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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2011 $000		Half-Year to 31 December 2010 $000
Revenue	**125,337**	**up 38% from**	**91,084**
Net Profit After Tax for the Half Year	**11,680**	**up 9% from**	**10,694**

Brief Explanation of Movements in Revenue and Net Profit

The movements in revenue and net profit after tax for the half-year ended 31 December 2011 over the comparative period are due to a combination of factors including:

- Growing workload levels over October to December 2011 after a slow start for some of the group's larger operations at the beginning of the year;
- The inclusion of COR Cooling's operations for a full six months (pcp - one month after acquisition on 1 December 2010);
- The commencement of operations in the new workshop on Batam Island in Indonesia in November 2011;
- A negative contribution from the Hunter Valley business unit for the six months; and
- A full six months of finance costs associated with the draw-down of bank loans to fund the Phillips Engineering and COR Cooling acquisitions (pcp - one month of finance costs).

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
Final dividend paid on 7 October 2011 for the financial year ended 30 June 2011	8.5c	8.5c
Interim dividend payable for the financial year ended 30 June 2012 (up from 3.0c in the previous period)	3.5c	3.5c
Record date for determining entitlement to the interim dividend	24 February 2012	
Date for payment of interim dividend	23 March 2012	

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

Net Tangible Assets per Security

	Half-Year to 31 December 2011	Half-Year to 31 December 2010
Net tangible asset backing per ordinary security (cents)	46.5	36.6

Control Gained Over Entities Having a Material Effect

The following acquisitions were made during the period:
29 July 2011 - the business and assets of Diecon Engineering, a specialised manufacturer and repairer of industrial and marine cooling products based in Brisbane
30 September 2011 - the business and assets of Southstate Industrial Radiators, a specialised industrial radiator repair business based in Adelaide
31 October 2011 - the business and assets of Tonkins Radiators, a specialised industrial radiator repair business based in Adelaide
These acquisitions were not material, individually and collectively, to the group's operations. Details of the acquisitions are included in note 6 to the accompanying financial statements.

Associates or Joint Ventures

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.

Audit

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 2011

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 2011.

Directors

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

Paul Reading (Non-Executive Chairman)
Michael Buckland (Managing Director)
Peter Fitch (Non-Executive Director, retired on 25 November 2011)
Eugene Fung (Non-Executive Director)
Peter Pursey (Non-Executive Director)

Financial Highlights

	Change	Half-Year 11/12	Half-Year 10/11
	%	$000	$000
Revenue	+38%	125,337	91,084
EBITDA	+17%	19,884	16,974
PBT	+8%	16,142	14,892
NPAT	+9%	11,680	10,694
Net assets	+14%	109,284	95,812
Basic earnings per share (cents)	+7%	16.23cps	15.13cps
Interim dividend per share (cents)	+17%	3.5cps	3.0cps

Review of Operations

Overall activity levels across the group were good for the six months to December 2011 as business conditions in the mining services sector remained buoyant in response to strong demand for major commodities including coal, iron ore and copper. Whilst the first few months of the financial year were relatively slow for some of the group's larger workshop operations in Western Australia and North and South America, workload levels grew over October to December 2011 and resulted in very high levels of activity and a large number of product deliveries in the period. The new 'La Negra' workshop in Chile was commissioned in early July 2011, although it was not fully utilised during the first half of the year. This was due to a delay in the award of a significant contract for dump truck bodies by a major Chilean-based customer until November 2011. The group's Australian east coast manufacturing operations were very busy throughout the first half with a bias of activity towards the manufacture of dump truck bodies as well as a substantial number of buckets. The results for the first half of the year include a full six months of contribution from COR Cooling (compared to one month in the previous period) and the business experienced solid revenue growth in the period. The new workshop on Batam Island in Indonesia was completed in October 2011 and the establishment of full manufacturing operations enabled deliveries of dump truck bodies to be increased in the lead-up to the end of the half-year.

Result for the Half-Year

A number of business units returned very good operational performance as activity levels increased during the first half of the year, resulting in a lift in utilisation levels and efficiencies and a greater ability to recover overhead costs. Operating margins were lower than normal for the first few months of the year for some of the larger operations, as a result of lower workload levels, but improved as the half-year progressed. Following the award of the large order to the Chilean operation in mid-November 2011, manufacture of bodies commenced immediately and a large number of bodies were delivered in December 2011. This produced an operating result for the month well above the levels achieved by most of the group's other operations and demonstrated the contribution that can be derived from the new purpose-built 'La Negra' production facility. The Hunter Valley business unit did not perform to expectations due to a number of management and operational issues, returning a disappointing negative result in the first half. The new Indonesian facility performed much better than expected and generated a positive operating result due to good operational efficiencies and lower than planned manhours on the manufacture of dump truck bodies completed in the period. The relative contribution of the group's operations in Oman was less than the previous period due to operations concentrating solely on an equipment maintenance contract for an aluminium smelter in Oman.

Profit before tax of $16.1m for the half year to December 2011 also includes expenses that were not in the result for the prior corresponding period, including an amortisation expense for customer intangibles, start-up expenses and establishment costs for the new Colombian operation and expensing of the earn-out payment arising on the acquisition of the Pilbara Hire Group.

Net finance costs for the half-year to December 2011 included a full six months of interest on bank loans drawn-down to fund the Phillips Engineering and COR Cooling acquisitions. The prior corresponding period included approximately one month of interest costs following acquisition of these businesses in November and December 2010.

Financial Position

Net assets increased by 14% over the corresponding prior period and by 5% since 30 June 2011. The increase from the end of FY 10/11 includes net profit after tax of $11.7m for the half-year to December 2011, the $6.1m dividend payment for the FY 10/11 financial year and approximately $0.7m of new equity arising from the exercise of options. Net tangible asset backing per share rose to 46.5c at 31 December 2011, up 27% from 36.6c at 31 December 2010 and up 16% from 40.1c at 30 June 2011.

Cash Flow and Liquidity

The reported net operational cash outflow of $2.7m in the six months to December 2011 must be recognised in light of the $18m of advance payments that were received just before the end of the 2010/11 financial year for products to be manufactured in the current financial year and beyond. Had these payments been received in the current financial year, operating cash flows to December 2011 would have been more closely correlated to NPAT, adjusted for non-operational cash flows and other working capital movements. Net working capital rose from June 2011 as workload levels increased over the period and as the advance payments were utilised to fund manufacturing costs.

DIRECTORS' REPORT

Cash Flow and Liquidity (Cont'd)

Non-operational cash flows in the period largely consisted of costs incurred on capital expenditure programs in relation to the completion of the new workshops in Chile, Colombia and on Batam Island in Indonesia. A total of $11.6m was expended on these projects as well as other on-going investments in new plant and equipment. $1.7m was expended on new business acquisitions, all of which were expansion initiatives for the COR Cooling business and included the acquisition of Diecon Engineering in Brisbane and Southstate Industrial Radiators and Tonkins Radiators, both in Adelaide. Approximately $1.5m was expended on the earn-out for the Pilbara Hire acquisition (of which $0.8m has been included in cash flows from investing activities and $0.7m in cash flows from operating activities) completed in 2010, in recognition of the business exceeding the required EBIT target in the post-acquisition year to 30 June 2011. A net $7.7m of new bank loans was drawn-down, mostly to assist with the funding of the new workshop developments in Chile and Colombia as well as for working capital requirements. $0.7m of new share capital was introduced during the period from the exercise of share options whilst $6.1m was paid in dividends, being payment of the final dividend for the 2010/11 financial year.

Available cash at the end of the period was $23.5m, up from $22.8m at 31 December 2010 and down from $37.4m at 30 June 2011. The reduction from the end of FY 10/11 is mainly attributable to the use of the $18m of advance payments for manufacturing operations on products completed in the six months to December 2011 as well as the funding of the COR Cooling business acquisitions and other ongoing capital expenditure from cash flows and resources.

Debt

At the end of December 2011, gross debt was $59.6m, up from $53.0m at 31 December 2010 and up from $51.1m at 30 June 2011. The increase from the end of FY 10/11 is mainly due to the draw-down of bank loans to fund the new workshop developments in Chile and Colombia as well as to support ongoing operations. Net debt (gross debt less available cash) was $36.0m at the end of the half-year, up from $30.1m at 31 December 2010 and $13.8m at 30 June 2011. Most of the increase from the end of FY 10/11 is due to the movements in operational and non-operational cash flows as detailed above as well as an increase in the AUD-equivalent value of USD 19m of long-term bank debt due to the AUD/USD exchange rate falling from 1.07 to 1.01 in the period.

The net gearing ratio (net debt/net debt plus equity) at the end of December 2011 was 29%, including approximately $8m of bank guarantees issued by the company's bank as part of normal business operations. This was up from 17% at the end of June 2011, but was well 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 8.5c per share on 7 October 2011 in relation to the financial year ended 30 June 2011. An interim fully-franked dividend of 3.5 cents per share, up from 3.0 cents per share in the previous corresponding period, has been declared on 21 February 2012. The record date for determining entitlement to the interim dividend is 24 February 2012 with payment being made on 23 March 2012.

Outlook

As announced at the company's Annual General Meeting ("AGM") on 25 November 2011, business conditions are expected to remain strong over the remainder of the current financial year and this is expected to translate into very high levels of activity across the group. The bias in earnings towards the second half of the FY 11/12 year will be more pronounced than in previous years. At the AGM, the company also provided an EBITA target of $40m-$45m for the current financial year. Since then, the company has decided that a more appropriate measure of performance is EBITDA and, accordingly, now provides an EBITDA target of $45m-$50m for the FY 11/12 financial year, an increase of 26%-40% over the previous financial year.

Results for the second half of the financial year will also be supplemented by contributions from the V&V business in Calama, northern Chile. The acquisition of V&V was completed in early January 2012 and this will add important capabilities to the group's existing operations. It will also introduce new repair and maintenance revenue streams from this region of considerable mining activity. The La Negra workshop in Chile will have high levels of capacity utilisation in the second half of the financial year, compared to only one month in the first half. The new Colombian workshop will become operational in the first calendar quarter of 2012 and orders for the supply of equipment have already been secured. Manufacturing operations on Batam Island, Indonesia are expected to grow and provide further revenue and profit contributions as the group's range of products and services are introduced to existing and new customers across the region. The group will also establish operations in Peru in order to service the major contract awarded by Xstrata in June 2011 and to establish a commercial base in this developing and significant mining region. The second half of the year will also see further expansion of the COR Cooling business, with expansion into areas of Australia not currently serviced by existing operations as well as the pursuit of expansion overseas.

Lead Auditor's Independence Declaration

A copy of the auditor's 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
21 February 2012

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Australia

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

As lead auditor for the review of Austin Engineering Limited for the half-year ended 31 December 2011, 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.

P A Gallagher

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 21 February 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		Consolidated Entity	
		Half-Year	
	Note	2011	2010
		$000	$000
Revenue	2	125,337	91,084
Other income	2	-	2,183
Raw materials and consumables used		(48,816)	(27,669)
Change in inventories and work-in-progress		8,630	(747)
Employment expenses		(49,510)	(37,045)
Subcontractor expenses		(2,206)	(1,588)
Occupancy and utility expenses		(3,414)	(2,218)
Depreciation expense		(2,453)	(1,729)
Amortisation expense - customer relationships and other intangibles		(320)	-
Other expenses		(9,947)	(6,708)
Finance costs		(1,159)	(671)
Profit before income tax		16,142	14,892
Income tax expense		(4,462)	(4,198)
Net profit for the half-year		**11,680**	**10,694**
Other comprehensive income:			
Changes in fair value of available-for-sale financial assets		-	541
Foreign currency translation differences		(776)	(1,092)
Other comprehensive income for the half-year, net of tax		(776)	(551)
Total comprehensive income for the half-year		10,904	10,143
Profit for the half-year is attributable to:			
Owners of Austin Engineering Limited		11,680	10,694
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		10,904	10,143
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	4	16.23	15.13
Diluted earnings per share (cents per share)	4	15.86	14.59

The above Consolidated Statement of Comprehensive Income should be 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 2011

		Consolidated Entity	
	Note	31 December 2011	30 June 2011
		$000	$000
Current Assets			
Cash and cash equivalents		23,540	37,416
Trade and other receivables		37,011	29,985
Inventories		25,178	20,940
Other		4,445	2,780
Total Current Assets		**90,174**	**91,121**
Non-Current Assets			
Property, plant and equipment		62,098	53,670
Investments accounted for using the equity method		1,103	1,554
Intangible assets		75,681	74,908
Deferred tax assets		2,977	2,528
Total Non-Current Assets		**141,859**	**132,660**
Total Assets		**232,033**	**223,781**
Current Liabilities			
Trade and other payables		50,328	55,445
Financial liabilities		5,981	1,222
Current tax liabilities		2,009	2,525
Provisions		4,217	4,481
Total Current Liabilities		**62,535**	**63,673**
Non-Current Liabilities			
Financial liabilities		53,582	49,948
Deferred tax liabilities		6,632	6,418
Total Non-Current Liabilities		**60,214**	**56,366**
Total Liabilities		**122,749**	**120,039**
Net Assets		**109,284**	**103,742**
Equity			
Contributed equity	5	48,920	48,251
Retained earnings		62,813	57,254
Reserves		(2,449)	(1,763)
Total Equity		**109,284**	**103,742**

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 2011

	Contributed Equity	Retained Earnings	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 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
Other comprehensive income:						
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 payment	-	-	124	-	-	124
	4,234	(5,348)	124	-	-	(990)
At 31 December 2010	**47,918**	**48,632**	**1,044**	**(1,782)**	**-**	**95,812**
Total comprehensive income for the half-year:						
Profit for the half-year	-	10,774	-	-	-	10,774
Other comprehensive income:						
Currency translation differences	-	-	-	(1,313)	-	(1,313)
Total comprehensive income for the half-year	-	10,774	-	(1,313)	-	9,461
Transactions with owners in their capacity as owners:						
Issue of share capital	375	-	-	-	-	375
Share issue costs	(42)	-	-	-	-	(42)
Dividends paid	-	(2,152)	-	-	-	(2,152)
Share-based payment	-	-	288	-	-	288
	333	(2,152)	288	-	-	(1,531)
At 30 June 2011	**48,251**	**57,254**	**1,332**	**(3,095)**	**-**	**103,742**
Total comprehensive income for the half-year:						
Profit for the half-year	-	11,680	-	-	-	11,680
Other comprehensive income:						
Currency translation differences	-	-	-	(776)	-	(776)
Total comprehensive income for the half-year	-	11,680	-	(776)	-	10,904
Transactions with owners in their capacity as owners:						
Issue of share capital	675	-	-	-	-	675
Share issue costs	(6)	-	-	-	-	(6)
Dividends paid	-	(6,121)	-	-	-	(6,121)
Share-based payment	-	-	90	-	-	90
	669	(6,121)	90	-	-	(5,362)
At 31 December 2011	**48,920**	**62,813**	**1,422**	**(3,871)**	**-**	**109,284**

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 2011

		Consolidated Entity	
		Half-Year	
		2011	2010
		$000	$000
Cash flows from operating activities			
Receipts from customers		128,008	101,221
Payments to suppliers and employees		(125,581)	(85,907)
Interest received		197	319
Dividends received		-	133
Finance costs		(875)	(671)
Income tax paid		(4,435)	(3,548)
Net cash used in/provided by operating activities		**(2,686)**	**11,547**
Cash flows from investing activities			
Payments for acquisitions of businesses or subsidiaries, net of cash acquired	6	(1,663)	(39,503)
Payments for property, plant and equipment		(11,581)	(7,145)
Distribution from joint venture entity		753	-
Proceeds from sale of other financial assets		-	6,317
Settlement of contingent consideration of business combination		(813)	-
Net cash used in investing activities		**(13,304)**	**(40,331)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		667	4,234
Proceeds from borrowings		13,073	32,557
Repayment of borrowings		(5,326)	(992)
Dividend paid		(6,121)	(5,348)
Net cash provided by financing activities		**2,293**	**30,451**
Net (decrease)/ increase in cash held		**(13,697)**	**1,667**
Cash and cash equivalents at the beginning of the period		37,416	21,125
Effects of exchange rate changes on cash and cash equivalents		(179)	**-**
Cash and cash equivalents at the end of the period		**23,540**	**22,792**

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

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

These general purpose financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting.*

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 2011 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 2011. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

Note 2: Revenue and other income

	Half-Year 2011	Half-Year 2010
Revenue	$000	$000
Sales revenue:		
Sale of goods and services	125,107	90,595
Other revenue:		
Interest - bank deposits	190	318
Other	40	171
Total revenue	125,337	91,084
Other income - net gain on sale of available-for-sale financial assets	-	2,183

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), Asia (currently consisting of Indonesia for mining equipment) 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 now monitors segment performance based on EBITDA. Segment information for the half-years ended 31 December 2011 and 31 December 2010 is as follows:

	Australia		Americas		Middle East		Asia		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Total segment revenue	89,334	65,238	30,372	26,714	976	1,315	4,655	-	125,337	93,267
Revenue from external customers	89,334	65,238	30,372	26,714	976	1,315	4,655	-	125,337	93,267
EBITDA	13,689	12,328	4,751	3,962	343	684	1,101	-	19,884	16,974
Segment assets at 31 December 2011	131,275		88,646		974		11,138		232,033	
Segment assets at 30 June 2011	139,092		77,549		1,554		5,586		223,781	

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 EBITDA to profit before income tax is as follows:

	Half-Year 2011	Half-Year 2010
	$000	$000
EBITDA	19,884	16,974
Depreciation	(2,453)	(1,729)
Amortisation	(320)	-
Interest revenue	190	318
Finance costs	(1,159)	(671)
Profit before income tax	16,142	14,892

Note 4: Earnings per share

	Half-Year 2011	Half-Year 2010
	$000	$000
Earnings used in basic and diluted earnings per share calculation	11,680	10,694
	No.	No.
	No.(000)	No.(000)
Weighted average number of ordinary shares used in calculating basic earnings per share	71,983	70,683
Effect of dilutive securities - options	1,681	2,613
Weighted average number of ordinary shares used in calculating diluted earnings per share	73,664	73,296

Note 5: Contributed equity - ordinary shares

	Half-Year 2011		Half-Year 2010	
	No.(000)	$000	No. (000)	$000
Balance at beginning of the period	71,865	48,251	69,315	43,684
Issue of shares on exercise of options	450	675	2,250	4,260
Issue of performance-related shares	-	-	50	-
Cost of share issues	-	(6)	-	(26)
Balance at end of half-year	72,315	48,920	71,615	47,918

Ordinary shares issued in the half-year to 31 December 2011 comprised of the following:
8 September 2011: 150,000 shares at $1.50 each ($225,000) in relation to the exercise of employee options
13 December 2011: 150,000 shares at $1.50 each ($225,000) in relation to the exercise of employee options
14 December 2011: 150,000 shares at $1.50 each ($225,000) in relation to the exercise of employee options

Note 6: Business combinations
During the six months ended 31 December 2011, COR Cooling Pty Ltd, a 100% subsidiary of Austin Engineering Ltd, acquired the following businesses as part of a strategic development to expand business activities into important and growing mining regions:

29 July 2011: the business and assets of Noceid Pty Ltd trading as Diecon Engineering, with operations based in Brisbane, for a cash consideration of $0.77m. Diecon Engineering is a specialised manufacturer and repairer of industrial and marine cooling products. The acquisition was funded by way of existing cash resources.

30 September 2011: the business and assets of Southstate Industrial Services Pty and Motrad Pty Ltd (together the "Southstate Industrial Radiators" Group), with operations based in Adelaide, for a cash consideration of $0.14m. Southstate Industrial Radiators is a specialised industrial radiator repair business. The acquisition was funded by way of existing cash resources.

31 October 2011: the business and assets of Tonkins Radiators Mansfield Park Pty Ltd ("Tonkins Radiators"), with operations based in Adelaide, for a cash consideration of $0.78m. Tonkins Radiators is a specialised industrial radiator repair business. The acquisition was funded by way of existing cash resources.

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

	Total
	$000
Purchase consideration	1,693
Fair value of net tangible assets acquired	(762)
Provisional goodwill	931

The provisional fair value of net identifiable tangible assets arising from the acquisitions is as follows:

Property, plant and equipment	221
Inventories and work-in-progress	660
Receivables	72
Payables	(44)
Employee leave entitlements	(147)
Net identifiable assets acquired	762

Note 6: Business combinations (cont'd):

	Total
	$000
Purchase consideration - cash outflow:	
Outflow of cash to acquire businesses, net of cash acquired:	
Total purchase consideration	1,693
Less: contingent consideration	(30)
Cash consideration/outflow of cash – investing activities	1,663

Due to the relative immateriality of the acquired businesses, the provisional net assets acquired, provisional goodwill and purchase consideration have been combined for disclosure purposes. The acquired businesses have been absorbed into the existing business and operations of COR Cooling Pty Ltd. From the dates of their respective acquisitions to 31 December 2011, the acquired businesses contributed $1,070,000 of revenue and a net loss after tax of $174,000. Acquisition-related costs of $97,000, comprising of legal and other fees, have been recognised in the period and are included within other expenses in the consolidated statement of comprehensive income. If the acquisitions had occurred on 1 July 2011, the revenue and net profit after tax of the group on a pro-forma, pro-rata basis would not be materially different from reported revenue and net profit after tax for the half-year to 31 December 2011. This is due to the relatively small contributions of the acquired businesses. The provisional goodwill is attributable to the profitability of the acquired businesses and synergies expected to arise after the acquisition of the businesses. The provisional fair values will be finalised and any adjustments disclosed in the group's financial statements for the year ended 30 June 2012.

Details of the business combinations arising in the year ended 30 June 2011 are disclosed in note 31 of the group's annual financial statements for the year ended 30 June 2011.

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 2011.

Note 8: Dividends
The company paid a fully-franked final dividend of 8.5c per share on 7 October 2011 in relation to the financial year ended 30 June 2011 (2010: 7.5cps)

Note 9: Events subsequent to reporting date

a) Acquisition of business of V&V in Calama, northern Chile:
On 3 January 2012, Austin Ingenieros Chile Limitada, a 100% subsidiary of Austin Engineering Ltd, completed the acquisition of the business of V&V, based in Calama in northern Chile, for a cash consideration of USD 24.5m. V&V is a site-based equipment hire and repair and maintenance business located next to the majority of mines in northern Chile. The acquisition was funded by existing bank facilities. The acquisition was a strategic development to increase business exposure to repair and maintenance operations in this important mining region.

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

	Total
	$000
Purchase consideration	24,384
Fair value of net tangible assets acquired	(18,407)
Provisional goodwill	5,977

The provisional fair value of net identifiable tangible assets arising from the acquisition is as follows:

Property, plant and equipment	22,754
Equipment finance lease liabilities	(4,347)
Net identifiable assets acquired	18,407

Of the USD 24.5m purchase consideration, USD 6.2m has been retained in trust. USD 2.5m of this represents deferred consideration which will be payable in three instalments on the first, second and third anniversaries of purchase and USD 3.7m represents a retention pending final transfer of title to the property to Austin Ingenieros Chile Limitada.

The provisional goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the acquisition of the business. The provisional fair values will be finalised in the group's financial statements for the year ended 30 June 2012.

b) Dividend:
On 21 February 2012, the Directors declared an interim fully-franked dividend of 3.5 cents per share (2010: 3.0 cents per share) for the financial year 2011/12, payable on 23 March 2012. The aggregate amount of the dividend to be paid out of retained profits at 31 December 2011, but not recognised as a liability at the half-year, is $2,531,000 (2011: $2,151,000).

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

DIRECTORS' DECLARATION

In the Directors' opinion:

a) The financial statements and notes set out on pages 5 to 11 of this report are in accordance with the Corporations Act 2001, including:

   i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   ii) giving a true and fair view of the financial position as at 31 December 2011 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
21 February 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austin Engineering Limited, which comprises the statement of financial position as at 31 December 2011, 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 internal 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 half-year 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 2011 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 2011 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, 21 February 2012