austin

Annual Report 2018



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Austin Engineering Limited is an Australian based engineering company, with operations in Australia, Asia, North and South America.

Austin's core competitive advantage is in its engineering intellectual property, knowledge and experience. Through which its customised products provide compelling productivity gains for its clients.

Austin designs and manufactures customised dump truck bodies, buckets, water tanks, tyre handlers and other ancillary products. Austin is a complete service provider, offering on and off-site repair and maintenance as well as heavy equipment lifting to its customers.

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TURNAROUND STRATEGY DELIVERS RETURN TO PROFIT

REVENUE UP 25% TO $293.4 MILLION

EBITDA* UP 62% TO $23.2 MILLION

* Excluding impairment/one-off costs.
Revenue and EBITDA relate to Austin's continuing and discontinued operations.

Chairman's review

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Dear shareholders

I am pleased to report that Austin returned to profit during the 2018 financial year, delivering an Underlying Net Profit After Tax* of $5.4 million and revenues increased by 25% to $293.4 million.

Our return to profitability follows extensive restructuring activity, including Board renewal, the appointment of additional members to our management team and continuing focus on our strategic priorities, that are repositioning the company as a custom engineering solutions provider supported by a global product manufacturing capability.

Austin Engineering is now uniquely placed as a global supplier of choice in the mining services sector at a time when the industry is experiencing a cyclical growth phase and commodity markets strengthen.

Financial position

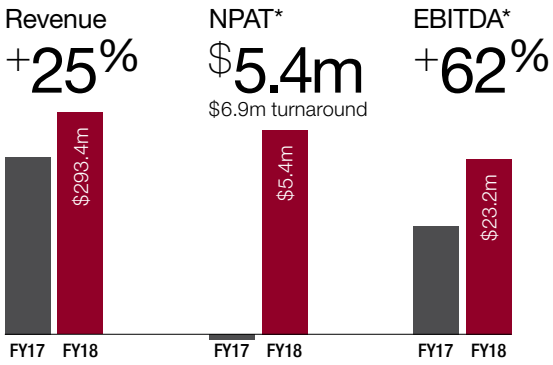
Austin's financial position improved during the year following the refinancing of its Australian debt facilities, establishment of an Australian working capital facility and the establishment of a North American working capital facility all of which was completed in November 2017. The refinancing diversified the debt profile across the Group, improved Austin's overall debt maturity and lowered the cost of capital.

The Company's net debt position remained substantially the same during the year with a slight increase in gearing. Working capital increased by $8.3 million as our operating activity levels improved in most of our global regions.

Austin expects to further reduce the Group net debt position and improve our South American debt profile with the sale of the Group's Chilean crane hire business, Austin Arrendamientos Chile Ltda, that has been identified as a non-core business. A confidential sale process is in progress with the objective of an asset sale and liquidation of the Chilean company by 31 December 2018.

The Board considers the reduction of debt leverage to be the best use of the Company's capital in the short term and consequently no dividend was declared for the year ended 30 June 2018.

The Board's focus remains delivering value to shareholders and the Board will continue to assess all capital management options as the Company's performance and leverage improves.



* Excluding impairment/one-off costs

Governance and Board

Austin operates in a cyclical market and has strong corporate governance frameworks, including safety and risk management protocols, underpinning the stable and successful operation of the business over the long-term.

During the 2018 financial year, changes to the Board resulted in the appointment of Sy van Dyk as a Non-Executive Director and Chair of the Audit Committee. Sy is a Chartered Accountant by profession and has more than 25 years' sales, operational and financial experience primarily in the resource sector. His background and knowledge of the industry means he has a good understanding of Austin products, clients and manufacturing operations.

The Company's corporate governance statement is available on Austin's website and I encourage our stakeholders to read this statement.

Performance related numbers contained in the Chairman's review relate to Austin's continuing and discontinued operations.

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"The Board's focus remains delivering value to shareholders and the Board will continue to assess all capital management options as the Company's performance and leverage improves."

People and safety

We had a total of 2,105 people working in Austin at 30 June 2018, across permanent and flexible roles and including contractors. That total is lower than the 2,173 people working in the business at 30 June 2017 and includes the impact of the rationalisations in Peru and Chile. The number of man hours increased during the year by 8% as a result of increased demand for Austin products.

The Company's unrelenting focus on safety management, with a goal of zero harm, resulted in more diligent safety monitoring and an improvement in appropriate recording of injuries.

Austin is continuing to build our safety culture with the introduction of a program of internal and external safety audits to further improve the work environment for all the people in the Company. This follows from the Board review of our Health and Safety performance that led to the implementation of our Global Occupational Health and Safety standards.

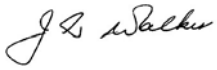
The majority of our key operations staff have successfully participated in Incident Cause Analysis Method (ICAM) training to improve the incident investigation process and determine the root cause of safety incidents. The ICAM training will assist in reducing safety incidents by developing additional techniques to proactively manage and further improve our safety culture.

Outlook

Our shareholders, clients and suppliers have continued to support Austin during the year, enabling the Company to maintain its market leading position, and I thank them for their continued support.

Throughout the year Austin continued to improve client relationships in all of our global regions, comprising the America's, Australia and Asia, that means we are well positioned to access future growth opportunities. Our client tender book and pipeline opportunities for financial year 2019 are already much stronger than in 2018 and the level of orders and other committed work is similar to last year.

The Board and executive management team is confident Austin will continue to deliver growth through the 2019 financial year and remains committed to delivering enhanced returns for our shareholders.



Jim Walker
Non-Executive Chairman

Managing Director's report

I am extremely encouraged by, and proud of, the way the people working across Austin Engineering have continued to deliver for our clients while embracing the changes we are making to reposition the company. Austin Engineering is an Australian company, with a global footprint, that provides industry leading engineered solutions for our clients. The dedication and commitment of our people has been fundamental to our improved financial result for the 2018 financial year.

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Financial performance

Austin delivered a net profit after tax, but before impairments and one-off charges, of $5.4 million for financial year 2018. This is a significant turnaround from the $1.5 million loss in the 2017 financial year. The Company also reported underlying EBITDA of $23.2 million for the 2018 financial year, that represents a 62% increase on 2017.

The statutory net loss after tax of $11.9 million resulted from $23.7 million of restructuring and impairment costs during the year and was a 57% improvement on the 2017 financial year net loss after tax of $27.6 million.

The restructuring activity during the 2018 financial year was consistent with our broader strategy to enhance the value derived from Austin's asset base and operations. We closed unprofitable workshops in Hunter Valley, NSW; Lurin, Peru and Karratha, WA. We are also progressing the sale of our non-core Chilean crane business, that will further reduce the Company's net debt levels, improve our financial stability and better position us to take advantage of growth opportunities.

Strategy

Austin's vision is to be the global market leader supplying customised truck bodies and excavator/rope shovel buckets to large global mining clients, mining contractors and original equipment manufacturers (OEM's). Our products allow clients to improve their productivity by reducing their cost per tonne.

Our strategy is to focus on our core competency of providing bespoke engineering solutions and customised products delivered through our high quality, global manufacturing facilities to the mining industry and aligned businesses. Our strategic priorities are designed to support our vision to be the market leader in truck bodies and buckets globally, to grow and diversify the business through opportunities that are unique to Austin and to maintain our cost competitiveness.

I am pleased that initiatives to improve revenue through the expansion of our global business development function and implementation of a new client account management strategy, with targeted multi-layer customer coverage, are now in place and showing results. During the 2018 financial year there was a 40% increase in new product revenue compared to 2017.

We are continuing to embed the 'One Austin' model across the Group, that includes more collaboration, integration and shared knowledge between our engineering, sales and manufacturing teams to improve client service delivery. The 'One Austin' model allows us to leverage our engineering intellectual property and roll out best practice across our global footprint to support our expansion in existing markets and entry into new markets. We have also established a dedicated innovation team, within our engineering function, focused on research and development of new products.

A Production Efficiency Group (PEG) has been formed to deliver our operating cost reduction and efficiency improvement strategy. The PEG team is multi-disciplinary, with members drawn from each of our manufacturing facilities. It will assess continuous improvement opportunities, ways to enhance our quality standards and the adoption of new technology in manufacturing techniques to deliver superior products to our clients.

Performance related numbers contained in the Managing Director's report relate to Austin's continuing and discontinued operations.

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"…initiatives to improve revenue through the expansion of our global business development function… is now in place and showing results.

During the 2018 financial year we saw a 40% increase in new product revenue compared to 2017."

People

Austin's continued success comes from its people, whose expertise, experience and relationships ensure we maintain our market leading position for engineered client solutions. We have a significant depth of experience within our engineering team, with an average tenure for qualified engineering staff of 16 years, that enhances our ability to continue to innovate and customise products to meet market expectations.

During financial year 2018 the Company strengthened its senior team with the appointments of a Global Manager Market Development and Innovation and a Global Manager Operations to increase our ability to deliver on our strategic goals of growing our business while remaining focused on our client relationships and operating cost reductions.

Global Manager Market Development and Innovation

David Pichanick was appointed Global Manager Market Development and Innovation in February 2018 and manages the Group's engineering team and our client relationships through our business development teams. David has extensive senior executive experience with major original equipment manufacturers (OEM's) including Hitachi and Liebherr, has worked in Australia and internationally and held senior sales and marketing roles within the industry. David's leadership will increase our market penetration and improve relationships with the OEM's, global mining clients and mining contractors.

Global Manager Operations

Simon Mair joined the Austin team during the financial year to lead the review of our global steel procurement processes and contract arrangements. Simon demonstrated the ability to engage and manage the diverse range of cultures within Austin's global footprint and to establish strong relationships with our business units, that have helped with his transition to the role of Global Manger Operations. Simon has a diverse background and lengthy experience in the resources sector and associated markets. Simon's key objective is to deliver quality products on time for our clients, while continuing to improve the way we manufacture with a focus on operating cost reductions.

We have also appointed an experienced Group Occupational Health and Safety Manager, who has implemented a number of key training and reporting initiatives to improve our employees' safety. Austin's safety and risk management communication, collaboration and training activities form part of a continuum of engagement with our people that supports their ongoing development and enhancements to our safe operating processes.

Capital management

The improved market conditions experienced during the year resulted in our working capital level increasing to $29.5 million with the majority of the increase related to the Group's inventory levels. Capital expenditure during financial year 2018 consisted of small replacement items funded by proceeds from the disposal of surplus equipment, mainly in South America.

There are two major capital projects underway for the first half of the 2019 financial year that will see the installation of a new robotic welding machine in our manufacturing facility in Perth, Australia and a large brake press for the United States facility. Further capital expenditure projects during 2019 are expected to be identified as part of the Production Efficiency Group's activities.



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Outlook

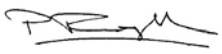
The outlook for capital expenditure (CapEx) among Austin's client base is positive. The projections are for increased CapEx at the top five global mining companies for the first time in four years but still below the levels at the start of the last major mining cycle. These mining industry CapEx projections are supported by the trend in new surface mining equipment deliveries that have consistently increased since the beginning of 2016 but also remains well below the 2012 peaks.

Austin's work to restructure and reposition the business leaves us well placed to take advantage of these positive industry trends. Our order book is at similar levels to last year, however our tender book and pipeline opportunities are much stronger. The implementation, during 2018, of a new client account management strategy and the appointment of senior executives focused on sales and market development gives us confidence around the conversion of our tender book and pipeline opportunities to orders.

We believe our core value proposition of being a global engineering solutions provider, built on decades of innovation and intellectual property, that supplies quality products and manufacturing expertise to our clients will allow us to take advantage of future opportunities.

One Austin

Our 'One Austin' model leverages our global reach and understanding of the issues facing the mining industry to uniquely position Austin to service global accounts in a much more effective way and underpins our ability to deliver sustainable shareholder returns during financial year 2019 and into the future.



Peter Forsyth
Managing Director

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"We believe our core value proposition of being a global engineering solutions provider, built on decades of innovation and intellectual property, that supplies quality products and manufacturing expertise to our clients will allow us to take advantage of future opportunities."

Operational and financial review

	Change %	Consolidated entity 2018 $000	2017 $000
Continuing operations			
Revenue	28.1	**275,181**	214,888
Statutory EBITDA	⇧	**8,946**	(2,278)
Normalised EBITDA	73.4	**20,391**	11,759
Loss before tax	(75.0)	**(3,744)**	(14,996)
Loss after tax	(87.4)	**(1,960)**	(15,562)
Basic loss per share (cents)	(87.8)	**(0.34)**	(2.78)
Net assets	(7.1)	**104,208**	112,178

Operational review

Americas

The Americas delivered the strongest revenue and profit performance in the Group in financial year 2018. Profit margins improved during the year as a result of improved workshop efficiencies, strong demand for our products and efficiencies in indirect costs.

Copper markets improved during 2018 and accounted for more than half the revenue from the Americas. A large order for the Bingham Canyon copper mine helped the USA deliver the highest EBITDA contribution in the region. The copper market improvements, combined with internal cost saving initiatives resulted in Chile contributing a positive underlying EBITDA result to the Group compared to a loss in the previous period.

Colombia maintained its positive earnings contribution from the previous period built on increasing revenues from higher margin manufactured products. The business in Peru has also been refocussed on the delivery of Austin's core products, rather than the provision of on-site services. This enabled a reduction of indirect costs and the closure of its main facility in Lurin during 2018. Peru's underlying EBITDA was break-even compared to a loss in the previous period.

Australia

Our Perth operations, in Western Australia, continued to deliver the highest underlying earnings to the Group as major mining companies continued investment in their mining fleets during 2018, however earnings decreased from 2017 when a major replacement cycle was delivered.

On the east coast, our Mackay operations doubled their revenue contribution and our Aust Bore machining business delivered increased earnings on the prior year as a result of improved demand for Queensland coal. Austin's Hunter Valley operations were closed on 30 June 2018 following an in-depth review that concluded the performance of that business unit had not reached a sustainable level and it would not make a sufficient positive contribution to Group results.

The Group also closed the unprofitable site service operations at Karratha, in Western Australia, during the 2018 financial year. Australian site services are now mainly focussed on the Pilbara region of Western Australia, supporting Austin's new product clients.

Asia

Results from Asia continued to be strong in 2018 with this region generating the highest profit margins in the Group. We have been actively developing opportunities to increase throughput at our Batam Island, Indonesian facility during 2018, to maximise the cost of manufacture and geographic advantages of our Asian Operations. The Group continues to leverage our Asian manufacturing capability to deliver more product to the local market as well as east coast Australia and explore opportunities to supply the African market and products in aligned industries.

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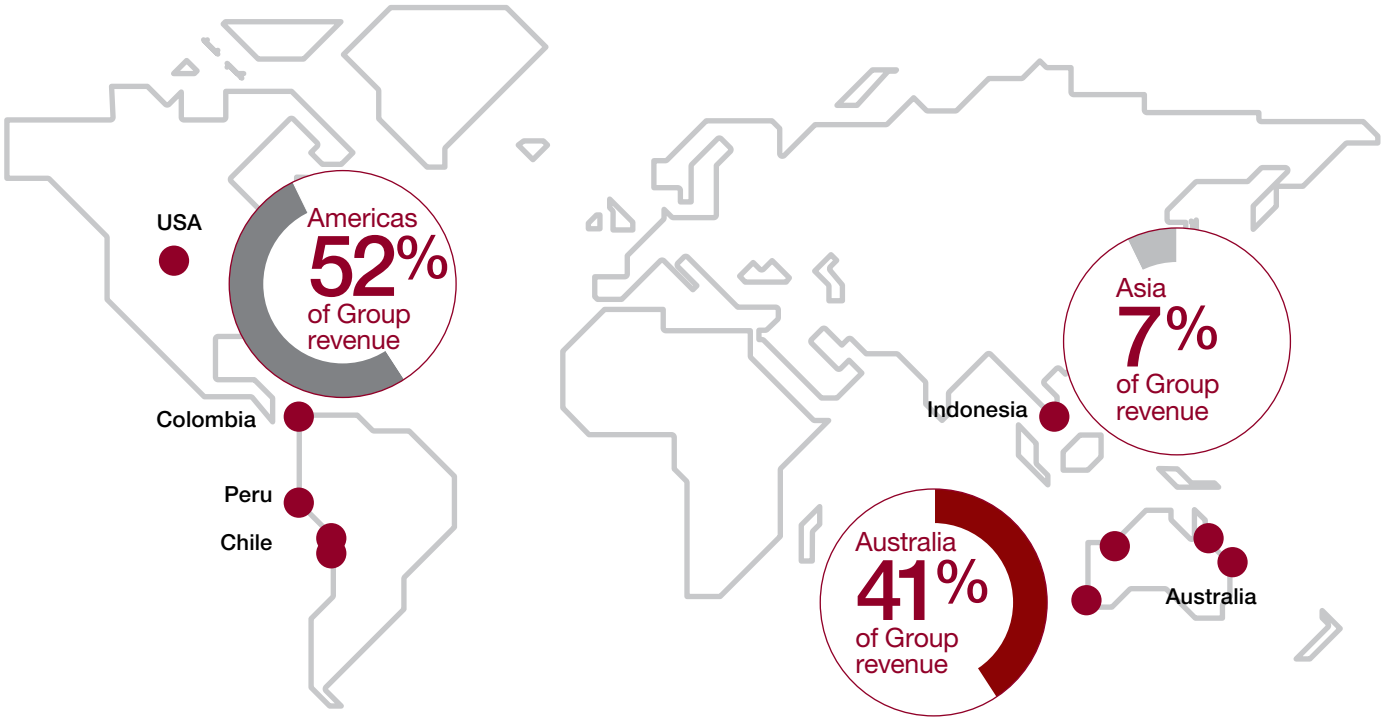
With operations located in key strategic locations globally, Austin is well placed to provide services to industry hubs



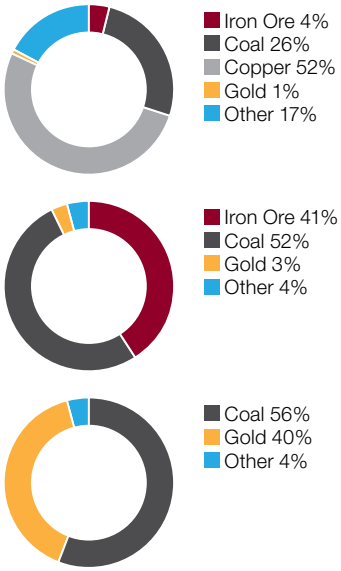
FY18 Region results

Americas	2018	2017	Change
Revenue	$154.4m	$112.3m	37%
EBITDA (normalised)	$11.0m	$1.7m	⇧
EBITDA margin	7.1%	1.5%	⇧

Australia	2018	2017	Change
Revenue	$124.0m	$111.9m	11%
EBITDA (normalised)	$7.9m	$9.5m	(17)%
EBITDA margin	6.4%	8.5%	(25)%

Asia	2018	2017	Change
Revenue	$22.4m	$17.4m	29%
EBITDA (normalised)	$4.3m	$3.1m	39%
EBITDA margin	19.2%	17.8%	8%

Revenue by commodity



Operational and financial review



Financial review

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Performance

Continuing operations:
income

The Company reported revenue from continuing operations of $275.2 million, that represents a 28% increase from the 2017 financial year. The largest driver of the increase was in product sales, that increased by $50.0 million or 40%, driven from the Americas and Asia.

Normalised EBITDA reported from continuing operations was $20.4 million, representing a 73% increase from the prior financial year. Our earnings improved as a result of increased revenue, internal restructures and the closure of unprofitable sites, including the Lurin workshop in Peru and Karratha site services business in Western Australia.

Austin reported a net loss after tax from continuing operations of $2.0 million compared to a net loss of $15.6 million in financial year 2017. The results were impacted by impairment charges of $5.7 million and restructuring costs of $5.7 million, mainly related to staff costs in respect to closed sites and changes to our operations in Chile combined with refinancing costs.

Expenditure

We increased sales of products by 40% during financial year 2018 with raw materials and consumables used being 31% of revenue compared to 24% in 2017. The Group did experience increases in the cost of raw materials and consumables in the USA, as a result of local steel tariffs, but costs elsewhere also rose.

The costs associated with employees and subcontractors in the 2018 financial year were 48% of revenues, down from 51% in 2017. This improvement is a result of increased revenues without significant, additional staff costs, helped by a higher percentage of revenues coming from manufacturing of new products, that utilise comparatively less labour than service work or repairs and maintenance.

Finance costs increased by $0.2 million, to $5.2 million, due to one-off refinancing costs. Depreciation and amortisation charges remained stable year on year, at $7.5 million.

The Impairment charges of $5.7 million relate to intangible assets in the Australian Site Services and Aust Bore businesses as their recent performance negatively impacted on their outlook and carrying value.

Discontinued operations:

The Chile crane business recorded a loss after tax of $10.0 million, inclusive of $12.0 million of impairment charges. This compares to a loss after tax of $12.1 million, inclusive of $6.6 million of impairment charges in the 2017 financial year.

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Cash Flow

In financial year 2018 the Group recorded positive cash from operations of $1.2 million. This is the first time, in two years, the Group has been operating cash flow positive and compares to an outflow of $14.8 million in 2017. Working capital has continued to increase with revenue.

Investing cash inflows in 2018 of $0.1 million reflect a reduced level of investment in the Chilean crane business and a continued sale process of under-utilised assets. Financing cash inflows of $0.4 million reflect a marginal increase of gross debt in the Group.

During financial year 2018 Austin recorded an overall net cash inflow of $1.7 million compared to an outflow of $8.8 million in 2017.

Working capital

Improved activity levels and revenue growth led to working capital increasing by $8.3 million during the year. Trade receivables increased by $5.1 million to $50.4 million; inventories and work in progress increased by $5.5 million to $37.1 million and trade and other payables increased by $2.3 million to $58.0 million.

Assets held for sale

Austin has $18.7 million of assets held for sale as a result of rationalisations in Chile, Peru and the Hunter Valley in Australia. These assets are expected to be sold during the 2019 financial year, the majority of proceeds will be used to repay financing facilities to further deleverage the Group.

Property, plant and equipment

There was a 37% decrease in property, plant and equipment to $66.7 million during financial year 2018. The majority of this decrease relates to a $12.0 million impairment charge to the assets of the Chilean crane business; depreciation charges of $10.4 million, including discontinued operations, and a reclassification of $18.7 million to assets held for sale.

Deferred tax

Deferred tax assets of $13.3 million mainly relate to $9.8 million of tax losses that can be claimed in future years, the remainder relates to timing differences.

Deferred tax liabilities decreased by $5.3 million during the year to $0.6 million as a result of impairments to the Chilean crane business assets and customer relationship intangibles associated with Australian Site Services.

Net Debt

Austin refinanced its senior facilities in November 2017. Net debt increased by $0.3 million during the year to $45.9 million as Austin funded the majority of refinancing costs from operating cash inflows.

The Chilean crane business contributed $14.9 million to the net debt of the Group. The majority of this debt is expected to be repaid once the assets held for sale are disposed of.

Net Assets

Net assets of $104.2 million at 30 June 2018 were down by 7% from the prior period. The decrease reflects the loss for the year, offset by currency translation differences.

Net tangible asset backing per share of 16.2 cents at 30 June 2018 was down 2% compared to the prior financial year.

Operational and financial review

People and safety performance

As at 30 June 2018 Austin's headcount including permanent and flexible staff plus those on labour hire arrangements was 2,105, a slight decrease from 2,173 in the prior year which reflects the rationalisations in Peru and Chile. The number of man hours, however, increased during the year by 8% as a result of increased demand for Austin products.

The Company continued to focus efforts on safety management, monitoring and reporting leading to increased numbers of injuries reported. At year end, Austin's Lost Time Injury Frequency Rate (LTIFR) was 6 up 3 from the 2017 financial year. The Total Reportable Incident Frequency Rate (TRIFR) was 19 for the 2018 financial year compared to 18 for the prior year.

Following the prior release of the Company's Occupational Health and Safety Global standards, a program of internal and external safety audits has been implemented to further improve our work environment for employees and contractors. The majority of our business unit key operations staff have successfully participated in ICAM (Incident Cause Analysis Method) training to improve the incident investigation process and determine the root cause of safety incidents. The ICAM training will assist in reducing safety incidents by developing additional techniques to proactively manage and develop our safety culture.

Risk management

Austin operates globally and is committed to integrating risk management principles and practices into all of its operations, to minimise risk and ensure achievement of our strategic objectives. Austin's Enterprise Risk Management Standard and Enterprise Risk Management Policy is updated regularly to address changes and developments in our operating environment. Throughout the year Austin continued to develop its risk management approach through consistency in assessing risk scores, clearer identification and understanding of existing controls and identification of action plans to improve controls and mitigate risks.

Formal risk management workshops are now complete at each business unit, providing operations teams with the necessary training to better manage risks and utilise appropriate risk mitigation tools and action plans to reduce risks to acceptable levels.

With the increase in global cyber-crime activity, information security risk has been identified as a key risk for the Company. To address this risk Austin implemented more rigorous information technology management and security protocols with appropriate disaster recovery testing programs in place. Operational risks related to process and people are being managed through our global alignment projects for all business functional areas of safety, business development, engineering, operations, human resources, information technology and finance.

Austin has introduced a risk maturity framework to monitor key indicators and activities to deliver a sustainable, repeatable and mature Enterprise Risk Management framework. In performing risk maturity assessments, each business unit is able to benchmark their current risk management progress and maturity against the group wide key risk indicators. Austin is confident that the risk management systems in place have functioned effectively during the year and that the continuous development of our risk maturity framework will ensure all risks are managed appropriately and in accordance with the approved risk appetite statement.

Following the retirement of Charlie Sartain from the Board on 1 April 2018, Risk Committee functions were managed by the Board.

Austin's business activities remain intrinsically linked to the activity levels from global mining operations and the economic and business conditions associated with the related markets. The achievement of targeted financial results for the 2019 financial year is dependent on a continuation of the current improved conditions.

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Our strategic priorities at a glance

Austin operates in a sustainable and socially responsible manner, taking advantage of technological advancements to deliver solutions that boost our client's productivity by lowering their cost per tonne, which in turn will lead to profitable financial results and returns for our shareholders.

Our strategic priorities are to:

- **be the market leader supplying customised truck bodies and buckets globally**
- **grow and diversify the business through identified opportunities unique to Austin**
- **maintain cost competitiveness**

We will deliver against these objectives by focusing on key strategic areas, including:

Our vision

Austin's vision is to be the market leader supplying customised truck bodies and excavator/rope shovel buckets to large global mining clients, mining contractors and original equipment manufacturers (OEM's).

This will be realised by leveraging our Intellectual Property (IP), industry leading engineered solutions and global manufacturing facilities to supply quality engineered products to clients in the mining industry and aligned businesses.

1. Safety

We are committed to ongoing improvements to our safety training, management and reporting to provide all the people who work at Austin, employees and contractors, with a safe working environment.

We have introduced Incident Cause Analysis Method (ICAM) training for all our key operational staff to help with the continuous improvement of our safety culture and ensure our activities are not harmful to our people, the environment or the community in which we operate.

2. Industry Sector Growth

Austin will grow its market share by using our intellectual property, engineering expertise and global manufacturing footprint to continue to supply products that allow clients to improve their productivity by reducing their cost per tonne.

We are developing our sales function, pricing and account management strategies to clearly communicate the benefits of our customised solutions and further strengthen Austin's position as the supplier of choice and the 'go to' solution provider for off highway truck bodies and excavator/rope shovel buckets.

We will continue to actively align ourselves and further develop close relationships with key OEM's and strategic clients.

3. Engineering Excellence

Austin's engineering teams located in Perth, Australia and Casper, Wyoming, United States are taking advantage of increased collaboration and dedicated resources as part of our implementation of a 'One Austin' business model.

We have appointed a Global Manager, Market Development and Innovation to lead our combined engineering function and drive a focus on innovation and establish a dedicated research and development team to create new products.

We will strengthen our relationships with OEM's, global mining clients and mining contractors to ensure our solutions continue to be industry leading and meet their specific needs.

4. Sustainable Operations and Manufacturing Excellence

Our global manufacturing footprint will be augmented by the ability to utilise sub-contract product manufacture, that meets Austin's quality standards, for additional capacity or in regions where there are no existing facilities. This manufacturing model ensures we maintain Austin's reputation for delivering industry leading, quality products and have the flexibility to meet our client expectations.

We have established a multi-disciplinary Production Efficiency Group (PEG), made up of people from each of our manufacturing facilities to assess and implement continuous improvement opportunities, ways to enhance quality standards and state of the art manufacturing techniques to improve efficiencies, minimise operating costs and increase returns to shareholders.

5. People and Culture

Austin success comes from its people, whose experience, expertise and client relationships combined with our culture of innovation and engineering excellence are key to our market leading position.

We are embedding a 'One Austin' operating model across the business, that will drive innovation by bringing the best of our engineering expertise together in a single team globally and allow for the roll out of best practice across all Austin's operations to ensure we remain the market leader for engineered client solutions.

Our teams will be structured and rewarded to deliver on our strategic purpose by encouraging and developing our people to deliver the highest quality standards while working together in a collaborative, multi-cultural and multi-language global organisation.

6. Diversification

Austin will take advantage of our existing facilities to increase the manufacture of our products and grow market share, particularly for excavator and rope shovel buckets as well as our range of underground products in our existing markets and new regions.

We will take advantage of the flexibility at our Indonesian facility to scale up manufacturing as we pursue non-traditional and third party fabrication work designed to smooth the revenue profile of the cyclical mining industry.

With most of the work to restructure and reposition Austin complete, and as the mining industry returns to growth, we are in a position to consider strategic acquisitions that compliment or further diversify Austin's operations to deliver future growth and increase returns to shareholders.


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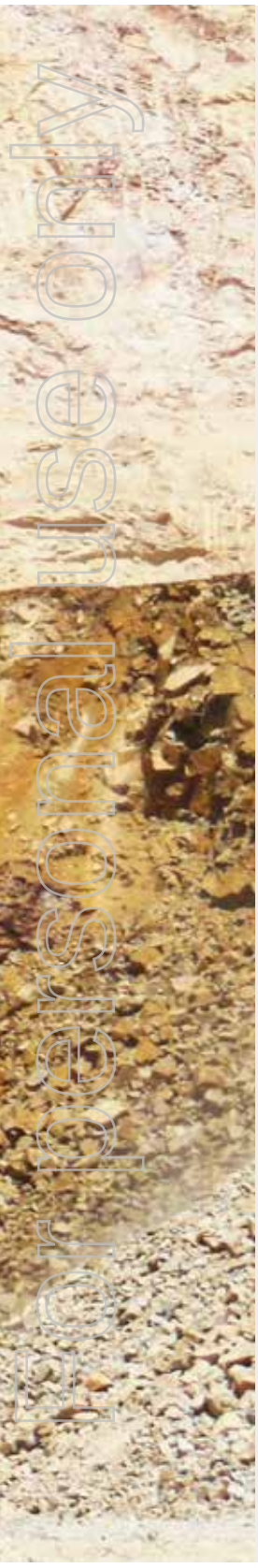
Directors' Report



The Directors present their report, together with the financial statements, on the Consolidated entity (referred to hereafter as the "Group" or the "Consolidated Entity") consisting of Austin Engineering Limited (referred to hereafter as the "parent entity" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

- **Peter Forsyth** (appointed as Managing Director on 18 August 2017 and Chief Executive Officer from 12 October 2016)
- **Jim Walker**
- **Chris Indermaur**
- **Sy van Dyk** (appointed 19 February 2018)
- **Peter Pursey** (retired 1 November 2017)
- **Charlie Sartain** (retired 1 April 2018)

Principal activities

The principal activities of the Group during the financial year were the manufacture, repair, overhaul and supply of mining attachment products and other associated products and services for the industrial and resources-related business sectors.

Dividends

There were no interim and final dividends paid or declared for the financial year ended 30 June 2018.

Review of operations and results

The loss for the Group after providing for income tax amounted to $1.960 million (2017: $15.562 million) from continuing operations. The loss for the year was predominantly due to impairment charges of $5.707 million (2017: $13.171 million).

A review of and information about the operations of the Group during the financial year and of the results of those operations is contained on pages 8 to 12, and form part of this Directors' report.

Significant changes in the state of affairs

The Group's Chile crane hire business, Austin Arrendamientos Chile Ltda, is considered a discontinued operation at reporting date, further details are provided in note 4.

Events after the reporting date

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or Company subsequent to 30 June 2018.

Likely developments and expected results of operations

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within the financial report and on pages 8 to 12.

Environmental regulation

The Group's Colombian facility is accredited to ISO 14001 Environmental Systems.

The facilities yet to receive ISO 14001 accreditation currently meet all internal Group requirements and standards for environmental management.

Directors' report

Information on directors

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Jim Walker

Non-Executive Chairman
from 25 November 2016 and
Non-Executive Director
from 8 July 2016

Experience and Expertise
Jim Walker has over 40 years of experience in the resources sector. He is currently non-executive Chairman of Macmahon Holdings Limited and Australian Potash Limited, Chairman of the WA State Training Board and a Non-Executive Director of Seeing Machines and RACWA Holdings Pty Limited. Jim was formerly Managing Director and Chief Executive Officer of WesTrac Pty Limited, a Director of Seven Group Holdings Limited, Programmed Maintenance Services Limited and and National Hire Group Limited and was formerly National President of the Australian Institute of Management.

Qualifications
- GAICD
- FAIM

Directorships held in other listed entities
- Macmahon Holdings Limited from 22 January 2015
- Seeing Machines Limited from 19 May 2014
- Australian Potash Limited from 15 August 2018

Former directorships in last 3 years
- Programmed Maintenance Services Limited from 19 November 2013 until 27 October 2017

Special responsibilities
- Member of the Audit Committee
- Member of the Risk Committee
- Member of the Nomination and Remuneration Committee

Interest in shares and options
- 80,000 ordinary shares

Peter Forsyth

Managing Director
from 18 August 2017 and
Chief Executive Officer
from 12 October 2016

Experience and Expertise
Peter Forsyth worked as a senior executive with Caterpillar Inc. for 27 years with assignments including USA, Singapore, India and Australia. Peter's roles included Mining Manager, District Manager, Off-Highway Truck Product Manager and Major Projects Manager for Caterpillar Australia. He has successfully managed numerous major mining equipment deals with global mining companies and mining contractors. Peter was instrumental in the development and execution of Caterpillar's emerging market strategy for Off-Highway Trucks. His most recent role prior to Austin was CEO of Chesterfield Australia which was the Kobelco and John Deere Dealer in Queensland and New South Wales.

Qualifications
- Bachelor of Mechanical and Production Engineering, RMIT University

Directorships held in other listed entities
- None

Former directorships in last 3 years
- None

Special responsibilities
- None

Interest in shares and options
- 200,000 ordinary shares

Chris Indermaur

Non-Executive Director
from 8 July 2016

Experience and Expertise
Chris Indermaur has over 30 years of experience in large Australian companies in engineering and commercial roles. He is currently the non-executive Chairman of Poseidon Nickel Limited and Medibio Limited and Non-Executive Director of Centrex Metals Limited. Chris was formerly the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Limited.

Qualifications
- Bachelor of Engineering (Mechanical)
- Graduate Diploma of Engineering (Chemical), Curtin University
- Bachelor of Laws, QUT
- Master of Laws, QUT
- Graduate Diploma in Legal Practice, ANU

Directorships held in other listed entities
- Poseidon Nickel Limited from 2 July 2007
- Medibio Limited from 2 April 2015
- Centrex Metals Limited from 1 July 2017

Former directorships in last 3 years
- None

Special responsibilities
- Chair of the Nomination and Remuneration Committee,
- Chair of the Audit Committee from 7 December 2017 to 28 February 2018,
- Member of the Audit Comittee and
- Member of the Risk Committee

Interest in shares and options
- None

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Sy van Dyk

Non-Executive Director
from 19 February 2018

Experience and Expertise
Sy van Dyk is a Chartered Accountant with more than 25 years' sales, operational and financial experience primarily within the resource sector. He has previously held roles as CEO and Managing Director at Macmahon Holdings and a number of senior operational roles at the WesTrac Group. Prior to WesTrac, Sy's career included a number of senior positions within Kimberly-Clark South Africa.

Qualifications
– Bachelor of Commerce (Hons), University of South Africa
– Member of Institute of Chartered Accountants Australia

Directorships held in other listed entities
– None

Former directorships in last 3 years
– Macmahon Holdings Limited from 13 July 2015 until 11 November 2016

Special responsibilities
– Chair of the Audit Committee from 1 March 2018
– Member of the Nomination and Remuneration Committee
– Member of the Risk Committee

Interest in shares and options
– None

Charlie Sartain

Non-Executive Director
from 1 April 2015 until retirement on 1 April 2018

Experience and Expertise
Charlie Sartain is a mining engineer with more than 30 years' experience in the mining industry. Charlie gained extensive mining engineering and executive experience at MIM Holdings Limited, culminating in his appointment to the Executive Committee as MIM's most senior executive in Latin America. After the takeover of MIMH by Xstrata Plc in 2003, he served as CEO of Xstrata's global copper business which included mining operations and projects spanning eight countries, from 2004 to 2013. Since 2013, Charlie has served on a range of Boards of listed companies and not-for-profit organisations, including his current role as Chairman of the Advisory Board of the Sustainable Minerals Institute, and a Board member of the Wesley Medical Research Institute.

Qualifications
– Bachelor of Engineering (Hons) (Mining)), University of Melbourne
– Fellow, Australasian Institute of Mining and Metallurgy
– Fellow, Australian Academy of Technological Sciences and Engineering

Directorships held in other listed entities
– ALS Limited from 1 February 2015, Goldcorp Inc. from 1 January 2017

Former directorships in last 3 years
– None

Special responsibilities
– Chair of the Risk Committee until retirement 1 April 2018

Interest in shares and options
– 3,542,500 ordinary shares at date of retirement

Peter Pursey AM

Non-Executive Director
from 2004 to 27 November 2015, **Non-Executive Chairman** from 28 November 2015 to 14 February 2016, **Executive Chairman** from 15 February 2016 to 25 November 2016 and **Non-Executive Director** from 25 November 2016, until retirement on 1 November 2017

Experience and Expertise
Peter Pursey is an experienced company director of both listed and non-listed public companies. In the last decade his commercial interests have included the resources, energy, defence and pharmaceutical industry sectors. He is experienced in executive management, leadership, strategic planning and capital raising and remains active in those business roles. He is a Member of the Australian Institute of Company Directors and a Fellow of the Australian College of Defence and Strategic Studies.

Qualifications
– MBA, ACDSS, psc.

Honours and Awards
– Order of Australia (AM)

Directorships held in other listed entities
– None

Former directorships in last 3 years
– None

Special responsibilities
– Chair of the Audit Committee
– Member of the Nomination and Remuneration Committee, until retirement 1 November 2017

Interest in shares and options
– 2,225,232 ordinary shares at date of retirement

Directors' report

Information on company secretary

Christine Hayward
Chief Financial Officer and Company Secretary since 10 October 2016

Christine Hayward (B.Commerce (Accounting), Graduate Diploma Applied Corporate Governance, FCPA, FGIA and International Chartered Secretary). Christine was appointed as Chief Financial Officer and Company Secretary in October 2016. She is a highly experienced, qualified senior finance and governance executive with over 20 years' experience in the ASX listed environment, corporate finance, company secretarial and corporate governance. Christine has previously held roles as Chief Executive Officer, Chief Financial Officer and Company Secretary in public and ASX listed companies including Titan Energy Services and Rivercity Motorway Group.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Board of Directors		Audit Committee		Nomination and Remuneration Committee		Risk Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Jim Walker	14	14	2	2	3	3	2	2
Peter Forsyth	12	12	–	–	–	–	–	–
Chris Indermaur	14	14	2	2	3	3	2	2
Sy van Dyk	7	7	1	1	–	–	1	1
Charlie Sartain	10	10	–	–	–	–	2	2
Peter Pursey	5	5	1	1	2	2	–	–

Corporate governance statement

Austin Engineering Limited is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ('the ASX Principles').

The 2018 Corporate Governance Statement, which is available at www.austineng.com.au, reflects the corporate governance practices in place throughout the 2018 financial year and was approved by the Board on 27 September 2018.

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Audited remuneration report

This audited Remuneration Report sets out information about the remuneration of the Group's key management personnel for the financial year ended 30 June 2018 and forms part of the Directors' Report for the year ended 30 June 2018. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1. Executive remuneration

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of senior executives is reviewed annually by the Board through a process that considers the performance of individual business units and the overall performance of the Group. In addition, external analysis and advice is sought by the Board, where considered appropriate, to ensure that the remuneration for senior executives is competitive in the market place. The policy aims to align executive reward with the achievement of strategic objectives and the creation of value for shareholders.

The major features are:

- Economic profit is a core component;
- Attract and retain high quality executives;
- Reward capability and experience;
- Reflect competitive rewards for contributing to growth in shareholder's wealth; and
- Provide recognition for contribution.

Base pay and benefits:

The Executive Director's and senior executives are offered a competitive base pay with due regard to current market rates. This base pay is calculated on a total cost basis and may include charges associated with the provision of a motor vehicle, including FBT charges, as well as employer contributions to superannuation funds. The remuneration of the Executive Directors is reviewed annually by the Board and the remuneration of senior executives is reviewed annually by the Nomination and Remuneration Committee. There is no guaranteed base pay increases included in any Executive Directors or senior executive contracts.

Short-term performance incentives:

Short-term incentive plan (STI Plan) arrangements in place for senior executives for the 30 June 2018 are set out below as a proportion of Total Fixed Remuneration (TFR):

Percentage of approved budget NPAT	STI	LTI	Subject to achieving performance hurdles
Managing Director	Up to 60% TFR	Nil	✔
Chief Financial Officer and Company Secretary	Up to 50% TFR	Nil	✔

Senior Executives

Following a review of financial and non-financial achievements of senior executives for the year ended 30 June 2018, in July 2018 the Board determined an STI payment of 40% of TFR be paid to the Managing Director, and 30% of TFR to the Chief Financial Officer and Company Secretary following the lodgement of the audited 2018 Annual Report. These payments will be included as remuneration in the year ended 30 June 2019.

Current long-term incentives

The current long-term incentive plan (LTI Plan) in place is to be discontinued once existing commitments are concluded. No key management personnel of the Group participate in the current LTI Plan. The current LTI Plan is delivered through the grant of performance rights to the former Managing Director and selected senior executives from time to time as part of their total remuneration.

Performance rights

No performance rights were granted to Directors during the current financial year.

Directors' report

Performance Indicators

The table below sets out summary information about the Group's earnings and movements in shareholder wealth since 2014 and forms the background against which short-term incentives and also current long-term incentives through the grant of options, over the relevant periods has been considered:

Consolidated entity		30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 $'000
Continuing and discontinued operations						
Revenue		293,362	234,344	209,764	210,426	209,870
Earnings before interest, tax, depreciation and amortisation (EBITDA)		(522)	(7,730)	(30,052)	(32,790)	15,162
Normalised EBITDA		23,191	14,263	9,167	15,024	15,162
Net profit/(loss) after tax		(11,939)	(27,633)	(40,455)	(49,332)	896
Basic earnings/(loss) per share	(cents)	(2.06)	(4.94)	(20.07)	(58.67)	1.14
Diluted earnings/(loss) per share	(cents)	(2.06)	(4.94)	(20.07)	(58.67)	1.14
Shareholder returns						
Interim dividend – fully franked	(cents)	–	–	–	–	4.50
Final dividend – fully franked	(cents)	–	–	–	–	–
Share price at start of year	($)	0.22	0.08	0.48	1.61	3.15
Share price at end of year	($)	0.23	0.22	0.08	0.48	1.61

Service agreements

The Company's senior executives are engaged under executive service agreements that are ongoing and have no fixed end date. However, these contracts may be terminated by notice from either party.

Key details of the executive service agreements of the current Managing Director and Chief Financial Officer and Company Secretary are set out below:

	Total Fixed Remuneration (TFR)	STI % of TFR	SLTI % of TFR	Total % of TFR	Notice periods to terminate	Termination payments
Managing Director	$500,000 (including superannuation)	60	–	160	1 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements.
Chief Financial Officer and Company Secretary	$425,000 (including superannuation)	50	–	150	1 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements.

There were no loans made, guaranteed or secured, directly or indirectly, by Austin Engineering Limited and any of its subsidiaries to Directors of Austin Engineering Limited and other key management personnel of the Group, including their close family members and entities related to them.

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2. Non-executive director remuneration

The structure of the remuneration provided to Non-Executive Directors is distinct from that applicable to executives. Non-Executive Directors receive only fixed remuneration that is not linked to the financial performance of the Company.

The annual fees paid, inclusive of superannuation, to Non-Executive Directors for the financial year ended 30 June 2018 are set out below:

	30 June 2018 $
Chairman	115,000
Non-Executive Director	85,000
Additional Committee Chairman fee	9,000

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executive Directors' fees are determined with an aggregate Directors' fee pool limit, that is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 and was approved by shareholders at the annual general meeting on 23 November 2012.

3. Remuneration governance

The Board oversees the remuneration arrangements of the Company. In performing this function the Board is assisted by input and recommendations from the Nomination and Remuneration Committee ("Committee"), external consultants and internal advice as required. The Committee is responsible for the overview, and recommendation to the Board, of remuneration arrangements for Directors and executive managers. The Managing Director, in consultation with the Board, sets remuneration arrangements for other senior managers. No employee is directly involved in deciding their own remuneration (including the Managing Director).

Further details of the role and function of the Committee are set out in the Charter for the Nomination and Remuneration Committee on the Company's website at http://www.austineng.com.au.

The Committee obtains advice and market remuneration data from external remuneration advisors as required. When advice and market remuneration data is obtained, the Committee follows protocols regarding the engagement and use of external remuneration consultants to ensure ongoing compliance with executive remuneration legislation. These protocols ensure that any remuneration recommendation from an external consultant is free from undue influence by any member of the Company's key management personnel to whom it relates.

The protocols for any external consultant providing remuneration recommendations prohibit them from providing advice or recommendations to employees or Directors before recommendations are given to the Committee. These arrangements were implemented to ensure that any external party will be able to carry out its work, including information capture and formation of its recommendations, free from undue influence by the individuals to whom they relate.

Long-term incentive plan

During the year PWC Australia provided background information to management and the committee to assist in the development of a long-term incentive plan for executive and senior managers. The committee considered the information provided and determined the LTI Plan details to be implemented by way of a Performance Rights Plan commencing 1 July 2018. The Performance Rights Plan has been developed to provide closer alignment between our executive and senior managers across the Group and Austin shareholders, as we continue to build sustainable growth in our operations with profitable results to ensure shareholder returns. The advice provided does not impact on current period key management personnel remuneration.

The report was provided directly to the Committee independently of management. As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of key management personnel.

Directors' report

4. Value provided to key management personnel

The following tables show details of the remuneration received by Austin Engineering Limited Key Management Personnel of the Group for the current and previous financial year. The names of the Directors of Austin Engineering Limited and their position are set out on pages 16 to 17 above.

Amounts paid or payable (in round dollars) or otherwise made available to Directors and senior executives as at the date of this report were:

		Short-term benefits		Post-employment benefits	Long-term benefits	Share based payments-equity settled	
Table 1		**Cash salary and fee $**	**Cash bonus $**	**Super-annuation $**	**Leave $**	**Options and rights $**	**Total $**
Non-Executive Directors							
Jim Walker[1]	2018	105,023	–	9,977	–	–	**115,000**
	2017	92,327	–	8,771	–	–	**101,098**
Chris Indemaur[2]	2018	96,088	–	–	–	–	**96,088**
	2017	85,069	–	3,617	–	–	**88,686**
Sy van Dyk[3]	2018	31,004	–	2,945	–	–	**33,949**
	2017	–	–	–	–	–	**–**
Charlie Sartain[4]	2018	64,714	–	6,148	–	–	**70,862**
	2017	75,884	–	18,116	–	–	**94,000**
Peter Pursey[5]	2018	29,055	–	2,760	–	–	**31,815**
	2017	50,870	–	4,833	–	–	**55,703**
Eugene Fung[6]	2018	–	–	–	–	–	**–**
	2017	24,180	–	14,257	–	–	**38,437**
John Nicholls[7]	2018	–	–	–	–	–	**–**
	2017	1,888	–	–	–	–	**1,888**
Total compensation for Non-Executive Directors	2018	325,884	–	21,830	–	–	**347,714**
	2017	330,218	–	49,594	–	–	**379,812**
Table 2							
Executive Directors and Senior Executives							
Peter Forsyth[8]	2018	475,000	–	25,000	–	–	**500,000**
	2017	334,586	–	25,669	–	–	**360,255**
Christine Hayward[9]	2018	404,951	–	20,049	–	–	**425,000**
	2017	295,202	–	14,284	–	–	**309,486**
Peter Pursey[5]	2018	–	–	–	–	–	**–**
	2017	142,817	–	4,068	–	–	**146,885**
Charles Rottier[10]	2018	–	–	–	–	–	**–**
	2017	251,956	–	–	–	–	**251,956**
Scott Richardson[11]	2018	–	–	–	–	–	**–**
	2017	181,516	–	9,879	–	–	**191,395**
Michael Buckland[12]	2018	–	–	–	–	–	**–**
	2017	100,432	–	–	–	–	**100,432**
Total compensation for Executive Directors and Senior Executives	2018	879,951	–	45,049	–	–	**925,000**
	2017	1,306,509	–	53,900	–	–	**1,360,409**
Total key management personnel remuneration	**2018**	**1,205,835**	**–**	**66,879**	**–**	**–**	**1,272,714**
	2017	**1,636,727**	**–**	**103,494**	**–**	**–**	**1,740,221**

1 Jim Walker was appointed as a Non-Executive Director on 8 July 2016 and Chairman on 25 November 2016.
2 Chris Indermaur was appointed as a Non-Executive Director on 8 July 2016.
3 Sy van Dyk was appointed as a Non-Executive Director on 19 February 2018.
4 Charlie Sartain retired as Non-Executive Director on 1 April 2018.
5 Peter Pursey was appointed Executive Chairman from 17 February 2016 until 25 November 2016. His Remuneration during the period of his executive role is included in Table 2. Outside of this period, Peter was a Non-Executive Director until retirement 1 November 2017, his fees earned as a Non-Executive Director are included in Table 1.
6 Eugene Fung retired as Non-Executive Director on 25 November 2016.
7 John Nicholls retired as Non-Executive Director on 8 July 2016.
8 Peter Forsyth commenced as Chief Executive Officer on 12 October 2016 and was appointed Managing Director on 18 August 2017, his remuneration did not change with this appointment.
9 Christine Hayward was appointed as Chief Financial Officer and Company Secretary on 10 October 2016.
10 Charles Rottier was appointed as Chief Strategy Officer on 3 February 2016 and interim Chief Executive Officer from 8 July 2016 to 12 October 2016.
11 Scott Richardson resigned as Chief Financial Officer and Company Secretary on 10 October 2016.
12 Michael Buckland resigned as Chief Executive Officer on 15 August 2016.

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No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

No bonus payments were made to key management personnel during the 30 June 2018 financial year.

Other transactions with related parties

There were no transactions with related parties during the year (2017: $0.196m) and no amounts outstanding to related parties at 30 June 2018 (2017: Nil). Related party transactions during the year ended 30 June 2017 related to Eugene Fung, a former Non-Executive Director of the Company, who is a partner with the law firm Thomson Geer Lawyers. The firm provided legal services to the Group on normal commercial terms.

There were no other transactions with related parties during the year to 30 June 2018.

Loans to key management personnel

There were no loans made, guaranteed or secured, directly or indirectly, by Austin Engineering Limited and any of its subsidiaries to Directors of Austin Engineering Limited and other key management personnel of the Group, including their close family members and entities related to them.

5. Equity instruments

Options held by key management personnel

There were no options held by key management personnel at 30 June 2018 and 30 June 2017.

Performance Rights held by key management personnel

There were no performance rights held by key management personnel at 30 June 2018 and 30 June 2017.

Shares held by key management personnel

The number of shares held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Name	Balance at the start of the year	Options exercised during the year	Bought during the year	Granted during the year	Sold during the year and other changes	Former key management personnel	Balance at the end of the year
	No.	No.	No.	No.	No.	No.	No.
Current and former key management personnel							
Jim Walker	80,000	–	–	–	–	–	80,000
Peter Forsyth	–	–	200,000	–	–	–	200,000
Charlie Sartain	3,542,500	–	–	–	–	(3,542,500)	–
Peter Pursey	2,225,232	–	–	–	–	(2,225,232)	–
Total	**5,847,732**	**–**	**200,000**	**–**	**–**	**(5,767,732)**	**280,000**

No other key management personnel held shares at 30 June 2018 and 30 June 2017.

None of the shares above were held nominally by the Directors or any of the other key management personnel.

This concludes the audited remuneration report.

Directors' report

Shares under option

Unissued ordinary shares of Austin Engineering Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of shares under option
29 July 2015	31 July 2018	$0.60	4,000,000
29 July 2015	31 July 2018	$1.00	6,000,000
29 July 2015	31 July 2018	$1.75	2,000,000

These options were granted to a former financier of Austin and expired after the balance date without being exercised. No options were granted to Directors or employees during the year, or after the year end.

Shares under performance rights

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of shares under right
27 November 2015	27 November 2020	$0.00	519,353

No performance rights were granted to, or exercised by, Directors or employees during the year, or after the year end.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) Indemnity of auditors

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The Directors have considered the position and, in accordance with advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Services provided related to taxation compliance and advisory services. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 28 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

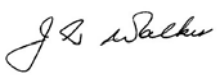
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

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. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Jim Walker
Non-Executive Chairman

27 September 2018
Brisbane

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DECLARATION OF INDEPENDENCE BY P A GALLAGHER
TO DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Austin Engineering Limited and the entities it controlled during the year.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 September 2018

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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Annual Financial Report

For the year ended 30 June 2018

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These financial statements are consolidated financial statements for the Group consisting of Austin Engineering Limited and its subsidiaries. A list of subsidiaries is included in note 24.

The financial statements are presented in Australian dollars ($).

Austin Engineering Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Austin Engineering Limited
Kings Row 1
Level G, 52 McDougall Street
Milton Queensland 4064
Australia

The financial statements were authorised for issue by the Directors on 27 September 2018. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at the Investor Centre on our website: www.austineng.com.au

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	Consolidated Entity 2018 $'000	Consolidated Entity 2017[1] $'000
Revenue from continuing operations	2	275,181	214,888
Expenses			
Raw materials and consumables used		(90,287)	(67,734)
Changes in inventories and work in progress		5,528	15,855
Employment expenses		(107,948)	(95,541)
Subcontractor expenses		(23,685)	(14,396)
Occupancy and utility expenses		(7,710)	(5,568)
Depreciation expense		(7,043)	(6,794)
Amortisation expense	15	(432)	(883)
Production operational expenses		(11,396)	(13,239)
Other expenses		(25,029)	(23,372)
Finance costs		(5,216)	(5,041)
Impairment expense	15, 3	(5,707)	(13,171)
Loss before income tax		**(3,744)**	**(14,996)**
Income tax benefit/(expense)	5	1,784	(566)
Loss for the year from continuing operations		**(1,960)**	**(15,562)**
Loss from discontinued operation	4	(9,979)	(12,071)
Loss for the year		**(11,939)**	**(27,633)**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	18	3,976	(5,135)
Other comprehensive income for the year		**3,976**	**(5,135)**
Total comprehensive income for the year		**(7,963)**	**(32,768)**
Loss for the year is attributable to:			
Owners of Austin Engineering Limited		(11,939)	(27,633)
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		(7,963)	(32,768)

	Note	Cents	Cents
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic loss per share (cents per share)	6	(0.34)	(2.78)
Diluted loss per share (cents per share)	6	(0.34)	(2.78)
Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited:			
Basic loss per share (cents per share)	6	(2.06)	(4.94)
Diluted loss per share (cents per share)	6	(2.06)	(4.94)

1 Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

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

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Consolidated statement of financial position

As at 30 June 2018

	Note	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Current assets			
Cash and cash equivalents	8	5,580	3,923
Trade and other receivables	9	50,379	45,312
Inventories	10	37,071	31,617
Current tax assets	5	914	545
Other receivables and other assets	11	17,844	14,814
		111,788	**96,211**
Assets classified as held for sale	4	18,713	–
Total current assets		**130,501**	**96,211**
Non-current assets			
Property, plant and equipment	14	66,681	105,327
Intangible assets	15	10,831	16,768
Deferred tax assets	5	13,256	13,242
Other non-current assets		2,564	–
Total non-current assets		**93,332**	**135,337**
Total assets		**223,833**	**231,548**
Current liabilities			
Trade and other payables	12	58,012	55,661
Financial liabilities	16	23,939	17,045
Current tax liabilities	5	1,329	1,931
Provisions	13	7,688	5,927
		90,968	**80,564**
Financial liabilities directly associated with assets classified as held for sale	4, 16	15,210	–
Total current liabilities		**106,178**	**80,564**
Non-current liabilities			
Financial liabilities	16	12,335	32,446
Deferred tax liabilities	5	565	5,862
Provisions	13	547	498
Total non-current liabilities		**13,447**	**38,806**
Total liabilities		**119,625**	**119,370**
Net assets		**104,208**	**112,178**
Equity			
Share capital	17	153,927	153,927
Retained earnings		(42,226)	(30,500)
Reserves	18	(7,493)	(11,249)
Total equity		**104,208**	**112,178**

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

Consolidated statement of changes in equity

For the year ended 30 June 2018

Consolidated entity	Note	Contributed equity $'000	Other reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2016		**145,829**	**3,401**	**(7,614)**	**(4,595)**	**137,021**
Total comprehensive income for the year:						
Loss for the year		–	–	–	(27,633)	(27,633)
Other comprehensive income, net of tax:						
Currency translation differences		–	–	(5,135)	–	(5,135)
Total comprehensive income for the year		–	–	(5,135)	(27,633)	(32,768)
Transactions with owners in their capacity as owners:						
Issue of share capital	17	8,416	–	–	–	8,416
Share issue costs	17	(318)	–	–	–	(318)
Share-based payments	31	–	(173)	–	–	(173)
Transfers		–	(1,728)	–	1,728	–
		8,098	**(1,901)**	**–**	**1,728**	**7,925**
Balance at 30 June 2017		**153,927**	**1,500**	**(12,749)**	**(30,500)**	**112,178**
Balance at 1 July 2017		**153,927**	**1,500**	**(12,749)**	**(30,500)**	**112,178**
Total comprehensive income for the year:						
Loss for the year		–	–	–	(11,939)	(11,939)
Other comprehensive income, net of tax:						
Currency translation differences		–	–	3,976	–	3,976
Total comprehensive income for the year		–	–	3,976	(11,939)	(7,963)
Transactions with owners in their capacity as owners:						
Share-based payments	31	–	(7)	–	–	(7)
Transfers		–	(213)	–	213	–
		–	**(220)**	**–**	**213**	**(7)**
Balance at 30 June 2018		**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**

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

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Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	Consolidated Entity 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		295,570	231,138
Payments to suppliers and employees		(287,498)	(241,175)
Interest received		280	88
Finance costs		(5,744)	(6,102)
Income tax refund		1,075	1,209
Income tax paid		(2,479)	–
Net cash provided by/(used in) operating activities		**1,204**	**(14,842)**
Cash flows from investing activities			
Payments for property, plant and equipment	14	(3,034)	(6,736)
Payments for intangibles	15	(87)	(70)
Proceeds from sale of property, plant and equipment		3,173	3,437
Proceeds from sale of assets held for sale		–	5,959
Net cash provided by investing activities		**52**	**2,590**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		–	7,962
Proceeds from borrowings		114,017	37,867
Repayment of borrowings		(113,623)	(42,412)
Net cash provided by financing activities		**394**	**3,417**
Net increase/(decrease) in cash and cash equivalents		**1,650**	**(8,835)**
Cash and cash equivalents at the beginning of the financial year		3,923	12,832
Effects of exchange rate changes on cash and cash equivalents		7	(74)
Cash and cash equivalents at end of the year	**8**	**5,580**	**3,923**

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

Notes to the consolidated financial statements

Results notes

1 Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services and corporate activities), Americas (for mining equipment, other products and repair and maintenance services comprising of North America and South America) and Asia (currently Indonesia for mining equipment and other 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 EBITDA. Segment information for the years ended 30 June 2018 and 30 June 2017 is as follows:

	Australia		Americas		Asia		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Continuing operations								
Total segment revenue	124,043	111,855	136,171	92,830	22,417	17,424	282,631	222,109
Less:								
Inter–segment revenue	–	–	–	–	(7,450)	(7,221)	(7,450)	(7,221)
Total segment revenue from continuing operations – from external customers*	124,043	111,855	136,171	92,830	14,967	10,203	275,181	214,888
Normalised EBITDA/ (LBITDA) from continuing operations*	7,908	9,460	8,147	(765)	4,336	3,064	20,391	11,759
Profit/(loss) before tax	(2,800)	(9,878)	(1,931)	(9,878)	987	4,760	(3,744)	(14,996)
Other segment information								
Depreciation and amortisation*	2,648	2,543	3,941	4,204	886	930	7,475	7,677
Impairment*	5,707	12,425	–	3,538	–	(2,792)	5,707	13,171
Continuing and discontinued operations								
Total segment assets	70,770	71,759	128,535	139,023	24,528	20,766	223,833	231,548
Total assets includes:								
Additions to non–current assets (other than financial assets and deferred tax)	1,295	2,316	1,659	4,250	80	170	3,034	6,736
Total segment liabilities	54,330	57,922	54,183	54,398	11,112	7,050	119,625	119,370

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated Group at an arm's length basis. These transfers are eliminated on consolidation.

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1 Segment information (continued)

Segment revenue and non-current assets

	Consolidated entity	
	2018 $'000	2017 $'000
Total revenues from external customers attributed to:		
– Australia	121,236	104,634
– Chile	33,836	26,275
– USA	35,816	34,490
– all foreign countries	84,293	49,489
Revenues derived from a single external customer were attributable to Australia	48,281	51,096
Non-current assets, excluding financial instruments and deferred tax assets, located:		
– in Australia	19,871	29,262
– in Chile	25,581	56,506
– in foreign countries	32,060	36,327

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

Corporate expenses

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 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 loss before income tax is as follows:

	Continuing and discontinued operations		Continuing operations	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Normalised EBITDA used for segment reporting	**23,191**	**14,263**	**20,391**	**11,759**
Non–impairment one–off items*	(6,033)	(2,178)	(5,738)	(866)
Impairment expense	(17,680)	(19,815)	(5,707)	(13,171)
Reported EBITDA/(LBITDA)	**(522)**	**(7,730)**	**8,946**	**(2,278)**
Depreciation expense	(10,406)	(10,311)	(7,043)	(6,794)
Amortisation expense	(432)	(883)	(432)	(883)
Interest revenue	165	152	166	152
Finance costs	(5,745)	(6,254)	(5,381)	(5,193)
Loss before income tax	**(16,940)**	**(25,026)**	**(3,744)**	**(14,996)**

* Non-impairment one-off items relate to restructuring costs and fees incurred associated with refinancing Australian and USA debt facilities.

Notes to the consolidated financial statements

2 Revenue

The Group derives the following types of revenue:

	Consolidated entity	
	2018 $'000	2017 $'000
Sale of goods	174,179	124,169
Services	100,722	90,436
Other income	280	283
Total revenue from continuing operations	**275,181**	**214,888**

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest income

Interest income is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

3 Expenses

(a) Loss for the year from continuing operations includes the following expenses:

	Consolidated entity	
	2018 $'000	2017 $'000
Cost of goods sold	207,663	152,172
Rental expense on operating leases	2,516	1,129
Defined contribution superannuation costs	3,372	3,344
Net foreign currency exchange losses	5	378

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

(b) Impairment charge

Impairment charges from continuing operations of $5.707m were allocated against customer relationship intangible assets associated with the acquisition of Pilbara Hire Group Pty Ltd of $4.707m and goodwill of Aust Bore Pty Ltd of $1.000m. In 2017, Impairment charges from continuing operations of $13.171m were allocated against goodwill of $11.238m, to identifiable intangible assets of $1.333m and to property, plant and equipment $0.600m. Refer to Note 15.

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4 Discontinued operation

(a) Discontinued operation

The Group has been actively seeking a buyer for its cranes business in Chile. The sale process is expected to be completed within the next six months. The Group recognised impairment losses totalling $11.973m in respect to plant and equipment of the cranes business based on a comparison between carrying value and fair value less costs to sell. Property, plant and equipment of the business were reclassified as held for sale at the end of the reporting period. The results of the cranes business in Chile have been disclosed as discontinued operations. The comparative profit and cash flows from discontinued operations for the year are set out below.

	Consolidated entity	
	2018 $'000	2017 $'000
Revenue	18,181	19,456
Expenses	(31,377)	(29,485)
Income tax benefit/(expense)	3,217	(2,042)
Loss from discontinued operation	**(9,979)**	**(12,071)**
Net cash inflow from operating activities	1,360	1,720
Net cash inflow/(outflow) from investing activities	1,219	(1,796)
Net cash (outflow)/inflow from financing activities	(2,374)	10
Net cash generated by/(used by) the discontinued operation	**205**	**(66)**

The assets and its associated liabilities relating to the cranes business in Chile are presented as held for sale. See (b) below.

There was no discontinued operation at 30 June 2017.

(b) Assets and liabilities classified as held for sale

The Group intends to dispose properties and equipment that it no longer requires in the next twelve months. The properties and equipment are located in Chile, Australia and Peru. The properties available for sale in Chile are related to the discontinued operations in Chile.

	Consolidated entity
	2018 $'000
Plant and equipment	13,068
Land and buildings	1,960
Discontinued cranes business operation in Chile	15,028
Land and buildings in Hunter Valley	1,571
Land and buildings in Peru	1,829
Plant and equipment in Peru	285
Other properties held for sale	**3,685**
Total assets classified as held for sale	**18,713**
Financial liabilities associated with discontinued cranes business operation in Chile	**15,210**

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.

The recoverable amount of the plant and equipment within the discontinued crane business operation in Chile is categorised as Level 3 under the fair value hierarchy. Refer to Note 32 to the financial statements on key estimate used in fair value of assets held for sale.

Notes to the consolidated financial statements

5 Tax

(a) Income tax expense/(benefit)

	Consolidated entity 2018 $'000	2017 $'000
Components of income tax expense/(benefit):		
Current tax – current period	1,302	892
(Over)/under provision in respect of prior years	(716)	1,458
Deferred tax – origination and reversal of temporary differences	(5,587)	257
	(5,001)	**2,607**
Income tax expense is attributable to:		
Loss from continuing operations	(1,784)	566
Loss from discontinued operation	(3,217)	2,041
	(5,001)	**2,607**
Loss from continuing operations before income tax expense	(3,744)	(14,996)
Loss from discontinuing operation before income tax expense	(13,196)	(10,030)
	(16,940)	**(25,026)**
Tax at the Australian tax rate of 30.0% (2017 – 30.0%)	(5,082)	(7,508)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	719	6,222
Over-provision for tax in prior years	(716)	1,458
Share options expensed in the year	(2)	(52)
Differences in overseas tax rates	676	855
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	(596)	1,632
Income tax (benefit)/expense	**(5,001)**	**2,607**

(b) Current tax asset and liability

	Consolidated entity 2018 $'000	2017 $'000
Current tax assets	914	545
Current tax liabilities	(1,329)	(1,931)
	(415)	**(1,386)**

(c) Deferred tax

	Consolidated entity 2018 $'000	2017 $'000
Deferred tax assets – non-current:		
Employee leave entitlements	1,215	1,581
Warranty and other provisions	352	206
Transaction costs on equity issue	1,268	967
Tax losses	9,834	9,503
Other	587	985
Total deferred tax assets	**13,256**	**13,242**
Deferred tax liabilities – non-current:		
Intangibles	–	2,353
Asset financing	–	756
Other	565	2,753
Total deferred tax liabilities	**565**	**5,862**

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5 Tax (continued)

(c) Deferred tax (continued)

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2018				
Deferred tax assets				
Employee leave entitlements	1,581	(352)	(14)	1,215
Warranty and other provisions	206	147	(1)	352
Transaction costs on equity issue	967	301	–	1,268
Tax losses	9,503	358	(27)	9,834
Other	985	(360)	(38)	587
Total deferred tax assets	**13,242**	**94**	**(80)**	**13,256**
Deferred tax liabilities				
Intangibles	2,353	(2,353)	–	–
Asset financing	756	(799)	43	–
Other	2,753	(2,341)	153	565
Total deferred tax liabilities	**5,862**	**(5,493)**	**196**	**565**
Movements: 2017				
Deferred tax assets				
Employee leave entitlements	1,698	(138)	21	1,581
Warranty and other provisions	1,898	(1,697)	5	206
Transaction costs on equity issue	1,266	(299)	–	967
Tax losses	7,974	1,500	29	9,503
Other	4,796	(3,960)	149	985
Total deferred tax assets	**17,632**	**(4,594)**	**204**	**13,242**
Deferred tax liabilities				
Intangibles	2,415	(60)	(2)	2,353
Asset financing	6,460	(5,460)	(244)	756
Other	1,637	1,183	(67)	2,753
Total deferred tax liabilities	**10,512**	**(4,337)**	**(313)**	**5,862**

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the consolidated financial statements

5 Tax (continued)

(c) Deferred tax (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's Australian subsidiaries, together with the Company, form a tax consolidated group for income tax purposes.

6 Earnings per share

	Consolidated entity	
	2018 Cents	**2017 Cents**
Basic earnings per share		
From continuing operations	(0.34)	(2.78)
From discontinued operations	(1.72)	(2.16)
Total basic earnings per share	**(2.06)**	**(4.94)**
Diluted earnings per share		
From continuing operations	(0.34)	(2.78)
From discontinued operations	(1.72)	(2.16)
Total diluted earnings per share	**(2.06)**	**(4.94)**

	Consolidated entity	
	2018 $'000	**2017 $'000**
Reconciliation of earnings to loss		
Loss after tax:		
Earnings used in basic and diluted earnings per share calculation	(1,960)	(15,562)
From discontinued operation	(9,979)	(12,071)
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(11,939)**	**(27,633)**

	Consolidated entity	
	2018 Number	**2017 Number**
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	578,833,756	558,946,633
Effect of dilutive securities – share options	–	–
Used to calculate diluted earnings per share	578,833,756	558,946,633

Performance rights granted to employees under the performance rights plan, rights granted to senior executives under the performance rights plan and options issued as part consideration for the subordinated loan are considered to be potential ordinary shares. Whilst that is the case, because of the net loss after tax, these have not been included in the determination of diluted earnings per share as they are considered to be anti-dilutive.

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7 Dividends

Recognised amounts

There were no interim or final dividends paid during the year ended 30 June 2018 and 30 June 2017.

Dividends not recognised at the end of the reporting period

Since the end of financial year the Directors have not declared a final dividend for the financial year ended 30 June 2018 (2017: Nil cents per share).

	Consolidated entity	
	2018 $'000	2017 $'000
Franking credits		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2017 – 30.0%)	26,627	26,627

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.

There has been no reduction in the franking account since the end of the reporting period, as there was no final dividend declared at year end.

Notes to the consolidated financial statements

Operating assets and liabilities notes

8 Cash and cash equivalents

	Consolidated entity	
	2018 $'000	**2017 $'000**
Cash and cash equivalents	5,580	3,923
	5,580	**3,923**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Restricted cash

At 30 June 2018, there were no restricted cash balances (2017: Nil).

9 Trade and other receivables

	Consolidated entity	
	2018 $'000	**2017 $'000**
Trade receivables	50,487	45,545
Provision for impairment	(108)	(233)
	50,379	**45,312**

The carrying amounts of the consolidated entity's trade receivables are denominated in the following currencies:

	Consolidated entity	
	2018 $'000	**2017 $'000**
Australian dollars	21,518	22,051
US dollars (Australian dollar equivalent)	19,695	11,275
Chilean pesos (Australian dollar equivalent)	6,063	7,189
Colombian pesos (Australian dollar equivalent)	2,485	2,488
Peruvian nuevo soles (Australian dollar equivalent)	319	–
Indonesian rupiah (Australian dollar equivalent)	299	2,309
	50,379	**45,312**

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9 Trade and other receivables (continued)

The age of trade receivables that were past due but not impaired was as follows:

	Consolidated entity	
	2018 $'000	2017 $'000
30 days	6,323	4,089
31-60 days	1,492	1,554
61-90 days	197	543
	8,012	**6,186**

The trade receivables that were past due but not impaired relate to a number of customers for whom there is no recent history of default or other indicators of impairment.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment loss on receivables

Receivables are determined to be uncollectible only when there is no expectation of recovering any additional cash. This may occur when a final distribution from administrators or liquidators or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit and loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Refer to note 19 for more information on the consolidated entity's risk management policy, the credit quality and risk of trade receivables.

10 Inventories

	Consolidated entity	
	2018 $'000	2017 $'000
At cost		
Raw materials and consumables	14,860	13,154
Work in progress	19,859	17,699
Finished goods	2,352	764
	37,071	**31,617**

Raw materials, 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 sale.

Notes to the consolidated financial statements

11 Other current assets

	Consolidated entity 2018 $'000	Consolidated entity 2017 $'000
Current		
Prepayments	4,442	3,216
Accrued income	9,465	7,715
Other receivables	3,937	3,883
	17,844	**14,814**

12 Trade and other payables

	Consolidated entity 2018 $'000	Consolidated entity 2017 $'000
Current unsecured liabilities		
Trade payables	35,234	35,852
Accrued and other payables	13,952	12,751
Progress payments in advance	8,826	7,058
	58,012	**55,661**

The carrying amounts of the consolidated entity's trade and other payables are denominated in the following currencies:

	Consolidated entity 2018 $'000	Consolidated entity 2017 $'000
Australian dollars	30,043	23,390
US dollars (Australian dollar equivalent)	11,138	13,007
Chilean pesos (Australian dollar equivalent)	7,343	9,061
Colombian pesos (Australian dollar equivalent)	2,687	4,118
Peruvian nuevo soles (Australian dollar equivalent)	856	1,987
Indonesian rupiah (Australian dollar equivalent)	4,869	3,468
Singaporean dollars (Australian dollar equivalent)	1,076	630
	58,012	**55,661**

For information about the consolidated entity's exposure to foreign exchange risk refer to note 19.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

Invoicing in advance of revenue recognition is treated as progress payments in advance and presented as liabilities until revenue recognition criteria is met. All current trade and other payables are measured at face value.

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13 Provisions

	Consolidated entity	
	2018 $'000	2017 $'000
Current		
Employee leave entitlements	5,618	4,559
Warranty provisions	1,089	782
Other	981	586
	7,688	**5,927**
Non-current		
Employee leave entitlements	547	498
	547	**498**

Movements in each class of provision during the financial year, other than employee leave entitlements and other provisions, are set out below:

	Consolidated entity	
	2018 $'000	2017 $'000
Warranty provision		
Carrying amount at start of year	782	542
Amount utilised during the year	(428)	(272)
Charged/(credited) to profit or loss	735	512
Carrying amount at end of year	**1,089**	**782**

A provision is recognised in the consolidated statement of financial position when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Employee benefits – short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations

Liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recorded as non-current. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of Australian Corporate Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Warranties

Provision is made for potential warranty claims at the reporting date and is based on management assessments of the likelihood of claims arising from products delivered during the year as well as historical costs incurred on meeting warranty claims in prior years.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligations under the contract. Expected future payments are discounted using market yields at the end of the reporting period of Australian Corporate Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the consolidated financial statements

14 Property, plant and equipment

	Consolidated entity	
	2018 $'000	**2017 $'000**
Freehold land		
Cost	21,378	22,748
	21,378	**22,748**
Freehold buildings		
Cost	35,456	43,486
Accumulated depreciation	(8,569)	(13,239)
	26,887	**30,247**
Plant and equipment		
Cost	63,904	102,947
Accumulated depreciation	(45,592)	(51,124)
	18,312	**51,823**
Capital work in progress		
Cost	104	509
	104	509
Closing net book amount	**66,681**	**105,327**

Consolidated entity	**Freehold land $'000**	**Buildings $'000**	**Capital work in progress $'000**	**Plant and equipment $'000**	**Total $'000**
Year ended 30 June 2018					
Opening net book amount	22,748	30,247	509	51,823	105,327
Additions	–	408	472	2,154	3,034
Reallocation of capital work in progress	–	60	(847)	787	–
Disposals	(138)	(223)	(30)	(3,283)	(3,674)
Transfers to inventory	–	–	–	(1,151)	(1,151)
Exchange differences	933	924	–	2,380	4,237
Impairment loss (refer to Note 4)	–	–	–	(11,973)	(11,973)
Depreciation charge	–	(1,334)	–	(9,072)	(10,406)
Transfer to assets classified as held for sale	(2,165)	(3,195)	–	(13,353)	(18,713)
Closing net book amount	**21,378**	**26,887**	**104**	**18,312**	**66,681**

Consolidated entity	**Freehold land $'000**	**Buildings $'000**	**Capital work in progress $'000**	**Plant and equipment $'000**	**Total $'000**
Year ended 30 June 2017					
Opening net book amount	20,154	36,528	322	56,304	113,308
Additions	–	910	438	5,388	6,736
Reallocation of capital work in progress	(200)	75	–	125	–
Disposals	(845)	–	(35)	(1,517)	(2,397)
Transfers to inventory	4,892	(2,458)	–	1,756	4,190
Exchange differences	(1,253)	(2,851)	(216)	(1,279)	(5,599)
Impairment loss (refer to Note 3)	–	(600)	–	–	(600)
Depreciation charge	–	(1,357)	–	(8,954)	(10,311)
Closing net book amount	**22,748**	**30,247**	**509**	**51,823**	**105,327**

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14 Property, plant and equipment (continued)

(i) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the Group.

(ii) Leased assets

	Consolidated entity	
	2018 $'000	2017 $'000
Assets under finance lease arrangements included in the totals noted above are as follows:		
Opening balance	12,721	15,058
Additions	651	2,403
Assets no longer under finance lease arrangements	(1,496)	(3,502)
Foreign currency exchange movements	624	(26)
Depreciation expense	(867)	(1,212)
Assets classified as held for sale	(10,454)	–
Net book amount	**1,179**	**12,721**

Cost

Property, plant and equipment are measured on the cost basis. The cost of fixed assets constructed includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rate
– Buildings	2%-3%
– Plant and equipment	5%-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that have suffered an impairment are reviewed for possible reversal of impairment at the end of each reporting period.

Notes to the consolidated financial statements

15 Intangible assets

	Goodwill $'000	Brands $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Year ended 30 June 2018					
Opening net book amount	11,105	–	5,099	564	16,768
Additions	–	–	–	87	87
Exchange differences	110	–	–	5	115
Amortisation charge	–	–	(392)	(40)	(432)
Impairment charge	(1,000)	–	(4,707)	–	(5,707)
Closing net book amount	**10,215**	**–**	**–**	**616**	**10,831**
At 30 June 2018					
Cost	65,794	50	15,192	877	81,913
Accumulated amortisation and impairment	(55,579)	(50)	(15,192)	(261)	(71,082)
Net book amount	**10,215**	**–**	**–**	**616**	**10,831**
Year ended 30 June 2017					
Opening net book amount	27,496	50	9,124	598	37,268
Additions	–	–	–	70	70
Exchange differences	(346)	–	(205)	79	(472)
Amortisation charge	–	–	(700)	(183)	(883)
Impairment charge	(16,045)	(50)	(3,120)	–	(19,215)
Closing net book amount	**11,105**	**–**	**5,099**	**564**	**16,768**
At 30 June 2017					
Cost	63,749	50	14,938	824	79,561
Accumulated amortisation and impairment	(52,644)	(50)	(9,839)	(260)	(62,793)
Net book amount	**11,105**	**–**	**5,099**	**564**	**16,768**

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash generating units ("CGU") as follows:

	Consolidated entity	
	2018 $'000	2017 $'000
Cash generating unit		
Aust Bore Pty Ltd	5,310	6,310
Austin Engineering USA Inc.	3,716	3,606
Austin Engineering Limited – Mackay	1,189	1,189
Net carrying value	**10,215**	**11,105**

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15 Intangible assets (continued)

Impairment charge

The impairment was the result of the Company reassessing the recoverable values of its CGU in light of the anticipated risks and opportunities that exist in each CGU.

During the year, a net impairment charge of $5.707m (2017: $19.215m) has been allocated to the following intangible assets and cash generating units (CGUs):

	Goodwill $'000	Customer relationships $'000	Consolidated entity $'000
Impairment charges – 2018			
Pilbara Hire Group Pty Ltd	–	4,707	4,707
Aust Bore Pty Ltd	1,000	–	1,000
Total impairment	**1,000**	**4,707**	**5,707**
Impairment charges – 2017			
Pilbara Hire Group Pty Ltd	6,982	50	7,032
Austin Arrendamientos Chile Ltda	4,857	1,787	6,644
Austin Ingenieros Chile Ltda	2,206	1,333	3,539
Aust Bore Pty Ltd	2,000	–	2,000
Total impairment	**16,045**	**3,170**	**19,215**

Impairment charges on intangible assets from continuing operations were $5.707m ($2017: $12.571m).

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the cash generating units ("CGU") is based on value in-use calculations. These calculations use cash flow projections covering a five year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

Notes to the consolidated financial statements

15 Intangible assets (continued)

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 covering a five year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

(a) Growth rates used within the forecast period;
(b) Discount rates; and
(c) Growth rates used to extrapolate cash flows beyond the forecast period.

In performing value-in-use calculations, the Company has applied a pre-tax discount rate to discount the forecast future cash flows. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. A risk premium is included in each CGU's discount rate, reflecting the level of forecasting, size, country and financing risks for that CGU. The pre-tax WACC's are shown below:

Pre-tax WACC

Region	2018 %	2017 %
Australia	14.48	15.44
USA	13.00	15.40
Chile	13.87	15.73
Colombia	18.70	20.24
Peru	16.73	17.18
Indonesia	14.76	16.18

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 3% (2017: 3%) based on the long-term growth rates experienced in the Group's end-markets and external forecasts.

Impact of reasonably possible changes in key assumptions

The impairments recorded during the year were based on management determination on the CGU's recoverable amount, after taking into consideration of any possible change in key assumptions of value-in-use calculation of the CGU's. At 30 June 2018, after the impairment charges, and applying reasonable sensitivity analysis, the recoverable amount of each CGU exceeds its carrying value.

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16 Financial liabilities

	2018 Current $'000	2018 Non-current $'000	2017 Current $'000	2017 Non-current $'000
Secured liabilities				
Facilities associated with continuing operations				
Bank facilities	4,056	1,397	3,784	–
Non-bank core debt	19,883	10,938	–	20,080
Other	–	–	8,424	904
	23,939	**12,335**	**12,208**	**20,984**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale in the cranes business	15,210	–	4,837	11,462
	39,149	**12,335**	**17,045**	**32,446**

Financial liabilities associated with assets held for sale

Financial liabilities due from Austin Arrendamientos Chile Ltda are expected to be settled in conjunction with asset sales to which the liabilities are secured against. On the basis that the Group intends to dispose of the secured assets within 12 months, the financial liabilities have been classified as current.

Assets pledged as security – fixed/floating charge

		Consolidated entity	
	Notes	2018 $'000	2017 $'000
Current			
Floating charge			
Cash and cash equivalents		5,580	2,268
Receivables		50,379	25,795
Inventories		37,071	14,352
Assets held for sale		8,259	–
Finance lease			
Assets held for sale	14	10,454	–
Total current assets pledged as security		**111,743**	**42,415**
Non-current			
Finance lease			
Property, plant and equipment	14	1,179	12,721
Floating charge			
Property, plant and equipment		65,502	55,890
Total non-current assets pledged as security		**66,681**	**68,611**
Total assets pledged as security		**178,424**	**111,026**

Notes to the consolidated financial statements

16 Financial liabilities (continued)

Financing facilities

The Group had access to the following financing facilities at the reporting date:

	Consolidated entity	
	2018 $'000	2017 $'000
Total facilities		
Bank facilities	10,957	6,387
Non-bank core debt	37,112	20,080
Finance liabilities associated with assets held for sale in the crane business	18,484	19,516
Other	–	10,327
	66,553	**56,310**
Utilised facilities		
Bank facilities	5,453	3,785
Non-bank core debt	30,821	20,080
Finance liabilities associated with assets held for sale in the crane business	15,210	16,298
Other	–	9,328
	51,484	**49,491**
Unused		
Bank facilities	5,504	2,602
Non-bank core debt	6,291	–
Finance liabilities associated with assets held for sale in the crane business	3,274	3,218
Other	–	999
	15,069	**6,819**

Banking facilities

The utilised banking facilities relate to leases and bank loans in various jurisdictions within the Group totalling $20.663m (2017:$20.083m), including utilised facilities associated with assets held for sale in crane business.

At 31 December 2017, a the crane business in Chile did not meet its Debt:EBITDA covenant of a bank facility. The lender agreed to waive this non-compliance in December 2017. There are no reportable facility covenants that the subsidiaries have to meet as at 30 June 2018. The facility bears interest rate of 9.36% per annum and is expiring 2 December 2024.

This facility is secured against assets held for sale at 30 June 2018. Consequently, the loan has been classified as current.

Non-bank core debt

In November 2017, Austin's Australian debt, LIM Asia Special Solutions Master Fund Limited (LIM) financing facility of $20.080m, was refinanced and replaced by the new financing facility provided by Australian-based financier Assetsecure Pty Limited (Assetsecure) and Bibby Financial Services Inc (Bibby) in North America. The facility comprises of $12.500m term loan and trade receivable facility of up to $17.000m trade receivables in Australia and up to US$8.000m trade receivables in the United States of America. The facility is secured by Austin's Australian assets, US debtors and land and Indonesian property.

Other

In the corresponding period, the Group had a working capital facility drawn in July 2016. The facility was replaced by new non-bank core debt in November 2017.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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17 Equity – share capital

	2018 Number	2018 $'000	2017 Number	2017 $'000
Ordinary shares				
Opening balance	578,833,756	153,927	526,233,756	145,829
Share placement	–	–	52,600,000	8,416
Cost of share issues	–	–	–	(318)
Balance at end of year	**578,833,756**	**153,927**	**578,833,756**	**153,927**

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote per share. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On 15 November 2016, the Company issued 52,600,000 ordinary shares at an issue price of $0.16 per share to institutional and sophisticated investors in terms of a share placement.

Options and Performance Rights Plan

For information relating to Austin Engineering Limited's employee option plan and performance rights plan, including details of options and rights issued, exercised and lapsed during the financial year and the options and rights outstanding at the year-end, refer to note 31.

Capital management

Management controls the capital of the Group in order to maintain optimal debt to equity and leverage ratios, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's total capital is defined as the shareholders' net equity plus net debt and amounted to $150.112m at 30 June 2018 (30 June 2017: $157.746m). The objective when managing the Group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The gearing ratios for the years ended 30 June 2018 and 30 June 2017 are as follows:

	Consolidated entity	
	2018 $'000	2017 $'000
Total borrowings	51,484	49,491
Less cash and cash equivalents	(5,580)	(3,923)
Net debt	**45,904**	**45,568**
Total equity	104,208	112,178
Total capital	**150,112**	**157,746**
Net gearing ratio	31%	29%

18 Equity – reserves

Share-based payments

The option/performance rights reserve records items recognised as expenses on the valuation of Director and employee share options, performance shares and performance rights.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of. No tax entries are captured in these translations.

Notes to the consolidated financial statements

19 Financial risk management

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The Group had no derivatives at the end of the financial year. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. The Group's policy is to centralise debt and surplus cash balances and also to match the assets and liabilities currency exposure whenever possible.

Risk management is carried out by the finance function under principles and parameters approved by the Board of Directors. The finance function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings in financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Chilean peso, Colombian peso, Peruvian nuevo soles and Indonesian rupiah as a result of its operations in the Americas and Indonesia.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Australian dollar is the functional currency for a large part of the Group's entities and business activities.

Management has put in place a policy requiring business units and Group entities to manage their foreign exchange risk against their functional currency. The Group companies are required to bring significant foreign currency transactions to the attention of the central finance function for evaluation as to the use of hedging using forward foreign currency contracts, no such contracts were used during the year.

Sensitivity

A sensitivity analysis was performed at 30 June 2018, to determine how the measurement of financial instruments denominated in a foreign currency would be affected if the Australian dollar weakened or strengthened by 10%. The analysis was performed on the same basis as 2017, as indicated below:

	Consolidated entity			
	Strengthening by 10%		Weakening by 10%	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2018				
US dollar	(1,715)	(35)	1,715	35
Chilean peso	(3,042)	1,111	3,042	(1,111)
Indonesian rupiah	(1,228)	(75)	1,228	75
Colombian peso	(1,482)	(221)	1,482	221
Peruvian nuevo soles	(519)	146	519	(146)
Total	**(7,986)**	**926**	**7,986**	**(926)**
30 June 2017				
US dollar	(1,927)	(230)	1,927	230
Chilean peso	(4,019)	1,843	4,019	(1,843)
Indonesian rupiah	(1,254)	(129)	1,254	129
Colombian peso	(1,163)	(212)	1,163	212
Peruvian nuevo soles	(582)	307	582	(307)
Total	**(8,945)**	**1,579**	**8,945**	**(1,579)**

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19 Financial risk management (continued)

(ii) Price risk

The Group is not exposed to material price risk relating to equity securities and it has therefore not been included in the sensitivity analysis.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk predominantly arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk and fixed interest rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on an ongoing basis. Various interest rate shifts are simulated taking into account refinancing, renewal of existing positions and facilities, alternative financing and hedging. Based on these interest rate shifts, the Group calculates the impact on profit and loss. The interest rate shift scenario is run only for assets and liabilities that represent the major interest-bearing positions.

The following table analyses the Group's financial assets and liabilities that are subject to interest rate risk.

	Consolidated entity			
	Weighted Average Interest Rate %	2018 $'000	Weighted Average Interest Rate %	2017 $'000
Cash	0.3	5,580	0.3	3,923
Financial liabilities	7.8	(51,484)	8.9	(49,491)
Net exposure to cash flow interest rate risk	–	(45,904)	–	(45,568)

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Sensitivity

Based on the simulations performed, the annual impact on profit and loss of a one per cent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $0.459m (2017: $0.456m). The simulation is performed on a bi-annual basis to estimate the maximum loss potential.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or contract, leading to a financial loss. Credit risk arises principally from cash deposits and receivables. Credit risk is co-operatively managed by the finance function and the operating units for customers, including outstanding receivables and committed transactions and at a Group level for credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. Only reputable banks and financial institutions are dealt with.

Trade and other receivables

The Group's exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group enters into transactions with a number of high quality customers within the resources industry sector thereby minimising concentration of credit risk for trade and other receivables. The Group has multiple contracts with its significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations. The Group's activities are largely focused on the mining and mining services industry sectors and as a result its credit risk for trade and other receivables is concentrated in this sector.

Individual risk exposures are set for customers in accordance with specified limits established by management based on independent credit reports, financial information, credit references and the Group's credit and trading history with the customer. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk projects or shipments for customers are generally covered by letters of credit or other forms of guarantee.

At 30 June 2018, included in trade receivables is one significant customer accounting for approximately 21% (2017: 25%) of the total trade receivables. Details of trade and other receivables past due but not impaired are provided in note 9.

The maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event that other parties fail to perform their obligations under financial instruments for each class of reporting recognised financial asset at the reporting date is the carrying amount of those assets as indicated in the statement of financial position.

Refer note 9 for a summary of the Group's exposure to credit risk relating to receivables at the end of the financial year.

Notes to the consolidated financial statements

19 Financial risk management (continued)

Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. The Group has established a number of policies and processes for managing liquidity risk. These include:

– Continuously monitoring cash flows on a daily basis as well as forecasting cash flows on a medium and long-term basis;
– Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows;
– Maintaining adequate reserves and support facilities;
– Monitoring liquidity ratios and all constituent elements of working capital; and
– Maintaining adequate borrowing and finance facilities.

The Group maintains backup liquidity for its operations and currently maturing debts through a combination of bank overdrafts and general finance facilities, of which $15.069m were undrawn at 30 June 2018 (2017: $6.819m). The principal terms of repayment are detailed in note 16.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the reporting date to the contractual maturity date. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments, these balances will not necessarily agree with the amounts disclosed on the statement of financial position.

	No later than one years $'000	Between one and five years $'000	Greater than five years $'000	Contractual Cash flows $'000	Carrying Value $'000
At 30 June 2018					
Trade payables	49,186	–	–	49,186	49,186
Financial liabilities	34,630	19,824	1,614	56,068	51,484
Total	**83,816**	**19,824**	**1,614**	**105,254**	**100,670**
At 30 June 2017					
Trade payables	48,603	–	–	48,603	48,603
Financial liabilities	21,286	32,708	2,546	56,540	49,491
Total	**69,889**	**32,708**	**2,546**	**105,143**	**98,094**

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The Group has no derivatives at the end of the financial year. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. The Group's policy is to centralise debt and surplus cash balances and also to match the assets and liabilities currency exposure whenever possible.

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20 Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly(derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2018 the Group did not have any financial instruments that were measured and recorded at fair value. The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents, receivables, other receivables and other assets

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Short-term borrowings and other payables

The carrying value approximates their fair value as they are short term in nature.

Long-term borrowings

The fair value of variable rate borrowings, and fixed rate borrowings repriced within twelve months, approximates the carrying value. Discounted cash flow model was used to calculate the fair value of other fixed term long-term borrowings. The Australian CGU discount rate as disclosed in note 15 was applied.

The carrying value of fixed rate borrowings not repriced within twelve months is $12.500m (2017: $20.080m). This borrowing has a fair value of: $12.362m (2017: $20.262m).

Notes to the consolidated financial statements

Unrecognised items notes

21 Contingent liabilities

There are no contingent liabilities other than bank guarantees that are issued to third parties arising out of dealings in the normal course of business.

22 Capital and leasing commitments

	Consolidated entity	
	2018 $'000	**2017 $'000**
Finance and hire purchase lease commitments:		
Not later than one year	535	3,489
Not later than one year relating to the assets held for sale	7,158	–
Between one year and five years	360	7,224
	8,053	**10,713**
Minimum lease payments		
Less: future finance charges	(456)	(763)
	7,597	**9,950**

Plant and equipment is leased from finance providers for periods lasting between one and five years. Lease payments are for fixed amounts over the term of the leases. Lease liabilities are secured by a charge over the leased assets.

	Consolidated entity	
	2018 $'000	**2017 $'000**
Operating leases commitments:		
Not later than one year	1,903	2,584
Between one year and five years	6,478	4,442
Greater than five years	3,339	–
	11,720	**7,026**

The Group has various property leases under non-cancellable arrangements expiring between 1 and 10 years with rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum payments be increased by CPI or current market rental at various review periods. Options exist to renew the leases at the end of their term for additional periods and conditions. The leases allow for subletting of the lease areas.

Capital commitments

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities was $1.727m (30 June 2017: $0.381m). The capital commitments are payable within twelve months. No capital commitments are payable after twelve months.

23 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

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Group structure notes

24 Interests in other entities

	Place of business/ country of incorporation	Percentage owned 2018	Percentage owned 2017
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Austin Engineering USA Inc.	USA	100%	100%
Austin Engineering South America (No.1) Pty Ltd	Australia	100%	100%
Austin Engineering South America (No.2) Pty Ltd	Australia	100%	100%
Austin Engineering Singapore Pte Ltd	Singapore	100%	100%
PHG Services Pty Ltd	Australia	100%	100%
Pilbara Hire Group Pty Ltd	Australia	100%	100%
Austin Ingenieros Colombia S.A.S	Colombia	1%	1%
Subsidiaries of Austin Engineering USA Inc.			
Western Technology Services International Inc.	USA	100%	100%
Subsidiaries of Austin Engineering South America (No.1) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	99%	99%
Austin Ingenieros Chile Ltda	Chile	1%	1%
Austin Engineering Peru S.A.C	Peru	99%	99%
Austin Arrendamientos Chile Ltda	Chile	0.01%	0.01%
Subsidiaries of Austin Engineering South America (No.2) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	1%	1%
Subsidiaries of Austin Engineering Singapore Pte Ltd			
Austin Engineering Offshore Pte Ltd	Singapore	100%	100%
Austin Engineering Batam Pte Ltd	Singapore	100%	100%
Subsidiaries of Western Technology Services International Inc.			
WOTCO Inc.	USA	100%	100%
Subsidiaries of Austin Inversiones Chile Ltda			
Austin Ingenieros Chile Ltda	Chile	99%	99%
Austin Arrendamientos Chile Ltda	Chile	99.99%	99.99%
Subsidiaries of Austin Ingenieros Chile Ltda			
Austin Ingenieros Colombia S.A.S	Colombia	99%	99%
Austin Engineering Peru S.A.C	Peru	1%	1%
Subsidiaries of Austin Engineering Offshore Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	1%	1%
Subsidiaries of Austin Engineering Batam Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	99%	99%

Cash and short-term deposits held in Asian countries (including Indonesia) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is $0.268m (2017: $0.534m). There are no other restrictions on exporting capital from any of the other foreign entities within the Group.

Notes to the consolidated financial statements

25 Deed of cross guarantee

At 30 June 2018 and 30 June 2017 there were no deeds of cross guarantee entered into in relation to the debts of subsidiaries.

26 Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Statement of financial position		
Current assets	111,008	115,610
Non-current assets	40,507	57,125
Total assets	**151,515**	**172,735**
Current liabilities	44,297	35,268
Non-current liabilities	10,938	20,984
Total liabilities	**55,235**	**56,252**
Net assets	**96,280**	**116,483**
Equity		
Contributed equity	153,927	153,927
Options reserve	1,280	1,500
Retained earnings	(58,927)	(38,944)
	96,280	**116,483**
Profit/(loss) for the year	(20,195)	(45,608)
Other comprehensive income	–	–
Total comprehensive income	**(20,195)**	**(45,608)**

Contractual commitments for the acquisition of property, plant or equipment

At 30 June 2018 there was capital expenditure contracted but not recognised as liability of $0.824m (2017: Nil). The commitment is payable within 12 months after 30 June 2018.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost, less accumulated impairment in the statement of financial position of the parent entity. Dividends received from subsidiaries are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

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Other information notes

27 Cash flow information

(a) Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated entity	
	2018 $'000	2017 $'000
Loss for the year	(11,939)	(27,633)
Adjustment for:		
Depreciation and amortisation	10,838	11,194
Impairment expense	17,681	19,815
Loss/(profit) on disposal of property, plant and equipment	500	(41)
Share based payments	(8)	(173)
Interest capitalised	466	473
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(4,742)	(16,949)
(Increase)/decrease in inventories	(4,518)	(16,662)
(Increase)/decrease in other assets	(4,416)	(3,372)
Increase/(decrease) in payables	2,108	19,259
Increase/(decrease) in income taxes payable and deferred	(6,407)	3,021
Increase/(decrease) in other provisions	1,641	(3,774)
Net cash inflow/(outflow) from operating activities	**1,204**	**(14,842)**

(b) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases	651	2,403

(c) Net debt reconciliation

Cash and cash equivalents	5,580	3,923
Financial liabilities – repayable within one year	(39,149)	(17,045)
Financial liabilities – repayable after one year	(12,335)	(32,446)
Net debt	**(45,904)**	**(45,568)**

	Cash and cash equivalents $'000	Financial liabilities – repayable within one year $'000	Financial liabilities – repayable after one year $'000	Total $'000
Net debt as at 30 June 2017	3,923	(17,045)	(32,446)	(45,568)
Cash flows	1,650	(9,043)	8,649	1,256
Acquisition on finance lease	–	(453)	(198)	(651)
Foreign exchange movements	7	(499)	(449)	(941)
Transfer in maturity category	–	(12,109)	12,109	–
Net debt at 30 June 2018	**5,580**	**(39,149)**	**(12,335)**	**(45,904)**

Notes to the consolidated financial statements

28 Remuneration of auditors

	Consolidated entity 2018 $	2017 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the Group	243,855	274,362
Entities related to BDO Audit Pty Ltd:		
Taxation services	20,270	119,476
Corporate advisory services	–	20,425
	20,270	139,901
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	171,970	164,965
Taxation services	27,515	17,787
Corporate advisory services	36,116	–
	235,601	182,752
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	92,903	103,895
Taxation services	30,560	54,330
Other services	2,316	253
	125,779	158,478
Total auditors' remuneration	**625,505**	**755,493**

29 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Ultimate parent company

Austin Engineering Limited is the ultimate parent company.

Controlled entities

Interests in subsidiaries are set out in note 24.

Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity 2018 $	2017 $
Sales and purchases of goods and services		
Purchase of legal services from other related parties*	–	196,392

* Eugene Fung, a former non-executive of the Company (retired on 25 November 2016), is a partner with Thomson Geer. The firm provided legal services to the Company on normal commercial terms. Thomson Geer ceased to be a related party subsequent to Eugene's retirement as a Non-Executive Director of the Company.

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding amounts in respect to related parties (2017: nil).

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30 Key management personnel compensation

	Consolidated entity	
	2018 $	2017 $
Short–term employee benefits	1,205,835	1,636,727
Post–employment benefits	66,879	103,494
	1,272,714	**1,740,221**

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 23.

31 Share-based payments

Equity settled share based payments form part of the remuneration of employees (including executives) of the consolidated entity. 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 shares is ascertained as the market bid price. The fair value of options and performance rights with the relative TSR performance measure is calculated at the grant date using the Monte-Carlo simulation model, taking into account, amongst other things, the impact of the TSR condition and that right holders are not entitled to dividends during the vesting period.

The number of shares and options 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.

The Group has the following share-based payment arrangements:

– Performance rights
– Options

The total reversal of expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $0.007m (2017: $0.173m).

Performance rights

On 30 September 2014, the Company announced that it would be proceeding with the Austin Engineering Limited (Austin) Performance Rights Plan. The Performance Rights Plan is a long term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling senior executives to have greater involvement with, and share in the future growth and profitability of the Company.

The performance rights are exercisable into one ordinary share in Austin and have a nil exercise price. The performance rights will vest if the Performance and Exercise Conditions are achieved. The Performance Conditions consist of meeting a Total Shareholder Return (TSR) target and earnings per share (EPS) growth target relative to a selected group of peers.

On 27 November 2015 the Company issued 2,132,933 performance rights to the former Chief Executive Officer and to Executives. The issue of 304,436 performance rights to the former Chief Executive Officer was approved at the Annual General Meeting held on 27 November 2015. The issue of performance rights to Executives did not require shareholder approval. The performance rights are for the period 1 July 2015 to 30 June 2018 and expire on 27 November 2020.

Performance rights outstanding and exercisable at the reporting date are as follows:

	2018		2017	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Outstanding at beginning of year	1,213,893	–	3,283,232	–
Granted	–	–	–	–
Expired	–	–	–	–
Exercised	–	–	–	–
Forfeited/lapsed	(694,540)	–	(2,069,339)	–
Outstanding at end of year	**519,353**	**–**	**1,213,893**	**–**
Total exercisable at end of year	**–**	**–**	**–**	**–**

Notes to the consolidated financial statements

31 Share-based payments (continued)

Performance rights (continued)

The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date		Expiry date	Exercise price	Price of shares on grant date	Esti-mated volatility	Risk free interest rate	Dividend yield	Weighted average fair value rights granted	Fair value of rights TSR	Fair value of rights EPS
27/11/15	Former Chief Executive Officer	27/11/20	–	$0.25	57.46%	2.09%	8.67%	$0.25	$0.08	$0.19
27/11/15	Other executives	27/11/20	–	$0.25	57.46%	2.09%	8.67%	$0.25	$0.08	$0.19

The expected price volatility is based on the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information.

Options

The Company granted 12 million options on 29 July 2015 to LIM Asia Special Situations Master Fund Limited (LIM) as part consideration for a subordinated loan from LIM. The fair value of the options shares granted to LIM was calculated using the Binomial simulation model. The options expired on 31 July 2018.

Share options outstanding and exercisable at the reporting date are as follows:

	2018 Number	2018 Weighted Average Exercise Price $	2017 Number	2017 Weighted Average Exercise Price $
As at 1 July	12,000,000	0.99	12,000,000	0.99
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited/lapsed	–	–	–	–
	12,000,000	**0.99**	**12,000,000**	**0.99**

The valuation model inputs used to determine the fair value, based on the Binomial simulation model, at the grant date are as follows:

Grant date	Expiry date	Exercise price	Price of shares at grant date	Estimated volatility	Risk free interest rate	Dividend yield	Fair value at grant date
29/07/15	31/07/18	$0.60	$0.46	64.82%	2.139%	4.5%	$0.14
29/07/15	31/07/18	$1.00	$0.46	64.82%	2.139%	4.5%	$0.08
29/07/15	31/07/18	$1.75	$0.46	64.82%	2.139%	4.5%	$0.04

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32 Critical accounting estimates and judgements

Key estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangibles

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and require the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. For information relating to the value-in-use calculations refer to note 15.

Taxation – Carried forward tax losses

The Group has tax losses mainly in Australian and Colombian taxable entities that have the potential to reduce tax payments in future years. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the projected future taxable income of these taxable entities and after taking account of specific risk factors that affect the recovery of these assets.

Fair value of assets held for sale

The Group assess the fair value of assets held for sale each period with reference to external valuation information. In respect to property assets, the Group utilise a valuation from a third party independent valuations expert to assess fair value. Valuations take into account comparable sales in the area and physical condition of the facilities. In respect to plant and equipment relating to discontinued operations, the Group valued this equipment based on the highest offer received at reporting date for these assets, less estimated costs to sell.

Key judgements

Other than those already referred to, the key judgements are:

Going concern

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

Although the Company has incurred a net loss of $11.939m, the earnings before tax, interest, depreciation, amortisation and impairment charge was positive at $17.158m (2017: positive $12.085m). At reporting date, the excess of current assets over current liabilities was $24.323m (2017: $15.647m). The Director's expectations of returning to profitability and continued compliance with current and proposed financing covenants is based on approved budgets and forecasts. These forecasts are necessarily based on best estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the Group. The forecasts take into account reasonable possible changes in trading performance.

The Directors believe that at the date of releasing this report, there are reasonable and supportable grounds to believe the consolidated entity has sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

Notes to the consolidated financial statements

33 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Austin Engineering Limited and its subsidiaries.

(a) New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations have been published that are not compulsory for the 30 June 2018 reporting period. The consolidated entity's assessment of the impact of the new standards and interpretations that may affect the financial report are set out below.

AASB 9 Financial Instruments

AASB 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is not applicable until financial years beginning on or after 1 January 2018 but is available for early adoption.

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When adopted, the standard will affect the Group's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group does not currently have any available-for-sale financial assets that would be impacted by this standard. Additionally there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new rules for hedge accounting should make it easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model may result in the earlier recognition of credit losses.

The Group currently does not have any hedging arrangements and therefore there will be no impact on the Group's accounting for financial instruments.

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) that the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. This standard is not applicable until reporting periods beginning on or after 1 January 2018.

The Group recognises revenue from the following major sources:

(a) Manufacture and sale of off-highway dump truck bodies, buckets and ancillary products used in the mining industry which include warranties provided on commercial basis;

(b) On and off-site repair and maintenance to customers; and

(c) Heavy equipment lifting services relating to discontinued operations.

The Directors of the Company have assessed that for the manufacture and sales of a single unit or a series of truck body or bucket or an ancillary product represent a single or a series of performance obligations to sell produced goods and accordingly, revenue will be recognised when control over the corresponding goods is transferred to the customer by observing the agreed point of sales with customer. This practice is considered to be in line with the current revenue recognition practice by the Group.

The sales-related warranties are not purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group will continue to account for the warranty in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets consistent with its current accounting treatment.

In respect to the on and off-site repair and maintenance and heavy equipment lifting services, the Directors have assessed that the performance obligations are satisfied over time and the method currently used to measure progress towards complete satisfaction of these performance obligations will continue to be appropriate under AASB 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the Directors do not anticipate that the application of AASB 15 will have a significant impact on the financial position and/or financial performance of the Group.

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33 Summary of significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or as a finance lease.

As at the reporting date, the Group has non-cancellable operating leases of $11.720 million (2017: $7.026m). AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, hence the Group will recognise a right-of-use asset and a related lease liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the Directors of the Company do not anticipate that the application of AASB 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements. The adoption of this standard is not expected to impact upon the Group's debt covenants.

Other standards and interpretations

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Austin Engineering Limited is a for-profit entity for the purpose of preparing the financial statements.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Austin Engineering Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Notes to the consolidated financial statements

33 Summary of significant accounting policies (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(g) 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 financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(h) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 27 to 66 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

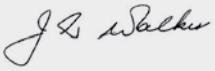
(b) the remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the *Corporations Act 2001*.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 33 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



Jim Walker
Non-Executive Chairman

27 September 2018
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Austin Engineering Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue Recognition

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 2 of the financial report. Revenue is a key driver to the Group. Revenue is generated from multiple streams including the sale of goods as well as the rendering of various services to the mining industry. The Group's management focuses on revenue as a key driver by which the performance of the Group is measured. This area is a key audit matter due to revenue being the most significant item in the financial statements and the volume of transactions included in revenue.	Our audit procedures included: • Assessing the Group's revenue recognition policy's for compliance with Australian Accounting Standards • Selecting a sample of services rendered, and sale of goods recognised as revenue in the general ledger and agreeing to supporting invoices, signed customer contracts and proof of delivery where applicable • Obtaining and evaluating credit notes issued post year end and performing cut-off testing to ensure revenue transactions around year end have been recorded in the correct reporting period • Checking, for a sample of deferred revenue amounts, whether the amount recognised in the current period was consistent with services supplied per the terms of the customer agreement • Analytical review procedures on all significant revenue streams on a disaggregated basis and against expected trends and the prior year • Assessing the adequacy of the Group's disclosures within the financial statements.

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Impairment Assessment of Non-Financial Assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Notes 14 and 15, impairment charges amounting to $17,680,000 relating to property, plant and equipment and intangible assets have been recognised as at 30 June 2018. Given the quantum of this impairment and the judgement exercised by the Group in determining the recoverable amount of each Cash Generating Unit (CGU) and calculating the impairment charges, we considered this area to be significant for our audit.	For assets supported by a value in use calculation, our audit procedures included, but were not limited to the following: • Obtaining an understanding of the 'Value in Use' model and evaluating management's methodologies and their key assumptions • Assessing management's allocation of goodwill and assets and liabilities, including corporate assets to CGU's • Evaluating the inputs used in the value in use calculation including the growth rates, discount rates and the underlying cash flows by comparing them to historical results, current contracts, economic and industry forecasts • Involving our internal specialists to assess the discount rates and terminal value growth rates against comparable market information. For assets supported by valuations at fair value less costs to sell our procedures included, but were not limited to the following: • Agreeing the fair value less costs of disposal of particular items of Property, Plant & Equipment to a valuation obtained by the Group from valuation experts and assessing the extent to which we could use the work of the valuation experts by considering their competence and objectivity. • Assessing the independent valuations assumptions and judgements used to determine they were reasonable. We reviewed the adequacy of the disclosures related to the Intangible Assets, Property, Plant and Equipment and Assets Held for Sale and the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

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Recognition of Deferred Tax Assets

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 5 of the financial report. The Group recognised deferred tax assets of $13,256,000 as at 30 June 2018 which includes temporary differences and carried forward tax losses. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable in future taxable profits. This was a key audit matter as the assessment of the future taxable profits involves judgement by management.	Our audit procedures included: • Evaluating management's forecast of future taxable profits and assessing whether it is probable that there will be sufficient future profits to utilise the deferred tax assets recognised • Assessing the key assumptions used in the forecast period including revenue, expenditure and growth rates applied against actual results achieved • Comparing the taxable income generated for the year ended 30 June 2018 with the forecast taxable income provided during the 30 June 2017 audit • Assessing the disclosures related to the recognition of the deferred tax assets and unrecognised deferred tax assets.

Accounting for Assets Held for Sale and Discontinued Operation

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 4 of the financial report. The Group determined that the carrying amount of certain assets in Chile, Hunter Valley and Peru will be recovered principally through a sale transaction rather than through continuing use. Management concluded that these assets will be reported in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* in the financial report. The results of the Chilean cranes business have also been disclosed as discontinued operation. This was a key audit matter as the assessment of the classification is complex, the transaction and its accounting is non-routine and involves significant management judgements. These include, amongst others, the identification of the assets as held for sale and the presentation of its results as discontinued operations.	Our audit procedures included: • Evaluating management's assessment on the classification of the assets held for sale and the results of Chilean crane business as a discontinued operation • Assessing the valuation of the assets held for sale as the lower of the carrying amount and fair value less cost to sell • Assessing the presentation of the assets held for sale and associated liabilities in the financial report • Assessing the presentation of the results of the Chilean crane business as a discontinued operation, the allocated income and expenses including assumptions and estimates made with regard to the allocation

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



P A Gallagher
Director

Brisbane, 27 September 2018

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Shareholder information

As at 12 September 2018

A. Substantial holders at 12 September 2018

	Number held	Percentage
Thorney Investments	123,002,621	21.2%
Perennial Value Management Ltd	72,146,623	12.5%
LIM Advisors Ltd	55,139,062	9.5%
Discovery Assets Management Pty Ltd	44,892,164	7.8%

B. Distribution of equity securities

	Number of shareholders	Number of shares
1 - 1000	788	244,815
1,001 - 5,000	766	2,164,904
5,001 - 10,000	415	3,260,310
10,001 - 100,000	1,059	41,146,905
100,001 and over	309	532,016,822
	3,337	**578,833,756**

C. Voting rights

All ordinary shares issued by the Company carry one vote per share without restriction.

D. Twenty largest shareholder at 12 September 2018

	Number of ordinary shares held	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	195,995,487	33.9%
UBS Nominees Pty Ltd	46,477,412	8.0%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	38,378,214	6.6%
Citicorp Nominees Pty Limited	23,402,052	4.0%
Transfield Finance Pty Ltd	22,222,222	3.8%
National Nominees Limited	19,403,741	3.4%
Merrill Lynch (Australia) Nominees Pty Limited	18,571,171	3.2%
J P Morgan Nominees Australia Limited	18,232,472	3.2%
S J Quinlivan Pty Ltd	17,982,453	3.1%
BNP Paribas Noms Pty Ltd <DRP>	16,507,523	2.9%
Mr Peter Howells	5,431,197	0.9%
Sartain Enterprises Pty Ltd <Sartain Family A/C>	3,140,328	0.5%
Nighbeach Pty Ltd <Teskantas Super Fund A/C>	3,000,000	0.5%
Mr Peter Louis Pursey + Mrs Helen Elizabeth Pursey <The Pursey Super Fund A/C>	2,075,232	0.4%
Depofo Pty Ltd <Ordinary A/C>	2,003,942	0.4%
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,900,966	0.3%
Ace Property Holdings Pty Ltd	1,900,000	0.3%
Mr Stanley James Quinlivan + Mrs Frances Marie Quinlivan <Frankston Super Fund A/C>	1,815,000	0.3%
Southern Steel Investments Pty Limited	1,725,000	0.3%
Super Smart Investments Pty Ltd <Barry & Naomi King S/F A/C>	1,600,000	0.3%
	441,764,412	**76.3%**

E. Additional information

There is no on-market buy-back currently in effect.

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