)	(11,122)	8,315	12,781
Increase/(decrease) in income taxes payable	(259)	(582)	(740)	(222)
Increase/(decrease) in provisions	2,118	1,280	(88)	(260)
Net cash provided by operating activities	**21,565**	**10,885**	**13,484**	**10,746**

Notes to the financial statements for the year ended 30 June 2009

Note 26: Cash flow information (cont'd)

	Austbore Pty Ltd	Western Technology Services Inc.	Total
	$000	$000	$000
b) Acquisition of entities			
2008:			
Total purchase consideration - cash outflow	481	22,202	22,683
Fair value of assets acquired:			
Cash		1,787	
Receivables		8,090	
Inventories		4,771	
Deferred tax assets		1,767	
Other assets		188	
Property		7,528	
Plant and equipment		1,203	
Payables		(4,031)	
Bank overdraft		(522)	
Other liabilities and provisions		(4,757)	
		16,024	
Goodwill on acquisition		6,178	
		22,202	

Goodwill is attributable to the profitability of the acquired businesses and the significant business development and synergies expected to arise after the group's acquisition of all of the businesses. The assets and liabilities arising from acquisitions are recognised at fair value. The fair value of properties is based on independent valuations.

No entities were acquired in the year ended 30 June 2009. $219,000 of formation costs were incurred in the year on the establishment of operations in South America through Austin Inversiones Chile Ltda. On 30 November 2007, the company, through its newly-formed 100%-owned subsidiary Austin Engineering Inc., acquired all of the issued share capital of Western Technology Services Inc. (Westech) for a cash consideration of US$19m. The $481,000 paid in relation to Austbore Pty Ltd in 2008 was a cash consideration following the achievement of pre-determined profit earn-out conditions during the year following acquisition.

The operating results of Westech included in the consolidated income statement of Austin Engineering Ltd from acquisition on 30 November 2007 to 30 June 2008, and the pro-forma effect of the acquisition of Westech from 1 July 2007, were as follows:

	Westech Result for 7 Months	Consolidated Income Statement	Westech Pro-Forma Result for 12 Months	Consolidated Pro-Forma Income Statement
	$000	$000	$000	$000
Revenue	25,210	106,343	43,217	124,350
Profit after tax	3,144	11,536	5,390	13,782

Notes to the financial statements for the year ended 30 June 2009

Note 26: Cash flow information (cont'd)
c) Bank facilities

	2009		2008	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$000	$000	$000	$000
The consolidated group and company had access to the following bank facilities at the balance date:				
Acquisition bank loan	23,556	23,556	22,000	22,000
Utilised	(23,556)	(23,556)	(19,874)	(19,874)
Unused	-	-	2,126	2,126
Business development facility	-	-	5,000	5,000
Utilised	-	-	-	-
Unused	-	-	5,000	5,000
Bank guarantee and trade finance facilities	4,000	4,000	3,000	3,000
Utilised	(1,511)	(1,511)	(2,560)	(2,560)
Unused	2,489	2,489	440	440
Overdraft facilities	3,500	3,500	4,500	4,500
Utilised	-	-	-	-
Unused	3,500	3,500	4,500	4,500
Finance lease, hire purchase and asset purchase facilities	5,146	4,233	5,675	4,184
Utilised	(3,666)	(2,753)	(2,175)	(684)
Unused	1,480	1,480	3,500	3,500
Interchangeable facilities	500	500	500	500
Utilised	-	-	-	-
Unused	500	500	500	500
Total facilities	36,702	35,789	40,675	39,184
Utilised	(28,733)	(27,820)	(24,609)	(23,118)
Unused	7,969	7,969	16,066	16,066

The major facilities are summarised as follows:

Acquisition bank loan:
This facility, which lasts until 27 October 2010, was granted by the group's bank to accommodate the purchase of Western Technology Services Inc. on 30 November 2007. The facility was drawn-down in US dollars and is interest-only. At 30 June 2009, the loan carried a variable interest rate of 1.85%. The interest rate can also be fixed.

Business development facility:
This facility was not renewed by the company following a review of required bank facilities in late November 2008.

Bank guarantee and trade finance facilities:
These facilities are used to provide security for the performance and delivery of products and services delivered to the group's customers. The security provided, generally a bank guarantee or standby letter of credit, is priced at a set fee every quarter. These facilities are subject to review each year, with the next review being on 27 October 2009.

Overdraft facilities:
These facilities are used to provide working capital support to the group's operations and attract variable interest rates applicable at the date of utilisation. These facilities are subject to review each year, with the next review being on 27 October 2009.

Finance lease, hire purchase facilities and asset purchase facilities:
These facilities are available to assist with the purchase of capital equipment for use in the group's operations and attract fixed interest rates applicable at the date of utilisation. These facilities are subject to review each year, with the next review being on 27 October 2009.

At 30 June 2009 the bank facilities of the consolidated and parent entities are secured by a fixed and floating charge over the assets and undertakings of each of the entities. The group must maintain covenants relating to the debt drawn under the bank's credit facilities. These covenants relate to interest cover and gearing and the company was in compliance with these covenants throughout the financial year ended 30 June 2009. The group's policy is to centralise debt and surplus cash balances whenever possible.

Notes to the financial statements for the year ended 30 June 2009

Note 27: Share-based payments
The following share-based payment arrangements existed at 30 June 2009:

Performance-based shares:
On 28 November 2008, the issue of 150,000 shares to Michael Buckland was approved by shareholders in general meeting, pursuant to the company entering into an executive services contract with Michael Buckland on 30 June 2008. This executive services contract includes an executive remuneration component comprising of the issue of 50,000 shares to Michael Buckland in respect of each of the financial years ending on 30 June 2008, 2009 and 2010. The issue of the shares, which is dependent upon the achievement of certain performance targets and requirements, is at no cost to Michael Buckland. On 5 December 2008, 50,000 shares (the '2008 shares') were issued to Michael Buckland in recognition of the achievement of the performance targets. The weighted average fair value of the shares at the measurement date was $1.25 each.

Options:

- On 25 August 2006, 600,000 share options were granted to employees to take up ordinary shares at an exercise price of 50 cents each under the Austin Engineering Ltd employee share option plan. The options are exercisable between 31 August 2006 and 31 August 2008. Shares issued upon exercise of the options are unable to be traded until after 31 August 2007. The options are unlisted, hold no voting rights or dividend rights and are not transferable. During the year, 100,000 of these options were exercised, leaving none unexercised at the balance date.

- On 17 November 2006, 1,250,000 share options were approved by shareholders in general meeting and granted to the directors to take up ordinary shares at an exercise price of 60 cents each. The options are exercisable between 1 December 2006 and 1 December 2009. The options are unlisted, hold no voting rights or dividend rights and are not transferable. 750,000 remain unexercised at the balance date.

- On 1 September 2007, 200,000 share options were granted to Colin Anderson to take up ordinary shares at an exercise price of $1.90 each under the Austin Engineering Ltd employee share option plan. The options have a two year vesting period and are exercisable between 1 September 2009 and 1 September 2010. The options are unlisted, hold no voting rights or dividend rights and are not transferable. During the year, none of the options vested or were exercised leaving 200,000 unexercised at the balance date.

- On 1 September 2007, 450,000 share options were granted to employees to take up ordinary shares at an exercise price of $1.90 each under the Austin Engineering Ltd employee share option plan. The options have a two year vesting period and are exercisable between 1 September 2009 and 1 September 2010. The options are unlisted, hold no voting rights or dividend rights and are not transferable. During the year, none of the options vested or were exercised leaving 450,000 unexercised at the balance date.

- On 23 November 2007, 1,250,000 share options were approved by shareholders in general meeting and granted to the directors to take up ordinary shares at an exercise price of $2.00 each. The options are exercisable between 23 November 2007 and 23 November 2010. The options are unlisted, hold no voting rights or dividend rights and are not transferable. During the year, none of the options were exercised leaving 1,250,000 unexercised at the balance date.

- On 22 December 2008, a total of 1,050,000 share options were granted to senior executive Colin Anderson and other employees to take up ordinary shares at an exercise price of $1.50 each under the Austin Engineering Ltd share option plan. The options have a two year vesting period and are exercisable between 22 December 2010 and 22 December 2011. The options are unlisted, hold no voting rights or dividend rights and are not transferable. During the year, none of the options vested or were exercised leaving 1,050,000 unexercised at the balance date.

All options granted are for ordinary shares in Austin Engineering Ltd which confer a right of one ordinary share for every option held. Share options outstanding and exercisable at the balance date are as follows, for both the consolidated and parent entities:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding at beginning of year	2,750,000	1.54	3,072,000	0.47
Granted	1,050,000	1.50	1,900,000	1.97
Exercised	(100,000)	0.50	(2,222,000)	0.42
Outstanding at end of year	3,700,000	1.56	2,750,000	1.54
Total exercisable at end of year	2,000,000	1.48	2,100,000	1.43

The options outstanding at 30 June 2009 had a weighted average remaining contractual life of 1.35 years (2008: 1.86 years). The exercise prices for these options range from $0.60 to $2.00 (2008: $0.60 to $2.00). The weighted average share price at the date of exercise of options was $2.08 (2008: $1.96). Included under employee benefits expense in the income statement is $341,000 (2008: $385,000) and this relates, in full, to equity-settled share-based payment transactions.

The fair values at grant date are independently determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected volatility of the underlying share, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Notes to the financial statements for the year ended 30 June 2009

Note 27: Share-based payments (cont'd)

The following inputs were used for the options issued in 2008 and 2009:

	Options Issued 22 December 2008	Options Issued 23 November 2007	Options Issued 1 September 2007
Pricing model	Black Scholes Merton	Black Scholes Merton	Black Scholes Merton
Underlying share price at grant date	$0.90	$1.70	$1.70
Exercise price	$1.50	$2.00	$1.90
Expected volatility	48.5%	59.4%	59.4%
Expected option life	3 years	3 years	3 years
Dividend yield	2.45%	2.5%	2.5%
Risk-free rate	6.38%	5.62%	5.62%
Weighted average fair value at measurement date	40.14	$0.27	$0.32

Historical volatility was used as the appropriate basis for determining share price volatility. Options were assumed to be exercised in full on the date of expiry.

Note 28: Events after the balance sheet date

On 23 July 2009, the company announced that it had completed the capital raising program comprising of a $26m Institutional Placement. Approximately $15.8m was raised from the issue of the 'Tranche 2' shares of the placement, representing 10.93m shares at $1.45 per share, following approval of the issue by shareholders in general meeting on 20 July 2009.
On 27 July 2009, the company announced that it had completed the Shareholder Share Purchase Plan program and had raised $4.9m from the issue of 3.33m shares at $1.45 per share.
On 3 August 2009, the company announced it had completed the acquisition of the steel dump truck body business of Conymet Limitada, based in Chile, for the cash consideration of USD 19.6m. The fair value of assets acquired is in the process of being determined.

The financial report was authorised for issue by the board of directors on 25 September 2009.

Note 29: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Ultimate parent company:
Austin Engineering Limited is the ultimate parent company.

Controlled entities:
Interests in controlled entities are disclosed in note 14. During the year, funds were advanced between entities within the group for the purposes of working capital requirements only. The aggregate of amounts due from and to wholly-owned controlled entities at the balance date are disclosed in notes 12 and 16. All loans are interest-free and have no fixed repayment date.

Transactions with director-related parties:
Eugene Fung, a non-executive director of the company, is a partner in the law firm DLA Phillips Fox. The firm provided legal services to the company on normal commercial terms to the value of $160,263 during the year (2008: $125,761).

Note 30: Financial risk management

The group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The group has no derivates at the end of the financial year. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by the finance function under policies approved by the board of directors. The finance function identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides principles and overall risk management and the finance function provides policies with regard to financial risk management that are clearly defined and consistently applied.

Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings in financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

Foreign exchange risk:
The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar as a result of its Western Technology Services Inc. ("Westech") operations in North America.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Australian dollar is the functional currency for a large part of the group's entities and business activities.

Notes to the financial statements for the year ended 30 June 2009

Note 30: Financial risk management (cont'd)
Market risk:
Foreign currency exchange risk:
Management has put in place a policy requiring business units and group companies to manage their foreign exchange risk against their functional currency. The group companies are required to bring significant foreign currency transactions to the attention of the central finance function for evaluation as to the use of hedging using forward foreign currency contracts.

At 30 June 2009, had the Australian dollar weakened or strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been $451,000 higher or lower (2008: $358,000) due to the change in value of the net income by entities in the group having the US dollar as their functional currency. Equity would have been $412,000 higher or lower had the Australian dollar weakened or strengthened by 10% against the US dollar arising as a result of the change in value of the net equity of entities in the group with the US dollar as their functional currency and increased or decreased interest costs.

Refer to notes 10 and 16 for a summary of the group's exposure to foreign exchange risk at the financial year-end in relation to current assets and current liabilities.

Price risk:
The group and parent entity are not exposed to material price risk on profit or loss and it has therefore not been included in the sensitivity analysis.

Cash flow and fair value interest rate risk:
The following table analyses the group's financial assets and liabilities that are subject to interest rate risk. All amounts disclosed in the table are the contractual undiscounted cash flows.

		Fixed Rate Maturing Within:		
	Floating Interest Rate	1 Year	1 to 5 Years	Total
	$000	$000	$000	$000
Consolidated entity:				
2009:				
Financial Assets:				
Cash	25,070	-	-	25,070
Financial Liabilities:				
Bank loans	25,575	-	-	25,575
Lease liabilities	-	545	833	1,378
Total Financial Liabilities	25,575	545	833	26,953
2008:				
Financial Assets:				
Cash	5,810	-	-	5,810
Financial Liabilities:				
Bank loan	19,874	-	-	19,874
Lease liabilities	-	548	1,417	1,965
Total Financial Liabilities	19,874	548	1,417	21,839

The group's interest rate risk predominantly arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest rate risk and fixed interest rates expose the group to fair value interest rate risk. The group analyses its interest rate exposure on an ongoing basis. Various interest rate shifts are simulated taking into account refinancing, renewal of existing oppositions and facilities, alternative financing and hedging. Based on these interest rate shifts, the group calculates the impact on profit and loss. The interest rate shift scenario is run only for assets and liabilities that represent the major interest-bearing positions.

At 30 June 2009, the most significant components of borrowings were a USD 19m bank loan that was drawn-down in November 2007 to fund the acquisition of Westech in November 2007 and an AUD 2.0m bank loan that was drawn-down in April 2009 to fund the purchase of the Austbore Pty Ltd workshop. Based on the simulations performed, the annual impact on profit and loss of a one percent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $268,000 (2008:$200,000). The simulation is performed on a bi-annual basis to estimate the maximum loss potential. At 30 June 2009, the USD 19m and AUD 2.0m bank loans attracted variable interest rates of 1.85% and 6.22% respectively. The interest rate on the USD 19m bank loan can be fixed and it is regularly reviewed in light of current and potential market interest rate developments.

Notes to the financial statements for the year ended 30 June 2009

Note 30: Financial risk management (cont'd)
Market risk:

Summarised sensitivity analysis:
The following table summarises the sensitivity of the group's financial assets and liabilities to interest rate and foreign exchange risk:

	Carrying Amounts	Interest rate risk				Foreign exchange risk			
		+1%		-1%		+10%		-10%	
2009	$000	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets									
Cash and cash equivalents	25,070	(268)	(268)	268	268	74	(525)	(74)	525
Other current assets	29,168	-	-	-	-	-	(1,030)	-	1,030
Non-current assets	51,107	-	-	-	-	-	(1,547)	-	1,547
Financial liabilities									
Payables	20,689	-	-	-	-	-	401	-	(401)
Borrowings	26,953	-	-	-	-	-	2,143	-	(2,143)
Other liabilities and provisions	5,756	-	-	-	-	-	146	-	(146)
Total increase/(decrease)		(268)	(268)	268	268	74	(412)	(71)	412

	Carrying Amounts	Interest rate risk				Foreign exchange risk			
		+1%		-1%		+10%		-10%	
2008	$000	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets									
Cash and cash equivalents	5,810	(105)	(105)	105	105	71	(29)	(71)	29
Other current assets	35,367	-	-	-	-	-	(1,046)	-	1,046
Non-current assets	41,644	-	-	-	-	-	(1,291)	-	1,291
Financial liabilities									
Payables	26,044	-	-	-	-	-	296	-	(296)
Borrowings	21,839	-	-	-	-	-	1,807	-	(1,807)
Other liabilities and provisions	3,315	-	-	-	-	-	60	-	(60)
Total increase/(decrease)		(105)	(105)	105	105	71	(203)	(71)	203

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. Credit risk arises principally from receivables, including inter-company loans. Credit risk is co-operatively managed by the finance function and the operating units for customers, including outstanding receivables and committed transactions and at a group level for credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. Only reputable banks and financial institutions are dealt with.

Individual risk exposures are set for customers in accordance with specified limits established by management based on independent credit reports, financial information, credit references and the group's credit and trading history with the customer. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk projects or shipments for customers are generally covered by letters of credit or other forms of guarantee.

At 30 June 2009, the group did not have any material concentration of credit risk exposures to any single receivable or group of receivables under financial instruments entered into by the group.

The maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event that other parties fail to perform their obligations under financial instruments for each class of reporting recognised financial asset at the reporting date is the carrying amount of those assets as indicated in the balance sheet.

Refer note 10 for a summary of the group's exposure to credit risk at the end of the financial year.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. The group has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring cash flows on a daily basis as well as forecasting cash flows on a medium and long-term basis
- Monitoring the maturity profiles of financial assets ad liabilities in order to match inflows and outflows
- Maintaining adequate reserves and support facilities
- Monitoring liquidity ratios and all constituent elements of working capital
- Maintaining adequate borrowing and finance facilities

The group maintains backup liquidity for its operations and currently maturing debts through a combination of bank overdrafts, bank guarantees and general finance facilities, of which $7,969,000 was undrawn at 30 June 2009. These facilities continue on an ongoing basis, subject to annual review, with the exception a USD 19m loan associated with the purchase of Westech, which is due for repayment on 27 October 2010.

Notes to the financial statements for the year ended 30 June 2009

Note 30: Financial risk management (cont'd)
Liquidity risk
The table below analyses the group and parent entity's financial assets and liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments. These balances will not necessarily agree with the amounts disclosed on the balance sheet.

	1 Year	1 to 5 Years	Total
	$000	$000	$000
Consolidated entity:			
2009:			
Cash*	14,867	-	14,867
Receivables	18,845	-	18,845
Inventories	9,712	-	9,712
Total	43,424	-	43,424
Payables	20,689	-	20,689
Bank loan	986	25,264	26,250
Lease liabilities	633	883	1,516
Total	22,308	26,147	48,455
Net Maturity	21,116	(26,147)	(5,031)
2008:			
Cash	5,810	-	5,810
Receivables	22,695	-	22,695
Inventories	11,500	-	11,500
Total	40,005	-	40,005
Payables	26,044	-	26,044
Bank loan	795	20,200	20,995
Lease liabilities	606	1,569	2,175
Total financial liabilities	27,445	21,769	49,214
Net Maturity	12,560	(21,769)	(9,209)
Parent entity:			
2009:			
Cash*	7,728	-	7,728
Receivables	10,331	-	10,331
Inventories	5,447	-	5,447
Total	23,506	-	23,506
Payables	18,158	-	18,158
Bank loan	986	25,264	26,250
Lease liabilities	231	260	491
Total Financial Liabilities	19,375	25,524	44,899
Net Maturity	4,131	(25,524)	(21,393)
2008:			
Cash	4,535	-	4,535
Receivables	16,074	-	16,074
Inventories	5,233	-	5,233
Total	25,842	-	25,842
Payables	29,279	-	29,279
Bank loan	795	20,200	20,995
Lease liabilities	130	555	685
Total Financial Liabilities	30,204	20,755	50,959
Net Maturity	(4,362)	(20,755)	(25,117)

*excludes $10,203,000 of funds received in late June 2009 in relation to tranche 1 of placement shares issued to fund the expansion of the company's operations into South America (see note 21)

Fair Value
Aggregate net fair values are the same as the carrying values at the balance date.

Notes to the financial statements for the year ended 30 June 2009

Note 31: New accounting standards and interpretations issued but not yet effective
New accounting standards and interpretations have been published that are not compulsory for the 30 June 2009 reporting period. The consolidated entity's and parent entity's assessment of the impact of the new standards and interpretations that may affect the financial report are set out below.

Revised AASB 3: Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
This revised accounting standard applies the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss recognised in profit or loss.

The consolidated entity will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Account Standards arising from AASB 8
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting as it requires adoption of a 'management approach' to reporting on financial performance. The information to be reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity will adopt AASB 8 from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. It is not expected to affect any of the amounts recognised in the financial statements.

Revised AASB 101: Presentation of Financial Statements and AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods commencing on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet being at the beginning of the comparative period. The group intends to apply the revised standard from 1 July 2009.

AASB 2008-1: Amendments to Australian Accounting Standards - Share Based Payments: Vesting Conditions and Cancellations
This standard relates to vesting conditions, cancellations and changes to the measurement of share based payments that contain non-vesting conditions and is applicable for reporting periods commencing on or after 1 January 2009. The consolidated entity will apply the revised standard from 1 July 2009, but it not expected to affect the accounting for the consolidated share-based payments.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1&12):
The revised AASB123 has removed the option to expense all borrowing costs and will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The consolidated entity intends to apply the revised standard from 1 July 2009.

AASB 2009-2: Amendments to Australian Accounting Standards – improving disclosures about Financial Instruments
In April 2009 the AASB published amendments to AASB 7 Financial Instruments: Disclosure to improve the information that all entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than by observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivates. The consolidated entity will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

Directors' Declaration

In directors of the company declare:

1. The financial statements and notes, as set out in pages 16 to 43 of this report, are in accordance with the Corporations Act 2001; and

    a) comply with Accounting standards and the Corporations Regulations 2001; and
    b) give a true and fair view of the financial position at 30 June 2009 and of the performance for the year ended on that date of the consolidated and parent entity

2. The chief executive officer and chief financial officer have each declared that:

    a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 268 of the Corporations Act 2001;
    b) the financial statements and notes for the financial year comply with the Accounting Standards; and
    c) the financial statements and notes for the financial year give a true and fair view

3. The remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the Corporations Act 2001; and

4. In the directors' opinion there are reasonable grounds to believe the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Michael D. Buckland
Director

25 September 2009

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN 70 202 702 402

INDEPENDENT AUDITOR'S REPORT

To the members of Austin Engineering Limited

Report on the Financial Report

We have audited the accompanying financial report of Austin Engineering Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, 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 report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Austin Engineering Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Austin Engineering Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls (QLD)

BDO Kendalls

P A Gallagher
Partner

Dated at Brisbane this 25th day of September 2009

Additional Information for Public Listed Companies

1. Substantial Shareholders at 21 September 2009

	Number of Ordinary Fully Paid Shares Held	% Held of Ordinary Shares
Bradken Resources Pty Ltd	7,714,623	11.14%
Tiga Trading Pty Ltd	6,071,354	8.77%

2. Distribution of Shareholdings at 21 September 2009

Range of Holding	Number of Shareholders	Number of Shares
1 - 1,000	816	455,159
1,001 - 5,000	1,453	4,175,433
5,001 - 10,000	707	5,404,131
10,001 - 100,000	742	19,321,473
100,001 and over	55	39,908,207
	3,773	69,264,403

Holding less than a marketable parcel	172

3. Voting Rights
All ordinary shares issued by the company carry one vote per share without restriction.

4. Twenty Largest Shareholders at 21 September 2009

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Merrill Lynch (Australia) Nominees Pty Limited	7,759,663	11.20
ANZ Nominees Limited (Cash Income Account)	6,888,937	9.95
National Nominees Limited	4,256,420	6.15
S J Quinlivan Pty Ltd	2,916,448	4.21
Michael Douglas Buckland	2,261,552	3.27
HSBC Nominees (Australia) Limited	1,620,065	2.34
Citicorp Nominees Pty Limited	1,470,602	2.12
J P Morgan Nominees Australia Limited	1,157,962	1.67
Redcentre Pty Ltd	788,448	1.14
Mr Peter Louis Pursey & Mrs Helen Elizabeth Pursey	787,448	1.14
Queensland Investment Corporation	700,000	1.01
Bond Street Custodians Limited (Macquarie Smaller Co’s Account)	693,942	1.00
Vasbyt Pty Ltd	606,896	0.88
Eugene Fung	530,448	0.77
Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp Account)	516,886	0.75
Newfund Pty Ltd (Green Pastures S/F Account)	487,898	0.70
Researched Investments Pty Ltd (Richard Cruickshank S/F Account)	415,000	0.60
Mt Livio Pietro Divitini (L P Divitini Family Account)	407,340	0.59
Depofo Pty Ltd (Ordinary Account)	403,448	0.58
Mr Iain and Mrs Rachael Frances Hepburn (Hepburn Super Fund)	399,999	0.58
	35,069,402	50.65

5. Additional Information
There is no on-market buy-back currently in effect.

Company Information

Registered Office, Principal Place of Business and Brisbane Operation:
173 Cobalt Street
Carole Park
Queensland, 4300
P: +61 7 3271 2622
F: +61 7 3271 3689

Australian Operations:

Perth, Western Australia:
100 Chisholm Crescent
Kewdale
WA, 6105
P: +61 8 9334 0666
F: +61 8 9359 2390

Mackay, Queensland:
Austin Mackay (formerly Kaldura Industries)
55 Len Shield St.
Paget, Qld 4740
P: +61 7 4952 4533
F: +61 7 4952 4687

Mackay, Queensland:
Austbore Pty Ltd
12-16 Progress Drive
Paget, Qld 4740
P: +61 7 4952 6222
F: +61 7 4952 6223

International Operations:

USA
Western Technology Services Inc.
415 First Street
Mills
Wyoming, 82644
P: +1 307 235 6475
F: +1 307 235 3306

Chile:
Austin Ingenieros Chile Ltda.
Camino A La Minera No.224
Antofagasta

P: + 56 55 492048
F: + 56 55 492048

Share Registry:
Advanced Share Registry Services
150 Stirling Highway, Nedlands, WA 6009
P.O. Box 1156
Nedlands
Western Australia, 6909
P: +61 8 9389 8033
F: +61 7 9389 7871

Lawyers:
DLA Phillips Fox
Waterfront Place
1 Eagle Street
Brisbane, 4000

Auditors:
BDO Kendalls (Qld)
Level 18
300 Queen Street
Brisbane
Queensland, 4000

Bankers:
Australia and New Zealand Banking Group
324 Queen Street
Brisbane
Queensland, 4000

Westpac Banking Corporation
260 Queen Street
Brisbane
Queensland, 4000

Secretary:
Colin Anderson

Stock Exchange:
Australian Securities Exchange Limited

Home Exchange:
Brisbane

ASX Code:
ANG

Website:
www.austineng.com.au