

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	Half-Year to 31 December 2010 \$000		Half-Year to 31 December 2009 \$000
Revenue	93,267	up 38% from	67,355
Net Profit After Tax for the Half Year	10,694	up 31% from	8,169

<u>Brief Explanation of Movements in Revenue and Net Profit</u>
The underlying operational movements in revenue and net profit after tax for the half-year ended 31 December 2010 over the comparative period are due to a combination of factors including:
- Increased levels of activity across the group's operations
- The inclusion of the group's Chile-based operations for a full six months (five months in the pcp after acquisition of the steel dump truck body business of Conymet Limitada in early August 2009)
- Additional revenue and profit contributions from new business acquisitions:
Pilbara Hire Group (completed in early July 2010)
Phillips Engineering (now Austin Engineering Hunter Valley, completed in early November 2010)
COR Cooling Group (completed in mid-December 2010)

<u>Dividends and Dividend Reinvestment Plans</u>	Amount per Security	Franked Amount per Security
Final dividend paid on 8 October 2010 for the financial year ended 30 June 2010	7.5c	7.5c
Interim dividend payable (up from 2.0c in the previous period)	3.0c	3.0c
Record date for determining entitlement to the interim dividend	25 February 2011	
Date for payment of interim dividend	25 March 2011	
There were no dividend reinvestment plans in operation during the period.		

<u>Net Tangible Assets per Security</u>	Half-Year to 31 December 2010	Half-Year to 31 December 2009
Net tangible asset backing per ordinary security (cents)	36.6	51.7

<u>Control Gained Over Entities Having a Material Effect</u>
The following acquisitions were made during the period:
2 July 2010 - acquisition of Pilbara Hire Group Pty Ltd for a cash consideration of \$12.15m.
1 November 2010 - acquisition of the business and assets of Phillips Engineering Aus Pty Ltd for a cash consideration of \$7.85m.
17 December 2010 - acquisition of COR Cooling Pty Ltd for a cash consideration of \$19.50m.

<u>Associates or Joint Ventures</u>
The company has a 50% interest in the Majan Aluminium Services Company, which is undertaking a number of projects related to the aluminium smelter industry in the Middle East.

<u>Audit</u>
This report is based on financial statements that have been reviewed. A copy of the reviewed financial statements is attached.

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Austin Engineering Ltd and the entities it controlled during and at the end of the half-year ended 31 December 2010.

Directors

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

Paul Reading (Non-Executive Director to 26 November 2010 and Non-Executive Chairman thereafter)

Michael Buckland (Managing Director)

Peter Fitch (Non-Executive Chairman to 26 November 2010 and Non-Executive Director thereafter)

Eugene Fung (Non-Executive Director)

Peter Pursey (Non-Executive Director)

Financial Highlights

	Change	Half-Year 2010	Half-Year 2009
	%	\$000	\$000
Revenue	+38%	93,267	67,355
EBIT	+38%	15,245	11,032
PBT	+37%	14,892	10,859
NPAT	+31%	10,694	8,169
Net assets	+24%	95,812	77,072
Basic earnings per share (cents)	+24%	15.13cps	12.19cps
Interim dividend per share (cents)	+50%	3.0cps	2.0cps

Review of Operations

The six months to December 2010 saw a return to normal business conditions across the group compared to the corresponding period, which was impacted by the post-GFC effects on the mining services sector. Revenue levels for the group's existing operations increased over the prior period, with Western Australia and North America-based operations experiencing an improvement in market conditions and activity levels. Total revenue was also assisted by a full six months of contribution from the group's Chilean operations, compared to five months in the previous period following the commencement of operations in August 2009. The level of activity for the group's operations in Oman in the Middle East was below the previous period due to the completion of two key projects in the intervening period for the supply of aluminium smelter equipment in the region.

Revenue for the six months to December 2010 also reflects the addition of new revenue sources following the acquisition of the Pilbara Hire Group in early July 2010, the business and assets of Phillips Engineering in early November 2010 and COR Cooling in December 2010. These operations have added new service capabilities and markets to the group in important geographical areas both domestically and overseas.

Result for the Half-Year

During the period good performance was delivered by a number of business units as activity levels increased and led to improved capacity utilisation. Western Australia operations experienced some difficulties earlier in the period due to some new orders being delayed as well as short-term issues in relation to steel supplies. A delay in the completion of the new 'La Negra' workshop facility in Chile resulted in capacity and product delivery constraints during the first half of the year for the Chilean operation, which in turn led to its performance being below expectations. The relative contribution of the group's operations in Oman was less than the previous period due to the completion of the two large projects in the intervening period. The group continued to benefit from low ongoing interest costs associated with USD-denominated debt and lower rates of income tax from its Oman and Chile operations. The increase in NPAT over the period had a direct and favourable impact on earnings per share, which rose 24% over the corresponding period.

Financial Position

Net assets increased by 24% over the corresponding period and by 11% since 30 June 2010. The increase since the end of the 09/10 financial year mainly reflects the additional profit contribution over the six-month period to December 2010 as well as \$4.2m of new equity and the payment of \$5.4m of dividends. Net tangible asset backing per share was 36.6c compared to 51.7c in the corresponding prior period, with the reduction being attributable to additional goodwill and intangible assets following the acquisition of the Pilbara Hire Group, Phillips Engineering and COR Cooling businesses during the period.

Cash Flow and Liquidity

Operational cash flow of \$11.5m was significantly up on the previous period's level of \$2.5m, with the improvement coming from a combination of increased levels of activity, cash receipts from customers following regular payment schedules and some advance payments being negotiated for a number of orders in the process of being manufactured.

Non-operational cash flows in the period largely consisted of costs incurred on business expansion initiatives and the corresponding funding of these programs. During the period a total of \$39.5m was expended on the Pilbara Hire Group, Phillips Engineering and COR Cooling acquisitions, of which \$32.6m was funded by new bank loans. Capital expenditure, the most significant element of which was in relation to the construction of the new 'La Negra' workshop in northern Chile, totalled \$7.2m in the period. A total of \$4.2m of new share capital was introduced during the period from the exercise of share options whilst \$5.4m was paid in dividends.

Available cash at the end of the period was \$22.8m, up from \$14.5m in the previous period and from \$21.1m at 30 June 2010.

Debt

At the end of December 2010, net debt (gross debt less available cash) totalled \$30.1m, compared to \$7.8m in the previous period and \$2.1m at 30 June 2010. Most of this net increase has arisen from the drawdown of new bank loans to facilitate the group's expansion programs through the acquisition of businesses during the period. Debt levels were also assisted by the relative strength of the AUD/USD exchange rate, which lowered the value of the USD 19m bank loan relating to the purchase of Westech Inc. in November 2007.

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

DIRECTORS' REPORT

Debt (cont'd)

The net gearing ratio at the end of December 2010 was 24%, up from 2% at 30 June 2010 but comfortably within bank covenant requirements. The company was in compliance with bank covenants throughout the period and continues to be so.

Dividends

The company paid a fully-franked final dividend of 7.5c per share on 8 October 2010 in relation to the financial year ended 30 June 2010. An interim fully-franked dividend of 3.0 cents per share, up from 2.0 cents per share in the previous corresponding period, has been declared on 22 February 2011. The record date for determining entitlement to the interim dividend is 25 February 2011 with payment being made on 25 March 2011.

Outlook

Business conditions across the mining services sector are expected to remain positive as the new 2011 calendar year progresses and this is already reflected with the increased number of enquiries and tenders being handled and current forward workload levels across the group's operations. Negotiations for a multi-year (3 years plus an option to extend for a further 2 years) contract for the supply of Westech dump truck bodies to a key Western Australia-based major mining customer are in the advanced stages of completion. The award of this contract will be an important development for the group and it will provide the group's Perth operation with a solid underlying forward workload. It will also confirm the operational advantages and capabilities of Westech custom-designed dump truck bodies.

The group continues to pursue a domestic and international business expansion program and over the course of the second half of the FY10/11 financial year significant progress is expected to be achieved with the construction of new production facilities in Indonesia and Colombia. The group has also continued to invest in the development of its product ranges and in more recent periods this has included the completion of innovative designs for underground dump truck bodies. The trials of the first of these new bodies have been very successful and the addition of these new products to the existing product range will lead to new market opportunities internationally.

The addition of the new acquisitions to the group will result in an increased market presence and revenue and profit streams over the course of the second half of the financial year. In addition the benefits of the new "La Negra" workshop facility in Chile will be realised upon its completion in April 2011. Accordingly, solid revenue and earnings development is expected for the second half of the FY10/11 financial year.

Lead Auditors' Independence Declaration

A copy of the auditors' independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 4.

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
Managing Director
22 February 2011**

DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF AUSTIN ENGINEERING LTD

As lead auditor for the review of Austin Engineering Ltd for the half-year ended 31 December 2010, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

BDO Audit (QLD) Pty Ltd



PA Gallagher

Director

Brisbane, 22 February 2011

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Entity	
		Half-Year	
		2010	2009
		\$000	\$000
Revenue	2,3	93,267	67,355
Raw materials and consumables		(27,669)	(24,801)
Change in inventories of finished goods and work-in-progress		(747)	1,194
Employment expenses		(37,045)	(22,958)
Subcontractor expenses		(1,588)	(492)
Occupancy and utility expenses		(2,218)	(1,826)
Depreciation and amortisation expense		(1,729)	(1,328)
Other expenses from ordinary activities		(6,708)	(5,980)
Finance costs		(671)	(305)
Profit before income tax		14,892	10,859
Income tax expense		(4,198)	(2,690)
Net profit for the half-year		<u>10,694</u>	<u>8,169</u>
Other comprehensive income			
Changes in fair value of available-for-sale financial assets		541	1,117
Exchange differences on translation of foreign operations		(1,092)	(398)
Other comprehensive income for the half-year, net of tax		<u>(551)</u>	<u>719</u>
Total comprehensive income for the half year		<u>10,143</u>	<u>8,888</u>
Profit for the half-year is attributable to:			
Owners of Austin Engineering Limited		<u>10,694</u>	<u>8,169</u>
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		<u>10,143</u>	<u>8,888</u>
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	4	15.13	12.19
Diluted earnings per share (cents per share)	4	14.59	11.63

The above Consolidated Statement of Comprehensive Income should read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Consolidated Entity	
	31 December	30 June
	2010	2010
Note	\$000	\$000
Current Assets		
Cash and cash equivalents	22,792	21,125
Trade and other receivables	31,738	25,466
Inventories	12,949	11,336
Other	1,904	2,204
Total Current Assets	69,383	60,131
Non-Current Assets		
Property, plant and equipment	42,532	30,268
Other financial assets	1,344	5,542
Intangible assets	69,710	41,498
Deferred tax assets	1,899	2,268
Total Non-Current Assets	115,485	79,576
Total Assets	184,868	139,707
Current Liabilities		
Trade and other payables	27,818	22,857
Financial liabilities	504	664
Current tax liabilities	3,309	2,174
Provisions	4,628	3,673
Total Current Liabilities	36,259	29,368
Non-Current Liabilities		
Financial liabilities	52,450	22,620
Deferred tax liabilities	347	1,060
Total Non-Current Liabilities	52,797	23,680
Total Liabilities	89,056	53,048
Net Assets	95,812	86,659
Equity		
Contributed equity	5 47,918	43,684
Retained earnings	48,632	43,286
Reserves	(738)	(311)
Total Equity	95,812	86,659

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Contributed Equity \$000	Retained Earnings \$000	Options Reserve \$000	Foreign Currency Translation Reserve \$000	Available for Sale Investments Reserve \$000	Total \$000
Consolidated Entity						
Opening balance at 1 July 2009	23,094	29,910	726	(577)	(1,206)	51,947
Total comprehensive income for the half-year:						
Profit for the half- year	-	8,169	-	-	-	8,169
<i>Other comprehensive income:</i>						
Adjustment to value of available for sale financial assets	-	-	-	-	1,117	1,117
Currency translation differences	-	-	-	(398)	-	(398)
Total comprehensive income for the half-year	-	8,169	-	(398)	1,117	8,888
Transactions with owners in their capacity as owners:						
Issue of share capital	21,238	-	-	-	-	21,238
Share issue costs	(943)	-	-	-	-	(943)
Deferred tax relating to share costs	277	-	-	-	-	277
Dividends paid	-	(4,502)	-	-	-	(4,502)
Share-based expense payment	-	-	167	-	-	167
	20,572	(4,502)	167	-	-	16,237
At 31 December 2009	43,666	33,577	893	(975)	(89)	77,072
Total comprehensive income for the half-year:						
Profit for the half- year	-	11,095	-	-	-	11,095
<i>Other comprehensive income:</i>						
Adjustment to value of available for sale financial assets	-	-	-	-	(167)	(167)
Deferred tax adjustment	-	-	-	-	(285)	(285)
Currency translation differences	-	-	-	285	-	285
Total comprehensive income for the half-year	-	11,095	-	285	(452)	10,928
Transactions with owners in their capacity as owners:						
Share issue costs	17	-	-	-	-	17
Deferred tax relating to share costs	1	-	-	-	-	1
Dividends paid	-	(1,386)	-	-	-	(1,386)
Share-based expense payment	-	-	27	-	-	27
	18	(1,386)	27	-	-	(1,341)
At 30 June 2010	43,684	43,286	920	(690)	(541)	86,659
Total comprehensive income for the half-year:						
Profit for the half- year	-	10,694	-	-	-	10,694
<i>Other comprehensive income:</i>						
Adjustment to value of available for sale financial assets	-	-	-	-	772	772
Deferred tax adjustment	-	-	-	-	(231)	(231)
Currency translation differences	-	-	-	(1,092)	-	(1,092)
Total comprehensive income for the half-year	-	10,694	-	(1,092)	541	10,143
Transactions with owners in their capacity as owners:						
Issue of share capital	4,260	-	-	-	-	4,260
Share issue costs	(26)	-	-	-	-	(26)
Dividends paid	-	(5,348)	-	-	-	(5,348)
Share-based expense payment	-	-	124	-	-	124
	4,234	(5,348)	124	-	-	(990)
At 31 December 2010	47,918	48,632	1,044	(1,782)	-	95,812

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Entity	
	Half-Year	
	2010	2009
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	101,221	60,116
Payments to suppliers and employees	(85,907)	(55,233)
Interest received	319	132
Dividends received	133	-
Finance costs	(671)	(306)
Income tax paid	(3,548)	(2,178)
Net cash provided by operating activities	11,547	2,531
Cash flows from investing activities		
Purchase of businesses	(39,503)	(24,748)
Purchase of property, plant and equipment	(7,145)	(1,799)
Sale of other financial assets	6,317	-
Net cash used in investing activities	(40,331)	(26,547)
Cash flows from financing activities		
Proceeds from issue of shares	4,234	20,295
Proceeds from borrowings	32,557	-
Repayment of borrowings	(992)	(2,377)
Dividend paid	(5,348)	(4,502)
Net cash provided/(used) by financing activities	30,451	13,416
Net increase/(decrease) in cash held	1,667	(10,600)
Cash at the beginning of the period	21,125	25,070
Cash at the end of the period	22,792	14,470

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 1: Basis of preparation of half-year financial statements

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting*. The historical cost basis has been used except for available-for-sale financial assets which have been measured at fair value.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Austin Engineering Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange and Corporations Act 2001.

The accounting policies and methods of computation applied in these half-year financial statements are the same as those applied by the company in the annual financial statements for the year ended 30 June 2010. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

Note 2: Revenue

	Half-Year 2010	Half-Year 2009
	\$000	\$000
Revenue from operations	90,595	67,156
Interest received	319	132
Other revenue	2,353	67
	<u>93,267</u>	<u>67,355</u>

Note 3: Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services), Americas (for mining equipment and other products, comprising of North America and South America) and the Middle East (for aluminium smelter equipment and products). These reporting segments also provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies, production facilities and processes, the cost of key inputs such as labour and steel, the existence of competition and differing customer requirements that may affect product pricing.

Executive management monitors segment performance based on EBIT. Segment information for the half-years ended 31 December 2010 and 31 December 2009 is as follows:

	Australia		Americas		Middle East		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total segment revenue	65,238	42,766	26,714	19,667	1,315	4,922	93,267	67,355
Inter-segment revenue	-	-	-	-	-	-	-	-
Revenue from external customers	<u>65,238</u>	<u>42,766</u>	<u>26,714</u>	<u>19,667</u>	<u>1,315</u>	<u>4,922</u>	<u>93,267</u>	<u>67,355</u>
EBIT	<u>10,978</u>	<u>5,702</u>	<u>3,653</u>	<u>3,513</u>	<u>614</u>	<u>1,817</u>	<u>15,245</u>	<u>11,032</u>
Segment assets at 31 December 2010	<u>113,607</u>		<u>69,917</u>		<u>1,344</u>		<u>184,868</u>	
Segment assets at 30 June 2010	<u>70,504</u>		<u>67,344</u>		<u>1,859</u>		<u>139,707</u>	

Corporate expenses are included in the Australian reporting segment for decision-making purposes as this represents the area within which they are mostly incurred. Asset amounts are measured in the same way that they are measured in the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the assets.

The reconciliation of EBIT to profit before income tax is as follows:

	Half-Year 2010	Half-Year 2009
	\$000	\$000
EBIT	15,245	11,032
Interest revenue	318	132
Finance costs	<u>(671)</u>	<u>(305)</u>
Profit before income tax	<u>14,892</u>	<u>10,859</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 4: Earnings per share

	Half-Year 2010	Half-Year 2009
	\$000	\$000
Earnings used in basic and diluted earnings per share calculation	10,694	8,169
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	70,683	67,026
Effect of dilutive securities - options	2,613	3,231
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>73,296</u>	<u>70,257</u>

Note 5: Contributed equity - ordinary shares

	Half-Year 2010		Half-Year 2009	
	No.(000)	\$000	No. (000)	\$000
Balance at beginning of the period	69,315	43,684	54,178	23,094
Issue of shares on exercise of options	2,250	4,260	750	450
Issue of performance-related shares	50	-	50	-
Issue of shares on completion of placement	-	-	10,928	15,846
Issue of shares on completion of share purchase plan	-	-	3,409	4,942
Cost of share issues	-	(26)	-	(943)
Deferred tax on equity items	-	-	-	277
Balance at end of half-year	<u>71,615</u>	<u>47,918</u>	<u>69,315</u>	<u>43,666</u>

Ordinary shares issued in the half-year to 31 December 2010 comprised of the following:

- 7 July 2010: 100,000 shares at \$1.50 each (\$150,000) in relation to the exercise of employee options
- 24 August 2010: 42,105 shares at \$1.90 each (\$80,000) in relation to the exercise of employee options
- 26 August 2010: 257,895 shares at \$1.90 (\$490,000) in relation to the exercise of employee options
- 26 August 2010: 250,000 shares at \$2.00 (\$500,000) in relation to the exercise of directors options
- 30 August 2010: 350,000 shares at \$1.90 (\$665,000) in relation to the exercise of employee options
- 8 September 2010: 1,000,000 shares at \$2.00 (\$2,000,000) in relation to the exercise of directors options
- 8 November 2010: 50,000 shares at nil cost on the grant of performance-related shares to the managing director
- 22 December 2010: 250,000 shares at \$1.50 (\$375,000) in relation to the exercise of employee options

Note 6: Business combinations

On 2 July 2010, the company acquired 100% of Pilbara Hire Group Pty Ltd and PHG Services Pty Ltd (together the "Pilbara Hire Group"), with operations based in the Pilbara region of Western Australia, for a cash consideration of \$12.1m. The Pilbara Hire Group is an on-site fixed and mobile mining equipment repair and maintenance business. An earn-out may be payable to the previous owners based upon the achievement of a pre-determined minimum EBIT target of \$3.25m for the financial year ended 30 June 2011, with the excess over \$3.25m being paid to the previous owners. At 31 December 2010 no provision has been made for the earn-out as the EBIT target has not yet been achieved. The acquisition of the Pilbara Hire Group was a strategic development of the group's operations into repair and maintenance activities. The acquisition was funded by way of a bank loan.

On 1 November 2010 the company acquired the business and assets of Phillips Engineering Aus Pty Ltd, with operations based in the Hunter Valley region of New South Wales, for a cash consideration of \$7.9m. Phillips Engineering Aus Pty Ltd is a workshop and site-based mining equipment repair and maintenance business. The acquisition was a strategic development of the group's operations into an important and growing coal mining region. The acquisition was funded by way of a bank loan.

On 17 December 2010 the company acquired 100% of COR Cooling Pty Ltd, with operations based in Queensland and Western Australia, for a cash consideration of \$19.5m. COR Cooling Pty Ltd specialises in the sale and repair of radiators and other products for the mining and other industries. The acquisition was a strategic diversification of the group's operations into a new area of the mining services market offering expanded services to existing customers domestically and overseas. The acquisition was funded by way of a bank loan as well as existing available cash resources.

Acquisition-related costs of \$132,000, comprising of legal and other fees, have been recognised in the period and are included within other expenses from ordinary activities in the consolidated statement of comprehensive income.

The acquisitions contributed the following in respect of revenues and net profit after tax to the group:

	Pilbara Hire Group	Phillips Engineering	COR Cooling
	\$000	\$000	\$000
Revenue for the period to 31 December 2010	12,979	1,099	1,534
NPAT for the period to 31 December 2010	1,729	(32)	199
Revenue had the acquisition occurred in 1 July 2010	12,979	4,499	10,731
Normalised NPAT for the period 31 December 2010	1,729	205	1,527

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note 6: Business combinations

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

	Pilbara Hire Group \$000	Phillips Engineering \$000	COR Cooling \$000
Purchase consideration	12,148	7,855	19,500
Provisional fair value of net identifiable assets acquired	33	4,434	6,113
Provisional goodwill	12,115	3,421	13,387

The provisional fair value of assets and liabilities arising from the acquisitions is as follows:

	Pilbara Hire Group \$000	Phillips Engineering \$000	COR Cooling \$000
Cash	30	-	828
Property, plant and equipment	2,469	4,500	1,442
Inventories and work-in-progress	112	200	2,023
Receivables	-	-	3,491
Other assets	291	9	304
Payables	(1,163)	-	(1,579)
Employee leave entitlements	(17)	(275)	(396)
Financial liabilities	(1,689)	-	-
Net identifiable assets acquired	33	4,434	6,113

As the acquisitions in the period have only been completed within the past six months, with Phillips Engineering and COR Cooling in particular being completed in November and December 2010, the initial accounting for intangible assets acquired, including goodwill, is incomplete at 31 December 2010. Provisional goodwill is attributable to the profitability of the acquired business and the significant business development opportunities that are expected to arise after the group's acquisition of the businesses. The assets arising from the acquisition are recognised at fair value, taking into account the age and condition of the assets acquired and the expected remaining useful life in the production environment in which they are operated.

Note 7: Contingent liabilities and contingent assets

There are no contingent liabilities or assets that have a material impact on the financial statements at 31 December 2010.

Note 8: Dividends

The company paid a fully-franked final dividend of 7.5c per share on 8 October 2010 in relation to the financial year ended 30 June 2010 (2009: 6.5cps)

Note 9: Events subsequent to reporting date

No material event subsequent to the end of the interim period has arisen that has not been recognised in the interim financial statements. On 22 February 2011, the Directors declared an interim fully-franked final dividend of 3.0 cents per share (2009: 2.0 cents per share) for the financial year 2010/11, payable on 25 March 2011. The aggregate amount of the dividend to be paid out of retained profits at 31 December 2010, but not recognised as a liability at the half-year, is \$2,148,000.

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) The financial statements and notes set out on pages 5 to 11 are in accordance with the Corporations Act 2001, including:
 - i) complying with Accounting Standards, AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
 - ii) giving a true and fair view of the financial position as at 31 December 2010 and of the performance for the half-year ended on that date for the consolidated entity; and

- b) There are reasonable grounds to believe that Austin Engineering Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Michael Buckland
Managing Director
22 February 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austin Engineering Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austin Engineering Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd



PA Gallagher

Director

Brisbane, 22 February 2011