



**ADVANCED ENGINE COMPONENTS LIMITED**

ACN: 009 081 770



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WESTERN AUSTRALIA**

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30 January 2008

Company Announcements Office  
The Australian Stock Exchange Limited

**By: e-lodgement (ASX code ACE)**

## **December 2008 - Quarterly Activities Summary**

Advanced Engine Components Ltd ("ACE") sales were 40% higher and receipts from customers 50% higher, in the six months to 31 December 2008, than the corresponding period for 2007.

The December 2008 quarter saw a drop in demand for ACE products, due to the global financial crisis, together with delayed customer payments and deferred deliveries. As a result, sales and receipts were approximately 40% and 50% lower, respectively, in the December 2008 when compared to the September 2008 quarter.

The slowing demand, delayed payments and deferred deliveries also led to a build up of accounts receivable and inventory in the December 2008 quarter. Accounts receivable and inventory, at approximately A\$5.8 million, is 30% higher than the accounts receivable and inventory balance at 30 September 2008. ACE is working on repayment plans with major customers to systematically reduce the amounts outstanding and is confident, with known demand, that inventory levels can be significantly reduced in the March 2009 quarter.

As well as focussing on cash generation, from accounts receivable and inventories, ACE management is reviewing all possible cost cutting measures. Cash generation and cost reductions require a delicate balance to ensure ACE's ability to meet customer demand in the March 2009 quarter and beyond is not compromised.

Funding of the increased levels of accounts receivable and inventory principally came from the A\$2m sales financing facility (refer ASX announcement 12 August 2008) provided by 698 Capital Asia Pacific Limited, a related party to ACE's major shareholder.

The ACE Board remain confident in sales potential for the immediate, medium and long term future. Sales orders received for delivery in the March 2009 quarter already exceed sales recorded for the December 2008 quarter. Trials conducted throughout China, over the last 18 months, are expected to convert to recurring orders throughout calendar 2009 and beyond. The addition of Tata Motors (refer ASX announcements of 31 October 2008 and 18 December 2008) as an ACE customer will commence generating additional significant sales in the 2010 calendar year.

***For further information contact Tony Middleton, Managing Director, on +618 9209 6900; or email [shares@advancedengine.com](mailto:shares@advancedengine.com)***

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

ADVANCED ENGINE COMPONENTS LIMITED

ABN

67 009 081 770

Quarter ended ("current quarter")

31 December 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	715	2,139
1.2 Payments for		
(a) staff costs	(312)	(604)
(b) advertising and marketing	(37)	(99)
(c) research and development	(212)	(425)
(d) leased assets	-	-
(e) other working capital	(1,228)	(3,150)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	4
1.5 Interest and other costs of finance paid	(45)	(85)
1.6 Income taxes paid	-	-
1.7 Other: Receipt of Government Grants	124	124
<b>Net operating cash flows</b>	<b>(993)</b>	<b>(2,096)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(993)	(2,096)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(7)	(8)
(e) other non-current assets	(278)	(561)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	(285)	(569)
<b>1.14 Total operating and investing cash flows</b>	(1,278)	(2,665)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	873
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings (item 3.1)	1,209	2,210
1.18 Repayment of borrowings	(59)	(503)
1.19 Dividends paid	-	-
1.20 Costs associated with issue of shares	(6)	(75)
<b>Net financing cash flows</b>	1,144	2,505
<b>Net increase (decrease) in cash held</b>	(134)	(160)
1.21 Cash at beginning of quarter/year to date	207	233
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	73	73

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2 & 1.17	40
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions - Salary payments to the executive director of the Company amounting to \$40,000.	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

ACE facilitated a US\$700,000 loan from an unrelated company, CCM Global Limited, to the Thailand joint venture company, Monika AEC Limited. The loan was delivered directly to Monika AEC Limited and did not involve cash flow through ACE. ACE has recorded an asset and a liability of US\$700,000 in the consolidated accounts. For facilitating the loan ACE is entitled to a margin on interest payable.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,000	2,000
3.2 Credit standby arrangements	-	-

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**Reconciliation of cash**


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	73	207
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	<b>73</b>	<b>207</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
 .....  
 Managing Director

Date: 30 January 2009

Print name: Antony Middleton

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## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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