

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

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2012**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b>Results</b>	<b>Year to 30 June 2012 \$m</b>		<b>Year to 30 June 2011 \$m</b>
Revenue	290.10	<i>up 42% from</i>	203.71
Net profit after tax for the year	29.58	<i>up 38% from</i>	21.47
Net profit for the year attributable to members	29.58	<i>up 38% from</i>	21.47

**Brief Explanation of Movements in Revenue and Net Profit**

The movements in revenue and net profit after tax for the year ended 30 June 2012 over the previous year are due to a combination of factors including:

- Growing workload levels over the year, particularly from October 2011 onwards;
- The inclusion of Hunter Valley and existing COR Cooling operations for a full year (pcp - 8 months and 7 months respectively after acquisition in November and December 2010);
- The commencement of operations in the new workshop on Batam Island in Indonesia in November 2011;
- Additional contributions from new business acquisitions:  
V&V in Calama, Chile (completed in early January 2012)  
Petroceros S.A.C in Lima, Peru (completed in mid-April 2012)  
COR Cooling Group in Australia (four relatively minor acquisitions completed in late July 2011, late September 2011, late October 2011 and early March 2012)
- A full year of finance costs associated with the draw-down of bank loans to fund the Hunter Valley and COR Cooling acquisitions (pcp - 8 months and 7 months respectively) and 6 months of finance costs for a bank loan for the V&V acquisition (pcp - nil)

**Please refer to the separate media release and presentation materials released on 23 August 2012 for a review of, and commentary on, the results for the year and operations**

**Dividends and Dividend Reinvestment Plans**

	<u>Amount per Security</u>	<u>Franked Amount per Security</u>
Final dividend paid on 7 October 2011 for the financial year ended 30 June 2011	8.5	8.5
Interim dividend paid on 23 March 2012 for the financial year ended 30 June 2012 (up 17% from 3.0c in 2011)	3.5	3.5
Final dividend declared for the financial year ended 30 June 2012 (up 24% from 8.5c in 2011)	10.5	10.5
Total dividend for the financial year ended 30 June 2012 (up 22% from 11.5c in 2011)	14.0	14.0
Record date for determining entitlement to the final dividend		3 September 2012
Date for payment of final dividend		12 October 2012

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

**Net Tangible Assets per Security**

	<u>Year to 30 June 2012</u>	<u>Year to 30 June 2011</u>
Net tangible asset backing per ordinary security (cents)	55.3	40.1

**Control Gained Over Entities Having a Material Effect**

The acquisitions of a more significant nature that were completed during the year were:

- 3 January 2012 - acquisition of the business and assets of V&V in Calama, northern Chile for a cash consideration of \$24.4m.
- 20 April 2012 - acquisition of the business and assets of two divisions of Petroceros S.A.C in Lima, Peru for a cash consideration of \$5.5m plus \$0.8m for inventories and work-in-progress.

**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**

The financial data in this report is in the process of being audited, pending completion of the company's statutory financial report and the issue of the accompanying independent auditor's report. The audit process has not identified any material adjustments or misstatements that require the financial data included in this preliminary final report to be corrected.

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

**PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2012**

	<u>Note</u>	<u>Consolidated Entity</u>	
		<u>2012</u>	<u>2011</u>
		\$000	\$000
Revenue	2,3	290,097	203,714
Other income		-	2,183
Raw materials and consumables expenses		(109,235)	(71,792)
Change in inventories and work in progress		9,645	7,866
Employment expenses		(102,462)	(83,182)
Subcontractor expenses		(5,833)	(566)
Occupancy and utility expenses		(6,521)	(5,148)
Depreciation expense		(5,621)	(3,566)
Amortisation - customer relationships and other intangibles		(773)	(598)
Other expenses from ordinary activities		(25,204)	(16,878)
Finance costs		(2,883)	(1,756)
Profit before income tax		<u>41,210</u>	<u>30,277</u>
Income tax expense		<u>(11,630)</u>	<u>(8,809)</u>
<b>Net profit for the year</b>		<b><u>29,580</u></b>	<b><u>21,468</u></b>
Other comprehensive income:			
Changes in fair value of available-for-sale financial assets		-	541
Foreign currency translation differences		<u>(303)</u>	<u>(2,405)</u>
Other comprehensive income for the year, net of tax		<u>(303)</u>	<u>(1,864)</u>
Total comprehensive income for the year		<u>29,277</u>	<u>19,604</u>
Profit for the year is attributable to:			
Owners of Austin Engineering Limited		<u>29,580</u>	<u>21,468</u>
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		<u>29,277</u>	<u>19,604</u>
<b>Earnings per share attributable to owners of Austin Engineering Limited:</b>			
Basic earnings per share (cents per share)	4	41.00	30.37
Diluted earnings per share (cents per share)	4	40.16	29.29

The above Preliminary 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**

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AT 30 JUNE 2012**

	Consolidated Entity	
	30 June	30 June
	2012	2011
Note	\$000	\$000
<b>Current Assets</b>		
Cash and cash equivalents	15,748	37,416
Trade and other receivables	50,687	29,985
Inventories and work-in-progress	30,842	20,940
Other assets	4,924	2,780
<b>Total Current Assets</b>	<b>102,201</b>	<b>91,121</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	92,852	53,670
Investments accounted for using the equity method	1,645	1,554
Intangible assets	85,268	74,908
Deferred tax assets	4,255	2,528
<b>Total Non-Current Assets</b>	<b>184,020</b>	<b>132,660</b>
<b>Total Assets</b>	<b>286,221</b>	<b>223,781</b>
<b>Current Liabilities</b>		
Trade and other payables	72,452	55,445
Financial liabilities	3,451	1,222
Current tax liabilities	3,733	2,525
Provisions	5,593	4,481
<b>Total Current Liabilities</b>	<b>85,229</b>	<b>63,673</b>
<b>Non-Current Liabilities</b>		
Financial liabilities	67,035	49,948
Deferred tax liabilities	8,672	6,418
<b>Total Non-Current Liabilities</b>	<b>75,707</b>	<b>56,366</b>
<b>Total Liabilities</b>	<b>160,936</b>	<b>120,039</b>
<b>Net Assets</b>	<b>125,285</b>	<b>103,742</b>
<b>Equity</b>		
Contributed equity	5	48,251
Retained earnings	78,182	57,254
Reserves	(1,835)	(1,763)
<b>Total Equity</b>	<b>125,285</b>	<b>103,742</b>

The above Preliminary 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**

**PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2012**

	Contributed Equity \$000	Retained Earnings \$000	Options Reserve \$000	Foreign Currency Translation Reserve \$000	Available for Sale Investments Reserve \$000	Total \$000
<b>Consolidated Entity</b>						
Opening balance at 1 July 2010	43,684	43,286	920	(690)	(541)	86,659
Total comprehensive income for the year:						
Profit for the year	-	21,468	-	-	-	21,468
<i>Other comprehensive income:</i>						
Revaluation of available-for-sale financial assets:						
Gross	-	-	-	-	2,955	2,955
Deferred tax adjustment	-	-	-	-	(887)	(887)
Reclassification adjustments:						
Transfer to profit or loss – gross	-	-	-	-	(2,183)	(2,183)
Deferred tax	-	-	-	-	656	656
Currency translation differences	-	-	-	(2,405)	-	(2,405)
Total comprehensive income for the year	-	21,468	-	(2,405)	541	19,604
Transactions with owners in their capacity as owners:						
Issue of share capital	4,635	-	-	-	-	4,635
Share issue costs	(68)	-	-	-	-	(68)
Dividends paid	-	(7,500)	-	-	-	(7,500)
Share-based payments	-	-	412	-	-	412
	4,567	(7,500)	412	-	-	(2,521)
<b>At 30 June 2011</b>	<b>48,251</b>	<b>57,254</b>	<b>1,332</b>	<b>(3,095)</b>	<b>-</b>	<b>103,742</b>
Total comprehensive income for the year:						
Profit for the year	-	29,580	-	-	-	29,580
<i>Other comprehensive income:</i>						
Currency translation differences	-	-	-	(303)	-	(303)
Total comprehensive income for the year	-	29,580	-	(303)	-	29,277
Transactions with owners in their capacity as owners:						
Issue of share capital	675	-	-	-	-	675
Share issue costs	(6)	-	-	-	-	(6)
Deferred tax relating to equity items	18	-	-	-	-	18
Dividends paid	-	(8,652)	-	-	-	(8,652)
Share-based payments	-	-	231	-	-	231
	687	(8,652)	231	-	-	(7,734)
<b>At 30 June 2012</b>	<b>48,938</b>	<b>78,182</b>	<b>1,563</b>	<b>(3,398)</b>	<b>-</b>	<b>125,285</b>

The above Preliminary 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**

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2012**

	<b>Consolidated Entity</b>	
	<b>2012</b>	<b>2011</b>
	\$000	\$000
<b>Cash flows from operating activities</b>		
Receipts from customers	288,735	234,579
Payments to suppliers and employees	(251,703)	(181,572)
Interest received	378	492
Dividends received	-	133
Finance costs	(2,883)	(1,756)
Income tax paid	(9,903)	(8,107)
<b>Net cash provided by operating activities</b>	<b>24,624</b>	<b>43,769</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of businesses, net of cash acquired	(33,273)	(36,384)
Payments for property, plant and equipment	(18,788)	(24,371)
Distribution from joint venture entity	753	1,055
Settlement of contingent consideration of business combination	(813)	-
Proceeds from sale of other financial assets	-	6,638
<b>Net cash used in investing activities</b>	<b>(52,121)</b>	<b>(53,062)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of transaction costs	687	4,567
Proceeds from borrowings	40,663	37,141
Repayment of borrowings	(26,144)	(6,404)
Dividends paid	(8,652)	(7,500)
<b>Net cash provided by financing activities</b>	<b>6,554</b>	<b>27,804</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(20,943)</b>	<b>18,511</b>
Cash and cash equivalents at the beginning of the year	37,416	21,125
Effects of exchange rate changes on cash and cash equivalents	(725)	(2,220)
<b>Cash at the end of the period</b>	<b>15,748</b>	<b>37,416</b>

The above Preliminary 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 PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2012**

**Note 1: Basis of preparation of preliminary financial statements**

This preliminary report has been prepared on an accruals basis and is based on historical costs modified, where appropriate, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

This preliminary report does not include all the notes of the type normally included in annual financial statements. Accordingly, this preliminary report should 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 year in accordance with the continuous disclosure requirements of the Australian Securities Exchange and Corporations Act 2001.

The accounting policies applied in this preliminary report are the same as those applied by the company in the financial report as at and for the year ended 30 June 2011. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

**Note 2: Revenue**

	<b>2012</b>	<b>2011</b>
	\$000	\$000
Revenue from the sale of goods and services	289,407	202,993
Interest received	378	492
Dividends received	-	133
Other revenue	312	96
	<u>290,097</u>	<u>203,714</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), 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 years ended 30 June 2012 and 30 June 2011 is as follows:

	<b>Australia</b>		<b>Americas</b>		<b>Middle East</b>		<b>Asia</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total segment revenue	213,455	162,573	70,369	48,424	2,393	2,114	15,148	115	301,365	213,226
Inter-segment revenue	(11,268)	(9,512)	-	-	-	-	-	-	(11,268)	(9,512)
Revenue from external customers	<u>202,187</u>	<u>153,061</u>	<u>70,369</u>	<u>48,424</u>	<u>2,393</u>	<u>2,114</u>	<u>15,148</u>	<u>115</u>	<u>290,097</u>	<u>203,714</u>
EBITDA	<u>32,865</u>	<u>29,103</u>	<u>12,334</u>	<u>6,044</u>	<u>959</u>	<u>853</u>	<u>3,951</u>	<u>(295)</u>	<u>50,109</u>	<u>35,705</u>
Segment assets at 30 June 2012	<u>132,246</u>		<u>134,960</u>		<u>1,645</u>		<u>17,370</u>		<u>286,221</u>	
Segment assets at 30 June 2011	<u>139,092</u>		<u>77,549</u>		<u>1,554</u>		<u>5,586</u>		<u>223,781</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 EBITDA to profit before income tax is as follows:

	<b>2012</b>	<b>2011</b>
	\$000	\$000
EBITDA	50,109	35,705
Depreciation	(5,621)	(3,566)
Amortisation	(773)	(598)
Interest revenue	378	492
Finance costs	(2,883)	(1,756)
Profit before income tax	<u>41,210</u>	<u>30,277</u>

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

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2012**

**Note 4: Earnings per share**

	2012	2011
	\$000	\$000
Earnings used in basic and diluted earnings per share calculation	29,580	21,468
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	72,149	70,693
Effect of dilutive securities - options	1,516	2,613
Weighted average number of ordinary shares used in calculating diluted earnings per share	73,665	73,306

**Note 5: Contributed equity - ordinary shares**

	2012		2011	
	No.000	\$000	No.000	\$000
Balance at beginning of the year	71,865	48,251	69,315	43,684
Issue of shares on exercise of options	450	675	2,500	4,635
Issue of performance-related shares	-	-	50	-
Cost of share issues	-	(6)	-	(68)
Deferred tax adjustment to cost of share issues	-	18	-	-
Balance at end of the year	72,315	48,938	71,865	48,251

Ordinary shares issued in the year to 30 June 2012 comprised of the following, all of which were in relation to the exercise of employee options:  
 8 September 2011: 150,000 shares at \$1.50 each (\$225,000)  
 13 December 2011: 150,000 shares at \$1.50 each (\$225,000)  
 14 December 2011: 150,000 shares at \$1.50 each (\$225,000)

**Note 6: Business combinations**

- 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 \$24.38m. 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 a strategic development to expand business activities and gain more exposure to repair and maintenance operations in this important mining region. The acquisition was funded by existing bank loan facilities.
- b) Acquisition of business of Petroaceros S.A.C in Lima, Peru:  
 On 20 April 2012, Austin Engineering South America No. 1 Pty Ltd, a 100% subsidiary of Austin Engineering Ltd, completed the acquisition of two of the mining services divisions of Petroaceros S.A.C, based in Lima in Peru, for a cash consideration of \$5.48m plus \$0.83m for inventories and work-in-progress. The fabrication, repair and maintenance ('FRM') division manufactures and repairs dump truck bodies, buckets and other mining equipment. The second division undertakes the on-site maintenance and repair of equipment for large miners in the region. The acquisition was a strategic development to expand business activities and gain more exposure to repair and maintenance operations in an important and growing mining region. The acquisition was funded by available existing cash resources.
- c) Acquisition of various businesses in Queensland, New South Wales and South Australia:  
 During the year, 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 mining regions in Australia:

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 available 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 available 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 available cash resources.

5 March 2012: the business and assets of Radiator Express Pty Ltd, with operations based in Singleton in the Hunter Valley region of New South Wales, for a cash consideration of \$1.15m. Radiator Express is a specialised industrial radiator repair business. The acquisition was funded by way of available existing cash resources.

Due to the relative immateriality of these acquired businesses, the net assets acquired, intangible assets, goodwill and purchase consideration have been combined for disclosure purposes.

Acquisition-related costs of \$150,000, 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.

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

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2012**

**Note 6: Business combinations (cont'd)**

Details of the net assets and intangibles acquired are as follows:

	V&V \$000	Petroceros S.A.C \$000	COR Cooling \$000	Total \$000
Purchase consideration	24,384	6,316	2,847	33,547
Fair value of net tangible assets acquired	(20,093)	(1,754)	(966)	(22,813)
Intangible assets and goodwill	4,291	4,562	1,881	10,734

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

Property, plant and equipment	23,911	1,939	404	26,254
Inventories and work-in-progress	-	834	755	1,589
Receivables	-	-	72	72
Payables	-	-	(44)	(44)
Employee leave entitlements	-	(363)	(221)	(584)
Financial liabilities	(3,818)	(656)	-	(4,474)
Net identifiable tangible assets acquired	20,093	1,754	966	22,813

The intangible assets and goodwill acquired, net of deferred tax, arising from the acquisitions are as follows:

Customer relationships and service agreements	2,093	500	1,000	3,593
Non-compete agreement	-	-	70	70
Goodwill	2,198	4,062	1,111	7,371
Deferred tax liability	-	-	(300)	(300)
Total intangible assets and goodwill acquired	4,291	4,562	1,881	10,734

Purchase consideration - cash outflow:

Outflow of cash to acquire subsidiaries, net of cash acquired:

Total purchase consideration	24,384	6,316	2,847	33,547
Less: deferred consideration	-	(244)	-	(244)
Less: contingent consideration	-	-	(30)	(30)
Outflow of cash – investing activities	24,384	6,072	2,817	33,273

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. The fair value of acquired inventories, work-in-progress and trade receivables approximates to their carrying value.

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 respective businesses.

From the dates of their respective acquisitions to 30 June 2012, the acquired businesses contributed \$9,037,000 of revenue and \$1,286,000 of net profit after tax to the group. If the acquisitions had occurred on 1 July 2011, the revenue of the group on a pro-forma, pro-rata basis would have been \$301,000,000 and net profit after tax would have been \$31,642,000. The relative contribution of these new businesses is expected to increase in the future as business expansion plans are implemented and investments are made in new facilities.

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 30 June 2012.

**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 (up 13% from 7.5c in 2010). The company also paid a fully-franked interim dividend of 3.5c per share on 23 March 2012 in relation to the financial year ended 30 June 2012 (up 17% from 3.0c per share in 2011).

**Note 9: Events subsequent to reporting date**

The Directors have declared a final fully-franked dividend of 10.5 cents per share for the financial year ended 30 June 2012 (up 24% from 8.5c in 2011) payable on 12 October 2012. The aggregate amount of the dividend to be paid out of retained profits based on the number of ordinary shares issued at 30 June 2012, but not recognised as a liability at the end of the year, is \$7,593,000.

On 6 July 2012 COR Cooling Pty Ltd, a 100% subsidiary company of Austin Engineering Ltd, acquired the business and assets of Beltrax Pty Ltd, trading Bells Radiator Services), a specialised manufacturer and repairer of cooling products based in Toronto, Hunter Valley, Australia. The purchase price, which was paid in cash, was \$1.60m plus \$0.08m for inventories. The fair value of tangible and intangible assets acquired is in the process of being determined and finalised.