

**Austin Engineering Limited**  
**Directors' report**  
**For the half-year ended 31 December 2021**

The Directors present their report on the Consolidated entity consisting of Austin Engineering Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021. Throughout the report, the Consolidated entity is referred to as the Group.

**Directors**

The Directors of the company who held office during and up to the date of this report are Jim Walker, Chris Indermaur, Sy van Dyk and David Singleton.

**Financial highlights**

		Consolidated 31 December 2021	31 December 2020
	Change %	\$'000	\$'000
<b>Continuing operations</b>			
Revenue	(6.6)	80,112	85,806
Reported EBITDA	76.4	11,461	6,496
Profit before tax	259.9	8,483	2,357
Profit after tax	202.2	6,734	2,228
Basic earnings per share (cents)	205.3	1.16	0.38
Net cash (used in)/provided by operating activities	25.0	(5,130)	(6,841)

**Review of operations**

A 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 24 February 2022.

**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.

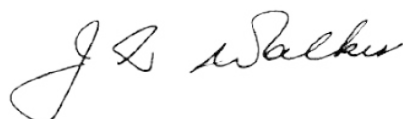
**Lead Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

**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 Chairman**  
Perth  
24 February 2022

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

As lead auditor for the review of Austin Engineering Limited for the half-year ended 31 December 2021, 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.



Dean Just  
Director

BDO Audit Pty Ltd  
Perth, 24 February 2022

**Austin Engineering Limited**  
**For the half-year ended 31 December 2021**

**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 2021**

		<b>Consolidated</b>	
		<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	3	80,112	85,806
Raw materials and consumables used		(11,847)	(22,775)
Changes in inventories and work in progress		(11,144)	(3,412)
Employment expenses		(26,469)	(25,116)
Subcontractor expenses		(7,320)	(11,926)
Occupancy and utility expenses		(1,580)	(1,702)
Depreciation expense		(2,564)	(2,871)
Amortisation expense		(152)	(133)
Production operational expenses		(6,918)	(7,194)
Other expenses		(3,373)	(7,185)
Finance costs		(262)	(1,135)
<b>Profit before income tax</b>		<b>8,483</b>	<b>2,357</b>
Income tax expense		(1,749)	(129)
<b>Profit from continuing operations</b>		<b>6,734</b>	<b>2,228</b>
Loss from discontinued operations	5	(950)	(1,092)
<b>Profit/(Loss) for the period</b>		<b>5,784</b>	<b>1,136</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Foreign currency translation differences, net of tax		(2,399)	(4,137)
<b>Other comprehensive income for the year</b>		<b>(2,399)</b>	<b>(4,137)</b>
<b>Total comprehensive income for the period</b>		<b>3,385</b>	<b>(3,001)</b>
Profit/(Loss) is attributable to:			
Owners of Austin Engineering Limited		5,784	1,136
Total comprehensive income for the period is attributable to:			
Owners of Austin Engineering Limited		3,385	(3,001)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing operations attributable to the owners of the Austin Engineering Limited:</b>			
Basic earnings per share	6	1.16	0.38
Diluted earnings per share	6	1.15	0.38
<b>Earnings/(Loss) per share from continuing and discontinued operations attributable to owners of the Austin Engineering Limited:</b>			
Basic earnings/(loss) per share	6	1.00	0.19
Diluted earnings/(loss) per share	6	0.99	0.19

*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 2021**

		Consolidated 31 December 2021 \$'000	30 June 2021 \$'000
	Notes		
<b>Current assets</b>			
Cash and cash equivalents		10,860	9,824
Trade and other receivables		33,183	39,708
Inventories	4	38,664	28,859
Current tax assets		51	459
Other receivables and other assets		11,146	11,736
		<b>93,904</b>	<b>90,586</b>
Assets classified as held for sale	5	11,417	8,312
<b>Total current assets</b>		<b>105,321</b>	<b>98,898</b>
<b>Non-current assets</b>			
Property, plant and equipment		37,843	40,420
Intangible assets		11,311	11,258
Deferred tax assets		8,834	10,010
Right-of-use assets		11,021	7,522
Other non-current assets		10,165	9,240
<b>Total non-current assets</b>		<b>79,174</b>	<b>78,450</b>
<b>Total assets</b>		<b>184,495</b>	<b>177,348</b>
<b>Current liabilities</b>			
Trade and other payables		41,596	46,942
Financial liabilities	9	30,224	14,384
Current tax liabilities		260	598
Provisions		4,921	9,037
Lease liabilities		2,528	2,427
		<b>79,529</b>	<b>73,388</b>
Financial liabilities directly associated with assets classified as held for sale	5, 9	414	1,086
<b>Total current liabilities</b>		<b>79,943</b>	<b>74,474</b>
<b>Non-current liabilities</b>			
Financial liabilities	9	-	3,914
Provisions		220	551
Lease liabilities		12,491	7,649
<b>Total non-current liabilities</b>		<b>12,711</b>	<b>12,114</b>
<b>Total liabilities</b>		<b>92,654</b>	<b>86,588</b>
<b>Net assets</b>		<b>91,841</b>	<b>90,760</b>
<b>Equity</b>			
Share capital	10	154,440	154,133
Accumulated losses		(43,918)	(47,962)
Reserves		(18,681)	(15,411)
<b>Total equity</b>		<b>91,841</b>	<b>90,760</b>

*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 2021**

		Contributed equity \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Accum- ulated losses \$'000	Total \$'000
Consolidated	Notes					
<b>Opening balance at 1 July 2020</b>		<b>153,958</b>	<b>915</b>	<b>(12,964)</b>	<b>(43,366)</b>	<b>98,543</b>
<b>Total comprehensive income for the period:</b>						
Profit for the half-year		-	-	-	1,136	1,136
<b>Other comprehensive income:</b>						
Currency translation differences		-	-	(4,137)	-	(4,137)
<b>Total comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>(4,137)</b>	<b>1,136</b>	<b>(3,001)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued under dividend reinvestment plan (net of share issue costs)		20		-	-	20
Share-based payments		-	402	-	-	402
Conversion of performance rights		126	(126)	-	-	-
Dividends provided for or paid		-	-	-	(2,896)	(2,896)
		<b>146</b>	<b>276</b>	<b>-</b>	<b>(2,896)</b>	<b>(2,474)</b>
<b>Balance at 31 December 2020</b>		<b>154,104</b>	<b>1,191</b>	<b>(17,101)</b>	<b>(45,126)</b>	<b>93,068</b>
<b>Opening balance at 1 July 2021</b>		<b>154,133</b>	<b>1,428</b>	<b>(16,839)</b>	<b>(47,962)</b>	<b>90,760</b>
<b>Total comprehensive income for the period:</b>						
Profit for the half-year		-	-	-	5,784	5,784
<b>Other comprehensive income:</b>						
Currency translation differences		-	-	(2,399)	-	(2,399)
<b>Total comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>(2,399)</b>	<b>5,784</b>	<b>3,385</b>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued under dividend reinvestment plan (net of share issue costs)	10	150	-	-	-	150
Share-based payments		-	(714)	-	-	(714)
Conversion of performance rights	10	157	(157)	-	-	-
Dividends provided for or paid		-	-	-	(1,740)	(1,740)
		<b>307</b>	<b>(871)</b>	<b>-</b>	<b>(1,740)</b>	<b>(2,304)</b>
<b>Balance at 31 December 2021</b>		<b>154,440</b>	<b>557</b>	<b>(19,238)</b>	<b>(43,918)</b>	<b>91,841</b>

*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 2021**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	88,095	98,208
Payments to suppliers and employees	(91,460)	(103,201)
Interest received	482	330
Finance costs	(760)	(1,452)
Income tax refund	27	1,342
Income tax paid	(1,514)	(2,068)
<b>Net cash (used in) / provided by operating activities</b>	<b>(5,130)</b>	<b>(6,841)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and assets held for sale	872	804
Payments for property, plant and equipment	(2,554)	(2,267)
Payments for intangibles	(267)	(1,103)
<b>Net cash (used in) / provided by investing activities</b>	<b>(1,949)</b>	<b>(2,566)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	30,638	12,774
Repayment of borrowings	(19,360)	(4,944)
Repayment of lease liabilities	(1,547)	(1,334)
Dividends paid to shareholders	(1,590)	(2,896)
<b>Net cash provided by / (used in) financing activities</b>	<b>8,141</b>	<b>3,600</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,062</b>	<b>(5,807)</b>
Cash and cash equivalents at the beginning of the financial year	9,824	19,243
Effects of exchange rate changes on cash and cash equivalents	(26)	(400)
<b>Cash and cash equivalents at end of period</b>	<b>10,860</b>	<b>13,036</b>

*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 2021**

## **1 Basis of preparation of half-year financial statements**

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2021 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 2021 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 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 2021**

## 2 Segment information

Management has determined that the strategic operating segments comprise of Asia-Pacific (for mining equipment, other products, repair and maintenance services and corporate activities 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).

Executive management monitors segment performance based on EBITDA from continuing operations. Segment information for the period ended 31 December 2021 and 31 December 2020 is as follows:

	Asia-Pacific		North America		South America		Total	
	HY22	HY21	HY22	HY21	HY22	HY21*	HY22	HY21*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>								
Total segment revenue from external customers	43,570	60,467	23,840	11,992	12,702	13,347	80,112	85,806
EBITDA from continuing operations	6,235	9,537	1,732	(2,050)	3,494	(991)	11,461	6,496
Profit/(loss) before tax	3,833	6,468	1,280	(2,606)	3,370	(1,505)	8,483	2,357
<b>Other segment information</b>								
Depreciation and amortisation	1,799	1,958	504	442	413	604	2,716	3,004
<b>Continuing and discontinued operations</b>								
Total segment assets - 31 December 2021	85,906		44,837		53,752		184,495	
Total segment assets - 30 June 2021	88,408		39,780		49,160		177,348	
Total segment liabilities - 31 December 2021	67,315		12,963		12,376		92,654	
Total segment liabilities - 30 June 2021	58,045		10,407		18,136		86,588	

Corporate expenses are incurred in Australia and the majority of these costs are recharged across the Group in accordance with Group transfer pricing arrangements in place.

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

	Continuing and discontinued operations		Continuing operations	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020*
	\$'000	\$'000	\$'000	\$'000
<b>Reported EBITDA</b>	<b>10,548</b>	<b>5,897</b>	<b>11,461</b>	<b>6,496</b>
Depreciation expense	(2,583)	(3,362)	(2,564)	(2,871)
Amortisation expense	(154)	(142)	(152)	(133)
Finance costs	(278)	(1,122)	(262)	(1,135)
<b>Profit before income tax</b>	<b>7,533</b>	<b>1,271</b>	<b>8,483</b>	<b>2,357</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations of Austin Engineering Peru SAC.

**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2021**

### 3 Revenue

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>31 December 2020*</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from contracts with customers	79,928	85,677
Other income	184	129
<b>Total revenue from continuing operations</b>	<b>80,112</b>	<b>85,806</b>

**(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:

<b>Revenue from contracts with customers</b>	<b>Asia-Pacific</b>		<b>North America</b>		<b>South America</b>		<b>Total</b>	
	<b>HY22</b>	<b>HY21</b>	<b>HY22</b>	<b>HY21</b>	<b>HY22</b>	<b>HY21*</b>	<b>HY22</b>	<b>HY21*</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Sale of Goods</b>								
Truck Bodies	27,648	40,178	20,517	10,970	5,642	6,229	53,807	57,377
Buckets	1,403	3,162	-	-	-	219	1,403	3,381
Other Goods	5,992	8,577	3,323	1,022	860	1,214	10,175	10,813
<b>Total Sale of Goods</b>	<b>35,043</b>	<b>51,917</b>	<b>23,840</b>	<b>11,992</b>	<b>6,502</b>	<b>7,662</b>	<b>65,385</b>	<b>71,571</b>
<b>Services</b>								
On-Site Services	78	673	-	-	1,647	1,103	1,725	1,776
Off-Site Services	7,928	7,850	-	-	3,959	3,000	11,887	10,850
Other Services	447	67	-	-	484	1,413	931	1,480
<b>Total Services</b>	<b>8,453</b>	<b>8,590</b>	<b>-</b>	<b>-</b>	<b>6,090</b>	<b>5,516</b>	<b>14,543</b>	<b>14,106</b>
<b>Revenue from contracts with customers</b>	<b>43,496</b>	<b>60,507</b>	<b>23,840</b>	<b>11,992</b>	<b>12,592</b>	<b>13,178</b>	<b>79,928</b>	<b>85,677</b>
<b>Timing of Revenue Recognition</b>								
At a point in time	35,043	51,917	23,840	11,992	6,502	7,662	65,385	71,571
Over time	8,453	8,590	-	-	6,090	5,516	14,543	14,106
<b>Revenue from contracts with customers</b>	<b>43,496</b>	<b>60,507</b>	<b>23,840</b>	<b>11,992</b>	<b>12,592</b>	<b>13,178</b>	<b>79,928</b>	<b>85,677</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations of Austin Engineering Peru SAC.

## 4 Inventories

	Consolidated 31 December 2021 \$'000	30 June 2021 \$'000
<b>At cost:</b>		
Raw materials and consumables	21,524	19,476
Work in progress	17,007	9,233
Finished goods	133	150
<b>Balance at the end of the period</b>	<b>38,664</b>	<b>28,859</b>

### 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.

## 5 Discontinued operations

### (a) Discontinued operations

During the half year ended 31 December 2021 the Group closed its operation in Peru including, retrenching staff, transferring assets to other Austin business units, disposing of assets and entering into a sale agreement for the manufacturing facility. The decision to discontinue the operation was made based on the current and future expected market conditions in Peru. The Group will continue to service this region from its Chilean operation or through local subcontractors.

The results of Austin Engineering Peru SAC have been disclosed as discontinued operations. The current period and comparative profit and cash flows from discontinued operations for the period are set out below.

	31 December 2021 \$'000	31 December 2020* \$'000
Revenue	1,216	4,867
Expenses	(2,166)	(5,953)
Income tax	-	(6)
<b>Loss from discontinued operations</b>	<b>(950)</b>	<b>(1,092)</b>
Net cash (outflow) from operating activities	(278)	(1,237)
Net cash (outflow)/inflow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	(672)	145
<b>Net (decrease) in cash generated by discontinued operations</b>	<b>(950)</b>	<b>(1,092)</b>

\* Balances for the prior period have been re-presented to include results from discontinued operations of Austin Engineering Peru SAC.

## 5 Discontinued operations (continued)

### (b) Assets and liabilities classified as held for sale and discontinued operation

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

	31 December 2021 \$'000	30 June 2021 \$'000
Plant and equipment	-	438
<b><i>Discontinued crane business operation in Chile</i></b>	<b>-</b>	<b>438</b>
Land and buildings – Peru	727	735
Plant and equipment – Peru	219	303
Land and buildings – Colombia	3,051	3,155
<b><i>Discontinued operations in Peru and Colombia</i></b>	<b>3,997</b>	<b>4,193</b>
Property – Australia (Moranbah)	238	-
Plant and equipment – Australia (Mackay)	306	-
Land and buildings – Australia (Mackay)	3,622	-
Land and buildings – Chile	3,254	3,681
<b><i>Other assets held for sale</i></b>	<b>7,420</b>	<b>3,681</b>
<b>Total assets classified as held for sale</b>	<b>11,417</b>	<b>8,312</b>
Financial liabilities directly associated with discontinued operations	414	1,086

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.

## 6 Earnings per share

	Consolidated 31 December 2021 Cents	31 December 2020* Cents
<b>Basic earnings/(loss) per share</b>		
From continuing operations	1.16	0.38
From discontinued operations	(0.16)	(0.19)
<b>Total basic earnings/(loss) per share</b>	<b>1.00</b>	<b>0.19</b>
<b>Diluted earnings/(loss) per share</b>		
From continuing operations	1.15	0.38
From discontinued operations	(0.16)	(0.19)
<b>Total diluted earnings/(loss) per share</b>	<b>0.99</b>	<b>0.19</b>
<b>Reconciliation of earnings to profit/(loss)</b>	<b>\$ '000</b>	<b>\$ '000</b>
From continuing operations	6,734	2,228
From discontinued operations	(950)	(1,092)
<b>Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per share</b>	<b>5,784</b>	<b>1,136</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations of Austin Engineering Peru SAC.

	Number of Shares	Number of Shares
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share	580,775,398	579,362,903
Effect of dilutive securities - share based performance rights	7,022,162	4,023,636
<b>Used to calculate diluted earnings/(loss) per share</b>	<b>587,797,560</b>	<b>583,386,539</b>

**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2021**

## 7 Dividends

	31 December 2021	31 December 2020
	<u>\$'000</u>	<u>\$'000</u>
<b>Recognised amounts</b>		
Fully franked dividend for the year ended 30 June 2020 of 0.3 cents per share, paid on 30 September 2020	-	1,738
Interim fully franked dividend for the half-year ended 31 December 2019 of 0.2 cents per share, paid on 30 September 2020	-	1,160
Fully franked dividend for the year ended 30 June 2021 of 0.3 cents per share, paid on 30 September 2021	1,740	-
<b>Total Recognised amounts</b>	<b>1,740</b>	<b>2,898</b>

A portion of shareholders participated in the Dividend Reinvestment Plan in respect of \$0.150 million. The cash outflow of the above dividends for the half year was \$1.590 million (2021: \$2.870 million).

### Dividends not recognised at the end of the reporting period

On 24 February 2022, the directors declared to pay a fully franked interim dividend of 0.2 cents per share to the holders of fully paid ordinary shares on 15 March 2022. The aggregate amount of the proposed dividend expected to be paid on 6 April 2022 out of retained earnings at 31 December 2021 but not recognised as a liability, is \$1.163 million.

	31 December 2021	31 December 2020
	<u>\$'000</u>	<u>\$'000</u>
<b>Franking credits</b>		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2020 - 30.0%)	24,144	25,386

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.

The balance of the franking account after the payment of dividends above will be \$23.645 million.

## **8 Significant changes in the current reporting period**

The financial performance and position of the Group was particularly affected by the following events and transactions during the six months to 31 December 2021:

Revenue from continuing operations decreased by 6.6% on the prior corresponding period due to a 28% decline in Australasia revenue due to the elimination of unprofitable activity. This was offset by a strong improvement in North America, up 99% following a recovery from the impact of COVID-19 in the prior corresponding period.

Net profit after tax from continuing operations for the period was \$6.734 million representing an increase of \$4.506 million from a profit after tax of \$2.228 million for the prior corresponding period. The improved result is mainly driven by stronger operating margins in North and South America and the cost savings achieved through operating efficiencies implemented in line with the revised Austin 2.0 strategy.

The tax expense of \$1.749 million from continuing operations for the period was recorded on a profit before tax of \$8.483 million, resulting in an effective tax rate of 20.6%.

Net debt increased to \$34.798 million at 31 December 2021 from \$19.636 million at 30 June 2021, inclusive of requirements under the application of AASB 16: Leases. This includes a new lease associated with the start-up of the Canadian operation. When excluding the impact of AASB 16: Leases, the Group was in a net debt position of \$19.778 million at 31 December 2021 compared with \$10.686 million at 30 June 2021. This increase in net debt is mainly a result of the operating cash out flow recognised during the six-month period in relation to working capital movements, principally inventory, capital investment and restructuring costs.

Trade receivables reduced by \$6.525 million based on the timing of work completed. Inventories increased by \$9.805 million as work in progress and raw materials increased to satisfy demands for the second half of the financial year activity and reduce supply risk. Trade and other payables reduced by \$5.346 million from 30 June 2021 to \$41.596 million, primarily as a result lower production in Australia.

On 14 July 2021, David Singleton was appointed as the role of CEO and Managing Director. On 15 November 2021, Gareth Jones was appointed as the Chief Financial Officer.

### *Impairment review of non-financial assets*

A full impairment review was performed as at 30 June 2021, and at 31 December 2021 the Group considered whether there were indicators of impairment of any of its assets. After reviewing and updating the assessment of the recoverable amount of the Group's cash generating units that presented indicators of impairment, as a result of forecast cash flows based on a mix of committed work and reasonable growth assumptions, no impairment has been recorded for the period ended 31 December 2021 as all reviewed cash generating units had a positive difference between their recoverable amounts and carrying value.

### *Key assumptions used for value in use calculations*

The recoverable amount of the cash generating units is based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

## 9 Financing facilities

	31 December 2021		30 June 2021	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
<b>Secured liabilities</b>				
<i><b>Facilities associated with continuing operations</b></i>				
Bank facilities	30,224	-	1,974	3,914
Non-bank core debt	-	-	12,410	-
	<b>30,224</b>	<b>-</b>	<b>14,384</b>	<b>3,914</b>
<i><b>Facilities associated with discontinued operations</b></i>				
Finance liabilities associated with discounted operations	414	-	1,086	-
<b>Balance at the end of the period</b>	<b>30,638</b>	<b>-</b>	<b>15,470</b>	<b>3,914</b>

### Banking Facilities

In August 2021, the Group entered into a new \$35 million global financing arrangement provided by HSBC Bank Australia Limited and is used to support the working capital requirements of the Group and replaced local Chilean debt facilities and a facility with Export Finance Australia. The facility has a number of financial covenants being, a borrowing base ratio > 1.00, interest cover ratio > 4 times and leverage ratio < 2.25 times. As at 31 December 2021, the Group has complied with all covenants.

## 10 Equity - issued capital

	31 December 2021		30 June 2021	
	Number of shares	\$'000	Number of shares	\$'000
<b>Ordinary shares</b>				
Opening balance	580,074,317	154,133	579,005,430	153,958
Conversion of performance rights	858,372	157	686,694	126
Share issued for dividend reinvestment plan (net of share issue costs)	703,304	150	382,193	49
<b>Balance at end of the period</b>	<b>581,635,993</b>	<b>154,440</b>	<b>580,074,317</b>	<b>154,133</b>

On 5 October 2021, 703,304 ordinary shares were issued at an exercise price of 0.213 cents. This issue of capital was made in accordance with the terms of the Group's dividend reinvestment plan.

On 13 October 2021, 858,372 performance rights were converted into 858,372 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 Share based payments

Equity settled share-based payments form part of the remuneration of employees (including executives) of the Group. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options and performance rights with the relative hurdle rates and TSR performance measures is calculated at the grant date using a Monte-Carlo simulation model.

The number of options and shares expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### Options

At the Annual General Meeting held on 26 November 2021, shareholders approved the issue of 42,900,000 Options as part of the Chief Executive Officer's remuneration package. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Number of Options	Expiry Date	Share price at grant date	Exercise price	Hurdle rate	Est. volatility	Risk-free interest rate	Dividend yield	Fair value of option
26/11/2021	13,200,000	30/06/2024	\$0.21	\$0.13	\$0.20	48%	0.10%	2.85%	\$0.088
26/11/2021	13,800,000	30/06/2024	\$0.21	\$0.13	\$0.24	48%	0.10%	2.85%	\$0.084
26/11/2021	15,900,000	30/06/2024	\$0.21	\$0.13	\$0.28	48%	0.10%	2.85%	\$0.076

The Options are divided into nine tranches and are each subject to two separately considered performance conditions, both of which must be satisfied in respect of each tranche and before that particular tranche will vest and become capable of exercise. The applicable performance conditions are set out in the following table:

		Share Price Hurdle			Total
		20 cents	24 cents	28 cents	
Retention Dates	30 June 2022	(Tranche 1) 4,400,000	(Tranche 2) 4,600,000	(Tranche 3) 5,300,000	14,300,000
	30 June 2023	(Tranche 4) 4,400,000	(Tranche 5) 4,600,000	(Tranche 6) 5,300,000	14,300,000
	30 June 2024	(Tranche 7) 4,400,000	(Tranche 8) 4,600,000	(Tranche 9) 5,300,000	14,300,000
Total		13,200,000	13,800,000	15,900,000	42,900,000

## **12 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.

## **13 Events occurring after the reporting period**

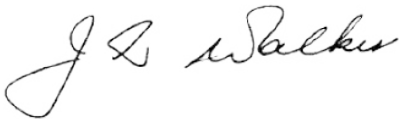
On 15 February 2022, the Group completed the sale of its Columbian property, an asset held for sale following the closure of the operation in the prior year. Sales proceeds of circa \$3.2 million were received and the property has a WDV of \$3.1 million.

**Austin Engineering Limited**  
**Directors' declaration**  
**For the half-year ended 31 December 2021**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 18 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 2021 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.

A handwritten signature in black ink, appearing to read 'J L Walker', written in a cursive style.

**Jim Walker**  
**Non-Executive Chairman**  
Perth  
24 February 2022

## 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 2021, 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 2021 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 2021 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



Dean Just

Director

Perth, 24 February 2022