

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

**HALF- YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

| <b><u>Results</u></b>                         | <b><u>Half-Year to<br/>31 December 2009<br/>\$000</u></b> |                       | <b><u>Half-Year to<br/>31 December 2008<br/>\$000</u></b> |
|---|---|-----------------------|---|
| <b>Revenue</b>                                | <b>67,355</b>   | <b>down 29% from</b>  | <b>94,592</b>   |
| <b>Net Profit After Tax for the Half Year</b> | <b>8,169</b>  | <b>no change from</b> | <b>8,128</b>  |

**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 2009 over the comparative period are due to a combination of factors including:

- Record levels of activity in the comparative period, reflecting elevated business conditions in the mining and mining services sector before the onset of the global financial crisis
- The impact of the global financial crisis on customer purchasing behaviour for mining products in the last six months of the 08/09 financial year, with equipment expenditure plans being reduced or deferred
- An improvement in business conditions in Australia in the first quarter of 09/10 and a return to normal levels in the second quarter, whilst conditions in North America remained below normal throughout the six months to December 2009
- Additional revenue and profit contributions from the group's interests in the Middle East and, as of August 2009, revenue and profit contributions from the group's newly-established operations in Chile
- Improved performance across operations

**Dividends and Dividend Reinvestment Plans**

|   | <b><u>Amount<br/>per Security</u></b> | <b><u>Franked Amount<br/>per Security</u></b> |
|---|---------------------------------------|---|
| Final dividend paid on 9 October 2009 for the financial year ended 30 June 2009 | 6.5c                                  | 6.5c  |
| Interim dividend payable (up from 1.5c in the previous period)                  | 2.0c                                  | 2.0c  |
| Record date for determining entitlement to the interim dividend                 |                                       | 26 February 2010                              |
| Date for payment of interim dividend  |                                       | 26 March 2010                                 |
| There were no dividend reinvestment plans in operation during the period.       |                                       |   |

**Net Tangible Assets per Security**

|  | <b><u>Half-Year to<br/>31 December 2009</u></b> | <b><u>Half-Year to<br/>31 December 2008</u></b> |
|--|---|---|
| Net tangible asset backing per ordinary security (cents) | 51.7  | 35.7  |

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

On 3 August 2009 the company announced it had completed the acquisition of the steel dump truck body business of Conymet Limitada, based in Chile, for the cash consideration of US\$ 19.6m.

**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 2009

### DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Austin Engineering Ltd and the entities it controlled at the end of and during the half-year ended 31 December 2009.

#### Directors

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

Peter Fitch (Non-Executive Chairman)  
Michael Buckland (Managing Director)  
Eugene Fung (Non-Executive Director)  
Peter Pursey (Non-Executive Director)  
Paul Reading (Non-Executive Director)

#### Financial Highlights

|                                    | Change | Half-Year<br>2009 | Half-Year<br>2008 |
|------------------------------------|--------|-------------------|-------------------|
|                                    | %      | \$000             | \$000             |
| Revenue                            | -29%   | 67,355            | 94,592            |
| EBIT                               | -9%    | 11,032            | 12,089            |
| PBT                                | -7%    | 10,859            | 11,643            |
| NPAT                               | -      | 8,169             | 8,128             |
| Net assets                         | +117%  | 77,072            | 35,528            |
| Basic earnings per share (cents)   | -29%   | 12.19cps          | 17.26cps          |
| Interim dividend per share (cents) | +33%   | 2.0cps            | 1.5cps            |

#### Review of Operations

Over the course of the half-year to December 2009, the group experienced a recovery in economic conditions following the effects of the global financial crisis on customer expenditure plans for mining equipment over the last six months of the 08/09 financial year. Customer purchasing behaviour in Australia improved in the first quarter of the current 09/10 financial year, resulting in the award of new orders and returned to normal levels in the second quarter. Business conditions in North America were below normal throughout the six month period to December 2009. The level of productive activity for the group's operations in Oman in the Middle East increased in the first half as progress was made on two key projects for the supply of aluminium smelter equipment in the region. In early August 2009 operations commenced in Chile, following the acquisition of the dump truck body business of Conymet Limitada. The group was successful in securing over half of the budgeted annual workload in the first few weeks of establishing operations.

#### Result for the Half-Year

Despite reduced activity levels in the first half of the 09/10 financial year compared to the corresponding prior period, business units maintained good performance. Productivity gains together with good profitability generated in Oman and Chile, which performed above internal budgets, were factors behind the improvement in EBIT margins. Ongoing low interest costs associated with the US\$ 19m Westech acquisition loan had a favourable impact on PBT whilst lower rates of income tax in Oman and Chile assisted relative NPAT performance. The movement in earnings per share was principally due to the issue of approximately 21.4m shares in relation to the \$31m capital raising program announced to the market on 16 June 2009 and completed in late July 2009.

#### Financial Position

Net assets increased by 117% over the corresponding period and by 48% since 30 June 2009. The increase since the end of the 08/09 financial year reflects the additional profit contribution over the six-month period to December 2009 as well as a net \$19.8m of new equity from the completion of the capital raising program as part of the group's expansion plans into South America. Net tangible asset backing per share increased to 51.7c from 35.7c in the corresponding prior period.

#### Cash Flow and Liquidity

The biggest element of cash flow during the period was the purchase of the steel dump truck body business of Conymet Limitada for US\$ 19.6m (Australian dollar equivalent \$24.7m). In addition, in August 2009 the company repaid \$2.0m of bank debt associated with the purchase of the Austbore workshop in Mackay. These two principal elements of cash flow were funded by a \$31m capital raising program, consisting of an institutional placement, of which \$10.2m was received in June 2009 and \$15.8m in July 2009 and a shareholder share purchase plan which was completed in July 2009 and raised \$4.9m.

Despite the difficult general economic environment, cash receipts from customers and payments to suppliers were made in normal timeframes. Throughout the period to December 2009, operations largely concentrated on the manufacture of mining products on a payment-after-delivery basis, which resulted in higher than normal levels of working capital. In the lead-up to the December 2009 half-year, a number of projects were in the process of being completed for which \$4.5m of cash benefits were received in early January 2010. As a consequence, operational cash flow for the half year was \$2.5m and free cash resources at the end of December 2009 were \$14.5m.

The company continued to invest in new equipment and in the half-year to December 2009 expended \$1.8m on capital expenditure programs, largely aimed at improving productivity and throughput.

#### Debt

At the end of December 2009, the principal component of debt on the balance sheet was the US\$19m loan relating to the purchase of Westech Inc. in November 2007. The Australian dollar equivalent value of this loan was \$21.2m, down from \$23.6m at June 2009 as a result of the Australian dollar strengthening over this period. Repayment of the loan has now been extended until February 2012 on an interest-only basis. It continues to attract US interest rates which are currently at very low underlying levels. The company was comfortably in compliance with bank covenants throughout the period and continues to be so.

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

**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009**

**DIRECTORS' REPORT**

**Debt (cont'd)**

The net gearing ratio at the end of December 2009 was 9%, down from 22% at June 2009 (excluding \$10.2m of tranche 1 funding from the institutional aspect of the capital raising completed in July 2009). This reduction reflected periodic profitability, solid period-end free cash resources and further strengthening of the balance sheet following completion of the \$31m capital raising program in July 2009.

**Dividends**

The company paid a fully-franked final dividend of 6.5c per share on 9 October 2009 in relation to the financial year ended 30 June 2009. An interim fully-franked dividend of 2.0 cents per share, up from 1.5 cents per share in the previous corresponding period, has been declared on 15 February 2010. The record date for determining entitlement to the interim dividend is 26 February 2010 with payment being made on 26 March 2010.

**Outlook**

The return of a more stable macro-economic environment over the course of the six months to December 2009, with corresponding improved business conditions for the mining and resources business sector, has led to increased demand for the group's products and services. Over December 2009 to early February 2010, the group has been successful in securing \$41m of new orders for a significant number of dump truck bodies and other mining equipment, which will lead to a very solid workload level over the second half of the 09/10 financial year and into the first six months of the 10/11 financial year. In addition, the group continues to enjoy increased market penetration and customer acceptance of Westech dump truck bodies and these, together with the JEC product range, are expected to lead to expanded relationships with customers globally.

South America remains an area of significant business development and the successful establishment of operations in Chile over a very short period of time will be accompanied by the establishment of a joint venture in Brazil in the very near future as well as market penetration into countries such as Peru and Colombia. In addition, the group is in the process of commencing a US\$ 8.5m expansion of its facilities in Chile, for which US\$ 1.1m of Chilean government funding has been secured. This investment, when complete, will provide a platform for further business expansion in South America.

**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  
15 February 2010**

**DECLARATION OF INDEPENDENCE BY PAUL 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 2009, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 (QLD)**



**PA Gallagher**

Partner

Brisbane: 15 February 2010

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

|   | <b>Note</b> | <b>Consolidated Entity</b> |              |
|---|-------------|----------------------------|--------------|
|   |             | <b>Half-Year</b>           |              |
|   |             | <b>2009</b>                | <b>2008</b>  |
|   |             | \$000                      | \$000        |
| Revenue   | 2,3         | 67,355                     | 94,592       |
| Raw materials and consumables expenses  |             | (23,607)                   | (40,182)     |
| Employment expenses   |             | (22,958)                   | (31,357)     |
| Subcontractor expenses  |             | (492)                      | (785)        |
| Occupancy and utility expenses  |             | (1,826)                    | (1,690)      |
| Depreciation and amortisation expense   |             | (1,328)                    | (1,030)      |
| Other expenses from ordinary activities   |             | (5,980)                    | (7,336)      |
| Finance costs   |             | (305)                      | (569)        |
| Profit before income tax  |             | 10,859                     | 11,643       |
| Income tax expense  |             | (2,690)                    | (3,515)      |
| <b>Net profit for the half-year</b>   |             | <b>8,169</b>               | <b>8,128</b> |
| Other comprehensive income:   |             |                            |              |
| Changes in fair value of available-for-sale financial assets                    |             | 1,117                      | (2,180)      |
| Foreign currency translation differences  |             | (398)                      | 782          |
| Income tax on items of other comprehensive income                               |             | -                          | -            |
| Other comprehensive income for the half-year, net of tax                        |             | 719                        | (1,398)      |
| Total comprehensive income for the half year                                    |             | 8,888                      | 6,730        |
| Profit for the half-year is attributable to:                                    |             |                            |              |
| Owners of Austin Engineering Limited  |             | 8,169                      | 8,128        |
| Total comprehensive income for the half-year is attributable to:                |             |                            |              |
| Owners of Austin Engineering Limited  |             | 8,888                      | 6,730        |
| <b>Earnings per share attributable to owners of Austin Engineering Limited:</b> |             |                            |              |
| Basic earnings per share (cents per share)                                      | 4           | 12.19                      | 17.26        |
| Diluted earnings per share (cents per share)                                    | 4           | 11.63                      | 16.28        |

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 2009**

|                                      | Consolidated Entity |                |
|--------------------------------------|---------------------|----------------|
|                                      | 31 December         | 30 June        |
| Note                                 | 2009                | 2009           |
|                                      | \$000               | \$000          |
| <b>Current Assets</b>                |                     |                |
| Cash and cash equivalents            | 14,470              | 25,070         |
| Trade and other receivables          | 19,623              | 18,845         |
| Inventories                          | 10,906              | 9,712          |
| Other                                | 1,474               | 611            |
| <b>Total Current Assets</b>          | <b>46,473</b>       | <b>54,238</b>  |
| <b>Non-Current Assets</b>            |                     |                |
| Property, plant and equipment        | 27,246              | 26,704         |
| Other financial assets               | 6,886               | 3,918          |
| Intangible assets                    | 41,215              | 17,708         |
| Deferred tax assets                  | 2,282               | 2,777          |
| <b>Total Non-Current Assets</b>      | <b>77,629</b>       | <b>51,107</b>  |
| <b>Total Assets</b>                  | <b>124,102</b>      | <b>105,345</b> |
| <b>Current Liabilities</b>           |                     |                |
| Trade and other payables             | 19,692              | 20,689         |
| Financial liabilities                | 427                 | 1,025          |
| Current tax liabilities              | 1,256               | 1,385          |
| Provisions                           | 3,555               | 4,112          |
| <b>Total Current Liabilities</b>     | <b>24,930</b>       | <b>27,211</b>  |
| <b>Non-Current Liabilities</b>       |                     |                |
| Financial liabilities                | 21,837              | 25,928         |
| Deferred tax liabilities             | 263                 | 259            |
| <b>Total Non-Current Liabilities</b> | <b>22,100</b>       | <b>26,187</b>  |
| <b>Total Liabilities</b>             | <b>47,030</b>       | <b>53,398</b>  |
| <b>Net Assets</b>                    | <b>77,072</b>       | <b>51,947</b>  |
| <b>Equity</b>                        |                     |                |
| Contributed equity                   | 5                   | 43,666         |
| Retained earnings                    |                     | 33,577         |
| Reserves                             |                     | (171)          |
| <b>Total Equity</b>                  |                     | <b>51,947</b>  |

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 2009**

|   | Contributed<br>Equity<br>\$000 | Retained<br>Profits<br>\$000 | Options<br>Reserve<br>\$000 | Foreign<br>Currency<br>Translation<br>Reserve<br>\$000 | Available<br>for Sale<br>Investments<br>Reserve<br>\$000 | Total<br>\$000 |
|---|--------------------------------|------------------------------|-----------------------------|--|--|----------------|
| <b>Consolidated Entity</b>                                    |                                |                              |                             |  |  |                |
| Opening balance at 1 July 2008                                | 13,000                         | 18,361                       | 385                         | (123)  | -  | 31,623         |
| Total comprehensive income for the half-year:                 |                                |                              |                             |  |  |                |
| Profit for the half- year                                     | -                              | 8,128                        | -                           | -  | -  | 8,128          |
| <i>Other comprehensive income:</i>                            |                                |                              |                             |  |  |                |
| Adjustment to value of available for sale<br>financial assets | -                              | -                            | -                           | -  | (2,180)  | (2,180)        |
| Currency translation differences                              | -                              | 1,094                        | -                           | (312)  | -  | 782            |
| Total comprehensive income for the half-year                  | -                              | 9,222                        | -                           | (312)  | (2,180)  | 6,730          |
| Transactions with owners in their capacity as<br>owners:      |                                |                              |                             |  |  |                |
| Issue of share capital  | 50                             | -                            | -                           | -  | -  | 50             |
| Dividends paid  | -                              | (3,061)                      | -                           | -  | -  | (3,061)        |
| Share-based expense payment                                   | -                              | -                            | 186                         | -  | -  | 186            |
|   | 50                             | (3,061)                      | 186                         | -  | -  | (2,825)        |
| <b>At 31 December 2008</b>                                    | <b>13,050</b>                  | <b>24,522</b>                | <b>571</b>                  | <b>(435)</b>   | <b>(2,180)</b>   | <b>35,528</b>  |
| Total comprehensive income for the half-year:                 |                                |                              |                             |  |  |                |
| Profit for the half- year                                     | -                              | 6,704                        | -                           | -  | -  | 6,704          |
| <i>Other comprehensive income:</i>                            |                                |                              |                             |  |  |                |
| Adjustment to value of available for sale<br>financial assets | -                              | -                            | -                           | -  | 974  | 974            |
| Currency translation differences                              | -                              | (609)                        | -                           | (142)  | -  | (751)          |
| Total comprehensive income for the half-year                  | -                              | 6,095                        | -                           | (142)  | 974  | 6,927          |
| Transactions with owners in their capacity as<br>owners:      |                                |                              |                             |  |  |                |
| Issue of share capital  | 10,203                         | -                            | -                           | -  | -  | 10,203         |
| Share issue costs   | (159)                          | -                            | -                           | -  | -  | (159)          |
| Dividends paid  | -                              | (707)                        | -                           | -  | -  | (707)          |
| Share-based expense payment                                   | -                              | -                            | 155                         | -  | -  | 155            |
|   | 10,044                         | (707)                        | 155                         | -  | -  | 9,492          |
| <b>At 30 June 2009</b>  | <b>23,094</b>                  | <b>29,910</b>                | <b>726</b>                  | <b>(577)</b>   | <b>(1,206)</b>   | <b>51,947</b>  |
| 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<br>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<br>owners:      |                                |                              |                             |  |  |                |
| Issue of share capital  | 21,238                         | -                            | -                           | -  | -  | 21,238         |
| Share issue costs   | (943)                          | -                            | -                           | -  | -  | (943)          |
| Deferred tax relating to equity items                         | 277                            | -                            | -                           | -  | -  | 277            |
| Dividends paid  | -                              | (4,502)                      | -                           | -  | -  | (4,502)        |
| Share-based expense payment                                   | -                              | -                            | 167                         | -  | -  | 167            |
|   | 20,572                         | (4,502)                      | 167                         | -  | -  | 16,237         |
| <b>At 31 December 2009</b>                                    | <b>43,666</b>                  | <b>33,577</b>                | <b>893</b>                  | <b>(975)</b>   | <b>(89)</b>  | <b>77,072</b>  |

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 2009**

|   | <b>Consolidated Entity</b> |                |
|---|----------------------------|----------------|
|   | <b>Half-Year</b>           |                |
|   | <b>2009</b>                | <b>2008</b>    |
|   | \$000                      | \$000          |
| <b>Cash flows from operating activities</b>             |                            |                |
| Receipts from customers                                 | 60,116                     | 101,504        |
| Payments to suppliers and employees                     | (55,233)                   | (84,951)       |
| Interest received                                       | 132                        | 123            |
| Dividends received                                      | -                          | 217            |
| Finance costs   | (306)                      | (569)          |
| Income tax paid   | (2,178)                    | (2,998)        |
| <b>Net cash provided by operating activities</b>        | <b>2,531</b>               | <b>13,326</b>  |
| <b>Cash flows from investing activities</b>             |                            |                |
| Purchase of business and company                        | (24,748)                   | -              |
| Purchase of property, plant and equipment               | (1,799)                    | (2,003)        |
| Investments in other financial assets                   | -                          | (4,347)        |
| <b>Net cash used in investing activities</b>            | <b>(26,547)</b>            | <b>(6,350)</b> |
| <b>Cash flows from financing activities</b>             |                            |                |
| Proceeds from issue of shares                           | 20,295                     | 50             |
| Proceeds from borrowings                                | -                          | 52             |
| Repayment of borrowings                                 | (2,377)                    | (318)          |
| Dividend paid   | (4,502)                    | (3,061)        |
| <b>Net cash provided/(used) by financing activities</b> | <b>13,416</b>              | <b>(3,277)</b> |
| <b>Net increase/(decrease) in cash held</b>             | <b>(10,600)</b>            | <b>3,699</b>   |
| Cash at the beginning of the period                     | 25,070                     | 5,810          |
| Currency exchange movements                             | -                          | (111)          |
| <b>Cash at the end of the period</b>                    | <b>14,470</b>              | <b>9,398</b>   |

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 2009**

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

These general purpose financial statements for the half-year reporting period ended 31 December 2009 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 2009 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 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 2009. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

**Note 2: Revenue**

|                         | <b>Half-Year<br/>2009</b> | <b>Half-Year<br/>2008</b> |
|-------------------------|---------------------------|---------------------------|
|                         | \$000                     | \$000                     |
| Revenue from operations | 67,156                    | 94,211                    |
| Interest received       | 132                       | 123                       |
| Other revenue           | 67                        | 258                       |
|                         | <u>67,355</u>             | <u>94,592</u>             |

**Note 3: Segment information**

The group has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach' similar to the information used for internal decision-making purposes by the chief operating decision makers comprising of the executive management team.

This has resulted in reportable segments being classified into strategic areas of operation on a geographical basis, reflecting the global nature of the group's operations, the principal areas in which the group businesses are physically located and the commercial conditions under which operations are conducted in the respective regions. Management has determined that the strategic operating segments comprise of Australia (for mining equipment and other products), 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. This performance measure differs from previous annual financial statements for the financial year ended 30 June 2009 which was based on net profit before and after income tax.

Segment information for the half-years ended 31 December 2009 and 31 December 2008 is as follows:

|                                    | <b>Australia</b> |               | <b>Americas</b> |               | <b>Middle East</b> |             | <b>Total</b>   |               |
|------------------------------------|------------------|---------------|-----------------|---------------|--------------------|-------------|----------------|---------------|
|                                    | <b>2009</b>      | <b>2008</b>   | <b>2009</b>     | <b>2008</b>   | <b>2009</b>        | <b>2008</b> | <b>2009</b>    | <b>2008</b>   |
|                                    | \$000            | \$000         | \$000           | \$000         | \$000              | \$000       | \$000          | \$000         |
| Total segment revenue              | 42,766           | 65,763        | 19,667          | 29,696        | 4,922              | -           | 67,355         | 95,459        |
| Inter-segment revenue              | -                | -             | -               | (867)         | -                  | -           | -              | (867)         |
| Revenue from external customers    | <u>42,766</u>    | <u>65,763</u> | <u>19,667</u>   | <u>28,829</u> | <u>4,922</u>       | <u>-</u>    | <u>67,355</u>  | <u>94,592</u> |
| EBIT                               | <u>5,702</u>     | <u>9,009</u>  | <u>3,513</u>    | <u>3,080</u>  | <u>1,817</u>       | <u>-</u>    | <u>11,032</u>  | <u>12,089</u> |
| Segment assets at 31 December 2009 | <u>61,295</u>    |               | <u>60,141</u>   |               | <u>2,666</u>       |             | <u>124,102</u> |               |
| Segment assets at 30 June 2009     | <u>66,743</u>    |               | <u>37,519</u>   |               | <u>1,083</u>       |             | <u>105,345</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:

|                          | <b>Half-Year<br/>2009</b> | <b>Half-Year<br/>2008</b> |
|--------------------------|---------------------------|---------------------------|
|                          | \$000                     | \$000                     |
| EBIT                     | 11,032                    | 12,089                    |
| Interest revenue         | 132                       | 123                       |
| Finance costs            | (305)                     | (569)                     |
| Profit before income tax | <u>10,859</u>             | <u>11,643</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 2009**

**Note 4: Earnings per share**

|   | <b>Half-Year<br/>2009</b> | <b>Half-Year<br/>2008</b> |
|---|---------------------------|---------------------------|
|   | \$000                     | \$000                     |
| Earnings used in basic and diluted earnings per share calculation                         | 8,169                     | 8,128                     |
|   | No.                       | No.                       |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 67,026                    | 47,083                    |
| Effect of dilutive securities - options   | 3,231                     | 2,842                     |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>70,257</u>             | <u>49,925</u>             |

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

|  | <b>Half-Year 2009</b> |               | <b>Half-Year 2008</b> |               |
|--|-----------------------|---------------|-----------------------|---------------|
|  | No.                   | \$000         | No.                   | \$000         |
| Balance at beginning of the period                   | 54,178                | 23,094        | 46,991                | 13,000        |
| Issue of shares on exercise of options               | 750                   | 450           | 100                   | 50            |
| 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                                 | -                     | (943)         | -                     | -             |
| Deferred tax on equity items                         | -                     | 277           | -                     | -             |
| Balance at end of half-year                          | <u>69,315</u>         | <u>43,666</u> | <u>47,141</u>         | <u>13,050</u> |

Ordinary shares issued in the half-year to 31 December 2009 comprised of the following:

21 July 2009: 10,927,643 shares at \$1.45 each (\$15.85m) in relation to tranche 2 of the institutional placement approved by shareholders in general meeting on 20 July 2009 and as announced to the market on 16 June 2009

27 July 2009 and 6 August 2009: 3,408,508 shares at \$1.45 each (\$4.94m) in relation to the shareholder share purchase plan announced to the market on 16 June 2009

8 September 2009: 750,000 shares at \$0.60 each (\$0.45m) in relation to the exercise of directors options

26 November 2009: 50,000 shares at nil cost on the grant of performance-related shares to the managing director

**Note 6: Acquisition of business**

On 3 August 2009, the company announced another major international expansion with the acquisition of the Chile-based steel dump truck body business of Conymet Limitada for a cash consideration of US\$ 19.6m. The acquisition of the business was effective from 1 August 2009. The acquisition represents the group's strategic business expansion into key mining South American mining markets. Details of the acquisition cost and the fair value of net assets that were acquired are as follows:

|                                     | <b>Recognised<br/>on<br/>acquisition</b> |
|-------------------------------------|--|
|                                     | \$000                                    |
| Property, plant and equipment       | 1,053                                    |
| Employee leave entitlements         | (395)                                    |
| Goodwill on acquisition             | <u>24,090</u>                            |
| Consideration paid (AUD equivalent) | <u>24,748</u>                            |

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 business. 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.

From the date of acquisition, the acquired business, which operates as Austin Ingenieros Chile Limitada, has contributed \$6,289,000 to revenue and \$1,540,000 to net profit of the group. If the acquisition had occurred on 1 July 2009, the revenue of the group on a pro-forma, pro-rata basis would have been \$68,613,000 and net profit would have been \$8,477,000.

**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 2009.

**Note 8: Dividends**

The company paid a fully-franked final dividend of 6.5c per share on 9 October 2009 in relation to the financial year ended 30 June 2009.

**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 15 February 2010, the Directors declared an interim fully-franked final dividend of 2.0 cents per share (2008: 1.5 cents per share) for the financial year 2009/10, payable on 26 March 2010.

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

**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009**

**DIRECTORS' DECLARATION**

In the Director's opinion:

- a) The financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
  - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - ii) giving a true and fair view of the financial position as at 31 December 2009 and of the performance for the half-year ended on that date for the consolidated and parent entities; 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.

This declaration is made in accordance with a resolution of Directors.



**Michael Buckland**  
**Managing Director**  
**15 February 2010**

## 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 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 Interim and Other Financial Reports 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 2009 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* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

### **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 2009 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 (QLD)**

A handwritten signature in black ink, appearing to read 'PA Gallagher', written in a cursive style.

**PA Gallagher**

Partner

Brisbane: 15 February 2010