

AUSTIN ENGINEERING LTD

**PRELIMINARY FINAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2006**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

				\$
Revenue from ordinary activities	Up	28%	To	48,882,661
Adjusted Profit from ordinary activities after tax attributable to members (excluding the capital gain from the sale of properties)	Up	36%	To	1,619,926
Net profit attributable to members (including capital gain from sale of properties)	Up	266%	To	4,351,084

Explanation of Movements in Revenue and Profit

The comparative financial data for the financial year ended 30 June 2005, on which the volume and percentage movements detailed above are based, represents the activities of the company including ten months of the results from John's Engineering that was acquired 1 September 2004.

The company's revenue and profit for the financial year ended 30 June 2006 include 12 months worth of contribution from John's Engineering and, as earlier announced to the market, revenue and profit generated from Kaldura Industries from 1 April 2006.

The increase in revenue for the period ended 30 June 2006 is predominantly due to an increased level of activity in the Queensland operation compared to the previous period.

The company's net profit after tax for the financial year ending 30 June 2006 includes the positive gain from the sale of the Queensland and Western Australia property under a sale and leaseback arrangement.

Dividends

Amount per security

Franked amount per security

Final dividend	2.0 cents	2.0 cents
Previous corresponding period	1.0 cent	1.0 cent
Record date for determining entitlements to the dividend is 29 September 2006		
The dividend is payable on 27 October 2006		
A dividend reinvestment plan will not apply to this dividend		

Audit/Review Status

This report is based on accounts that are in process of being audited.

AUSTIN ENGINEERING LTD
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COMMENTARY

Overview

The 2005/2006 financial year has continued the development of the company along the strategic direction outlined by the board at the 2005 annual general meeting. The year has seen the acquisition of the Mackay based company Kaldura Industries Pty Ltd, which provides refurbishment and manufacture of mining equipment. The acquisition will allow Austin Engineering to promote its total service package from design to manufacture and ongoing maintenance and repair.

As released to the market earlier during the year, the company has completed a major expansion of the Brisbane work shop facility. This was necessary to accommodate the formation of the Brisbane operation from one of jobbing based to product based contracts. The transformation is now completed and the operation is achieving higher productivity than previously recorded. The extra capacity does allow the operation to take on minor jobbing contracts generating increased efficiency and productivity.

The company's West Australian operation experienced high levels of activity especially in the second half of the year. Most significant was an order received from Komatsu in Japan for the supply of newly designed tray bodies and water tanks for an African mining project. The new design of the tray bodies offer improvements over traditional designs and further strengthen the company's confidence to receive further export orders.

During the year the company secured a contract for the manufacture and supply of busbar assemblies for the Sohar Aluminium project in Oman together with the Oman-based company, STS (Special Technical Services, LLC). The aluminium industry has always been a key element of the company's strategic plan and this contract, won in an international market place, justifies the company's commitment to this sector and its automated welding technology.

The company is also recording excellent results domestically from its investment in enhanced welding technology and automation commitments. The robotic welding system established in West Australia is seeing a decrease in labour time of up to 30% compared to that of more traditional methods.

The company is currently installing a further advanced robotic system in Brisbane and expect to have this in operation by August 2006. Advanced welding techniques being utilised in Oman is also seeing reductions in welding costs.

Result for the Financial Year

The ordinary revenue for the year of \$48.9m was a significant increase over the previous financial year (2005:\$38.3). The increase is due to an increased activity from the Queensland operations as well as three months revenue and profit contributed from Kaldura Industries. Despite an operational loss recorded in the first half of the financial year, the company was able to generate an EBIT for the full year of \$2.83 million, representing an increase of 38% compared to financial year 2004/2005.

The net profit after tax attributable to members of the company of \$4.35m in 2005/06 includes the profit from the sale of properties of approximately \$2.73m. Excluding the profit from the sale of the properties the comparable figure with last years result of \$1.19m is \$1.62m.

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COMMENTARY

Net Assets and Cash Flow (Cont'd)

Net assets increased \$3.22m to \$9.91m (2004/05: \$6.69m) at the end of the financial year. The balance sheet at the end of the financial year reflects further progression of the Company's operational strategy including the sale and leaseback of its properties and reduction of interest bearing liabilities. The Company has during the year repaid close to \$7m of its current interest bearing liabilities which has been reduced to \$0.7m.

The company has non current interest bearing liabilities still existing in the amount of \$1.8m, which constitutes of a fixed 5 year rate commercial bill and finance lease liability with an existing duration exceeding 12 months.

Cash flow from operating activities during the year was \$4.49m. Whilst the statement of cash flows shows an apparent overall net cash inflow of \$11.9m due to the proceeds from the sale of the properties, \$5.31m of surplus cash resources was paid for the settlement of Kaldura Industries as announced to the market in early July 2006.

Research and Development and Capital Expenditure

Research and development is a key objective in the company's strategy and during the year the company continued to invest in this area with a total of \$0.43m spent. The company is now seeing tangible results from this investment in the form of increased margins and contract wins.

Capital expenditure for the year totalled \$2.0m, with the extension of workshop and construction of new office building in Brisbane being the most significant of \$1.3m (This is refunded by new land lord and expended capital cost will be added to the Company's rental fee at a capital interest of 7.5% pa). The Company also invested in the automated robotic welding system in Western Australia and further production equipment such as welding machines and automated systems.

Business Development and Outlook

The company enters the new financial year with record high levels of orders. All operations have work-loading stretching out till the new calendar year, especially within the mining tray and excavator bucket area.

The high level of orders is expected to continue as a buoyant mining industry continues. The company will also see the first contribution from its joint venture company in Oman - Majan Aluminium Services. Majan is also tendering on additional aluminium contracts throughout the Middle East.

The Board has also approved an expansion of the workshop at its Mackay based business, Kaldura Industries. The expansion will increase current manufacturing capacity by approximately 60%. The company is aiming to complete the expansion by March 2007.

In addition the Company will continue along its strategic plan which will see further acquisitions along with strong organic growth during the current year.

**AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$	2005 \$
Revenues from ordinary activities	1	48,882,661	38,327,370
Gain from sale of properties		3,901,654	
Raw materials and consumables expenses		(21,099,188)	(20,679,873)
Employment expenses		(16,837,930)	(10,936,210)
Subcontractor expenses		(3,007,861)	(1,286,073)
Occupancy and utility expenses		(1,029,100)	(773,791)
Depreciation and amortisation	2	(876,286)	(704,679)
Other expenses from ordinary activities		(3,199,401)	(1,894,819)
Borrowing expenses		(539,609)	(422,505)
Profit for the year before income tax expense		6,194,940	1,629,420
Income tax expense		(1,843,856)	(439,509)
Profit after related income tax expense attributable to members of the Company		4,351,084	1,189,911
Basic earnings per share (cents)	3	10.93	3.33
Diluted earnings per share (cents)	3	10.57	3.04

The accompanying notes form part of this preliminary statement of financial performance.

AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
Current Assets			
Cash assets		11,934,395	25,889
Receivables		7,925,891	6,678,248
Inventories		4,825,894	2,597,545
Other financial assets	4	665,490	11,211,411
Total Current Assets		<u>25,351,670</u>	<u>20,513,093</u>
Non-Current Assets			
Plant and equipment		3,352,522	3,578,298
Intangible assets			731,495
Total Non-Current Assets		<u>3,352,522</u>	<u>4,309,793</u>
Total Assets		<u>28,704,192</u>	<u>24,822,886</u>
Current Liabilities			
Payables		13,566,877	8,118,632
Interest-bearing liabilities		692,106	6,859,145
Current tax liabilities		1,604,097	439,509
Provisions		1,109,252	661,612
Total Current Liabilities		<u>16,972,332</u>	<u>16,078,898</u>
Non-Current Liabilities			
Interest-bearing liabilities		1,818,502	2,051,674
Total Non-Current Liabilities		<u>1,818,502</u>	<u>2,051,674</u>
Total Liabilities		<u>18,790,834</u>	<u>18,130,572</u>
Net Assets/(Deficiency)		<u>9,913,358</u>	<u>6,692,314</u>
Equity			
Contributed equity		4,973,354	4,973,354
Retained profits/(losses)	5	4,940,004	1,718,960
Total Equity/(Deficiency)		<u>9,913,358</u>	<u>6,692,314</u>
Net tangible asset backing per ordinary share		<u>\$0.25</u>	<u>\$0.15</u>

The accompanying notes form part of this preliminary statement of financial position.

**AUSTIN ENGINEERING LTD
PRELIMINARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$	2005 \$
Cash flows from operating activities			
Receipts from customers		52,455,065	35,708,409
Payments to suppliers and employees		(46,735,298)	(32,685,444)
Interest received		293,813	37,496
Borrowing costs		(838,285)	(451,113)
Income Tax Paid		(689,268)	(243,289)
Net cash inflow/(outflow) from operating activities	6	<u>4,486,027</u>	<u>2,366,059</u>
Cash flows from investing activities			
Purchase of business			(8,438,519)
Purchase of property, plant and equipment		(1,366,760)	(5,644,419)
Purchase of licences		-	-
Proceeds from sale of investments		-	-
Proceeds from sale of property, plant & equipment		15,730,986	32,563
Net cash outflow from investing activities		<u>14,364,226</u>	<u>(14,050,375)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,681,000
Proceeds from borrowings		-	10,435,700
Repayment of borrowings		(6,952,580)	(2,132,477)
Cost of issue of shares		-	(83,593)
Net cash inflow from financing activities		<u>(6,952,580)</u>	<u>9,900,630</u>
Net increase/(decrease) in cash held		<u>11,897,673</u>	<u>(1,783,686)</u>
Cash at the beginning of the financial year		(29,616)	1,754,070
Cash at the end of the financial year	7	<u>11,868,057</u>	<u>(29,616)</u>

The accompanying notes form part of this preliminary statement of financial cash flow.

AUSTIN ENGINEERING LTD
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
1. Revenue		
Revenues from operating activities:		
Steelwork fabrication and engineering activities	48,685,639	38,260,968
Revenues from non-operating activities:		
Interest received	149,417	33,107
Other revenue	47,605	33,295
	197,022	66,402
	<u><u>48,882,661</u></u>	<u><u>38,327,370</u></u>
2. Depreciation and amortisation		
Depreciation of plant and equipment	876,286	646,083
Amortisation of intangible assets	-	58,596
	<u><u>876,286</u></u>	<u><u>704,679</u></u>
3. Earnings per share (EPS)		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u><u>39,805,740</u></u>	<u><u>38,780,740</u></u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>41,155,740</u></u>	<u><u>39,177,064</u></u>
4. Other financial assets		
Land and buildings held for resale	-	10,256,895
Prepayments	219,299	251,847
Other debtors	127,589	128,667
Investment	318,602	-
	<u><u>665,490</u></u>	<u><u>10,637,409</u></u>
5. Retained profits/(losses)		
Retained profits/(losses) at the beginning of the financial year	1,718,960	529,049
Dividend paid	(399,057)	-
Restatement of value of goodwill in accordance with AIFRS	(730,983)	-
Net profit for the full year	<u><u>4,351,084</u></u>	<u><u>1,189,911</u></u>
	<u><u>4,940,004</u></u>	<u><u>1,718,960</u></u>

AUSTIN ENGINEERING LTD
NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
6. Reconciliation of cash flow from operations with profit from ordinary activities after tax		
Profit from ordinary activities after income tax	4,351,084	1,189,911
Adjustment to ordinary profit after tax for the sale of properties	(2,731,158)	
Adjustment for non-cash items:	-	
Amortisation of intangible assets	-	58,596
Depreciation	876,286	646,083
Gain on sale of disposal of investments	-	-
Gain on sale of plant and equipment		(4,702)
Changes in assets and liabilities:		
(Increase) in trade debtors	(1,247,644)	(3,902,671)
(Increase) in inventories	92,164	(793,401)
(Increase) in prepayments and other assets	93,258	(652,642)
Increase in trade creditors and accruals	1,439,809	5,624,292
Increase in income taxes payable	1,164,588	196,220
Increase in provisions	447,640	4,373
Net cash inflow from operating activities	<u>4,486,027</u>	<u>2,366,059</u>
7. Reconciliation of cash		
Cash on hand and in bank	11,934,395	25,889
Bank overdraft (shown as payable)	(66,338)	(55,505)
	<u>11,868,057</u>	<u>(29,616)</u>
8. Events occurring after reporting date		
In July 2006, the company settled on the acquisition of Kaldura Industries (\$5.31m)		
9. Dividend or distribution reinvestment plans		
There were no plans in operation during the period.		
10. Control of entities and associates and joint ventures		
On 1 April 2006, the company acquired the right to consolidate the business revenues and profit of Kaldura Industries, an engineering business based in Mackay Queensland.		
The assets of Kaldura Industries will be consolidated from July 2006.		
11. Compliance statement		
This preliminary final report is based on financial statements that are in the process of being audited and is the first full year report adopting AIFRS		