

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

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

<u>Results</u>	<u>Year to 30 June 2011</u>		<u>Year to 30 June 2010</u>
	<u>\$m</u>		<u>\$m</u>
Revenue	205.9	<i>up 43% from</i>	144.0
Adjusted net profit after tax for the year*	22.02	<i>up 14% from</i>	19.26
Net profit for the year attributable to members	21.47	<i>up 11% from</i>	19.26

* Adjusted in the year to 30 June 2011 to remove the effect of non-cash amortisation of intangibles as detailed in note 5 to the preliminary financial statements

<u>Brief Explanation of Movements in Revenue and Net Profit</u>
The movements in revenue and net profit after tax for the year ended 30 June 2011 over the previous year are due to a combination of factors including:
- Improved business conditions across most of the group's operations
- Additional contributions from new business acquisitions:
Pilbara Hire Group (completed in early July 2010)
Phillips Engineering (now Austin Engineering Hunter Valley, completed in early November 2010)
COR Cooling Group (completed in mid-December 2010)
- Reduced levels of contribution from the group's operations in South America due to delays in completion of the new "La Negra" workshop facilities in Chile until mid-July 2011 and some operating losses for the Hunter Valley business unit in the post-acquisition period
- Costs associated with the setup of operations in Indonesia and Colombia as well as the development of new mining products

<u>Dividends and Dividend Reinvestment Plans</u>		
	<u>Amount per Security</u>	<u>Franked Amount per Security</u>
Final dividend paid on 8 October 2010 for the financial year ended 30 June 2010	7.5	7.5
Interim dividend paid on 25 March 2011 for the financial year ended 30 June 2011 (up from 2.0c in the previous year)	3.0	3.0
Final dividend declared for the financial year ended 30 June 2011	8.5	8.5
Total dividend for the financial year ended 30 June 2011 (up from 9.5c in the previous year)	11.5	11.5
Record date for determining entitlement to the final dividend	9 September 2011	
Date for payment of final dividend	7 October 2011	
There were no dividend reinvestment plans in operation during the period.		

<u>Net Tangible Assets per Security</u>	<u>Year to 30 June 2011</u>	<u>Year to 30 June 2010</u>
Net tangible asset backing per ordinary security (cents)	45.7	65.2

<u>Control Gained Over Entities Having a Material Effect</u>
The following acquisitions were made during the period:
2 July 2010 - acquisition of Pilbara Hire Group Pty Ltd for a cash consideration of \$12.1m.
1 November 2010 - acquisition of the business and assets of Phillips Engineering Aus Pty Ltd for a cash consideration of \$4.6m.
17 December 2010 - acquisition of COR Cooling Pty Ltd for a cash consideration of \$20.5m.

<u>Associates or Joint Ventures</u>
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.

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

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2011****COMMENTARY****Financial Highlights**

	FY2011	FY2010	Change
	\$m	\$m	%
Revenue	205.90	144.01	+43%
Earnings before interest and tax*	32.09	26.52	+21%
Profit before tax*	30.83	26.47	+16%
Net profit after tax*	22.02	19.26	+14%
Basic earnings per share (cents)*	31.15	28.25	+10%
Net assets	103.88	86.66	+20%
Final dividend per share (cents)	8.5	7.5	+13%
Total annual dividend per share (cents)	11.5	9.5	+21%

*Adjusted in FY2011 to remove the effect of non-cash amortisation of intangibles as detailed in note 5 to the preliminary financial statements

Review of Operations

Business conditions across the mining services sector strengthened during FY 2011 as global economic conditions stabilised and demand for commodities and mining equipment increased. This resulted in an increase in overall revenue levels for most of the group's existing operations due to higher levels of capacity utilisation and productive activity. The level of activity for the group's operations in Oman in the Middle East was below the previous period due to the completion of two key projects in the prior year. Whilst the Chilean operation (Austin Ingenieros Chile Ltda) contributed a full year's worth of activity to the group (compared to ten months in the previous year following the commencement of operations in August 2009) overall activity and revenue levels were lower than the previous year due to delays in the completion of the new 'La Negra' workshop. The delay in the commissioning of the new workshop, which was achieved in mid-July 2011, had a significant impact on throughput for the Chilean operation, particularly over the final four months of the financial year.

Group revenue for the year also reflects the addition of new revenue sources following the acquisition of the Pilbara Hire Group ("Pilbara Hire") in early July 2010, the business and assets of Phillips Engineering in early November 2010 (now "Austin Engineering Hunter Valley" or "Hunter Valley") and COR Cooling ("COR") in mid-December 2010. These operations have added new and important service capabilities and opportunities to the Austin group and its customers in domestic and overseas markets. During the second half of the year the group pursued its expansion plans into the important and developing Indonesian mining equipment market. Limited manufacturing operations commenced in Batam Island following the award of a significant contract by a major Indonesian-based mining contractor for the supply of dump truck bodies.

The group also continued to focus on the development of new products and during the year completed its first two underground 'JEC' brand dump truck bodies as well as four new concept JEC lightweight bodies, all of which are undergoing customer trials. Initial performance results and customer feedback on these bodies is very encouraging and it is expected that further market opportunities will arise with these new products in the future.

Result for the Financial Year

Adjusted earnings before interest and tax for the financial year were \$32.1m, up from \$26.5m in the previous financial year, representing a 21% increase. Underlying productive performance across most of the existing business units was satisfactory during the year as capacity utilisation and productive activity increased. The relative profit contribution from Oman was less than the previous year due to lower comparable activity levels as a result of the completion of two key projects in the prior year. The delay in the completion of the new workshop in Chile presented significant capacity utilisation and throughput challenges over the course of the second half of the year, despite the award of new orders, and resulted in the operation running at a small operating loss over the last four months of the year. Financial performance for Pilbara Hire and COR was very satisfactory in the period due to strong levels of activity whilst the new Hunter Valley operation incurred a pre-tax operating loss of \$1.1m in the first eight months. This was primarily due to contracts taken over on acquisition of the business being less profitable than anticipated (and which have since been exited) and production management and efficiency issues in the second half of the year. The result also includes start-up costs associated with the establishment of operations in Indonesia and Colombia as well as the cost of development of the new JEC underground and lightweight bodies completed in the year. The ongoing strength of the Australian Dollar, particularly against the USD Dollar and Chilean Peso, also adversely impacted translated earnings of operations in the Americas.

The new business acquisitions that were completed during the year were funded by additional bank debt which resulted in an increase in finance costs over the previous year. Whilst finance costs increased, the group continued to benefit from ongoing low interest costs associated with the USD-denominated bank loan which was drawn down some years ago to accommodate the acquisition of Westech. Adjusted profit before tax increased by 16% over the year from \$26.5m to \$30.8m with the increase being intrinsically linked to the higher level of underlying operating profit balanced by additional finance costs. Adjusted net profit after tax increased over the year by 14% from \$19.3m to \$22.0m with the average rate of tax on profit for the year rising due to the comparatively smaller relative contributions from Chile and Oman which have lower income tax rates.

The 10% increase in adjusted earnings per share from 28.25c in the previous year to 31.15c was principally due to the higher level of adjusted net profit after tax for the year balanced by the issue of around 2.6m new shares during the year.

Financial Position

Net assets increased by 20% over the year to \$103.9m. The increase reflects the net profit generated during the year as well as \$4.6m of new equity and the payment of \$7.5m of dividends. Net tangible asset backing per share was 45.7c compared to 65.2c in the previous year, with the reduction being attributable to additional goodwill and other intangible assets arising upon the acquisition of Pilbara Hire, Phillips Engineering and COR Cooling.

Cash Flow and Liquidity

Operational cash flow of \$43.7m was significantly up on the previous year's level of \$13.3m. Cash flows from underlying operations remained strong during the year as a result of increased levels of activity and cash receipts from customers following regular payment schedules. Cash flows were also boosted just before the end of the financial year by around \$18m of advance progress payments from customers for products to be manufactured in the new financial year and beyond.

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

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Cash Flow and Liquidity

(Cont'd)

Non-operational cash flows largely consisted of costs incurred on business expansion initiatives and the corresponding funding of these programs. During the period a total of \$37.2m was expended on the Pilbara Hire, Phillips Engineering and COR Cooling acquisitions, of which \$32.3m was funded by new bank loans. Capital expenditure of \$24.0m was also significantly higher than the previous year's level of \$5.9m, with the most significant elements of expenditure being for the construction of the new 'La Negra' workshop in Chile, the property and new workshop on Batam Island in Indonesia, the property and initial construction payments for the new workshop in Colombia and the purchase of the property in Hunter Valley as part of the acquisition of the Phillips Engineering business. A total of \$4.6m of new share capital was introduced during the period from the exercise of share options whilst \$7.5m was paid in dividends.

Available cash at the end of the financial year was \$37.4m, up from \$21.1m at the end of the previous financial year.

Debt

At the end of the financial year, net debt (defined as gross debt of \$51.1m less available cash of \$37.4m) was \$13.7m, compared to \$2.1m at the end of the previous financial year. Most of this net increase has arisen from the drawdown of new bank loans to facilitate the group's expansion programs through the acquisition of businesses during the year, balanced by improved operational cash flow and the advance payments received from customers just before the end of the financial year. Debt levels were also assisted by the relative strength of the AUD/USD exchange rate, which lowered the value of the USD \$19m bank loan relating to the purchase of Westech Inc. in 2007. The net gearing ratio at the end of the financial year was 12%, up from 2% at the end of the previous financial year but comfortably within bank covenant requirements. The company was in compliance with bank covenants throughout the year and continues to be so.

Dividends

The company paid a fully-franked final dividend of 7.5c per share on 8 October 2010 in relation to the previous financial year ended 30 June 2010. An interim fully-franked dividend of 3.0c per share was also paid on 25 March 2011 in relation to the financial year ended 30 June 2011. A final dividend of 8.5c per share has been declared for the financial year ended 30 June 2011 with the record date for determining entitlement being 9 September 2011 and payment being made on 7 October 2011. The dividend payout ratio for the year is approximately 38%, which is consistent with the company's dividend payout ratio policy of 25% to 40%.

Outlook

Over the course of the coming year the benefits of the new workshop in Chile will be realised and it is expected that this will provide significant increases in productivity and throughput capability as anticipated at the outset of the facilities redevelopment program. Market conditions in South America remain very strong and further orders for dump truck bodies and other products are anticipated. The construction of the new greenfield site workshops in Barranquilla, Colombia is underway and this will enable Austin to gain an early and strategic market position for the supply of mining products to this developing market. There is still significant potential for the fully-developed South American operations to provide significant and growing earnings contributions for the group.

Further growth opportunities in South America will be progressed including the setup of manufacturing and maintenance operations in Calama in Northern Chile and the acquisition of a suitable business in this region is currently being pursued to enable operations to commence in the near future. The recent award of the multi-year equipment supply contract by Xstrata in Peru is also an important step in developing a lasting presence for Austin in South America and this will involve the establishment of manufacturing operations in the country in the second half of the year to service this particular contract.

The completion of the new workshop on Batam Island in Indonesia over the course of the first half of the new financial year will be an important milestone in establishing a long-term market presence to service Indonesian-based miners and mining contractors. In addition, significant growth opportunities have been identified for COR Cooling's products and services and further investment will be undertaken in the development of this business in the 2011/2012 financial year and beyond.

Market conditions for the group's other geographical and customer bases are showing further signs of steady improvement and a number of operations are entering the new financial year with excellent workload levels particularly from September 2011 to the end of the financial year. Whilst North American economic conditions are expected to remain uncertain for the foreseeable future, it is encouraging that Westech operations in Wyoming currently have a committed base workload level for the next six months, which is mostly due to market repositioning and product development over the past few years. The benefits of Westech custom-built dump truck bodies are expected to deliver considerable benefits in the years to come, as evidenced by the recent 'Guinness Book of Records' award for the largest payload-carrying capacity dump truck body for a major mining customer in North America.

At this stage in the development of the financial year, it is expected that overall business conditions will produce another year of record growth for the company with increases in revenue, EBIT and dividends.

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

PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Entity	
		2011	2010
		\$000	\$000
Revenue	2,3	205,897	144,008
Raw materials and consumables expenses		(71,791)	(48,866)
Change in inventories and work in progress		7,866	(1,624)
Employment expenses		(83,182)	(47,008)
Subcontractor expenses		(566)	(1,021)
Occupancy and utility expenses		(5,148)	(3,812)
Depreciation expense		(3,611)	(2,531)
Amortisation - customer relationships and other intangibles		(554)	-
Other expenses from ordinary activities		(16,878)	(12,144)
Finance costs		(1,756)	(532)
Profit before income tax		30,277	26,470
Income tax expense		(8,809)	(7,206)
Net profit for the year		21,468	19,264
Other comprehensive income:			
Changes in fair value of available-for-sale financial assets		541	665
Foreign currency translation differences		(2,272)	(113)
Other comprehensive income for the year, net of tax		(1,731)	552
Total comprehensive income for the year		19,737	19,816
Profit for the year is attributable to:			
Owners of Austin Engineering Limited		21,468	19,264
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		19,737	19,816
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	4	30.37cps	28.25cps
Diluted earnings per share (cents per share)	4	29.29cps	26.97cps

The above Preliminary Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	Note	Consolidated Entity	
		30 June	30 June
		2011	2010
		\$000	\$000
Current Assets			
Cash and cash equivalents		37,416	21,125
Trade and other receivables		29,985	25,466
Inventories and work-in-progress		20,940	11,336
Other		2,780	2,204
Total Current Assets		91,121	60,131
Non-Current Assets			
Property, plant and equipment		53,670	30,268
Other financial assets		1,554	5,542
Intangible assets		71,030	41,498
Deferred tax assets		2,528	2,268
Total Non-Current Assets		128,782	79,576
Total Assets		219,903	139,707
Current Liabilities			
Trade and other payables		55,445	22,857
Financial liabilities		1,352	664
Current tax liabilities		2,525	2,174
Provisions		4,481	3,673
Total Current Liabilities		63,803	29,368
Non-Current Liabilities			
Financial liabilities		49,817	22,620
Deferred tax liabilities		2,408	1,060
Total Non-Current Liabilities		52,225	23,680
Total Liabilities		116,028	53,048
Net Assets		103,875	86,659
Equity			
Contributed equity	6	48,251	43,684
Retained earnings		57,254	43,286
Reserves		(1,630)	(311)
Total Equity		103,875	86,659

The above Preliminary Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Contributed Equity \$000	Retained Profits \$000	Options Reserve \$000	Foreign Currency Translation Reserve \$000	Available for Sale Investments Reserve \$000	Total \$000
Consolidated Entity						
Opening balance at 1 July 2009	23,094	29,910	726	(577)	(1,206)	51,947
Total comprehensive income for the year:						
Profit for the year	-	19,264	-	-	-	19,264
<i>Other comprehensive income:</i>						
Adjustment to value of available for sale financial assets	-	-	-	-	950	950
Deferred tax adjustment	-	-	-	-	(285)	(285)
Currency translation differences	-	-	-	(113)	-	(113)
Total comprehensive income for the year	-	19,264	-	(113)	665	19,816
Transactions with owners in their capacity as owners:						
Issue of share capital	21,238	-	-	-	-	21,238
Share issue costs	(926)	-	-	-	-	(926)
Deferred tax relating to equity items	278	-	-	-	-	278
Dividends paid	-	(5,888)	-	-	-	(5,888)
Share-based expense payment	-	-	194	-	-	194
	20,590	(5,888)	194	-	-	14,896
At 30 June 2010	43,684	43,286	920	(690)	(541)	86,659
Total comprehensive income for the year:						
Profit for the year	-	21,468	-	-	-	21,468
<i>Other comprehensive income:</i>						
Adjustment to value of available for sale financial assets	-	-	-	-	772	772
Deferred tax adjustment	-	-	-	-	(231)	(231)
Currency translation differences	-	-	-	(2,272)	-	(2,272)
Total comprehensive income for the year	-	21,468	-	(2,272)	541	19,737
Transactions with owners in their capacity as owners:						
Issue of share capital	4,635	-	-	-	-	4,635
Share issue costs	(68)	-	-	-	-	(68)
Deferred tax relating to equity items	-	-	-	-	-	-
Dividends paid	-	(7,500)	-	-	-	(7,500)
Share-based expense payment	-	-	412	-	-	412
	4,567	(7,500)	412	-	-	(2,521)
At 30 June 2011	48,251	57,254	1,332	(2,962)	-	103,875

The above Preliminary Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated Entity	
	2011	2010
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	234,579	139,351
Payments to suppliers and employees	(181,617)	(121,305)
Interest received	492	338
Dividends received	133	109
Finance costs	(1,756)	(531)
Income tax paid	(8,107)	(4,684)
Net cash provided by operating activities	43,724	13,278
Cash flows from investing activities		
Purchase of business and company	(37,243)	(24,529)
Purchase of property, plant and equipment	(24,004)	(5,947)
Receipt of cash from joint venture	1,055	1,355
Investments in other financial assets	-	(109)
Sale of other financial assets	6,638	-
Net cash used in investing activities	(53,554)	(29,230)
Cash flows from financing activities		
Proceeds from issue of shares	4,567	20,312
Proceeds from borrowings	36,674	123
Repayment of borrowings	(5,440)	(2,561)
Dividend paid	(7,500)	(5,888)
Net cash provided/(used) by financing activities	28,301	11,986
Net increase/(decrease) in cash held	18,471	(3,966)
Cash at the beginning of the period	21,125	25,070
Currency exchange movements	(2,180)	21
Cash at the end of the period	37,416	21,125

The above Preliminary Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 1: Basis of preparation of preliminary financial statements

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

The accounting policies applied in this preliminary report are the same as those applied by the company in the financial report as at and for the year ended 30 June 2010. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

Note 2: Revenue

	2011	2010
	\$000	\$000
Revenue from operations	202,993	143,318
Interest received	492	489
Dividends received	133	109
Other revenue	2,279	92
	<u>205,897</u>	<u>144,008</u>

Note 3: Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services), Americas (for mining equipment and other products, comprising of North America and South America), Asia (currently Indonesia for mining equipment and other products) 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. Segment information for the years ended 30 June 2011 and 30 June 2010 is as follows:

	Australia		Americas		Middle East		Asia		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total segment revenue	164,756	107,404	48,424	38,641	2,114	6,666	115	-	215,409	152,711
Inter-segment revenue	(9,512)	(8,703)	-	-	-	-	-	-	(9,512)	(8,703)
Revenue from external customers	<u>155,244</u>	<u>98,701</u>	<u>48,424</u>	<u>38,641</u>	<u>2,114</u>	<u>6,666</u>	<u>115</u>	<u>-</u>	<u>205,897</u>	<u>144,008</u>
EBIT	<u>25,668</u>	<u>17,495</u>	<u>5,363</u>	<u>6,594</u>	<u>853</u>	<u>2,423</u>	<u>(343)</u>	<u>-</u>	<u>31,541</u>	<u>26,512</u>
Segment assets at 30 June 2011	<u>135,214</u>		<u>77,549</u>		<u>1,554</u>		<u>5,586</u>		<u>219,903</u>	
Segment assets at 30 June 2010	<u>70,504</u>		<u>67,344</u>		<u>1,859</u>		<u>-</u>		<u>139,707</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:

	2011	2010
	\$000	\$000
EBIT	31,541	26,512
Interest revenue	492	489
Finance costs	<u>(1,756)</u>	<u>(531)</u>
Profit before income tax	<u>30,277</u>	<u>26,470</u>

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 4: Earnings per share

	2011	2010
	\$000	\$000
Earnings used in basic and diluted earnings per share calculation	21,468	19,264
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	70,693	68,186
Effect of dilutive securities - options	2,613	3,232
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>73,306</u>	<u>71,418</u>

Note 5: Adjusted net profit after tax

	2011	2010
	\$000	\$000
Adjusted net profit after tax	22,022	19,264
Amortisation - customer relationship intangibles	(462)	-
Amortisation - other intangibles	(92)	-
Reported net profit after tax	<u>21,468</u>	<u>19,264</u>

Note 6: Contributed equity - ordinary shares

	2011		2010	
	No.000	\$000	No.000	\$000
Balance at beginning of the year	69,315	43,684	54,178	23,094
Issue of shares on exercise of options	2,500	4,635	750	450
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	-	(68)	-	(926)
Deferred tax on equity items	-	-	-	278
Balance at end of the year	<u>71,865</u>	<u>48,251</u>	<u>69,315</u>	<u>43,684</u>

Ordinary shares issued in the year to 30 June 2011 comprised of the following:

7 July 2010: 100,000 shares at \$1.50 each (\$150,000) in relation to the exercise of employee options
 24 August 2010: 42,105 shares at \$1.90 each (\$80,000) in relation to the exercise of employee options
 26 August 2010: 257,895 shares at \$1.90 (\$490,000) in relation to the exercise of employee options
 26 August 2010: 250,000 shares at \$2.00 (\$500,000) in relation to the exercise of directors options
 30 August 2010: 350,000 shares at \$1.90 (\$665,000) in relation to the exercise of employee options
 8 September 2010: 1,000,000 shares at \$2.00 (\$2,000,000) in relation to the exercise of directors options
 8 November 2010: 50,000 shares at nil cost on the grant of performance-related shares to the managing director
 22 December 2010: 250,000 shares at \$1.50 (\$375,000) in relation to the exercise of employee options
 2 March 2011: 100,000 shares at \$1.50 (\$150,000) in relation to the exercise of employee options
 17 June 2011: 150,000 shares at \$1.50 (\$225,000) in relation to the exercise of employee options

Note 7: Business combinations

On 2 July 2010, the company acquired 100% of Pilbara Hire Group Pty Ltd and PHG Services Pty Ltd (together the "Pilbara Hire Group"), with operations based in the Pilbara region of Western Australia, for a cash consideration of \$12.1m. The Pilbara Hire Group is an on-site fixed and mobile mining equipment repair and maintenance business. The purchase agreement provided for an earn-out payment to be payable to the previous owners based upon the achievement of a pre-determined minimum EBIT target of \$3.25m for the financial year ended 30 June 2011, with the excess over \$3.25m being paid to the previous owners. The fair value of this earn-out at the date of acquisition has been determined as \$813,000 and this has been provided for at 30 June 2011. The acquisition of the Pilbara Hire Group was a strategic development of the group's operations into repair and maintenance activities. The acquisition was funded by way of a bank loan.

On 1 November 2010 the company acquired the business and assets of Phillips Engineering Aus Pty Ltd, with operations based in the Hunter Valley region of New South Wales, for a cash consideration of \$4.6m. Phillips Engineering Aus Pty Ltd is a workshop and site-based mining equipment repair and maintenance business. The acquisition was a strategic development of the group's operations into an important and growing coal mining region. The acquisition was funded by way of a bank loan.

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 7: Business combinations (cont'd)

On 17 December 2010 the company acquired 100% of COR Cooling Pty Ltd, with operations based in Queensland and Western Australia, for a cash consideration of \$20.5m. COR Cooling Pty Ltd specialises in the sale and repair of radiators and other products for the mining and other industries. The acquisition was a strategic diversification of the group's operations into a new area of the mining services market offering expanded services to existing customers domestically and overseas. The acquisition was funded by way of a bank loan as well as existing available cash resources.

Acquisition-related costs of \$108,000, comprising of legal and other fees, have been recognised in the period and are included within other expenses from ordinary activities in the consolidated statement of comprehensive income.

The acquisitions contributed the following in respect of revenues and net profit after tax to the group:

	Pilbara Hire Group	Phillips Engineering	COR Cooling
	\$000	\$000	\$000
Revenue for the year to 30 June 2011	24,934	5,807	12,238
NPAT for the year to 30 June 2011	3,195	(785)	1,658
Revenue had the acquisition occurred in 1 July 2010	24,934	9,039	21,436
Normalised NPAT for the year to 30 June 2011	3,160	(520)	2,986

Details of net assets and intangibles acquired are as follows:

	Pilbara Hire Group	Phillips Engineering	COR Cooling
	\$000	\$000	\$000
Purchase consideration	12,961	4,607	20,487
Fair value of net tangible assets acquired	(125)	1,303	6,205
Intangible assets	13,086	3,304	14,282

The fair value of assets and liabilities arising from the acquisitions is as follows:

	Pilbara Hire Group	Phillips Engineering	COR Cooling
	\$000	\$000	\$000
Cash	30	-	828
Property, plant and equipment	2,469	1,250	1,442
Inventories and work-in-progress	-	328	2,023
Receivables	-	-	3,491
Other assets	150	-	407
Payables	(1,080)	-	(1,718)
Employee leave entitlements	-	(275)	(268)
Financial liabilities	(1,694)	-	-
Net identifiable tangible assets acquired	(125)	1,303	6,205

The intangible assets acquired arising from the acquisitions are as follows:

	Pilbara Hire Group	Phillips Engineering	COR Cooling
	\$000	\$000	\$000
Customer relationships and service agreements	7,845	2,083	-
Licence agreement and relationship	-	-	299
Brands	50	-	2,699
Designs	-	-	149
Non-compete agreement	70	35	140
Goodwill	5,121	1,186	10,995
Total identifiable intangible assets acquired	13,086	3,304	14,282

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.

Note 8: Contingent liabilities and contingent assets

There are no contingent liabilities or assets that have a material impact on the financial statements at 30 June 2011.

Note 9: Dividends

The company paid a fully-franked final dividend of 7.5c per share on 8 October 2010 in relation to the financial year ended 30 June 2010 (final dividend paid in the previous financial year 2010: 6.5c per share). The company also paid a fully-franked interim dividend of 3.0c per share on 25 March 2011 in relation to the financial year ended 30 June 2011 (interim dividend paid in the previous financial year 2010: 2.0c per share).

Note 10: Events subsequent to reporting date

The Directors have declared a final fully-franked dividend of 8.5 cents per share for the financial year ended 30 June 2011 (2010: 7.5 cents per share) payable on 7 October 2011. The aggregate amount of the dividend to be paid out of retained profits based on the number of ordinary shares issued at 30 June 2011, but not recognised as a liability at the end of the year, is \$6,108,000.

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 10: Events subsequent to reporting date (cont'd)

On 29 July 2011 COR Cooling Pty Ltd, a 100% subsidiary company of Austin Engineering Ltd, acquired the business and assets of Diecon Engineering, a specialised manufacturer and repairer of industrial and marine transmission and cooling products based in Brisbane. The purchase price, which was paid in cash, was \$0.8m. The fair value of tangible and intangible assets acquired is in the process of being determined and finalised.