

Austin Engineering Limited
Directors' report
For the half-year ended 31 December 2023

The Directors present their report on the Consolidated entity consisting of Austin Engineering Limited ("Company" or "Austin") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023. Throughout the report, the Consolidated entity is referred to as the Group.

Directors

The following persons were Directors of the Company during the half-year to 31 December 2023 and up to the date of this report, unless otherwise stated:

- Jim Walker
- David Singleton
- Chris Indermaur
- Sybrandt van Dyk
- Linda O'Farrell

Financial highlights

	Change	Consolidated	
		31 December 2023	31 December 2022
	%	\$'000	\$'000
Continuing operations			
Revenue	25.8	143,568	114,120
Reported EBITDA (statutory)	165.2	20,564	7,755
Reported EBITDA (normalised)	71.1	20,804	12,154
Profit before tax	281.9	15,536	4,068
Profit after tax	1,411.6	14,768	977
Basic earnings per share (cents)	1,388.2	2.53	0.17
Net cash provided by operating activities	(48.0)	6,911	13,284

Review of continuing operations

The Group revenue in the period increased by 25.8% year-on-year to \$143.6 million driven by continued order book strength, the expansion of some of Austin's manufacturing facilities and acquisition of Mainetec Pty Ltd. in the prior financial year, allowing for increased production and quality improvement. A strong customer relations focus and new lightweight product lines have also been instrumental to Austin's H1 2024 performance.

The Group reports normalised results from continuing operations with earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$20.8 million and EBITDA margin of 14.5% (H1 FY23: 10.7%) adjusted for foreign exchange gain of \$0.2 million in the current period.

Higher revenues and improved operational efficiency, achieved through the Austin 2.0 strategy, resulted in a 71.1% increase in normalised EBITDA to \$20.8 million, with a normalised EBITDA margin of 14.5% from 10.7% in H1 FY23.

The Group's net profit after tax ("NPAT") of \$14.7 million, an increase of 1,411.5% on prior corresponding period ("pcp") (\$1.0 million) and includes:

- Finance cost of \$1.0 million against the pcp of \$0.7 million resulting from the acquisition and financing of Mainetec,
- Depreciation & amortisation cost of \$4.0 million compared to pcp of \$3.0 million
- Tax expenses of \$0.7 million compared to pcp of \$3.1 million predominantly resulting from the tax benefit arising from the completion of the entry tax calculation on the acquisition of Mainetec.

Operating cashflow was strong at \$6.9 million, and we expect this to strengthen significantly in Q3 FY24 following strong order intake (customer deposits) and sales in the last two months of H1 FY24, especially in Australia.

Net debt position of \$11.4 million at 31 December 2023, excludes the application of AASB 16: Leases of \$13.0 million (FY23 \$13.6 million) and Mainetec deferred consideration of \$7.0 million compared with a net debt position of \$14.1 million at 30 June 2023.

Further details in relation to the review of the operations of the Group during the half-year and the results of these operations is set out in the media statement and separate results presentation released to the market on 27 February 2024.

Events after the reporting date

On 27 February 2024, the Board approved the transfer of \$15.8 million to the profit reserve out of the Company's profit for the 6 months to December 2023. On the same day the Board approved an interim dividend of 0.4 cents per fully paid ordinary share. There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Going concern basis for preparation

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors confirm that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

Lead Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

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



Jim Walker
Non-Executive Chair
Perth
27 February 2024



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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a light blue horizontal line.

Dean Just
Director

BDO Audit Pty Ltd
Perth
27 February 2024

Austin Engineering Limited
For the half-year ended 31 December 2023

Consolidated Financial Statements

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Austin Engineering Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Notes	31 December 2023 \$'000	31 December 2022 \$'000
Revenue from continuing operations	3	143,568	114,120
Other income		729	-
Raw materials and consumables used		(49,579)	(40,231)
Employment expenses		(32,617)	(27,143)
Subcontractor expenses		(15,352)	(11,976)
Occupancy and utility expenses		(3,320)	(2,603)
Depreciation expense		(3,461)	(2,844)
Amortisation expense		(566)	(128)
Production operational expenses		(11,243)	(11,450)
Loss from disposal of property, plant and equipment		(120)	-
Other expenses	4	(11,502)	(12,962)
Finance costs		(1,001)	(715)
Profit before income tax		15,536	4,068
Income tax expense		(768)	(3,091)
Profit from continuing operations		14,768	977
Loss from discontinued operations	6	(2,546)	(993)
Profit / (Loss) for the period		12,222	(16)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Foreign currency translation differences, net of tax		(8,759)	5,027
Other comprehensive income for the period		(8,759)	5,027
Total comprehensive income for the period		3,463	5,011
Profit / (Loss) is attributable to:			
Owners of Austin Engineering Limited		12,222	(16)
Total comprehensive income for the period is attributable to:			
Owners of Austin Engineering Limited		3,463	5,011
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of the Austin Engineering Limited:			
Basic earnings per share	7	2.53	0.17
Diluted earnings per share	7	2.34	0.16
Earnings per share from continuing and discontinued operations attributable to owners of the Austin Engineering Limited:			
Basic earnings per share	7	2.09	0.00
Diluted earnings per share	7	1.94	0.00

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of financial position
As at 31 December 2023

		Consolidated	
		31 December 2023	30 June 2023
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		20,990	20,167
Trade and other receivables		34,001	43,372
Contract assets		6,143	958
Inventories	5	68,383	68,750
Current tax assets		385	406
Lease receivables		9,120	8,657
Other assets		7,166	8,913
		146,188	151,223
Assets classified as held for sale	6	3,763	4,513
Total current assets		149,951	155,736
Non-current assets			
Property, plant and equipment		45,877	47,736
Intangible assets		25,743	26,113
Deferred tax assets		6,682	5,907
Right-of-use assets		10,575	10,916
Lease receivables		14,890	14,457
Other non-current assets		252	-
Total non-current assets		104,019	105,129
Total assets		253,970	260,865
Current liabilities			
Trade and other payables		48,700	50,883
Contract liabilities		18,708	19,199
Financial liabilities	9	37,103	33,712
Current tax liabilities		2,918	4,087
Provisions		5,178	9,623
Lease liabilities		4,515	4,525
		117,122	122,029
Financial liabilities directly associated with assets classified as held for sale	6	5,667	6,051
Total current liabilities		122,789	128,080
Non-current liabilities			
Financial liabilities	9	2,752	8,107
Provisions		1,436	1,380
Lease liabilities		8,403	9,100
Total non-current liabilities		12,591	18,587
Total liabilities		135,380	146,667
Net assets		118,590	114,198
Equity			
Share capital	10	155,879	155,052
Accumulated losses		(20,734)	(32,956)
Reserves		(16,555)	(7,898)
Total equity		118,590	114,198

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Notes	Contributed equity \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Accum- ulated losses \$'000	Total \$'000
Opening balance at 1 July 2022		154,466	2,909	(15,996)	(34,059)	107,320
Total comprehensive income for the period:						
Loss for the half-year		-	-	-	(16)	(16)
Other comprehensive income:						
Currency translation differences		-	-	5,027	-	5,027
Total comprehensive income for the period, net of tax		-	-	5,027	(16)	5,011
Transactions with owners in their capacity as owners:						
Shares issued under dividend reinvestment plan (net of share issue costs)	10	33	-	-	-	33
Share-based payments		-	503	-	-	503
Conversion of performance rights	10	553	(553)	-	-	-
Dividends provided for or paid		-	-	-	(1,745)	(1,745)
		586	(50)	-	(1,745)	(1,209)
Balance at 31 December 2022		155,052	2,859	(10,969)	(35,820)	111,122
Opening balance at 1 July 2023		155,052	3,615	(11,513)	(32,956)	114,198
Total comprehensive income for the period:						
Profit for the half-year		-	-	-	12,222	12,222
Other comprehensive income:						
Currency translation differences		-	-	(8,759)	-	(8,759)
Total comprehensive income for the period, net of tax		-	-	(8,759)	12,222	3,463
Transactions with owners in their capacity as owners:						
Share-based payments		-	929	-	-	929
Conversion of performance rights	10	827	(827)	-	-	-
Dividends provided for or paid		-	-	-	-	-
		827	102	-	-	929
Balance at 31 December 2023		155,879	3,717	(20,272)	(20,734)	118,590

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Receipts from customers	145,083	130,216
Payments to suppliers and employees	(133,102)	(113,790)
Interest received	696	623
Finance costs	(1,936)	(1,465)
Income tax paid	(3,830)	(2,300)
Net cash provided by operating activities	6,911	13,284
Cash flows from investing activities		
Payments for property, plant and equipment	(2,653)	(2,255)
Payments for intangibles	(286)	(116)
Proceeds from sale of property, plant and equipment and assets held for sale	82	-
Net payment for acquisition of subsidiary	-	(10,089)
Net cash used in investing activities	(2,857)	(12,460)
Cash flows from financing activities		
Proceeds from borrowings	-	12,967
Repayment of borrowings	(1,833)	(1,700)
Repayment of lease liabilities	(1,849)	(2,903)
Dividends paid to shareholders	-	(1,712)
Grant income	750	-
Net cash (used in) / provided by financing activities	(2,932)	6,652
Net increase in cash and cash equivalents	1,122	7,476
Cash and cash equivalents at the beginning of the period	20,167	20,781
Effects of exchange rate changes on cash and cash equivalents	(299)	2,125
Cash and cash equivalents at end of period	20,990	30,382

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

1 Basis of preparation of half-year financial statements

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2023 and any public announcements made by Austin Engineering Limited ("Austin") 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern basis of preparation

The Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis of preparation remains appropriate.

Austin Engineering Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

2 Segment information

Management has determined that the strategic operating segments comprise of Asia-Pacific (for mining equipment, other products and repair and maintenance services located in Australia and Indonesia), North America (for mining equipment and other products located in the USA) and South America (currently Chile for mining equipment, other products and repair and maintenance services located in South America).

Executive management monitors segment performance based on EBITDA from continuing operations. Segment information for the period ended 31 December 2023 and 31 December 2022 is as follows:

	Asia-Pacific		North America		South America		Unallocated		Total	
	HY24 \$'000	HY23* \$'000	HY24 \$'000	HY23* \$'000	HY24 \$'000	HY23* \$'000	HY24 \$'000	HY23 \$'000	HY24 \$'000	HY23 \$'000
Continuing operations										
Total segment revenue from external customers	77,071	64,858	41,933	32,636	24,564	16,626	-	-	143,568	114,120
EBITDA from continuing operations	7,020	5,848	6,365	6,108	6,563	(475)	616	(3,724)	20,564	7,757
Profit / (loss) before tax	3,311	3,312	6,077	5,720	6,803	(377)	(655)	(4,587)	15,536	4,068
Other segment information										
Depreciation and amortisation	2,896	2,077	554	370	373	369	204	156	4,027	2,972
Continuing and discontinued operations										
Total segment assets - 31 December	79,576	79,611	55,821	63,060	70,442	60,033	48,131	57,247	253,970	259,951
Total segment assets - 30 June	79,948	46,224	63,689	58,364	70,336	55,736	46,892	53,820	260,865	214,144
Total assets include:										
Additions to non-current assets (other than financial assets and deferred tax)	1,767	12,693	240	265	(2,933)	2,029	257	17,981	(669)	32,968
Total segment liabilities - 31 December	46,665	63,118	29,879	24,988	16,666	16,983	42,170	43,740	135,380	148,829
Total segment liabilities - 30 June	57,909	45,480	27,001	22,921	17,210	10,909	44,547	27,514	146,667	106,824

*Balances for prior period have been re-presented to ensure consistency with current period presentation.

Asset and liability amounts are measured in the same way that they are measured in the financial statements. Segment assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities. The unallocated amounts include Head office balances that have not been allocated to the operating segments.

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

	Continuing and discontinued operations		Continuing operations	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
Reported EBITDA	18,646	7,446	20,564	7,755
Depreciation expense	(3,854)	(3,261)	(3,461)	(2,844)
Amortisation expense	(566)	(129)	(566)	(128)
Finance costs	(1,236)	(966)	(1,001)	(715)
Profit before income tax	12,990	3,090	15,536	4,068

Austin Engineering Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

3 Revenue

	Consolidated	
	31 December	31 December
	2023	2022
	\$'000	\$'000
Revenue from contracts with customers	143,568	112,976
Other revenue	-	1,144
Total revenue from continuing operations	143,568	114,120

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following types and geographical regions:

Revenue from contracts with costumers	Asia-Pacific		North America		South America		Total	
	HY24	HY23	HY24	HY23	HY24	HY23	HY24	HY23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of Goods								
Truck Bodies	45,267	26,783	40,535	29,490	5,832	9,161	91,634	65,434
Buckets	13,316	10,115	274	2,339	-	-	13,590	12,454
Other Goods	11,998	16,431	1,124	902	1,968	47	15,090	17,380
Total Sale of Goods	70,581	53,329	41,933	32,731	7,800	9,208	120,314	95,268
Services								
Total Services	6,490	10,839	-	-	16,764	6,869	23,254	17,708
Revenue from contracts with customers	77,071	64,168	41,933	32,731	24,564	16,077	143,568	112,976
Timing of Revenue Recognition								
At a point in time	70,581	53,329	41,933	32,731	7,800	9,208	120,314	95,268
Over time	6,490	10,839	-	-	16,764	6,869	23,254	17,708
Revenue from contracts with customers	77,071	64,168	41,933	32,731	24,564	16,077	143,568	112,976

Austin Engineering Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

4 Other expenses

	Consolidated	
	31 December	31 December
	2023	2022
	\$'000	\$'000
Consultancy	1,573	2,480
Insurance costs	1,667	1,405
Administration costs	1,072	827
Information technology costs	1,419	976
Travel expenses	560	1,239
Other expenses	4,971	3,957
Foreign exchange losses	240	2,078
Balance at the end of the period	11,502	12,962

5 Inventories

	Consolidated	
	31 December	30 June
	2023	2023
	\$'000	\$'000
At cost:		
Raw materials and consumables	41,142	47,804
Work in progress	26,883	20,566
Finished goods	358	380
Balance at the end of the period	68,383	68,750

Raw material, consumables and work in progress

Inventories consist of raw materials, consumables and work in progress and are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the same.

6 Discontinued operations

(a) Discontinued operations

In 2021 and 2022, the Group closed its operations in Colombia, Peru and Canada including, retrenching staff, transferring assets to other Austin business units and disposing of assets. The decision to discontinue the operations was made based on the current and future expected market conditions in Peru and Canada as well as the overall Group strategy and hub and spoke model. In the 2023 financial year, the right-of-use asset and lease liability associated with the Canadian operations were reclassified as held for sale. Impairment testing was performed on the right of use asset and impairment was recognised in the 2023 financial year on the right of use asset in Canada based on the estimated settlement price for exiting the lease arrangement. No further impairment was recognised in the current period.

The results of Austin Engineering Peru SAC, Austin Canada Inc, Austin Ingenieros Colombia S.A.S. and Chile crane business have been disclosed as discontinued operations. The comparative profit and cash flows from discontinued operations for the period are set out below.

	Consolidated	
	31 December	31 December
	2023	2022
	\$'000	\$'000
Expenses	(2,546)	(978)
Income tax expense	-	(15)
Loss from discontinued operations	(2,546)	(993)
Net cash outflow from operating activities	(2,217)	(973)
Net cash inflow/(outflow) from investing activities	55	(20)
Net cash outflow from financing activities	(384)	-
Net decrease in cash from discontinued operations	(2,546)	(993)

The assets relating to the Peruvian operations and Canadian right of use asset are presented as held for sale. See (b) below. In 2023, the Canadian right of use asset was impaired by \$2.3 million based on the estimated settlement price for exiting the lease arrangement. No further impairment was recorded in the current period. The carrying value of the remaining assets held for sale are expected to be recovered through sale.

(b) Assets and liabilities classified as held for sale

The Group intends to continue to dispose properties and equipment that it no longer requires in the next twelve months. The properties and equipment are located in Peru and Australia.

	Consolidated	
	31 December	30 June
	2023	2023
	\$'000	\$'000
Land and Building - Peru	854	885
Plant and Equipment – Australia (Mackay)	-	306
Right of use asset – Building (Canada)	2,909	3,322
Total assets classified as held for sale	3,763	4,513
Lease Liability (Canada)	5,667	6,051
Financial liabilities directly associated with assets classified as held for sale	5,667	6,051

Assets are classified as held for sale when its carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Austin Engineering Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

6 Discontinued operations (continued)

The movement in assets classified as held for sale during the financial year is disclosed below:

	Consolidated	
	31 December	30 June
	2023	2023
	\$'000	\$'000
Opening assets classified as held for sale	4,513	1,109
Transfers from Property, Plant and Equipment	-	68
Transfers from right of use assets	-	3,322
Disposals	(306)	-
Depreciation on assets held for sale	(299)	-
Exchange differences	(145)	14
Closing assets classified as held for sale	3,763	4,513

7 Earnings per share

	Consolidated	
	31 December	31 December
	2023	2022
	Cents	Cents
Basic earnings per share		
From continuing operations	2.53	0.17
From discontinued operations	(0.44)	(0.17)
Total basic earnings per share	2.09	0.00
Diluted earnings per share		
From continuing operations	2.34	0.16
From discontinued operations	(0.40)	(0.16)
Total diluted earnings per share	1.94	0.00
Reconciliation of earnings to profit / (loss)	\$ '000	\$ '000
From continuing operations	14,768	977
From discontinued operations	(2,546)	(993)
Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	12,222	(16)

	Number of	Number of
	Shares	Shares
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	583,931,918	582,305,417
Effect of dilutive securities - share based performance rights and options	45,924,559	48,136,952
Used to calculate diluted earnings per share	629,856,477	630,442,369

8 Dividends

Recognised amounts	Consolidated	
	31 December 2023	31 December 2022
	\$'000	\$'000
Fully franked dividend for the year ended 30 June 2022 of 0.3 cents per share, paid on 27 October 2022	-	1,745
Total Recognised amounts	-	1,745

In the prior period, a portion of shareholders participated in the Dividend Reinvestment Plan in respect of \$0.03 million. The cash outflow of the above dividends for the half year 2022 was \$1.712 million.

Dividends not recognised at the end of the reporting period

Subsequent to the end of the period, the directors declared an interim dividend of 0.4 cents (2022:Nil) per fully paid ordinary share. This amount has not been recognised as a liability at 31 December 2023.

Franking credits	Consolidated	
	31 December 2023	31 December 2022
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2022 - 30.0%)	22,897	22,897

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

9 Financial liabilities

	Consolidated			
	31 December 2023		30 June 2023	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Secured liabilities				
Facilities associated with continuing operations				
Bank borrowings (i)	29,641	2,750	29,641	4,583
Deferred consideration (ii)	7,000	-	3,500	3,368
Hire purchase liabilities	462	2	571	156
	37,103	2,752	33,712	8,107
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale (note 6)	5,667	-	6,051	-
Balance at the end of the period	42,770	2,752	39,763	8,107

(i) Bank borrowings:

In August 2021, the Group entered into a \$35.0 million global financing arrangement provided by HSBC Bank Australia Limited and is used to support the working capital requirements of the Group. The facility has a number of financial covenants being, a borrowing base ratio > 1.00, interest cover ratio > 4 times, leverage ratio < 2.25 times and debt service cover ratio of >1.5. As at 31 December 2023, the Group has complied with all covenants. In the 2023 financial year, the Group borrowed an additional \$11.0 million as a term loan facility to fund the acquisition of Mainetec Pty Ltd ("Mainetec").

(ii) Deferred consideration:

Deferred consideration relates to the amounts payable to the former shareholders of Mainetec over a two-year period to 11 October 2024.

10 Equity - issued capital

	31 December 2023		30 June 2023	
	Number of shares	\$'000	Number of shares	\$'000
Ordinary shares				
Opening balance	583,339,584	155,052	581,727,804	154,466
Conversion of performance rights	3,062,295	827	1,515,152	553
Share issued for dividend reinvestment plan (net of share issue costs)	-	-	96,628	33
Balance at end of the period	586,401,879	155,879	583,339,584	155,052

On 31 August 2023, 2,367,854 performance rights were converted into 2,367,854 ordinary shares at an exercise price of nil.

On 1 September 2023, 694,444 performance rights were converted into 694,444 ordinary shares at an exercise price of nil.

These conversions were made in accordance with the terms of the Group's performance rights plan.

11 Contingent liabilities

From time to time, the Group receives legal claims from former employees. The Directors are of the opinion that the likelihood of economic loss for the Group from claims pending at the reporting date is low and that the potential quantum of these claims is not material.

Other than the matters noted above and any guarantees that are issued to third parties arising out of dealings in the normal course of business, there are no contingent liabilities.

12 Events occurring after the reporting period

On 27 February 2024, the Board approved the transfer of \$15.8 million to the profit reserve out of the Company's profit for the 6 months to December 2023. On the same day the Board approved a dividend of 0.4 cents per fully paid ordinary share. There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Austin Engineering Limited
Directors' declaration
For the half-year ended 31 December 2023

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that Austin Engineering Limited will be able to pay its debt as and when they become due and payable.

Signed in accordance with a resolution of Directors.



Jim Walker
Non-Executive Chair
Perth
27 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the printed name.

Dean Just

Director

Perth, 27 February 2024