Austin Engineering Limited
Annual Report 2020

design matters™

Austin Engineering Limited

ABN: 60 078 480 136

Contents

Austin designs and manufactures customised off-highway truck bodies, buckets, water tanks, tyre handlers and other ancillary products. **It is a complete service provider** through the product's life cycle, offering on and off-site repair and maintenance.

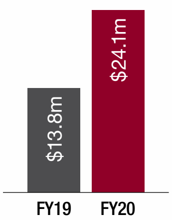
Financial highlights

Statutory NPAT

+79%[1]

Operating cash flow

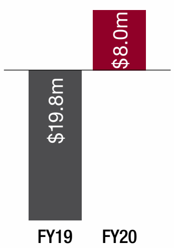
$24.1m



Net cash/ (net debt)

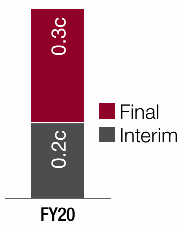
$8.0m[2]

$27.8m turnaround



Dividends per share

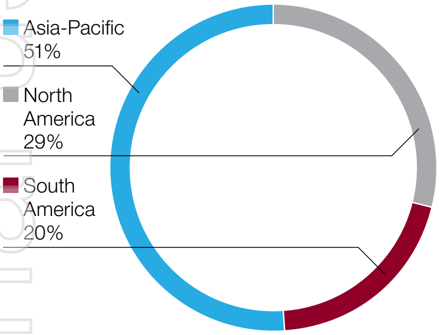
0.5c

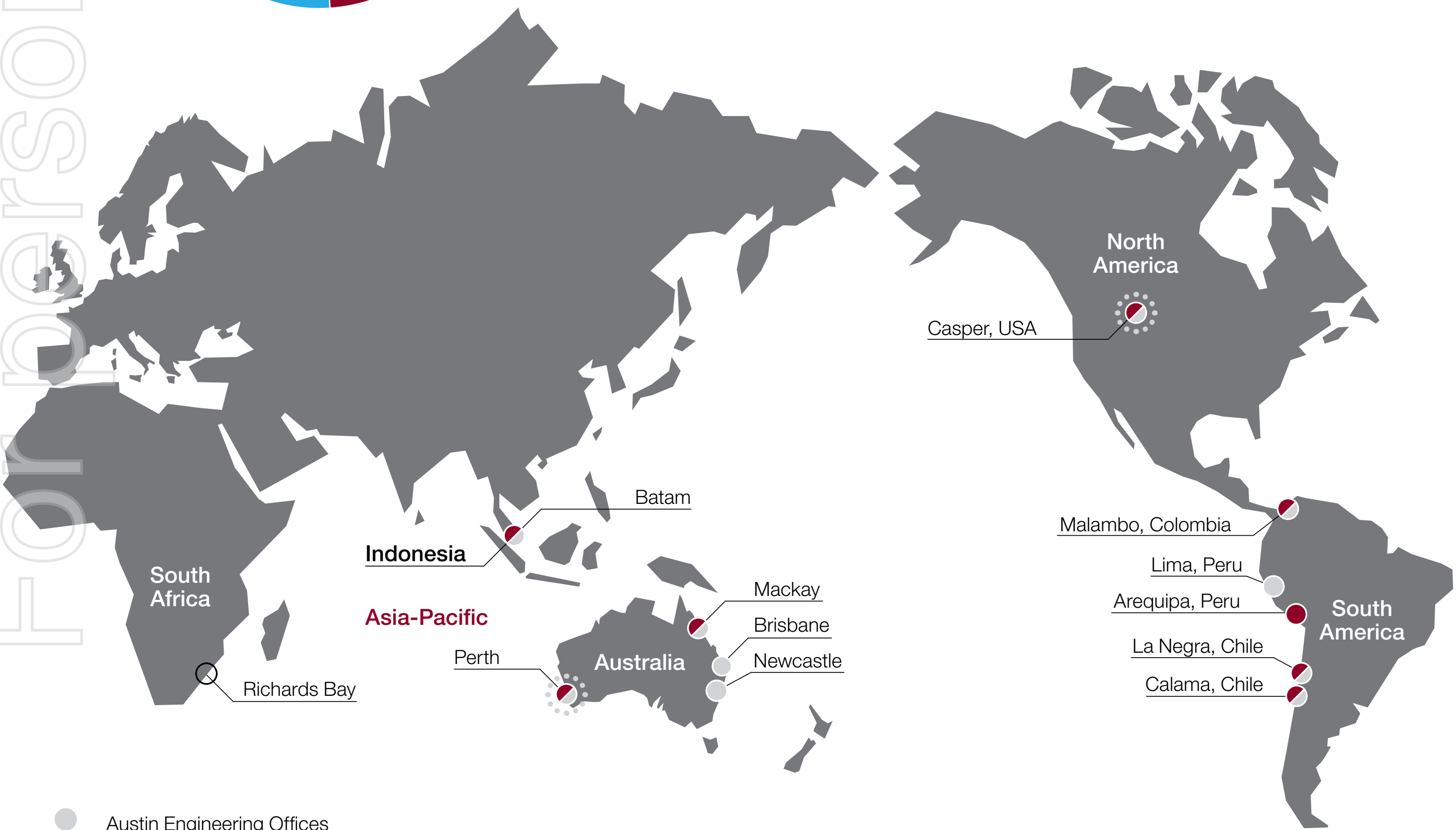


1 From continuing operations.
2 Net cash is taken before property leases recognised in FY2020 as a result of an accounting standards change.

Strategically located across five continents, Austin has the largest global footprint of manufacturing facilities of any dedicated customised off-highway truck body and bucket provider.

Group revenue by region





Austin Engineering Offices
Manufacturing
Innovation and Engineering Hub
Partner, ETT (Engineering Top Tech)

Asia-Pacific

Australia

Our Australian business operates predominantly out of Perth in Western Australia and Mackay in Queensland. There is also an active sales presence in the Hunter Valley region of New South Wales and Brisbane in Queensland.

Perth is home to the Austin JEC brand of mining and earthmoving equipment with engineering origins that date back to the mid 1960's when John's Engineering and Cranes was first established. Our Perth operations include a large engineering department with design capabilities supporting off-highway truck bodies and mining buckets. Working under the One Austin operating model, the engineering teams in Perth and the USA work closely together, operating under a unified management structure.

Our Perth facility offers the full range of Austin's products as well as off-site repair and maintenance services and site support for its equipment in the field. It mainly supplies the Western Australian iron ore, gold and nickel mines with a small amount of export sales.

Our operations in Mackay focus mainly on both on-site and off-site repair and maintenance services. The Mackay region is the gateway to the coal fields of the Bowen and Galilee Basins of Queensland. Austin supports the Queensland market with both locally fabricated products from the Mackay facility and imported goods from its manufacturing facility in Batam, Indonesia.

Austin's machining business, Aust Bore, is also based in Mackay and offers vertical and horizontal boring, lathe work, heavy equipment reclamation and sub-arc welding at its workshop or on site.

Austin maintains a sales and support presence in the Hunter Valley area of New South Wales. Sales are supported either by our Batam facility or through local subcontractor networks by approved providers.

Indonesia

Our Batam operation in Indonesia is run from a world-class manufacturing facility, purpose built to meet Austin's global standards.

Batam is positioned to benefit from growth in the local Indonesian market together with the additional opportunities created by its access to the African market. New products can be shipped directly into Africa from Batam Island which is located 6 km from Singapore's south coast and regarded as an emerging transport hub in the region.

The main products and services supplied through our Indonesian facility are Austin JEC and Austin Westech trays, buckets, water tanks and tyre handlers. General fabrication services including underground mining chutes are also provided.

Together with supporting the local market, a key benefit provided by our Batam facility is its ability to provide cost effective solutions to our clients in the Australian, African and Asian markets.

Africa

Austin is in the process of establishing a joint venture partnership with Engineering Top Tech (ETT) based in Richards Bay, South Africa. ETT is highly respected in Africa for the engineering and fabrication of mobile mining equipment. This is an ideal partnership for Austin as it enables us to increase our presence in the African market without establishing a dedicated office or making a significant capital commitment.

Austin has historically serviced the African market from its operations in the USA and Indonesia, using contacts developed at a global level. The ETT partnership enables Austin to be active in more tender opportunities which will enhance our sales and marketing presence in this key mining region. It is also intended to leverage the capacity of Austin's Indonesian facility to fabricate the majority of product sold into Africa. Austin will also be able to assist ETT with the subcontract manufacture of their products, delivering a stronger baseload of work to Austin's facilities.

North America

Our North American operations are based in Casper, Wyoming, the home of our Austin Westech branded range of products, designed to fit the specifications of all major Original Equipment Manufacturers (OEM's). This business has a 50-year heritage and is renowned for its custom engineered and innovative off road, off-highway truck bodies that are specifically designed to meet the unique needs of our customers in the mining industry. Our Casper facility supplies equipment to work in mines across a range of commodities throughout North America. In Canada these include the oil sands in Alberta, metallurgical coal on the west coast, and iron ore on the east coast. In the US our equipment is found across the country, mainly in the copper and gold mines of Utah, Nevada and Arizona and the Powder River Basin coal mines in Wyoming and Montana.

Much of the engineering and design work for Austin Westech branded off-highway truck bodies is developed at the Casper facility in advance of being manufactured and fabricated across our facilities worldwide. We also use the expertise in our North American operations to design, engineer and manufacture a range of custom water tanks, including the Stairway Access Tank, and other ancillary equipment and attachments.

South America

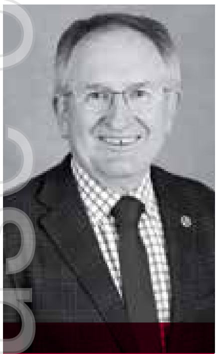
Austin's operations in South America are located in Chile, Peru and Colombia, predominantly servicing mines operating large copper reserves.

In Chile we are based in Antofagasta to the north, operating out of our owned facility in La Negra which has recently been complemented by the rental of an adjacent facility to increase operating capacity. Austin's facilities are strategically located close to the Escondida Copper mine, the largest producer of copper in the world, as well as a number of other key copper mines in the region. Austin provides new product and workshop repairs to a number of large copper mines throughout Chile.

Austin's focus in Peru is predominantly sales and marketing to companies operating in the copper industry. In August 2020, Austin is in the process of closing its small facility in Arequipa that has focused on repair and maintenance work but have proved uneconomic. Peru has one of the world's largest copper reserves and as such is considered to be a key market. Austin will continue to develop its sales and marketing strategies for Peru and the surrounding countries from Lima, supported by Austin's facilities in Chile or approved subcontract manufacturers.

In Colombia our operations are run from a purpose-built facility in Malambo, Baranquilla which is one of the main coal mining hubs of the country. In the closing months of the 2020 financial year, the size of Austin's operations in Colombia started to be scaled back following a strategic decision to exit its remaining site maintenance contracts. Operations now focus upon the sale of new products within Colombia and surrounding countries, and workshop repair services.

"…Austin has not only delivered a strong result for this financial year but is confident in its ability to deliver further growth and improved returns to our shareholders."



Jim Walker
Non-Executive Chairman

Peter Forsyth
Managing Director

Business Performance

Austin delivered a statutory net profit after tax of $4.5 million from continuing operations for the 2020 financial year, equating to an earnings per share of 0.78 cents which is close to double the result of FY2019.

Underlying EBITDA increased 5% to $22.5 million from $21.4 million in FY2019 and, as a consequence of continuous improvements to the structure of the business, underlying EBITDA margins increased to 9.8% from 9.3%. Revenue of $230.4 million was recorded for the year, which was in line with the previous financial year.

While the business performed strongly in the second half of the year, the advent of COVID-19 in late March necessarily affected the way in which Austin operated around the globe. In South America our operations in Colombia and Peru were impacted by temporary facility closures, while operating efficiencies across all our global facilities slowed due to the additional procedures that were put in place to protect our workforce. As would be expected in this environment the pipeline of orders supporting the final quarter of the year decreased as some clients deferred orders into the next financial year. Due to the significant uncertainties in the outlook for the global economy created by COVID-19 Austin withdrew its earnings guidance in March 2020 for FY2020. Up to that time it had been confident of delivering on the guidance set in August 2019 of underlying EBITDA between $24 million and $28 million but felt the potential risks of COVID-19 on the operating results for the year were real but also difficult to quantify. Austin's result of $22.5 million was below the original guidance range as a result of COVID-19 impacts to the business, which we estimate an impact to underlying EBITDA in excess of $1.9 million in FY2020.

COVID-19

During March 2020 as the COVID-19 pandemic was emerging outside of China, Austin put in place a number of initiatives aimed at keeping employees safe. These included increased hygiene standards, longer breaks between shifts, the creation of discrete teams within shifts and working from home protocols for support staff.

Austin recorded five confirmed COVID-19 cases during FY2020, with three cases in Chile and one in each of Colombia and Peru. In each case, quarantine and cleaning measures were undertaken to restrict the contamination risk to other workers.

Structure

Austin changed its regional reporting structure during the financial year to better align business units servicing similar markets. This has led to the creation of an Asia-Pacific region, combining Austin's businesses in Australia and Indonesia, as a result of their close relationship and heavily linked supply chain. The North and South America regions are now reported separately.

Australia →	Asia-Pacific
Asia →	North America
Americas →	South America

These three new regions are aligned with the way the business is managed. Three Executive General Managers are each responsible for their region, supported by Executives in Australia who provide oversight of various group functions. This new structure allows the business to focus closely on key opportunities specific to those regions whilst retaining a global focus.

Engineering

Austin's core competitive advantages are its engineering expertise and intellectual property. This year Austin released into the market two new truck bodies – the Austin Ultima and the Austin Premier – both of which represent the evolution of existing JEC and Westech designs. These designs were developed to meet specific client needs with regards to further enhancing the performance and life of existing products.

Austin's success is driven by its clients who are constantly challenging us to continue improving product design to help them achieve lower costs per tonne of material moved.

People

At the end of the financial year, Austin had 1,248 staff and contractors working across 12 global facilities and offices. As a result of challenging trading conditions in Colombia and Peru, the group had to make some difficult decisions on staff members in these regions. During June 2020 we retrenched 300 staff members in Colombia following the mutual cancellation of several site maintenance contracts with a large client in the country. Subsequent to the year end, Austin commenced the closing of its facility in Arequipa, Peru and is reshaping the Peruvian business into a sales and marketing hub.

Safety

Safety is the foremost priority for all Austin staff which is reflected in the consistent improvement in our safety performance statistics year on year. This does not happen by chance but is the result of a concerted effort over the past four years to build an enhanced safety culture including a focus on regular training of our teams. Lost Time Injury Frequency rates (LTIFR) reduced by 28%, from 7 to 5 and Total Injury Frequency rates (TIFR) reduced by 13%, from 16 to 14.

Capital Management

The group has been focused over the past four to five years on a systematic reduction of debt and seeking more cost-effective debt solutions. It is particularly gratifying therefore to have achieved both a net cash position of $8.0 million at 30 June 2020 (before property lease liabilities) and to have agreed legal documentation for a new $15 million debt facility with Export Finance Australia, priced in line with traditional banking arrangements that replaces existing facilities in Australia and the USA. Not only does this new line of credit increase the company's borrowing capacity, the operating cost of this facility is around half the cost of existing facilities in Australia and the USA.

Operating cash flows continue to be strong with $24.1 million delivered during the financial year, an increase from $13.8 million in FY2019. This is reflective of improved earnings and effective management of working capital.

The business spent $4.4 million on capital improvements during the year which was funded through divestitures of non-core assets totalling $7.5 million. This included the sale of the former Chile crane business and the Hunter Valley, NSW properties.

Dividends

A fully franked interim dividend of 0.2 cents per share was announced at the half year. However, as a consequence of COVID-19 and the uncertainties around the global economic outlook, payment of the interim dividend was deferred until the second half of the year. The Board has approved a fully franked final dividend of 0.3 cents per share which will be paid, together with the deferred interim dividend on 30 September 2020. This represents a total dividend for the 2020 financial year of 0.5 cents per share.

Outlook

Austin commenced the 2021 financial year with an order book in excess of double that at the same time last year, providing a solid start to the financial year in most locations. This increase is a result of orders being procured much further in advance than has been the experience of the business historically.

The Asia-Pacific region is expected to perform strongly in FY2021 with a significant proportion of 1H2021 revenues already locked into purchase orders. The strength of iron ore prices and replacement cycles in Western Australia has driven record production levels in the Perth facility that are expected to continue well into the financial year. The Batam facility in Indonesia was impacted in FY2020 by order deferrals which have since been converted for delivery in 1H2021. As a result workloads in this facility are operating at good levels.

North America is a challenging region for the business due to a confluence of COVID-19, the upcoming presidential election and a weak oil price impacting demand for Austin products. The order book at the commencement of the year was low and although the level of quotations and tenders are high, the outlook is uncertain.

Following the reduction in the size of our Peru and Colombia businesses, Chile represents the majority of the South America region. The outlook for Chile is positive with a strong order book supporting the majority of 1H2021 revenues and a reasonable pipeline of opportunities.

The outlook for FY2021 remains uncertain as the global economy braces for worsening outcomes from the COVID-19 pandemic and its impacts on demand for global commodities and supply chains. Based on current market conditions and taking into account the strength of its order book in Perth, Indonesia and Chile, Austin expects to deliver an underlying net profit after tax in excess of $9 million for the coming year.

With balance sheet financing resolved and low cost debt facilities in place, Austin is well-positioned to generate growth in the business despite the challenging environment. Our market leading products which are based on best in class innovation, engineering and manufacturing excellence will stand the business in good stead in the years to come.

Conclusion

Despite the extremely challenging outlook faced by the global economy and the slowdown experienced in the final quarter of FY2020, Austin has not only delivered a strong result for this financial year but is confident in its ability to deliver further growth and improved returns to our shareholders. Finally, on behalf of the Board and senior management we would like to thank our shareholders, clients, employees and suppliers for their ongoing support.

Jim Walker
Non-Executive Chairman

Peter Forsyth
Managing Director

Austin’s core competitive advantage is in its engineering intellectual property and deep knowledge of the mining industry across different regions and commodities. It provides customised products, engineered to client specific requirements that are focused on the particular challenges of the mine site.

design matte

Austin’s vision is to be the market leader supplying customised off-highway truck bodies, buckets, water tanks and other mining attachments to mining companies, mining contractors and original equipment manufacturers (OEMs) globally. To be perceived as the supplier of choice and the ‘go-to’ solution provider for these products.

Strategic priorities

Provide market leading solutions for customised truck bodies, buckets, water tanks and other mining attachments globally

- Business operations are oriented towards providing clients with engineered solutions supported by high quality and efficient manufacturing capabilities
- Continued engagement with, and strengthening of, existing and new relationships with mining clients and contractors, including through the provision of after-market repair and maintenance services and spare parts
- Develop new and existing relationships with original equipment manufacturers (OEMs), emphasising the integrated approach of 'One Austin' including through a global sales function that provides better customer coverage and fosters relationships

Grow and diversify the business through identified opportunities unique to Austin

- Leverage Austin's vast product intellectual property (IP) to expand its reach in existing markets and enter new markets
- Active participation of the innovation team, focused on research and development and new products, to ensure the specific needs of all stakeholder groups within our clients' procurement processes are met
- Grow approved partner network and sales agency models into areas where Austin does not have an existing footprint to expand global coverage into areas such as Africa and Europe

Maintain cost competitiveness

- Remain at the cutting edge of engineering design, with fast, cost efficient techniques used to manufacture high quality products
- Best practice operational performance and continuous improvement to manufacturing processes
- Continuous evaluation of the global supply chain for savings through group wide supply agreements

rs™

Core competencies

Engineering Intellectual Property (IP) and Experience

Austin invests in the extension of existing IP and creation of new IP through research and development. Maintaining the edge on regional competitors has been key to our success. Austin provides bespoke solutions to our clients, offering them products designed to suit their individual mine site requirements.

Global Manufacturing and Sales Footprint

The One Austin operating model is built on a manufacturing footprint that spans five continents with sales distribution networks across the globe. As some of our clients progressively move procurement decisions into central hubs, Austin is well positioned to capitalise on incremental sales to global miners as the number of global competitors is low.

Branding and Market Presence

Austin's key brands of Austin, JEC and Westech are well known in the industry for both innovation across the product range and the quality of engineering, design and manufacture. Austin has been providing light-weight truck bodies to the mining sector for over thirty years and leads the industry in the design of customised solutions for its clients.

Manufacturing Expertise

Austin is renowned for its manufacturing expertise and is regularly engaged to perform manufacturing services for clients on non-Austin products. The ability to fabricate customised products is as valuable as the intellectual property underpinning them. Austin has a global think tank group, comprised of leaders in manufacturing techniques, quality and procurement from across the business. This ensures that products from any of Austin's global facilities, or approved contractors, are delivered to the client efficiently and are of the highest quality.

design matters™

Austin 'Monster'

Austin Engineering's team have a long history of innovation… everything we do happens because of the quality of the people we have in the team.

Rick Reynolds
Global Engineering Manager

Deon Wessels
Engineering Manager

Rick Reynolds
Global Engineering Manager
Casper, Wyoming

Rick has been working in the design of mining equipment and truck body industry for 36 years and with Austin's WESTECH business since 1984.

Deon Wessels
Engineering Manager
Perth, Western Australia

Deon joined Austin in 2019, having spent most of his career working for OEMs (original equipment manufacturers) including Chubb, ZF Friedrichshafen and Joy Global (Komatsu Mining).

The shared experience and depth of expertise across Austin's engineering hubs delivers a powerful competitive edge in an otherwise fragmented market as Rick and Deon reveal when reflecting on why 'design matters' when customising truck bodies and buckets for Austin's clients.

The design of truck bodies has evolved over the past 50 years since Austin WESTECH delivered its first piece of mining equipment in 1969.

Q What do you see as the most significant innovations in that time?

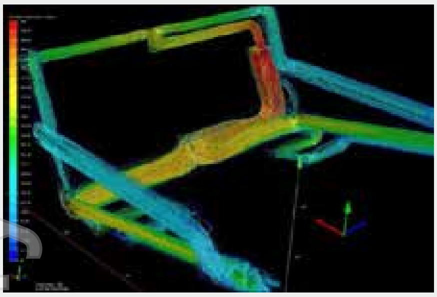
RR I started working at Austin's WESTECH business in the early 80s. At that time, we were manufacturing truck bodies for a major OEM (Original Equipment Manufacturer). With the largest coal mines in the world by reserves in Wyoming, it made sense to be building these huge truck bodies here in Casper, Wyoming where Austin is located. The OEM bodies we were building back then were standard cookie cutter bodies but we were also doing a whole lot of modifications to them – side boards and/or tail extensions to make the volume capacity larger or by adding liners to make the bodies last longer. Then, in the late eighties, steel materials started to get better and we identified a new type of steel which was particularly promising, both structurally and for its abrasion resistant properties. These properties allowed us to remove the liner plate from our bodies, which substantially reduced the overall weight of the body and led to the creation of what we believe was the **world's first light weight body**.

It took a while for the concept to be picked up by the mining industry. The early adopters understood our light weight body allowed an increase in payload and that enabled their mine sites to flourish long before the others did, so it eventually caught on.

The most significant innovation over the past 30-40 years has been around the use of steel materials. Over that time, we have constantly pushed the steel industry to improve their product, because the better steels we get, the more we can do.

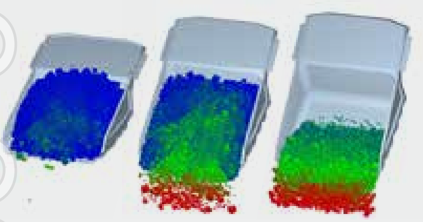
Another big change is computer modelling and analysis. When I started everything was designed on the drafting boards and all calculations were done by hand. The software we now have to analyse our designs far exceeds what could be achieved in the early days and includes innovations around heat analysis when designing heated truck bodies. When you're dealing with heating bodies by using the engine's exhaust with temperatures up to 1,200°F (650°C) you need to be working with top of the line software.

This software has enabled us to be at the forefront in the creation of a lot of new concepts at the time such as '**Gate Free' body** designs. By getting rid of the gate at the back of the body we significantly reduced the level of maintenance required, reduced the overall cost and increased the capacity.



Heated body profile

Austin 'Monster' truck body being delivered



In 2009 we created our very successful **'Flow Control' body**. It reduces dust emissions, extends the life of the chassis and body, and most importantly solves the issue of releasing material evenly during the unloading cycle. We did this by designing a unique floor configuration that allows material to be released from the body progressively, rather than letting it all flow out at once. We have patents on the design because we felt this would be a major improvement for truck body operations as well as a major improvement in safety. Others had tried and failed to do what we have done. It was a big deal as we won the Wyoming Engineering Project of the Year Award for it.

Our ability to customise our designs has even seen us make it into the Guinness Book of World Records. In 2011 one of our truck bodies was recognised for carrying a record load of 470.4 m^3 (615 yd^3). The body was a combination of the Flow Control and Gate Free body designs that was being customised for a coal company in Wyoming. It was so large that miles of Freeway in Wyoming had to be closed to allow us to get it up to the mine.

And we are continuing to innovate. Right now, we are quite excited about an Austin Westech body called the **'Premier'**. It is a body where we are using new grades of steel, applying new manufacturing technology and using our computer analysis system to make sure we only put material where it's needed and remove steel that adds weight, from where it's not needed. There's already a lot of interest out there in this type of body.

At the end of the day, however, everything we do happens because of the quality of the people we have in the team and the opportunities they are given to develop at Austin. For me, after 36 years in the business, the relationships that are established make it feel like a family.

Q What it is it about Austin that has enabled it to grow and prosper in such a competitive industry?

DW In the truck body market there are three different types of operators. You have the truck OEM's themselves, the customised product providers and other providers of more basic product lines. Austin is the industry leader of customised product providers globally. We are able to provide bespoke solutions to our clients and focus on listening to the voice of the customer to ensure their individual requirements are met.

One of the advantages of Austin is that we develop, build and repair mining equipment attachments. The repairs are provided on both our products and on competitor products, including those made by the OEMs. This allows us to get first-hand information on failure modes of equipment in the market which helps influence our new product design.

RR The reality is that it is difficult for the OEMs to match what Austin can do in terms of customising body designs. Their factories are set up for high production, not for a one-off production run or a run of two or three. We are able to do those shorter production jobs in Austin almost as efficiently as if we were doing an order for a hundred. This flexibility is a critical differentiator.

DW What sets us apart is the way we combine the same software and technology as the OEMs, a thorough understanding of our customers' needs and the deep knowledge base of our engineering teams, both here in Australia and in Casper, in developing the product. This unique capability defines our 'One Austin' approach. It is what we are known for around the world.

Austin designs customised truck bodies for work in underground mines, an environment which carries unique risks for those who work in them.

Q What sets Austin's JEC underground body apart from others in this field?

DW Underground bodies have some unique challenges in the wear of the product and carry-back of material. When we talk about carry-back, we are talking about the material that sticks to the body and is 'carried back' after dumping the load. This tends to be a big issue for underground miners as they often operate underneath and within water tables, meaning sticky material is a constant challenge. Our designs are proven to deliver a substantial reduction in this carry-back compared to our competitors.

We also work hard on designing our bodies to manage fatigue in an underground setting. What's interesting is that the majority of the wear actually happens on the outside of the body with operators colliding with the underground tunnels of the mine. This is completely different to the way we think about their above-ground counterparts. We can use the same outstanding software applications, together with our engineering experience, to apply these unique challenges in our simulations.

Ultima

Ultima

Two-Piece Excavator Bucket

The Austin ULTIMA body was released in 2018 and was described as the “next generation in mining dump bodies”, bringing together 50 years of engineering expertise from its US and Australian teams.

Q What is it about the ULTIMA that makes it a game-changer?

RR The ULTIMA's curved design has been really well thought out and really works for miners in many regions where they like linerless bodies. So, the ULTIMA does not typically have a liner and the design also includes the minimum amount of ribbing which, importantly, makes it light weight.

Every mining truck is designed to carry up to a maximum amount in total, called a Gross Vehicle Weight. The benefits of reducing weight in the truck body is that it allows the miner to put a bigger payload into the body, which reduces their operating cost per tonne. This reduction in cost is often significant when looking over the life of the truck body.

We now have well over 100 ULTIMAs out in the field and we are continually working to make further improvements. At the moment we're trialling a new grade of steel in the ULTIMA body at different mine sites around the world, including in Western Australia and here in the US.

Q Given the initial success of the ULTIMA design, do you see this replacing existing product lines to unify under one design?

RR Our goal within Austin is to work with different mine sites to understand their plans and goals. It is never one size fits all, it's always about being fit for purpose. We have many different types of bodies – JEC, the LD, the ULTIMA, WESTECH, the Flow Control and Premier – and we can tailor each model to our customers' needs in any given application or unique challenges that a particular mine might have. Some in the industry have one body and that's what you get. Not us, we are all about customising for each mine sites' needs.

Regions do tend to have their particular preferences. In North America they tend to like liners in their bodies. In many parts of the US, Canada and the Arctic region, heated bodies are also in demand because of the extreme temperatures. South America is a bit between Australia and North America. The key thing, however, is to work with the miners to find out what their goals are. Our range of bodies can be designed and customised to haul everything from a light coal material to metal scrap, to hard rock, to copper, to gold, to diamonds mined in the extremes of the Arctic.

In 2019 Austin won the People's Choice category of the Swedish Steel Prize and was runner up in the main prize, as well as being recognised as one of Australia's most innovative companies in the AFR/BOSS Magazine's annual award ranking, for its Two-Piece Excavator Bucket.

Q How does your team come up with such an innovative product and why do you think this one captured international recognition?

DW It will be no surprise to find that we came up with the **Two-Piece Bucket** idea by listening to the customer. One point that the customer would often make was how the cutting edge (GET) and the shell (lower structure) of their buckets were constantly wearing out and needing repair while the connecting point (top structure) of the bucket to the machine, was much longer lasting. There were also several safety concerns in the market around the use of liners within buckets due to what is called ‘stored energy'. This stored energy has the potential to cause significant injury since a metal liner can spring back on a person while being removed during the refurbishment process.

We looked at a way of designing the bucket whereby the bottom structure could be easily separated from the top structure or connecting point to the machine. Now when the bottom section needs to be replaced it can be easily removed without having to rework the top structure which, on a conventional bucket, adds additional costs. At the same time, as the bottom section is replaced more regularly, we can customise that to meet the customers changing needs. This allows the flexibility to provide a linerless option, a light weight option for increased payload or a lined option if the customer prefers. This unlocks the versatility of this bucket design making it a high-performance bucket.

Stairway access down inside the water tank

Typically, the top structure of our Two-Piece Bucket is designed for 30,000 hours service life, which should give a good five-year life span. The bottom half of a bucket, depending on the application, will last for anywhere from 6,000 to 12,000 hours (1–2 years). So, over the life of the top section you'll be replacing the bottom section two to four times and it will be more cost effective doing that, than performing a complete rebuild of a standard bucket. As with all of our products, we augment our design to attach to the full range of OEM excavator machines, designed for any given commodity and application.

The Two-Piece Bucket is another great example of our **One Austin** approach. The design concept came out of Perth, while the team in Casper were very involved in the selection of materials that went into its manufacture.

One Austin continues to give us an edge. For example, the Perth engineering team is currently working on proposals to use the ULTIMA body in subzero conditions at mines in Kazakhstan and Russia. The ULTIMA wasn't designed for those conditions, but the Casper team has deep expertise in designing heated bodies and they're helping to customise the ULTIMA to meet this client's needs. Similarly, we have applied the Flow Control concept designed in the USA across the rest of our product range. We recently delivered our first ULTIMA Flow Control body into the East Coast of Australia.

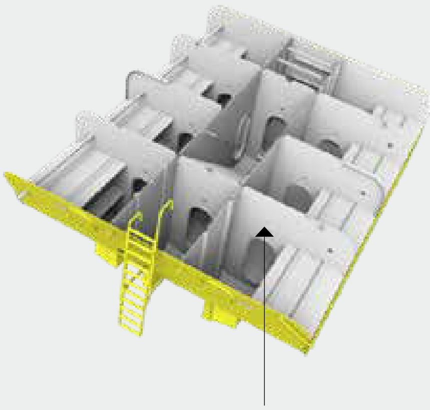
RR **Innovation is a really important component of our business**, as you'd guess there are a number of competitors in the market and occasionally, we'll spot competitive equipment that looks quite similar to Austin's designs. The best way to ensure we remain the market leader is to keep pushing the boundaries of innovation in this space, whether it be through working with material suppliers, incremental evolutionary design improvements, or revolutionary designs – like the Two-Piece Bucket.

Water tanks are essential equipment in mines for dust suppression and firefighting. In 2014 your team revolutionised the way water tanks are designed with the release of the Stairway Access Tank (SAT).

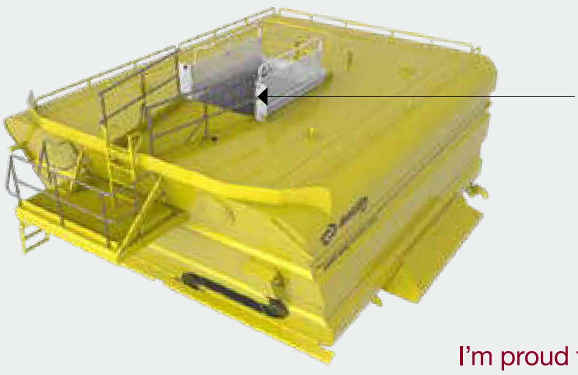
Q What is unique about the SAT and what prompted you to reimagine how water tanks could work?

RR I was in Canada in 2009 visiting a mine site and while I was there, I asked if I could check out the interior of one of our water tanks. The safety regulations to do that, which included special training, certification and a range of costs that totalled around $10,000, meant it was out of the question. This got me thinking that there had to be a better way to design water tanks, so we met with a consultant for MSHA and OSHA (Mine Safety and Health Administration and Occupational Safety Health Administration) who helped us understand the rules around operating in confined workspaces. The idea for a stairway to access the interior of a water tank came out of that process and since releasing the SAT there are now nearly 100 in operation around the world.

Compared to a standard water tank, our Stairway Access Tank is easily accessible, you can go up and down a staircase and it is much easier to move around inside. Everything we do at Austin, and similarly our clients do on their mine sites, is about safety and our water tank is, by far, the safest out there. Our design also includes internal baffles to minimise the sloshing of the water and significantly improves the stability and safety of the water tank when it is moving and turning. We have patents on our baffle system as well as the Staircase Access.



The baffle design reduces water surging and improves truck stability, increasing operator safety.



Staircase access to the inside of the tank.

I'm proud to be part of Austin because with the capabilities that we have and the engineering principles we apply, there is no question that we are world class."

Deon Wessels

Asia-Pacific

Operating highlights

Australia	2020	2019	Change
Revenue	$116.7m	$108.0m	8%
EBITDA (normalised)	$14.0m	$11.3m	23%
EBITDA margin	12.0%	10.5%	14%

Asia-Pacific contributed 51% or $116.7 million of Austin's revenues in 2020, an increase from $108.0 million in 2019. The growth in revenue, driven largely by the Perth operation, delivered a 23% increase in earnings for the region with a Normalised EBITDA margin of 12%.

The mix of commodities shifted towards iron ore in this region with a reduction in coal. While the majority of sales in the Asia-Pacific are truck bodies, there has been an increase in demand for buckets which has moved from 6% to 8% of regional revenue.

COVID-19 had only a moderate impact to this region. Whilst no confirmed cases of the virus were recorded during the year there was an impact on demand for products, particularly in Indonesia. Productivity was also affected due to important social distancing and hygiene measures deployed to keep our employees safe.

Perth

Austin's Perth operation is historically the highest earnings contributor to the Austin group and the 2020 financial year was no exception. Western Australia delivered another strong performance with revenues increasing by 43% to $68.9 million.

Workshop utilisation increased significantly in the second half of the financial year with significant growth in the delivery of new truck bodies, supplemented by repair and maintenance work, spare parts and growth in new buckets sales. This level of production was made possible by a workshop reorganisation over the Christmas period that increased the capacity of the facility by around 20%.

Demand for Austin products has been high in the region and this operation ended the 2020 financial year with a strong order book that will support current production levels beyond the end of the calendar year.

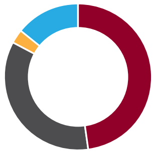
Together with the reorganisation of the workshop, Austin upgraded its tooling and enhanced certain safety aspects in the workshop to ensure that it could continue to provide high quality products in a safe manner. Because of the larger workloads that have been experienced this year, and are expected over the medium term, these process and capital improvements were essential to support the growth of this operation.

During the year, Austin closed its site services business in Perth due to poor economic performance. Clients continue to be supported by in-house site specialists located in Perth.

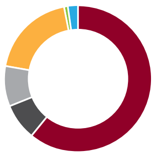
Indonesia

The Indonesian facility had a strong first half of the financial year however demand softened in the second half with a number of anticipated orders being delayed due to COVID-19. Revenue for the year was $25.3 million, representing a decrease of 25%. Included in these revenues are $16.2 million of product delivered into Australia.

The Indonesian business sells domestically and is Austin's primary exporter of product with sales during the year into Africa, Mongolia and Australia. It is a facility that thrives on strong volumes which unfortunately, failed to materialise during the second half. The outlook for the 2021 financial year however is for a much improved performance as the year ended with a strong order book and sales pipeline.



Revenue by commodity
- Iron Ore 48% (47%)
- Coal 35% (41%)
- Gold 3% (2%)
- Other 14% (10%)



Revenue by sale of products and services
- Bodies 61% (53%)
- Buckets 8% (6%)
- Other products 9% (21%)
- Shop Maintenance/repairs 19% (17%)
- Site Maintenance/repairs 1% (1%)
- Other services 2% (2%)

Regional Facilities

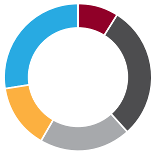
Austin's regional businesses of Austin Mackay, Aust Bore (Mackay) and Hunter Valley provided the balance of revenue for the year. The performance of these businesses was mixed with all being impacted by market uncertainties associated with COVID-19. Austin Mackay and Aust Bore typically do not have significant lead times for workloads, meaning short-term demand shifts are more common and impactful than in Austin's manufacturing businesses.

These regional sites are important for the support of new product into the key mining regions of the Bowen and Galilee Basins in Queensland and the Hunter Valley in New South Wales.

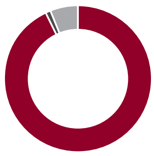
North America

Operating highlights

North America	2020	2019	Change
Revenue	$66.4m	$65.1m	2%
EBITDA (normalised)	$6.9m	$5.5m	26%
EBITDA margin	10.4%	8.4%	24%



Revenue by commodity
- Iron Ore 9% (1%)
- Coal 29% (57%)
- Copper 20% (2%)
- Gold 14% (5%)
- Other 27% (28%)



Revenue by sale of products and services
- Bodies 93% (92%)
- Buckets 1% (3%)
- Other products 6% (5%)

North America contributed 29% or $66.4 million of Austin's revenues in 2020, which was up from $65.1 million in 2019, mainly in respect to favourable movements in exchange rates. This region experienced a number of challenges during the financial year starting with a reduction or deferral of capital expenditure decisions due to the uncertainty caused by the US/China trade war, a significant reduction in domestic thermal coal demand, a steep decline in oil prices and, in the closing months of the year, COVID-19.

This region is the most diverse from a commodity perspective with no one commodity representing more than 30% of regional revenue. This level of diversification is beneficial as it is less exposed to movements in individual commodity pricing and demand.

The majority of revenue from this region is from truck bodies, representing 93% of revenue. Austin's brand presence in the USA and Canadian markets is strong in truck bodies and increasingly we are expanding this into buckets and water tanks.

Similarly, to Asia-Pacific, COVID-19 only had a moderate impact on this region with no confirmed cases of the virus recorded during the second half, but with some impacts on demand and productivity. Austin's facility is located in Casper, Wyoming, a region that has a low population density. This has helped Austin's management of COVID-19 to date.

The short-term outlook for the US is challenging due to market uncertainties surrounding COVID-19 and the upcoming US election, however, Austin sees tremendous opportunities for growth in this region.

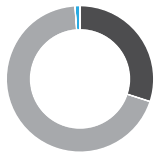
Results for the year were supported by government assistance provided to keep workers in positions until June 2020 that may otherwise have been retrenched. This assistance contributed $3.2 million to current year earnings, however the impact was slightly offset by production inefficiencies experienced due to the implementation of COVID-19 protocols and the retention of a higher level of staff than required for a period of time.

The final quarter of the financial year saw an increased level of activity with some large orders won in the USA and Canada and fully delivered by 30 June 2020, supported by retained staff as a result of government assistance. However, as a result of this strong quarter, the first quarter of the 2021 financial year is expected to be subdued with substantial market uncertainty continuing in the USA. This particularly applies to the oil sands market in Canada, which is traditionally a strong contributor to this region.

South America

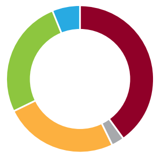
Operating highlights

South America	2020	2019	Change
Revenue	$47.2m	$57.7m	(18%)
EBITDA (normalised)	$1.6m	$4.6m	(65%)
EBITDA margin	3.4%	8.0%	(57%)



Revenue by commodity

- Coal 30% (35%)
- Copper 69% (64%)
- Other 1% (1%)



Revenue by sale of products and services

- Bodies 40% (38%)
- Other products 3% (8%)
- Shop Maintenance/repairs 25% (19%)
- Site Maintenance/repairs 26% (32%)
- Other services 6% (3%)

South America contributed 20% or $47.2 million of Austin's revenues in FY2020, which was down from $57.7 million in FY2019. Financial results were heavily impacted by COVID-19, particularly in Colombia and Peru where Austin's operations were closed for several months during the year, together with a general reduction in sales activity.

The majority of revenue in this region is from copper in Chile and Peru, with coal representing a smaller proportion this year due to reductions in Colombia. Repair and maintenance services continue to dominate the revenue mix, however new product revenues are opening up in the region.

In this region, five Austin staff members and contractors tested positive for COVID-19, all of these staff members have since recovered from the virus. As a consequence of reduced profitability and operational challenges in Colombia and Peru, restructuring activities were undertaken both before and after 30 June 2020.

Chile

Austin's operations in Chile have improved over the last two years with revenue increasing by 20% to $29.2 million. The main operations in the La Negra region of Antofagasta were expanded in March 2020 with the leasing of a second facility adjacent to an Austin-owned property.

Austin's smaller facility located in the Calama region of Chile was closed during the year and is listed for sale. The decision to close this facility was supported by the availability of excess capacity adjacent to the main facility in La Negra and the fact that the costs of managing two workshops, 2.5 hours drive apart, outweighed the benefit of being co-located near mines in the Calama region. The Calama property is on the market and is anticipated to sell for in excess of its carrying value of $3.6 million, although property sales are likely to be impacted by COVID-19.

During the year, this operation developed a good relationship with a large global miner, providing new product and repair services to their Chilean mines. The increased workload underpinned the decision to enter into a short-term lease of the additional facility in La Negra. A decision on renewal of the second facility is due in September 2020 at which time careful consideration will be given to prevailing market conditions.

The figures noted above do not include contributions from the crane hire business that was closed during the 2019 financial year, the majority of asset sales are complete.

Peru

The mining market in Peru is important to Austin's future due to the vast reserves of copper in this country. The tendency to repair product instead of replacing aging fleets with new technology has made Peru a challenging market for Austin. Whilst new product enquiries are increasing, Austin took the decision in August 2020 to close its small facility in Arequipa. A presence will be maintained in Peru to service an important emerging new product market, with enquiries for new product at improved levels. These new product enquiries will be serviced either from Austin's Chile facility or via accredited sub-contractors in Peru.

The challenging market conditions, exacerbated by the closure of Austin's facilities in April and May 2020, led to a 51% fall in revenue to $3.6 million, which in turn resulted in a Normalised EBITDA loss of $0.9 million. Strategically, the closure of the facility is important for Austin as it pivots from a predominantly repair and maintenance offering in Peru to a dedicated new product support business.

Colombia

The Colombia business has historically been a steady performer for Austin in the South America region. This business was underpinned by a large site repair and maintenance contract that delivered the majority of its revenue, supplemented by several smaller site repair and maintenance contracts and new product opportunities.

Following the emergence of COVID-19, Austin's main contract was suspended by the mine as it entered into care and maintenance mode. This ultimately led to a mutually agreed termination of this contract, together with other site-based contracts in the country, leading to the retrenchment of over 300 employees. This business is now significantly smaller, offering new product and workshop repair services to Colombia and surrounding countries.

Revenue decreased by 45% to $14.4 million, which resulted in a Normalised EBITDA loss of $0.8 million.

Austin's continued presence in Colombia is under strategic review.

People, safety and community

Safety Performance

Austin continued to build on strategies implemented in the previous year to improve safety management, monitoring and reporting, this includes fostering an improved safety environment to report incidents. A positive development from this was that, whilst total reportable incidents were expected to increase as a result of these programs, the Lost Time Injury Frequency Rate (LTIFR) decreased by 28%, from 7 in FY2019 to 5 in FY2020. The Total Reportable Incident Frequency Rate (TRIFR) also fell by 13%, from 16 to 14 this year.

Over the past four years Austin has implemented a number of programs developed to assist in reduction of safety incidents and enhance Austin's safety culture. These were centred on the framework created by Austin's Occupational Health and Safety Global standards which set out a program of internal and external safety audits to improve the work environment for employees and contractors. During FY2020, a number of targeted initiatives were focused on creating a safer work environment for our global teams. These included modest capital projects to reduce trip hazards and continuous training programs with our workshop staff, particularly supervisors.

A new challenge was introduced to the business during the year, as we moved quickly to provide a safe work environment as the COVID-19 pandemic spread around the globe. Austin's access to an international base of specialists, resulted in new operating procedures being rapidly put in place to ensure our employees' safety. A number of measures were introduced including social distancing, staggering of shift and break patterns and temperature testing with regular communication and reinforcement of these measures being applied multiple times each day. Whilst this has had an inevitable impact on the productivity of our workforce, it has enabled Austin to avoid any significant repercussions from COVID-19 apart from government mandated shutdowns.

People

As at 30 June 2020 Austin's workforce consisted of 1,248 employees across permanent and flexible roles and including contractors. This represents a decline of 27% from the 1,719 people employed at the same time last year, a rate of decline which was also reflected in the number of man hours worked.

The majority of staffing reductions have been in Colombia and Peru as a result of the restructuring in those countries. This has been offset by increased staff levels in Perth and Chile, to support demand in those facilities.

Staffing levels have further reduced following 30 June 2020 to 1,184 at 31 July 2020 as a result of further reductions in Colombia, Peru and also the USA to balance staffing requirements against current subdued workloads in those locations.

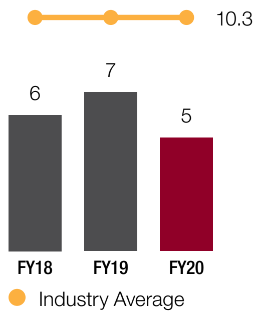
Austin's commitment to diversity in its workforce is demonstrated in its apprenticeship programs, participation in International Women's Day and the diverse mix by nationality and gender across the executive management team and leaders in each facility.

Community

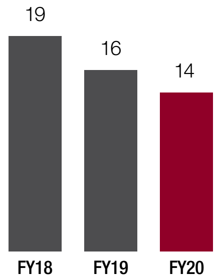
Austin is active in its communities and charitable giving, particularly with its work with indigenous groups such as the Clontarf Academy, which is included in Austin's work experience programs together with students from TAFE colleges. Austin donates a small quantity of offcut steel pieces, a manufacturing by-product, to assist in the training of local high schools and technical colleges in both the Perth and Casper areas. It also regularly supports these colleges by providing training materials and workshop tools for their students and faculty.

Austin supported breast cancer and domestic violence charities through direct donations and awareness campaigns with its clients through custom painted products.

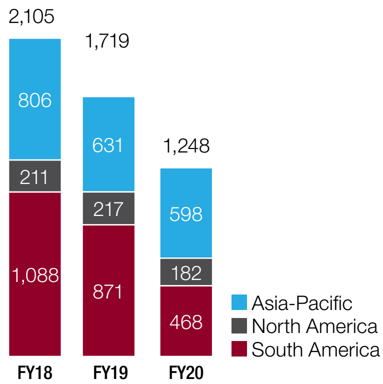
Lost Time Injury Frequency Rate (LTIFR)



Total Reportable Incident Frequency Rate (TRIFR)



Austin headcount at year end, by region



Strong earnings
in unprecedented global crisis

Continuing operations

Overview of Financial Performance from continuing operations

Earnings on a statutory basis grew on every level from FY2019 following strong performances in Perth, Chile and the USA in the second half of the year, supported by gains on asset sales and a reduction of one-off costs incurred. FY2020 presented a number of challenges with order deferments in the first half of the year impacting that period, followed by market disruptions from COVID-19 which is estimated to have impacted statutory EBITDA by $4.2 million. These challenges led to a reduction of normalised results with net profit after tax reducing by 9%, it is estimated that without the impacts of COVID-19 that normalised net profit after tax would have increased 13% to $10.1 million.

Cash generation reflect the true strength of the year with cash from operations of $24.1 million, producing a net cash level of $8.0 million, excluding property leases, from a net debt position of $19.8 million at 30 June 2019. Austin's balance sheet is at its strongest level in recent history and with lower cost debt facilities in place, the group has the capacity for growth.

Normalised Results

A$ million	FY2020	FY2019	% change
Revenue	230.4	230.8	–
EBITDA	22.5	21.4	5%
EBITDA margin	9.8%	9.3%	5%
Profit before tax	11.6	12.7	(8%)
Net Profit after tax	8.1	8.9	(9%)
Earnings per share (cents)	1.40	1.54	(9%)
Dividends per share (cents)	0.50	–	▲

Revenue for the year was in line with FY2019 but was negatively impacted by COVID-19 in the second half of the year. Underlying earnings were broadly in line with FY2019, Austin estimates that COVID-19 had a net negative impact to the business on a normalised basis of $1.9 million, which counterbalanced the gains from operational improvements and efficiencies from the prior year.

EBITDA increased for the year primarily as a consequence of the impact of a change in accounting standards with respect to leases.

Statutory Results

A$ million	FY2020	FY2019	% change
Revenue	230.4	230.8	–
EBITDA	19.9	14.8	35%
EBITDA margin	8.6%	6.4%	35%
Profit/(loss) before tax	9.1	6.0	51%
Net Profit/(loss) after tax	4.5	2.5	79%
Earnings per share (cents)	0.78	0.43	83%
Dividends per share (cents)	0.50	–	▲

The $2.6 million in one-off costs included in our statutory results mainly relate to redundancy and other costs related to the termination of on-site contracts in Colombia. The majority of restructuring activities occurred in prior years.

This reduction in one-off costs resulted in a close to doubling of net profit after tax.

Impact of COVID-19

COVID-19 had a number of impacts on Austin's FY2020 results, both at a normalised and statutory level. Austin treats restructuring and refinancing costs, significant legal claims and non-cash profits, losses and impairments of assets as one-off costs. As such, a number of the impacts of COVID-19 are included in Normalised EBITDA.

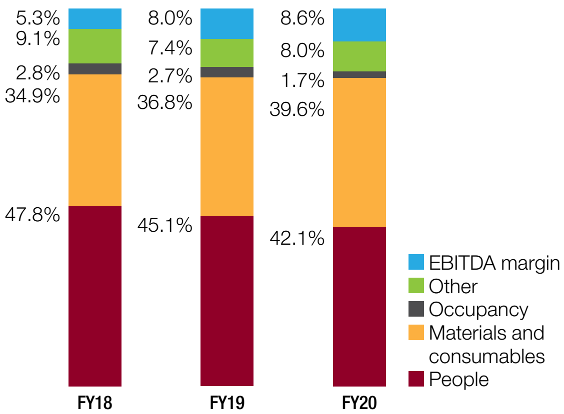
There were two key negative impacts to the business from COVID-19. Firstly, the government mandated closures in Colombia and Peru which cost the business $2.6 million and secondly the deferral of sales for delivery to FY2021 which reduced Indonesia's earnings this year by $2.5 million.

Impact of COVID-19	Normalised		Statutory	
A$ million	EBITDA	Net Profit after Tax	EBITDA	Net Profit after Tax
Colombia suspension	(2.0)	(2.0)	(2.0)	(2.0)
Colombia termination of site contract	–	–	(2.3)	(2.3)
Peru suspension	(0.6)	(0.6)	(0.6)	(0.6)
Indonesia delayed business	(2.5)	(1.9)	(2.5)	(1.9)
USA government support	3.2	2.5	3.2	2.5
Total	**(1.9)**	**(2.0)**	**(4.2)**	**(4.3)**

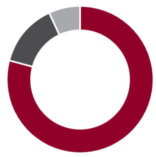
These were partially offset by a government support program in the USA (the Paycheck Protection Program) which provided $3.2 million to support Austin in retaining its workforce to the end of the financial year. Beyond these clearly measurable impacts, there were other negative impacts to profitability across the group as a result of safety measures put in place and other deferred orders.

Revenue composition driving improved profitability

Austin's total revenue was in line with the previous year at $230.4 million. The improved revenue mix assisted Austin with gaining operational improvements with 10% growth in the sale of new truck bodies to $152.1 million and a 16% increase in buckets sold over the year to $10.0 million. Workshop repairs, which traditionally are performed at higher margins than on-site work, grew by 16% to $33.7 million. The growth of these businesses offset the lower contribution from on-site maintenance which decreased by 30% to $13.7 million as a direct result of the suspension of operations in Colombia due to the government-imposed shutdown and subsequent cancellation of the contract. Austin also generated $20.9 million from other products and services, such as water tanks, tyre handlers and other components, down from $35.1 million in FY2019 following a reduction of sub-contract manufacturing work undertaken.

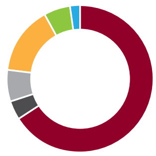


Austin's EBITDA margin increased to 8.6% in FY2020 when considering continuing operations. **People** costs, incorporating both Austin employees and third party contractors, remains Austin's highest expense. There has been a continual shift of expenditure on **Materials and consumables** increasing with a commensurate decrease in people costs as new products use a higher proportion of materials. **Occupancy** costs have decreased as a consequence of changes in accounting standards. Prior year results have not been restated for this change.



Revenue by type FY2020

- Miners 79% (84%)
- Mining contractors 14%(8%)
- OEM's 7% (8%)



Revenue by product and service FY2020

- Bodies 66% (60%)
- Buckets 4% (4%)
- Other products 7% (13%)
- Shop Maintenance/repairs 15% (13%)
- Site Maintenance/repairs 6% (8%)
- Other services 2% (2%)

Profit after tax from continuing operations have improved with operational efficiencies more than counterbalancing negative impacts of COVID-19 to the business.

Depreciation and amortisation costs increased as a result of changes to accounting standards with respect to leases. This increased depreciation by $2.1 million.

There were no **Impairment** charges in the current year. A thorough review of assets was undertaken at 30 June 2020 and all were assessed as having a carrying value higher than the recoverable amount.

Finance costs increased by $0.1 million to $3.3 million due to an additional $1.0 million in interest expenditure – a direct result of the new accounting standards with respect to leases, offset by reduced interest expense from lower debt levels during the year. Certain finance arrangements in Australia and the USA during the year included fixed cost arrangements, irrespective of drawn balances, which incurred costs for the year. These facilities are in the process of being refinanced.

Tax expense represented 50% of profit before tax. The expense was higher than the Australian tax rate of 30% mainly as a result of significant losses incurred in Colombia and Peru ($5.8 million loss before tax combined) for which no tax benefit was recognised, together with some other movements in deferred taxes.

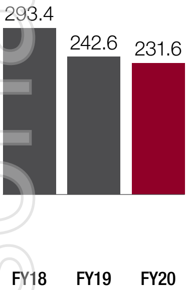
Results from **Discontinued Operations** were a profit after tax of $0.6 million. The profit is mainly in relation to the sale of the Chile crane hire property at a profit before tax of $1.5 million during the year.

Continuing and discontinued operations

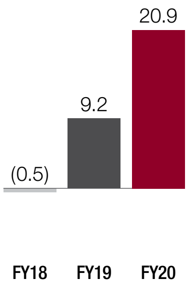
Financial Summary

		FY2020	FY2019	FY2018
Revenue	$M	231.6	242.6	293.4
EBITDA	$M	20.9	9.2	(0.5)
EBITDA Margin	%	9.0%	3.8%	(0.2%)
Underlying EBITDA	$M	21.9	18.7	23.2
Underlying EBITDA Margin	%	9.5%	7.7%	7.9%
NPAT	$M	5.2	(4.6)	(11.9)
EPS	c	0.89	(0.79)	(2.06)
Underlying NPAT	$M	7.0	5.9	4.7
Underlying EPS	c	1.21	1.01	0.82
DPS	c	0.50	–	–

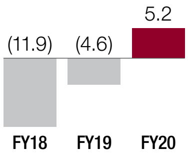
Revenue
$m



EBITDA
$m



NPAT
$m

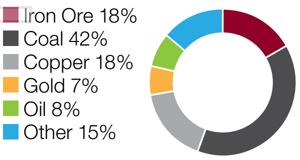


Results from continuing and discontinued operations have improved on both an underlying basis and statutory over the last three years. During this time, Austin's Chile crane business and Australian site services businesses have been closed, together with other restructures in South America and in the Hunter Valley region in Australia. Net profit after tax for FY2020 was supported by a positive contribution from discontinued operations.

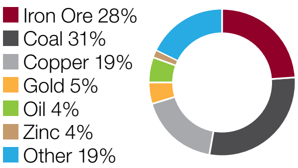
Composition of Revenue

		FY2020	FY2019	FY2018
Truck bodies	$M	152.1	138.5	132.8
Buckets	$M	10.0	8.7	12.3
Other products	$M	16.4	30.6	29.6
Off-site services	$M	33.7	29.1	44.0
On-site services	$M	14.3	24.4	48.9
Other services	$M	4.3	10.8	25.5
Other income	$M	0.8	0.5	0.3
Total revenue	$M	**231.6**	**242.6**	**293.4**

Revenue by commodity
FY2019



Revenue by commodity
FY2020



The Group's composition of revenue has trended towards the sale of new product as Austin has wound-back unprofitable site repair and maintenance arrangements. The sale of truck bodies increased from previous years from strong revenues in Perth, USA and Chile. Sales from other products were reduced for the year due to work deferrals in Indonesia to FY2021. Coal remained the leading commodity in FY2020 however reduced in significance with growth in iron ore, supported by the Perth and USA businesses.

Strong cash generation leads to completion of balance sheet recovery

		FY2020	FY2019	FY2018
Cash flow from operations	$M	24.1	13.8	1.2
Net capex inflow / (outflow)	$M	3.0	12.3	0.1
Gross debt at end of period	$M	22.0	26.7	51.5
Cash at end of period	$M	19.2	6.9	5.6
Net debt at end of period	$M	2.8	19.8	45.9
Total gearing ratio	%	0.3%	16.3%	30.6%
Net (cash)/debt (excluding property leases)	$M	(8.0)	19.8	45.9

Cash flows from operations increased to $24.1 million in FY2020 from $13.8 million in FY2019. This was achieved through improved earnings together with a reduction of working capital over the year, supported by increased customer prepayments for future orders.

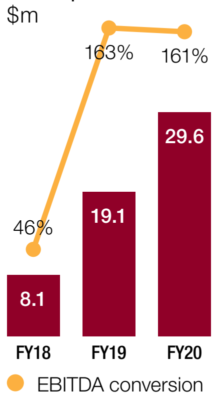
Net cash inflows from investing activities of $3.0 million included $7.5 million of proceeds received from assets, principally the sale of the former Hunter Valley and Chile crane business facilities. Capital investments during the year were limited to $4.5 million for renewal and improvement of existing equipment including welding machines.

During the 2020 financial year Austin recorded a net cash inflow of $11.6 million ($1.3 million in FY2019), after cash outflows in financing activities of $15.5 million.

These cash inflows led to a reduction in gross debt, before property leases, to $11.2 million compared to $26.7 million at 30 June 2019 and a net cash position, before property leases, of $8.0 million compared to a net debt position of $19.8 million at 30 June 2019.

Austin's cash generation has been in excess of 100% of adjusted EBITDA for the last two years, supported by an improvement to working capital and a reduction of one-off costs incurred in the business, together with strengthened earnings improving cash from operations.

Adjusted cash flow from operations
$m



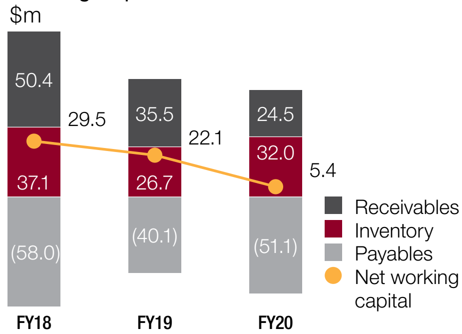
		FY2020	FY2019	FY2018
EBITDA	$M	20.9	9.2	(0.5)
Impairments and (profit)/loss on disposals	$M	(2.4)	2.5	18.2
Adjusted EBITDA	$M	18.5	11.7	17.7
Cash flow from operations	$M	24.1	13.8	1.2
Add: – Net interest paid	$M	4.0	3.8	5.5
– Net tax paid	$M	1.6	1.5	1.4
Adjusted cash flow from operations	$M	29.7	19.1	8.1
EBITDA conversion	%	161%	163%	46%

Working Capital

Net working capital reduced to $5.4 million, from $22.1 million at 30 June 2019. Key drivers to the reduction in working capital at 30 June 2020 were:

- increase of revenue collected in advance on future orders of $11.3 million
- faster collection of accounts receivable with a reduction of $11.0 million
- offset by an increase in inventory of $5.4 million
- timing of workloads, payments and receipts

Working Capital
$m



Risk Management

As a global organisation, the Board and management of Austin understand that effective risk management is important to ensure the long-term sustainability of the business.

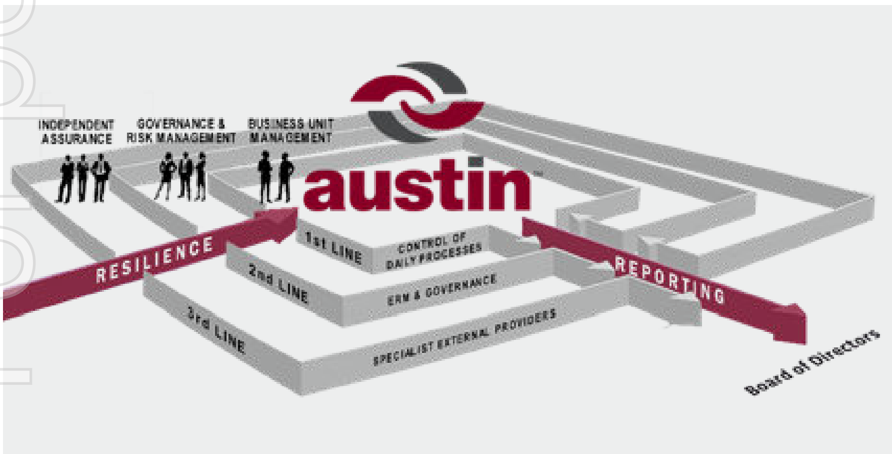
As a global organisation, the Board and management of Austin understand that effective risk management is important to ensure the long-term sustainability of the business.

Risk management within Austin is about identifying and understanding the uncertainties we face and developing strategies to benefit from them, or minimise the potential impacts they may have on our ability to achieve our strategic objectives. Global factors such as uncertain macro-economic conditions, the impacts of COVID-19, changing customer priorities and uncertain geo-political climates, result in an ever changing, increasingly uncertain operating environment. The World Uncertainty Index is at levels three times that experienced in the early 1970's recession. Such uncertainty requires agile and robust risk management strategies that are designed to pro-actively identify potential risks. It also ensures that our risk mitigation strategies are innovative in approach and resilient in implementation.

Austin's three lines of defence model for risk management, has established lines of responsibility for the oversight, management and reporting of risk throughout the organisation and is underpinned by a risk aware corporate culture, driven by the Enterprise Risk Management Standard (ERMS). The ERMS is approved by the Board of Directors and reviewed by the Audit and Risk Committee annually. Any material changes to Austin's operating environment, the business, its strategy, or to the Group's risk profile for any reason, gives rise to automatic ERMS review.

This strategy enables Austin to anticipate, understand and manage in an integrated and coordinated manner, the risks faced through an organisational culture that ensures behaviours are appropriately directed. In Austin's case this includes a focus on continuous improvement, adaptability, change management and sustainability which, working together, ultimately result in a resilient business.

Six key global risk areas remain at the forefront of Austin's risk management efforts as these risk areas, either individually or in combination, have the potential to affect the future operating and financial performance of the Group. The COVID-19 pandemic has impacted the six key risk areas in different ways and has seen Austin (as with so many other industries) having to rapidly adapt its risk mitigation strategies to the change in circumstances.



Risk area	The risk and potential impacts	Austin risk mitigation strategies
Macro-economic risks	The macro-economic environment, in the second half of the financial year, has changed at an unprecedented rate and in ways not previously experienced. In particular, the unprecedented changes brought about by the impact of COVID-19 has changed the competitor landscape, customer priorities and workforce mobility and management. Such rapid change requires a consistent, agile approach to risk management, to assess the aggregate impacts of the changing macro-economic environment, across all of our material risk types, in order to ensure the achievement of our strategic objectives.	Austin has continued the formalised risk management practices set out in the Board approved Enterprise Risk Management Standard including the associated procedures for identifying, monitoring, managing and reporting on macro-economic risk.
Health and Safety	The safety of our staff globally is of paramount importance to Austin. The very nature of our operations increases the inherent operational health and safety risks faced by our teams, on a daily basis. The 2020 financial year saw Austin's risk mitigation strategies expand beyond the workplace, in order to manage the broader risks associated with the health and safety of our staff around the globe due to COVID-19. We expect that this will continue to be a key risk for the foreseeable future.	The COVID-19 pandemic saw safety personnel extend and adapt safety practices to a changed workplace, as well as supporting safe work practices beyond the traditional work place to our staff working from home. Austin has continued to refine its safety management systems as adopted in all workplaces. Detailed reporting on safety metrics ensures that the Board is kept appraised of the risk mitigation strategies and the resilience of these strategies in practice. Safety is supported by infrastructure that includes dedicated safety personnel responsible for the implementation of processes and controls at all of Austin's operations globally.
Regulatory compliance	Austin operates globally with widely differing legal regimes, legislative requirements and compliance cultures. A failure to comply with regulatory obligations and local laws, could adversely affect Austin's operational and financial performance and ultimately its reputation. The changing operating environment promotes significantly more onerous regulatory compliance obligations across the group. As stated previously, the COVID-19 pandemic has increased regulatory compliance risk, with governments implementing varied strategies and reporting requirements in order to ensure the health and safety of the populations impacted by the disease.	Strategies to embed a strong culture of compliance, centred around the Austin Code of Conduct which provides a framework for detailed policies and procedures for "doing the right thing", are ongoing. All employees are trained on the contents of the Code. Legislative requirements and regulatory compliance risks are also mitigated by drawing on the expertise and knowledge of various service providers (insurers, legal counsels, external accountants and compliance authorities), in each of the countries in which Austin operates. The monitoring of regulatory changes and assessment of impacts and mitigation strategies are managed by Austin's governance team. This is managed through the use of electronic tools which continuously monitor and track compliance against Austin's regulatory obligations.
Information Technology & Cyber Security	The unauthorised access to, or use of, Austin's IT systems has the potential to adversely impact its ability to serve its customers or compromise customer or employee data. This could result in reputational damage, financial loss and/or adverse operational consequences. Business disruption due to changed work places and increased cyber threats in the latter half of the year, increased Austin's information technology and cyber security exposure risk.	Implementation of an IT security strategy which utilises technologies and processes to protect systems and to prevent, detect and promptly respond to unauthorised or inappropriate activities, has mitigated the risks faced by Austin. We have extended technological preventative and detective controls and applied those to networks and workplaces outside the traditional office environment. Risk mitigation around cyber security for a "work from home" workforce, was mitigated by reinforcing the strengthened security measures, continuous and more in-depth threat monitoring, as well as increased user education.
Market risk	The markets for Austin's products are exposed to volatile and cyclical commodity prices. Commodity prices impact the demand for our products and services and, in particular, our customers' preparedness to fund capital and operating expenditure. Recent market uncertainties around commodity prices, has the potential to increase the volatility of the demand for our products and services.	Market risk is being mitigated by increasing Austin's global footprint with a strategic partnership in Africa, whilst maintaining agility to reduce overheads on relatively short notice. Such reductions in overheads have taken the form of maintaining smaller permanent workforces, seeking contractual protection from contract cancellations, sharing work across locations and undertaking ongoing overhead efficiency reviews.
People risk	The operating and financial performance of Austin continues to be largely dependent on its ability to retain and attract key management and trades person talent. A loss of key personnel could adversely impact Austin's operating and financial performance on a strategic level while global declines in high calibre trades people, continue to create competitive labour markets. Restrictions on labour force mobility has been a major impact arising from COVID-19.	Austin has continued to drive risk mitigation strategies that ensure: • Access to the widest possible pool of talent available globally; • mobility and development opportunities throughout its global network of operations; • instilling a high-performance culture by setting challenging objectives and rewarding high-performing individuals; and • remunerating competitively in the relevant employment markets to support the attraction, motivation and retention of quality employees, as well as aligning remuneration with business outcomes that deliver value to shareholders

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 2020.

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:

- **Jim Walker**
- **Peter Forsyth**
- **Chris Indermaur**
- **Sy van Dyk**
- **David Singleton**

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

A fully-franked interim dividend of 0.2 cents per share was declared on 27 February 2020 and is to be paid to holders of fully paid ordinary shares on 30 September 2020. The Company will also be paying a fully franked 0.3 cents per share final dividend to holders of fully paid ordinary shares on 30 September 2020.

Review of operations and results

The profit for the Group after providing for income tax amounted to $4.540 million (2019: $2.473 million profit after tax) from continuing operations.

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 12 to 19 which form part of this Directors' report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year.

Events after the reporting date

In August 2020, the Company signed legal agreements for a new $15 million working capital facility with Export Finance Australia, the terms of which are in line with traditional bank funding which represents a significant reduction in the overall cost of funding of facilities in place at reporting date. The new debt facility will replace existing facilities in Australia and the USA with Assetsecure and Bibby, respectively. The new 12 month facility is renewable for a further two years and is expected to be drawn in early September 2020.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Group have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures (such as social distancing and working from home) as well as securing the supply of materials that are essential to the production process.

At this stage, the impact on the Group and results has not been significant and based on experience to date it is expected to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do the utmost to continue operations in the best and safest way possible.

Please also refer to note 33 (on page 75).

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 12 to 19.

Information on directors

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 Australian Potash Limited and Mader Group Limited, Chairman of the WA State Training Board and a Non-Executive Director of RACWA Holdings Pty Limited. Jim was formerly Managing Director and Chief Executive Officer of WesTrac Pty Limited, the non-executive Chairman of Macmahon Holdings Limited, a Director of Seven Group Holdings Limited 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
- Australian Potash Limited from 15 August 2018
- Mader Group Limited from 1 January 2019

Former directorships in last 3 years
- Programmed Maintenance Services Limited from 19 November 2015 until 27 October 2017
- Macmahon Holdings Limited from 22 January 2013 to 27 June 2019
- Seeing Machines Limited from 19 May 2014 to 18 December 2018

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

Interest in shares, options and performance rights
- 166,000 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. Peter holds a Bachelor of Mechanical and Production Engineering Degree from RMIT University. His most recent role prior to joining Austin was CEO of Chesterfield Australia which was the Kobelco and John Deere Dealer in Queensland and New South Wales.

Qualifications
- B. Eng (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, options and performance rights
- 1,150,000 ordinary shares
- 5,297,438 performance rights over 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 a non-executive Director of Austal 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. Chris recently held board positions at Poseidon Nickel Limited, Medibio Limited and Centrex Metals Limited.

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

Directorships held in other listed entities
- Austal Limited from 19 October 2018

Former directorships in last 3 years
- Poseidon Nickel Limited from 2 July 2007 to 1 October 2018
- Medibio Limited from 2 April 2015 to 31 December 2018
- Centrex Metal Limited from 1 July 2017 to 28 January 2020

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

Interest in shares, options and performance rights
- None

Sy van Dyk

Non-Executive Director
from 19 February 2018

Experience and Expertise

Sy van Dyk is the Chief Executive Officer (CEO) of DDH1 Drilling Pty Limited. Sy is a Chartered Accountant by profession 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 Limited 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

- None

Special responsibilities

- Chair of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee
- Member of the Safety Committee

Interest in shares, options and performance rights

- 213,500 ordinary shares

David Singleton

Non-Executive Director
from 15 April 2019

Experience and Expertise

David is the Chief Executive Officer (CEO) and Managing Director of Austal Limited (Austal). Prior to this, David was CEO and Managing Director of mineral explorer, Poseidon Nickel (2008-2016) and engineering and project services contractor, Clough Limited (2003-2007). He has vast international business experience gained in senior executive roles in Europe and the USA. He was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London and spent three years as CEO of Alenia Marconi Systems, based in Italy. David has served as a member of the National Defence Industries Council in the United Kingdom, and as a board member and Vice-President (Defence) of Intellect, a leading trade association for the UK technology industry.

Qualifications

- Honours degree in Mechanical Engineering, University College London
- Honorary Doctor of Engineering, Edith Cowan University

Directorships held in other listed entities

- Managing Director of Austal Limited (Austal) from 4 April 2016

Former directorships in last 3 years

- None

Special responsibilities

- Chair of the Safety Committee
- Member of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee

Interest in shares, options and performance rights

- None

Information on company secretaries

Rochelle Oberholzer

Global Governance and IT Manager and Company Secretary since 4 December 2018. Rochelle Oberholzer (B. Comm, B. Sc, MBA, FGIA and GAICD).

Rochelle has extensive experience internationally within the mining and manufacturing industry, working with Boards of high profile listed companies in the areas of corporate governance and company secretarial practice.

Sophie Raven

Company Secretary since 1 February 2019. Sophie Raven (B. Laws (LLB) and MAICD).

Sophie is a corporate lawyer and company secretary, with extensive experience both in Australia and internationally, including as a corporate lawyer in Santiago, Chile advising Australian and Canadian resources and drilling companies.

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 and our global stakeholders.

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

The 2020 Corporate Governance Statement, which is available at www.austineng.com, reflects the corporate governance practices in place throughout the 2020 financial year and was approved by the Board on 27 August 2020.

Meetings of directors

The numbers of meetings of Austin Engineering Limited's Board of Directors and of each Board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each Director were:

	Jim Walker		Peter Forsyth		Chris Indermaur		Sy van Dyk		David Singleton	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Board of Directors	13	13	13	13	13	13	13	12	13	12
Audit and Risk Committee	4	4	4	4	4	4	4	4	4	3
Safety Committee	5	5	5	5	5	5	5	5	5	5
Nomination and Remuneration Committee	4	4	4	4	4	4	4	4	4	3

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 2020 and forms part of the Directors' Report for the year ended 30 June 2020. 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

Key management personnel

The key management personnel during the 30 June 2020 financial year are set out below:

Name	Position
Jim Walker	Non–Executive Chairman
Chris Indermaur	Non–Executive Director
Sy van Dyk	Non–Executive Director
David Singleton	Non–Executive Director
Peter Forsyth	Chief Executive Officer and Managing Director
Sam Cruickshank	Chief Financial Officer

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 attempts 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 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 Director 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 Director or senior executive contracts.

Short-term performance incentives:

Short-term incentive plan (STI Plan) arrangements in place for senior executives as at 30 June 2020 are set out below as a proportion of Total Fixed Remuneration (TFR):

Percentage of approved budget Net Profit After Tax (NPAT)	STI	Subject to achieving performance hurdles
Managing Director	Up to 70% TFR	Yes
Chief Financial Officer	Up to 60% TFR	Yes

The structure of the short-term incentive plan for bonuses relating to performance in the year ended 30 June 2020 is set out below:

	Total Fixed Remuneration Percentage Allocation	
Performance Condition 30 June 2020 Budget	Peter Forsyth CEO & Managing Director	Sam Cruickshank CFO
90% achievement of budgeted NPAT	40%	30%
100% achievement of budgeted NPAT	55%	45%
110% or greater achievement of budgeted NPAT	70%	60%

Under the terms of the short-term incentive plan for executives, the Board are able to use their discretion in approving STI payments.

No short term incentive payments were made to key management personnel in respect to performance for the year ended 30 June 2020.

Audited remuneration report (continued)

Long-term incentives

Long-term performance incentives are delivered through the grant of performance rights to the executive director and selected senior executives from time to time as part of their remuneration.

Performance rights

On 23 November 2018, the company announced the planned issue of performance rights under the Austin Engineering Ltd (Austin) Performance Rights plan as adopted on 20 December 2013 and amended on 10 October 2018. 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.

On 17 December 2018 the Managing Director and Senior Executives were granted 2,145,923 and 6,111,843 Performance Rights respectively. 6,541,028 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 30 June 2018 to 30 June 2021. The remaining 1,716,738 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2018 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2018. The grant of Performance Rights to Senior Executives did not require shareholder approval.

On 28 November 2019 the Managing Director and Senior Executives were granted 3,151,515 and 9,200,420 Performance Rights respectively. 9,927,693 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 30 June 2019 to 30 June 2022. The remaining 2,424,242 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2019 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2019. The grant of Performance Rights to Senior Executives did not require shareholder approval.

The Performance Rights were granted on the terms and conditions of the Company's Performance Rights Plan and vesting details are set out below:

Grant Date	Performance Conditions	Performance Period	Test Date	Number of Rights	Expiry Date
17 Dec 2018	EPS and TSR	30 Jun 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,368	17 Dec 2023
28 Nov 2019	EPS and TSR	30 Jun 2019 to 30 Jun 2022	30 Jun 2022	9,927,693	28 Nov 2024
28 Nov 2019	Tenure	28 Nov 2019 to 30 Sep 2022	30 Sep 2022	2,424,242	28 Nov 2024
		Cancellations and conversions		(3,048,147)	N/A
Total				**17,561,554**	

Performance Conditions EPS and TSR Performance Rights

For each tranche of EPS and TSR Performance Rights:

– 50% will vest on meeting Total Shareholder Return (TSR) growth targets (TSR Performance Rights); and
– 50% will vest on meeting Earnings Per Share (EPS) growth targets (EPS Performance Rights).

TSR Performance Criteria

50% of the TSR and EPS performance rights granted to Peter Forsyth and Senior Executives are subject to TSR performance conditions over the performance period. TSR performance criteria are determined based on the compound annual growth in TSR over the performance period. These Performance Rights will vest as follows:

Annual TSR Performance over 3-year period	Proportion of rights to vest at the end of each performance period
Less than 15% CAGR in TSR	0%
15% CAGR in TSR	50%
Between 15% and 25% CAGR in TSR	50% plus straight-line increase in % awarded until next hurdle achieved
At and above 25% CAGR in TSR	100%

TSR is calculated by the growth in capital from purchasing a share in the company assuming that dividends are reinvested each time they are paid.

EPS Performance Criteria

50% of the TSR & EPS performance rights granted to Peter Forsyth and Senior Executives are subject to EPS performance conditions over the performance period. EPS performance criteria are determined based on the compound annual growth in EPS over the performance period. These Performance Rights will vest as follows:

Annual EPS Performance over 3-year period	Proportion of rights to vest at the end of each performance period
Less than 15% CAGR in EPS	0%
15% CAGR in EPS	50%
Between 15% and 25% CAGR in EPS	50% plus straight-line increase in % awarded until next hurdle achieved
At and above 25% CAGR in EPS	100%

EPS will be determined by the Board in accordance with Accounting Standards AASB 133 Earnings per share.

Performance Indicators

The table below sets out summary information about the Group's earnings and movements in shareholder wealth since 2016 and forms the background against which short and long term incentives over the relevant periods has been considered:

Consolidated entity	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Continuing and discontinued operations					
Revenue	231,556	242,595	293,362	234,344	209,764
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20,864	9,218	(522)	(7,730)	(30,052)
Normalised EBITDA	21,942	18,698	23,191	14,263	9,167
Net profit/(loss) after tax	5,185	(4,590)	(11,939)	(27,633)	(40,455)
Basic earnings/(loss) per share (cents)	0.89	(0.79)	(2.06)	(4.94)	(20.07)
Diluted earnings/(loss) per share (cents)	0.88	(0.79)	(2.06)	(4.94)	(20.07)
Shareholder returns					
Interim dividend – fully franked (cents)	0.20	–	–	–	–
Final dividend – fully franked (cents)	0.30	–	–	–	–
Share price at start of year ($)	0.18	0.23	0.22	0.08	0.48
Share price at end of year ($)	0.13	0.18	0.23	0.22	0.08

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 Managing Director and Chief Financial Officer are set out below:

	Total Fixed Remuneration (TFR)	STI % of TFR	LTI % of TFR	Total Remuneration % of TFR	Notice periods to terminate	Termination payments
Current executive key management personnel						
Managing Director – Peter Forsyth	$530,400 (including superannuation)	Up to 70%	Up to 100%	Up to 270%	3 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 – Sam Cruickshank	$334,750 (including superannuation)	Up to 60%	Up to 75%	Up to 235%	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies	Statutory entitlements

Audited remuneration report (continued)

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

The annual fees paid, inclusive of superannuation, to Non-Executive Directors for the financial year ended 30 June 2020 are set out below:

	30 June 2020 $
Chairman	119,060
Non-Executive Director	88,001
Additional Committee Chairman fee	9,318

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, which 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 www.austineng.com.

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 2018 financial 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 that commenced on 17 of December 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 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.

4. Value provided to key management personnel

The following tables show details of the remuneration received by Austin Engineering Limited's Non-Executive Directors, Executive Directors and other key management personnel of the Group for the current and previous financial year.

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

		Fixed Remuneration				Variable Remuneration			
Name	**Year**	**Cash salary & fees**	**Super-annuation**	**Long service leave**	**Other benefits[4]**	**Cash bonus**	**Perform-ance Rights[5]**	**Total**	**Perform-ance Related %**
Non-Executive Directors									
Jim Walker	2020	108,730	10,329	–	–	–	–	**119,059**	–%
	2019	106,598	10,127	–	–	–	–	**116,725**	–%
Chris Indemaur	2020	97,318	-	–	–	–	–	**97,318**	–%
	2019	95,410	-	–	–	–	–	**95,410**	–%
Sy van Dyk	2020	88,875	8,443	–	–	–	–	**97,318**	–%
	2019	87,132	8,278	–	–	–	–	**95,410**	–%
David Singleton[1]	2020	93,117	4,201	–	–	–	–	**97,318**	–%
	2019	17,004	1,615	–	–	–	–	**18,619**	–%
Total compensation for Non-Executive Directors	2020	388,040	22,973	–	–	–	–	**411,013**	–%
	2019	306,144	20,020	–	–	–	–	**326,164**	–%
Senior Executives									
Peter Forsyth	2020	502,800	25,000	–	–	–	197,391	**725,191**	27.2%
	2019	490,000	25,000	–	–	200,000	59,650	**774,650**	33.5%
Sam Cruickshank[2]	2020	311,310	21,003	–	–	–	72,407	**404,720**	17.9%
	2019	169,896	11,876	–	–	–	10,673	**192,445**	5.5%
Christine Hayward[3]	2020	–	–	–	–	–	–	**–**	–%
	2019	223,508	10,266	–	108,375	127,500	–	**469,649**	27.1%
Total compensation for Senior Executives	2020	814,110	46,003	–	–	–	269,798	**1,129,911**	23.9%
	2019	883,404	47,142	–	108,375	327,500	70,323	**1,436,744**	27.7%
Total key management personnel remuneration	**2020**	**1,202,150**	**68,976**	**–**	**–**	**–**	**269,798**	**1,540,924**	17.5%
	2019	**1,189,548**	**67,162**	**–**	**108,375**	**327,500**	**70,323**	**1,762,908**	22.6%

1 David Singleton was appointed as Non-Executive Director on 15 April 2019.
2 Sam Cruickshank was appointed as Chief Financial Officer on 4 December 2018.
3 Christine Hayward resigned as Chief Financial Officer on 4 December 2018.
4 Other benefits include termination benefits paid to Christine Hayward.
5 Performance rights expenses included in the remuneration above relate to the accounting expense of performance rights issued. The majority of performance rights issued have not yet vested, refer to pages 28 and 32 for further information.

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

No cash bonus payments were made during the year.

Other transactions with related parties

There were no transactions with related parties during the year (2019: Nil) and no amounts outstanding to related parties at 30 June 2020 (2019: Nil).

There were no other transactions with related parties during the year to 30 June 2020 (2019: Nil).

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.

Audited remuneration report (continued)

5. Equity instruments

Options held by key management personnel

There were no options held by key management personnel at 30 June 2020 and 30 June 2019.

Equity Instruments held by key management personnel

The details of Shares and Performance Rights over ordinary shares granted to and vested by key management personnel of the group are set out below:

Key Management Personnel	Balance at 30 June 2019 No.	Granted No.	Vested No.	Lapsed No.	Bought (Sold) No.	Balance at 30 June 2020 No.	Vested and Exer-cisable No.	Un-vested No.	Granted Fair Value $	Vested during the year %
Peter Forsyth – Managing Director/CEO										
Shares	800,000	–	–	–	350,000	1,150,000				
Performance Rights – 2019[1]	2,145,923	–	–	–	–	2,145,923	–	2,145,923	283,262	–%
Performance Rights – 2020[2]	–	3,151,515	–	–	–	3,151,515	–	3,151,515	375,503	–%
Total	**2,945,923**	**3,151,515**	**–**	**–**	**350,000**	**6,447,438**	**–**	**5,297,438**	**658,765**	
Sam Cruickshank – Chief Financial Officer										
Shares	–	–	85,837	–	22,227	108,064				
Performance Rights – 2019[3]	429,185	–	(85,837)	–	–	343,348	–	343,348	78,541	20.0%
Performance Rights – 2020[2]	–	1,477,273	–	–	–	1,477,273	–	1,477,273	176,017	–%
Total	**429,185**	**1,477,273**	**–**	**–**	**22,227**	**1,928,685**	**–**	**1,820,621**	**254,558**	
Jim Walker – Non-Executive Director										
Shares	166,000	–	–	–	–	166,000				
Total	**166,000**	**–**	**–**	**–**	**–**	**166,000**				
Sy van Dyk – Non-Executive Director										
Shares	128,500	–	–	–	85,000	213,500				
Total	**128,500**	**–**	**–**	**–**	**85,000**	**213,500**				

1 EPS & TSR rights granted on 17 December 2018.
2 EPS & TSR rights granted on 28 November 2019.
3 Tenure rights were granted to Sam Cruickshank prior to his permanent appointment as Chief Financial Officer whilst occupying the role of Group Financial Controller.

No other key management personnel held shares at 30 June 2020 and 30 June 2019.

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.

Shares under option

There were no unissued ordinary shares of Austin Engineering Limited under option as at 30 June 2020.

No options were granted to Directors or employees during the year, or after the year end.

Shares under performance rights

The number of Performance Rights over ordinary shares at the date of this report are as follows:

Grant date	Expiry date	Type	Exercise price	Number of shares under right
17 December 2018	17 December 2023	Tenure	$0.00	1,545,064
17 December 2018	17 December 2023	EPS and TSR	$0.00	4,721,033
28 November 2019	28 November 2024	Tenure	$0.00	2,424,242
28 November 2019	28 November 2024	EPS and TSR	$0.00	8,871,215

No performance rights were granted to, or exercised by, Directors or employees since the end of the financial year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Austin Engineering Limited paid a premium in respect of a contract insuring the directors and officers of Austin Engineering Limited 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

Austin Engineering Limited 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 Group 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 Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group 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 and Risk 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 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 35.

Rounding of amounts

The Group 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 August 2020
Brisbane

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2020, 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 August 2020


austin
JEC.LD

Annual Financial Report

For the year ended 30 June 2020

Consolidated financial statements

Notes to the consolidated financial statements

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 25.

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 August 2020. 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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	Consolidated entity 2020 $'000	2019* $'000
Revenue from continuing operations	2	230,351	230,830
Expenses			
Raw materials and consumables used		(81,351)	(62,587)
Changes in inventories and work in progress		6,459	(9,919)
Employment expenses		(71,445)	(82,341)
Subcontractor expenses		(25,490)	(21,672)
Occupancy and utility expenses		(3,828)	(6,283)
Depreciation expense		(7,254)	(5,490)
Amortisation expense	15	(307)	(59)
Production operational expenses		(16,366)	(12,537)
Other expenses		(18,412)	(17,022)
Finance costs		(3,305)	(3,166)
Impairment expense	3	–	(3,707)
Profit before income tax		**9,052**	**6,047**
Income tax (expense)	5	(4,512)	(3,574)
Profit for the year from continuing operations		**4,540**	**2,473**
Profit/(loss) from discontinued operation	4	645	(7,063)
Profit/(loss) for the year		**5,185**	**(4,590)**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	19	(5,758)	1,567
Other comprehensive income for the year		**(5,758)**	**1,567**
Total comprehensive income for the year		**(573)**	**(3,023)**
Profit/(loss) for the year is attributable to:			
Owners of Austin Engineering Limited		5,185	(4,590)
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		(573)	(3,023)

	Note	Cents	Cents
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	6	0.78	0.43
Diluted earnings per share (cents per share)	6	0.77	0.43
Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited:			
Basic earnings/(loss) per share (cents per share)	6	0.89	(0.79)
Diluted earnings/(loss) per share (cents per share)	6	0.88	(0.79)

* 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.

Consolidated statement of financial position

As at 30 June 2020

	Note	Consolidated entity 2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	8	19,243	6,858
Trade and other receivables	9	30,878	39,042
Inventories	10	32,043	26,690
Current tax assets	5	157	1,458
Other receivables and other assets	11	9,243	12,997
		91,564	**87,045**
Assets classified as held for sale	4	4,992	5,549
Total current assets		**96,556**	**92,594**
Non-current assets			
Property, plant and equipment	14	47,275	60,616
Intangible assets	15	12,251	10,567
Deferred tax assets	5	9,936	10,939
Right-of-use assets	16	9,688	–
Other non-current assets	11	4,735	2,639
Total non-current assets		**83,885**	**84,761**
Total assets		**180,441**	**177,355**
Current liabilities			
Trade and other payables	12	51,118	40,123
Financial liabilities	17	4,817	16,690
Current tax liabilities	5	907	1,754
Provisions	13	7,291	6,427
Lease liabilities	16	2,674	–
		66,807	**64,994**
Financial liabilities directly associated with assets classified as held for sale	4	157	5,409
Total current liabilities		**66,964**	**70,403**
Non-current liabilities			
Financial liabilities	17	4,414	4,577
Deferred tax liabilities		–	381
Provisions	13	552	596
Lease liabilities	16	9,968	–
Total non-current liabilities		**14,934**	**5,554**
Total liabilities		**81,898**	**75,957**
Net assets		**98,543**	**101,398**
Equity			
Share capital	18	153,958	153,927
Retained earnings		(43,366)	(45,536)
Reserves	19	(12,049)	(6,993)
Total equity		**98,543**	**101,398**

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 2020

Consolidated entity	Note	Contributed equity $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2018		**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**
Total comprehensive income for the year:						
Loss for the year		–	–	–	(4,590)	(4,590)
Other comprehensive income, net of tax:						
Currency translation differences		–	–	1,567	–	1,567
Total comprehensive income for the year		**–**	**–**	**1,567**	**(4,590)**	**(3,023)**
Transactions with owners in their capacity as owners:						
Share-based payments		–	213	–	–	213
Transfers		–	(1,280)	–	1,280	–
		–	**(1,067)**	**–**	**1,280**	**213**
Balance at 30 June 2019		**153,927**	**213**	**(7,206)**	**(45,536)**	**101,398**
Balance at 1 July 2019		**153,927**	**213**	**(7,206)**	**(45,536)**	**101,398**
Adjustment on adoption of AASB 16 (net of tax)	34(a)	–	–	–	(3,015)	(3,015)
Restated total equity at the beginning of the financial year		**153,927**	**213**	**(7,206)**	**(48,551)**	**98,383**
Total comprehensive income for the year:						
Profit for the year		–	–	–	5,185	5,185
Other comprehensive income, net of tax:						
Currency translation differences		–	–	(5,758)	–	(5,758)
Total comprehensive income for the year		**–**	**–**	**(5,758)**	**5,185**	**(573)**
Transactions with owners in their capacity as owners:						
Share-based payments		–	733	–	–	733
Transfers		–	–	–	–	–
Conversion of performance rights	18	31	(31)	–	–	–
		31	**702**	**–**	**–**	**733**
Balance at 30 June 2020		**153,958**	**915**	**(12,964)**	**(43,366)**	**98,543**

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

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	Consolidated entity 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		264,240	264,614
Payments to suppliers and employees		(234,598)	(245,499)
Interest received		239	418
Finance costs		(4,218)	(4,261)
Income tax refund		488	2,171
Income tax paid		(2,058)	(3,645)
Net cash provided by operating activities	**28**	**24,093**	**13,798**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,295)	(7,743)
Payments for intangibles		(1,146)	(80)
Proceeds from sale of property, plant and equipment		7,459	20,155
Net cash provided by investing activities		**3,018**	**12,332**
Cash flows from financing activities			
Proceeds from borrowings		9,633	85,290
Repayment of borrowings		(22,466)	(110,139)
Repayment of lease liabilities	16	(2,630)	–
Net cash used in financing activities		**(15,463)**	**(24,849)**
Net increase in cash and cash equivalents		**11,648**	**1,281**
Cash and cash equivalents at the beginning of the financial year		6,858	5,580
Effects of exchange rate changes on cash and cash equivalents		737	(3)
Cash and cash equivalents at end of the year	**8**	**19,243**	**6,858**

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

Results notes

1 Segment information

Management has determined that the strategic operating segments comprise of Asia-Pacific (for mining equipment, other products, repair and maintenance services and corporate activities located in Australia and Indonesia), North America (for mining equipment and other products located in the United States of America) and South America (currently Chile, Peru and Colombia for mining equipment, other products and repair and maintenance services). The change in strategic operating segments from the 30 June 2019 Annual Report are driven by the closer integration of Australian and Indonesian business units in supplying a common market. Management also acknowledge the difference in markets between its operations in North America and South America and consequently have separated the Americas segment. These reporting segments better reflect performance against the Group's management structure, current customer base, the derivation of intellectual property, the utilisation of production facilities as well as key inputs such as labour and steel that impact product pricing. The segment results for the prior period below have been restated into the current operating segment structure.

Executive management monitors segment performance based on EBITDA. Segment information for the years ended 30 June 2020 and 30 June 2019 is as follows:

	Asia-Pacific		North America		South America		Total	
	2020 $'000	2019* $'000	2020 $'000	2019* $'000	2020 $'000	2019* $'000	2020 $'000	2019* $'000
Continuing operations								
Total segment revenue from continuing operations – from external customers	116,741	108,032	66,433	65,142	47,177	57,656	230,351	230,830
Normalised EBITDA from continuing operations	14,000	11,359	6,887	5,468	1,605	4,560	22,492	21,387
Profit/(loss) before tax	8,231	5,920	5,343	4,294	(4,522)	(4,167)	9,052	6,047
Other segment information								
Depreciation and amortisation	3,795	2,508	892	573	2,874	2,468	7,561	5,549
Impairment	–	475	–	–	–	3,232	–	3,707
Continuing and discontinued operations								
Total segment assets	80,295	68,433	39,734	37,602	60,412	71,320	180,441	177,355
Total assets includes:								
Additions to non-current assets (other than financial assets and deferred tax)	4,976	4,438	1,094	2,338	553	1,047	6,623	7,823
Total segment liabilities	49,481	34,932	8,921	14,164	23,496	26,861	81,898	75,957

* Balances for the prior period have been re-presented to reflect the new operating segment structure as disclosed above, and in respect of discontinued operations changes as disclosed in note 4.

1 Segment information (continued)

Segment revenue and non-current assets

	Consolidated entity 2020 $'000	Consolidated entity 2019* $'000
Continuing operations		
Total revenues from continuing operations from external customers attributed to:		
– Australia	106,653	90,661
– Chile	29,761	31,859
– USA	30,974	9,591
– Canada	38,358	54,353
– all foreign countries	24,605	44,366
Revenues derived from a single external customer were attributable to Australia	41,923	38,646
Non-current assets, excluding financial instruments and deferred tax assets, located:		
– in Australia	24,435	16,789
– in Chile	12,965	24,825
– in USA	18,164	17,762
– in Indonesia	7,640	8,142
– in foreign countries	6,010	3,665

* Balance of the prior period have been re-presented to exclude results from discontinued operation. Refer to note 4.

Corporate expenses

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

Segment assets and liabilities

Segment 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	
	2020 $'000	2019 $'000	2020 $'000	2019* $'000
Normalised EBITDA used for segment reporting	**21,942**	**18,698**	**22,492**	**21,387**
Non–impairment one–off items**	(1,010)	(5,483)	(2,574)	(2,918)
Impairment expense	(68)	(3,997)	–	(3,707)
Reported EBITDA	**20,864**	**9,218**	**19,918**	**14,762**
Depreciation expense	(7,629)	(6,419)	(7,254)	(5,490)
Amortisation expense	(307)	(59)	(307)	(59)
Interest revenue	239	417	239	417
Finance costs	(4,218)	(4,260)	(3,544)	(3,583)
Profit before income tax	**8,949**	**(1,103)**	**9,052**	**6,047**

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to note 4.
** Non-impairment one-off items relate to restructuring costs, profit/(loss) on asset sales and refinancing costs.

2 Revenue

The Group derives the following types of revenue from continuing operations:

	Consolidated entity	
	2020 $'000	2019* $'000
Revenue from contracts with customers	229,589	230,298
Other income	762	532
Total revenue from continuing operations	**230,351**	**230,830**

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

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following types and geographical regions:

	Asia-Pacific		North America		South America		Total	
Revenue from contracts with customers	2020 $'000	2019* $'000	2020 $'000	2019* $'000	2020 $'000	2019* $'000	2020 $'000	2019* $'000
Sale of Goods								
Truck Bodies	71,647	57,439	61,733	59,681	18,673	21,367	152,053	138,487
Buckets	8,996	6,387	824	2,162	188	107	10,008	8,656
Other Goods	11,026	22,502	3,878	3,299	1,491	4,820	16,395	30,621
Total Sale of Goods	**91,669**	**86,328**	**66,435**	**65,142**	**20,352**	**26,294**	**178,456**	**177,764**
Services								
On–Site Services	1,502	1,103	-	-	12,162	18,476	13,664	19,579
Off–Site Services	21,762	18,218	-	-	11,920	10,781	33,682	28,999
Other Services	1,661	2,273	-	-	2,126	1,683	3,787	3,956
Total Services	**24,925**	**21,594**	**-**	**-**	**26,208**	**30,940**	**51,133**	**52,534**
Revenue from contracts with customers	**116,594**	**107,922**	**66,435**	**65,142**	**46,560**	**57,234**	**229,589**	**230,298**
Timing of Revenue Recognition								
At a point in time	91,669	86,328	66,435	65,142	20,352	26,294	178,456	177,764
Over time	24,925	21,594	-	-	26,208	30,940	51,133	52,534
Revenue from contracts with customers	**116,594**	**107,922**	**66,435**	**65,142**	**46,560**	**57,234**	**229,589**	**230,298**

* Balances for the prior period have been re-presented to reflect the new operating segment structure as disclosed in note 1, and in respect of discontinued operations changes as disclosed in note 4.

(b) Accounting policies

(i) Sale of goods

The Group derives revenue from the manufacture and sale of truck bodies, excavator buckets and other ancillary products. Contracts entered into may be for the manufacture and sale of one or several products. The manufacture of each individual body, bucket or other product is generally taken to be one performance obligation. Where contracts are entered into for the manufacture of several products the total transaction price is allocated across each product based on stand-alone selling prices net of any discounts provided.

The Group derives a portion of sale of goods revenue from the sale of truck bodies under finance lease arrangements in the capacity as lessor. The Group is considered to be a manufacturer lessor under AASB 16 Leases and therefore recognises selling profit or loss in the period in accordance with the policy for outright sale of goods. Revenue from these sales is recognised at the fair value of the asset disposed or, if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest.

The performance obligation is fulfilled at a point in time and as such revenue is recognised when control over the corresponding goods is transferred to the customer. Transfer of control is determined based on the details of the contract and is deemed to pass once the goods have either been accepted by the customer, delivered to the customer or where the Group has a present right to payment for the asset.

All goods sold include defect and warranty periods following transfer of control to the customer. These obligations are not deemed separate performance obligations and therefore recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

(ii) Services

The Group derives revenue from on and off-site repair and maintenance services. Repair and maintenance performance obligations are fulfilled over time as the group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised using the input method by reference to the stage of completion of the project. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

(c) Contract assets and liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	Note	Consolidated entity 2020 $'000	2019 $'000
Contract assets	9	6,386	3,478
Contract liabilities	12	(14,637)	(3,276)

The movement in the Group's Contract assets and liabilities during the financial year is disclosed below:

	Contract Assets		Contract Liabilities	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 July	**3,478**	**8,096**	**(3,276)**	**(8,827)**
Invoices issued in advance of performance	–	–	(35,099)	(49,445)
Transfers to trade receivables	(13,088)	(19,620)	–	–
Amounts recognised in revenue during the year	16,750	15,302	23,681	55,073
Excess of revenue recognised over cash	–	–	–	–
Effect of foreign exchange	(754)	(300)	57	(77)
At 30 June	**6,386**	**3,478**	**(14,637)**	**(3,276)**

(i) Contract assets and liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what was previously referred to as 'accrued income' and 'payments received in advance'. Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes. Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

3 Expenses

(a) Profit/(loss) for the year from continuing operations includes the following expenses:

	Consolidated entity 2020 $'000	2019* $'000
Cost of goods sold	170,803	172,713
Rental expense on operating leases	155	2,059
Defined contribution superannuation costs	2,098	2,433
Net foreign currency exchange (gains)/losses	468	(853)
Government grants	(3,232)	–

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

(b) Government grants

Loan Forgiveness

During the financial year, the company received $3.678m as a forgivable loan under the Small Business Administration Paycheck Protection Program (PPP) in the USA. By 30 June 2020, $3.232m of expenditure relating to this loan met the conditions for forgiveness and was recognised as an offset against employment expenses in accordance with AASB 120 Accounting for Government Grants. The remaining unspent portion of the forgivable loan is expected to be fully recovered in the next financial year.

(c) Impairment charge

There were no impairment charges from continuing operations in 2020 (2019: $3.707m). In 2019, impairment charges from continuing operations of $3.707m have been allocated against property, plant and equipment of $3.249m and other intangibles of $0.458m, refer to notes 14 and 15.

4 Discontinued operation

(a) Discontinued operation

During the 12 month period to 30 June 2020 the Group closed its site services business in Western Australia, Pilbara Hire Group Pty Ltd. This included exiting an unprofitable site contract in the Pilbara region, exiting the leased premises and re-distributing the remaining fixed assets for use in other Austin Group business units. The Group now manages after-sales support for this region from its Perth operations, this closure allows an enhanced focus on the the Group's core competencies in Western Australia, namely new product sales and workshop repairs.

The Group continues to seek buyers for the remaining crane assets held by its cranes business in Chile with the majority of these assets already disposed. Plant and equipment of the discontinued crane business is classified as held for sale as at 30 June 2020.

The results of Pilbara Hire Group Pty Ltd and the Chile crane business have been disclosed as discontinued operations. The comparative profit and cash flows from discontinued operations for the period are set out below.

	Consolidated entity	
	2020 $'000	2019* $'000
Revenue	1,205	11,765
Expenses	(1,308)	(18,915)
Income tax benefit	748	87
Profit/(loss) from discontinued operation	**645**	**(7,063)**
Net cash outflow from operating activities	(1,655)	(2,340)
Net cash inflow from investing activities	4,558	12,082
Net cash outflow from financing activities	(4,743)	(10,043)
Net increase in cash generated by the subsidiary	**(1,840)**	**(301)**

* Balances for the prior period have been re-presented to include results from Pilbara Hire Group Pty Ltd as disclosed above.

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

(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 and Peru.

	Consolidated entity	
	2020 $'000	2019 $'000
Plant and equipment	564	1,105
Land and buildings	–	1,984
Discontinued cranes business operation in Chile	**564**	**3,089**
Land and buildings in Hunter Valley	–	1,543
Land and buildings in Peru	867	917
Land and buildings in Chile	3,561	–
Other properties held for sale	**4,428**	**2,460**
Total assets classified as held for sale	**4,992**	**5,549**
Financial liabilities associated with discontinued cranes business operation in Chile	**157**	**5,409**

During the financial year the land and buildings of the discontinued crane business in Chile were disposed and the proceeds applied against the term loan associated with the assets. Subsequently to the sale, the remaining loan principal was refinanced into the Group's Chilean business unit.

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.

Refer to note 33 to the financial statements on key estimates used in determining the fair value of assets held for sale.

The movement in assets classified as held for sale during the financial year is disclosed below:

	Consolidated entity	
	2020 $'000	2019 $'000
Opening assets classified as held for sale	**5,549**	**18,713**
Net transfers from Property, Plant and Equipment (refer note 14)	3,950	1,886
Disposals	(3,853)	(15,239)
Exchange differences	(654)	189
Closing assets classified as held for sale	**4,992**	**5,549**

5 Tax

(a) Income tax expense/(benefit)

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Components of income tax expense/(benefit):		
Current tax – current period	2,940	1,204
(Over)/under provision in respect of prior years	(55)	134
Deferred tax – origination and reversal of temporary differences	879	2,149
	3,764	**3,487**
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	4,512	3,574
Loss from discontinued operation	(748)	(87)
	3,764	**3,487**
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations before income tax expense	9,052	6,047
Loss from discontinuing operation before income tax expense	(103)	(7,150)
	8,949	**(1,103)**
Tax at the Australian tax rate of 30.0% (2019 – 30.0%)	2,685	(331)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	(399)	472
Over-provision for tax in prior years	(55)	134
Share performance right expenses in the year	220	64
Differences in overseas tax rates	(185)	(39)
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	2,086	940
De-recognition of previously recognised deferred tax assets	282	2,247
Previously unrecognised tax losses used	(870)	–
Income tax expense	**3,764**	**3,487**

(b) Current tax asset and liability

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Current tax assets	157	1,458
Current tax liabilities	(907)	(1,754)
	(750)	**(296)**

(c) Deferred tax

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Deferred tax assets – non-current:		
Employee leave entitlements	1,295	1,398
Warranty and other provisions	583	274
Transaction costs on equity issue	291	676
Tax losses	5,801	7,158
Other	1,966	1,433
Total deferred tax assets	**9,936**	**10,939**

5 Tax (continued)

(c) Deferred tax (continued)

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2020				
Deferred tax assets				
Employee leave entitlements	1,398	(122)	19	1,295
Warranty and other provisions	274	295	14	583
Transaction costs on equity issue	676	(385)	–	291
Tax losses	7,158	(1,357)	–	5,801
Other	1,433	(816)	1,349	1,966
Total deferred tax assets	**10,939**	**(2,385)**	**1,382**	**9,936**
Movements: 2019				
Deferred tax assets				
Employee leave entitlements	1,215	209	(26)	1,398
Warranty and other provisions	352	(75)	(3)	274
Transaction costs on equity issue	1,268	(592)	–	676
Tax losses	9,834	(2,760)	84	7,158
Other	587	857	(11)	1,433
Total deferred tax assets	**13,256**	**(2,361)**	**44**	**10,939**

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 Group and its 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 Report. 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.

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 Group 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 where there is a legally enforceable right to offset current tax assets and liabilities and where 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 2020 Cents	Consolidated entity 2019 Cents
Basic earnings per share		
From continuing operations	0.78	0.43
From discontinued operations	0.11	(1.22)
Total basic earnings per share	**0.89**	**(0.79)**
Diluted earnings per share		
From continuing operations	0.77	0.43
From discontinued operations	0.11	(1.22)
Total diluted earnings per share	**0.88**	**(0.79)**

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Reconciliation of earnings to Profit/(loss) after tax:		
From continuing operations	4,540	2,473
From discontinued operation	645	(7,063)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**5,185**	**(4,590)**

	Consolidated entity 2020 Number	Consolidated entity 2019 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	578,956,179	578,833,756
Weighted average effect of dilutive securities – share based performance rights	14,390,526	2,825,837
Used to calculate diluted earnings per share	593,346,705	581,659,593

(a) Performance Rights

Performance rights granted to employees under the performance rights plan are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the performance rights is provided in note 32.

7 Dividends

Recognised amounts

There were no interim or final dividends paid during the year ended 30 June 2020 and 30 June 2019.

Dividends not recognised at the end of the reporting period

During the financial year the directors declared an interim dividend of 0.2 cents per share (2019: nil) per fully paid ordinary shares. The aggregate amount of the proposed dividend expected to be paid on 30 September 2020 out of retained earnings at 30 June 2020 but not recognised as a liability, is $1.158m.

Subsequent to the end of the financial year, the directors declared a final dividend of 0.3 cents per share (2019: nil) per fully paid ordinary shares. The aggregate amount of the proposed dividend expected to be paid on 30 September 2020 out of retained earnings at 30 June 2020 but not recognised as a liability, is $1.737m.

	Consolidated entity	
	2020 $'000	2019 $'000
Franking credits		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2019 – 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.

The balance of the franking account after the payment of dividends above will be $25.759m.

8 Cash and cash equivalents

	Consolidated entity	
	2020 $'000	2019 $'000
Cash and cash equivalents	19,243	6,858
	19,243	**6,858**

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 2020, there were no restricted cash balances (2019: Nil).

9 Trade and other receivables

	Consolidated entity	
	2020 $'000	2019 $'000
Trade receivables	24,523	35,584
Allowance for expected credit losses	(31)	(20)
Trade receivables net of expected credit losses	**24,492**	**35,564**
Contract assets	6,386	3,478
	30,878	**39,042**

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

	Consolidated entity	
	2020 $'000	2019 $'000
Australian dollars	9,902	10,620
US dollars (Australian dollar equivalent)	10,325	15,643
Chilean pesos (Australian dollar equivalent)	2,878	4,786
Colombian pesos (Australian dollar equivalent)	1,066	2,688
Peruvian nuevo soles (Australian dollar equivalent)	321	1,380
Indonesian rupiah (Australian dollar equivalent)	–	447
	24,492	**35,564**

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

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

Contract assets relate to transferred goods or services where the Group is yet to establish an unconditional right to consideration. Refer to note 2 for further details.

Impairment loss on financial assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables, finance lease receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables, finance lease receivables and contract assets are grouped based on similar credit risk and aging. The contract assets and finance lease receivables have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on economic factors affecting the Group's customers, including the COVID-19 pandemic.

The Group's historical losses are very low as a proportion of the Group's trade receivables as the Group's customer base is made up primarily of large, investment grade credit rated mining and manufacturing companies. In addition to this, it is standard business practice for the Group to receive deposits in advance of work being performed for a portion of sales, this lowers the Group's exposure to trade receivables credit risk.

Refer to note 20 for more information on the consolidated entity's risk management policy, the credit quality and risk of trade receivables, contract assets and lease receivables.

10 Inventories

	Consolidated entity 2020 $'000	2019 $'000
At cost		
Raw materials and consumables	17,717	14,115
Work in progress	13,277	11,406
Finished goods	1,049	1,169
	32,043	**26,690**

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.

11 Other assets

	Consolidated entity 2020 $'000	2019 $'000
Current		
Prepayments	3,224	2,430
Other receivables	2,752	3,745
Current finance lease receivable	3,267	6,822
	9,243	**12,997**

The Group entered into lessor finance lease arrangements with certain customers for the sale of truck bodies manufactured by the Group. The average term of finance leases entered into is 5 years. There are no unguaranteed residual values of assets under finance lease at the end of the reporting period. The average effective interest rate contracted is approximately 8% per annum. As at 30 June 2020 there was no expected credit losses on finance lease receivables. Please refer to note 9 for details on the Group's policy for impairment of financial assets, including finance lease receivables.

Finance lease receivable	Current 2020 $'000	Non-current 2020 $'000	Current 2019 $'000	Non-current 2019 $'000
Finance lease receivable				
Not later than one year	3,622	–	6,894	–
Later than one year and not later than five years	–	5,333	–	2,825
Later than five years	–	–	–	–
	3,622	5,333	6,894	2,825
Less: unearned finance income	(355)	(598)	(72)	(186)
Present value of minimum lease payments receivable	3,267	4,735	6,822	2,639
Allowance for uncollectible lease payments	–	–	–	–
	3,267	**4,735**	**6,822**	**2,639**

12 Trade and other payables

	Consolidated entity 2020 $'000	2019 $'000
Current unsecured liabilities		
Trade payables	24,165	26,908
Accrued and other payables	12,316	9,939
Contract liabilities	14,637	3,276
	51,118	**40,123**

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

	Consolidated entity 2020 $'000	2019 $'000
Australian dollars	27,209	21,694
US dollars (Australian dollar equivalent)	8,034	11,202
Chilean pesos (Australian dollar equivalent)	9,209	3,447
Colombian pesos (Australian dollar equivalent)	2,042	685
Peruvian nuevo soles (Australian dollar equivalent)	812	773
Indonesian rupiah (Australian dollar equivalent)	2,713	1,788
Singaporean dollars (Australian dollar equivalent)	1,099	534
	51,118	**40,123**

For information about the consolidated entity's exposure to foreign exchange risk refer to note 20.

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 30-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Invoicing in advance of revenue recognition is treated as contract liabilities and presented as liabilities until revenue recognition criteria is met. All current trade and other payables are measured at nominal value. Refer to note 2 (c) for further details.

13 Provisions

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Current		
Employee leave entitlements	5,471	5,096
Warranty provisions	979	595
Other	841	736
	7,291	**6,427**
Non-current		
Employee leave entitlements	552	596
	552	**596**

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 amount has 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.

14 Property, plant and equipment

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Freehold land		
Cost	19,995	23,132
	19,995	**23,132**
Freehold buildings		
Cost	27,279	34,631
Accumulated depreciation	(8,224)	(10,364)
	19,055	**24,267**
Plant and equipment		
Cost	42,302	54,602
Accumulated depreciation	(34,289)	(42,965)
	8,013	**11,637**
Capital work in progress		
Cost	212	1,580
	212	**1,580**
Closing net book amount	**47,275**	**60,616**

Consolidated entity	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2020					
Opening net book amount	23,132	24,267	11,637	1,580	60,616
AASB16 opening balance reclassification	–	(547)	(2,033)	–	(2,580)
Additions	537	199	2,754	69	3,559
Reallocation of capital work in progress	–	–	1,111	(1,111)	–
Disposals	–	(71)	(622)	–	(693)
Transfers to intangible assets	–	–	(512)	(337)	(849)
Exchange differences	(1,240)	(1,684)	(46)	11	(2,959)
Impairment loss (iii)	–	–	–	–	–
Depreciation charge	–	(1,650)	(3,351)	–	(5,001)
Transfers to/from assets classified as held for sale	(2,434)	(1,459)	(57)	–	(3,950)
Transfer to right-of-use assets	–	–	(868)	–	(868)
Closing net book amount	**19,995**	**19,055**	**8,013**	**212**	**47,275**

Consolidated entity	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2019					
Opening net book amount	24,109	26,887	15,581	104	66,681
Additions	–	885	4,204	2,654	7,743
Reallocation of capital work in progress	–	–	1,190	(1,190)	–
Disposals	–	(288)	(2,849)	–	(3,137)
Exchange differences	510	459	192	12	1,173
Depreciation charge	–	(1,185)	(5,234)	–	(6,419)
Impairment loss (iii)	–	(1,459)	(2,080)	-	(3,539)
Assets included in a disposal group classified as held for sale and other disposals	(1,487)	(1,032)	633	-	(1,886)
Closing net book amount	**23,132**	**24,267**	**11,637**	**1,580**	**60,616**

14 Property, plant and equipment (continued)

(i) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

(ii) Leased assets

From 1 July 2019 leased assets are presented as a separate line item in the statement of financial position, see note 16. Refer to note 34(a) for details about the changes in accounting policy.

(iii) Impairment

No impairment losses attributable to continuing operations have been recognised in 2020. Impairment losses attributable to discontinued operations of $0.069m relate to write downs on assets held for sale relating to the discontinued crane business in Chile. Impairment losses in 2019 of $3.539 million mainly related to individual assets located in South America that were assessed as having a carrying value exceeding their recoverable amount. This included a loss of $1.947 million on the buildings and fixed plant in Austin's Calama, Chile based property, which was written down to an independent valuation amount.

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 consolidated 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%–10%
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.

For personal use only

15 Intangible assets

	Goodwill $'000	Customer relationships and Brands $'000	Patents $'000	Software $'000	Total $'000
Year ended 30 June 2020					
Opening net book amount	10,388	–	179	–	10,567
Additions	–	–	347	814	1,161
Exchange differences	56	–	(7)	(68)	(19)
Amortisation charge	–	–	(13)	(294)	(307)
Impairment charge	–	–	–	–	–
Transfers from Property, plant and equipment	–	–	–	849	849
Closing net book amount	**10,444**	**–**	**506**	**1,301**	**12,251**
At 30 June 2020					
Cost	62,667	16,527	534	3,058	82,786
Accumulated amortisation and impairment	(52,223)	(16,527)	(28)	(1,757)	(70,535)
Net book amount	**10,444**	**–**	**506**	**1,301**	**12,251**
Year ended 30 June 2019					
Opening net book amount	10,215	–	616	–	10,831
Additions	–	–	80	–	80
Exchange differences	173	–	–	–	173
Amortisation charge	–	–	(59)	–	(59)
Impairment charge	–	–	(458)	–	(458)
Closing net book amount	**10,388**	**–**	**179**	**–**	**10,567**
At 30 June 2019					
Cost	66,587	15,303	241	–	82,131
Accumulated amortisation and impairment	(56,199)	(15,303)	(62)	–	(71,564)
Net book amount	**10,388**	**–**	**179**	**–**	**10,567**

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 2020 $'000	Consolidated entity 2019 $'000
Cash generating unit		
Aust Bore Pty Ltd	5,310	5,310
Austin Engineering USA Inc.	3,945	3,889
Austin Mackay	1,189	1,189
Net carrying value	**10,444**	**10,388**

15 Intangible assets (continued)

Impairment charge

There was no impairment made during the current period on intangible assets. The impairment in the prior year was the result of the Group assessing the recoverable values of individual intangible assets.

In 2019: $0.458m was allocated to Austin Engineering Limited.

Impairments made in the prior period relate to abandoned patents registered in Australia for designs and territories not considered necessary.

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.

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	2020 %	2019 %
Australia	13.18	13.32
USA	12.10	12.42
Chile	15.69	13.35
Colombia	22.95	18.07
Peru	21.26	16.21
Indonesia	21.62	14.72

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 3% (2019: 3%) based on the long-term growth rates experienced in the Group's end-markets and external forecasts.

Impact of COVID-19 on value-in-use assessment

The current year value-in-use assessment included estimating the expected impact of COVID-19 on future cash flows of each of the Group's CGU's. These estimates included reducing FY21 forecast cash flows, increasing discount rates and re-assessing growth rates on CGU's expected to be impacted by the pandemic.

Impact of reasonably possible changes in key assumptions

No impairments were recorded during the year based on management determination on the CGU's recoverable amount, after taking into consideration any possible change in key assumptions of value-in-use calculation of the CGU's, including estimates in relation to COVID-19. At 30 June 2020, after applying reasonable sensitivity analysis, the recoverable amount of each CGU exceeds its carrying value.

16 Right-of-use assets and lease liabilities

(a) Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor see note 11.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Consolidated entity	
	2020 $'000	1 July 2019 $'000
Right-of-use assets*		
Buildings	6,911	6,856
Equipment	2,576	3,412
Vehicles	201	473
	9,688	**10,741**
Lease liabilities*		
Current	2,674	3,119
Non-current	9,968	11,203
	12,642	**14,322**

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 34.

Additions to right-of-use assets during the financial year ended 30 June 2020 were $0.828m.

(ii) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Consolidated entity	
	2020 $'000	2019 $'000
Depreciation charge for right-of-use assets		
Buildings	1,637	–
Equipment	757	–
Vehicles	234	–
	2,628	**–**
Interest expense (included in finance cost)	1,115	–
Expense relating to short-term leases (included in Occupancy and utility expenses)	141	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in Occupancy and utility expenses)	14	–
Rental expenses on operating leases	–	2,487

The total cash outflow for leases in fiscal year ended in 30 June 2020 was $3.609m. Refer to note 34(a) for the impact of AASB16 on the 30 June 2020 financial report.

16 Right-of-use assets and lease liabilities (continued)

(iii) The group's leasing activities and how these are accounted for:

(i) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit on the lease is not readily determinable. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security over the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is presented as a separate line in the consolidated statement of financial position.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduce for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(ii) Right-of-use assets

The group recognises right-of-use assets at cost at the commencement date of the lease (i.e. the date the underlying asset is available for use).

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Right-of-use assets are subject to impairment in accordance with AASB 136 Impairment of Assets. Any identified impairment loss is accounted for in line with our accounting policy for 'Property, plant and equipment'.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. those leases that have a lease of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

17 Financial liabilities

	Current 2020 $'000	Non-current 2020 $'000	Current 2019 $'000	Non-current 2019 $'000
Secured liabilities				
Facilities associated with continuing operations				
Bank facilities	2,408	4,414	2,510	1,787
Non-bank core debt	2,409	–	14,180	2,790
	4,817	**4,414**	**16,690**	**4,577**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale in cranes business (note 4)	157	–	5,409	–
	4,974	**4,414**	**22,099**	**4,577**

Assets pledged as security – fixed/floating charge

	Consolidated entity	
	2020 $'000	2019 $'000
Current		
Floating charge		
Cash and cash equivalents	18,027	5,099
Receivables	23,042	30,245
Inventories	28,146	21,192
Fixed charge		
Assets held for sale	4,125	4,633
Total current assets pledged as security	**73,340**	**61,169**
Non-current		
Fixed charge		
Property, plant and equipment	43,747	53,239
Total assets pledged as security	**117,087**	**114,408**

17 Financial liabilities (continued)

Financing facilities

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

	Consolidated entity	
	2020 $'000	2019 $'000
Total facilities		
Bank facilities	6,822	6,160
Non-bank core debt	12,783	18,701
Finance liabilities associated with assets held for sale in cranes business	157	5,409
	19,762	**30,270**
Utilised facilities		
Bank facilities	6,822	4,297
Non-bank core debt	2,409	16,970
Finance liabilities associated with assets held for sale in cranes business	157	5,409
	9,388	**26,676**
Unused		
Bank facilities	–	1,863
Non-bank core debt	10,374	1,731
Finance liabilities associated with assets held for sale in cranes business	–	–
	10,374	**3,594**

Banking facilities

The banking facilities relate to leases and bank loans in various jurisdictions within the group, mainly in Chile. There are no financial covenants in respect of these loans.

Non-bank core debt

The Group currently has financing facilities provided by Australian-based financier Assetsecure Pty Limited (Assetsecure) in Australia and Bibby Financial Services Inc (Bibby) in the United States of America. The facilities comprise of a trade receivable facility of up to $8.000m trade receivables in Australia and up to US$8.000m trade receivables in the United States of America. The facilities are secured by Austin's Australian and USA assets.

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

Impact of AASB 16 on Net Debt

The Group adopted AASB16 Leases on 1 July 2019 as disclosed in note 34. AASB 16 Leases requires that leases previously classified as operating leases are accounted for as lease liabilities on the statement of financial position. In addition to this, the Group has re-classified finance leases held with banks from financial liabilities to lease liabilities. The impact of AASB 16 Leases on net debt is set out below:

	Consolidated entity 30 June 2020 $'000
Cash and cash equivalents	(19,243)
Financial liabilities	9,231
Financial liabilities directly associated with assets held for sale	157
Lease liabilities:	
Leases formerly reported as operating leases	10,795
Leases formerly reported as finance leases	1,847
Total Lease liabilities	12,642
Net debt/(cash) – including leases formerly reported as operating leases	**2,787**
Net debt/(cash) – excluding leases formerly reported as operating leases	**(8,008)**
Impact of AASB 16 on net debt	**10,795**

18 Equity – share capital

	2020 No.	2020 $'000	2019 No.	2019 $'000
Ordinary shares				
Opening balance	578,833,756	153,927	578,833,756	153,927
Conversion of performance rights	171,674	31	–	–
Balance at end of year	**579,005,430**	**153,958**	**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.

Performance Rights Plan

For information relating to Austin Engineering Limited's performance rights plan, including details of rights issued, exercised and lapsed during the financial year and the rights outstanding at the year-end, refer to note 32.

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 $90.535m at 30 June 2020 (30 June 2019: $121.216m). 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 2020 and 30 June 2019 are as follows:

		Consolidated entity	
	Notes	2020 $'000	2019 $'000
Total borrowings	17	9,388	26,676
Add leases formerly reported as finance leases	17	1,847	–
Less cash and cash equivalents	8	(19,243)	(6,858)
Net debt		**(8,008)**	**19,818**
Total equity		98,543	101,398
Total capital		**90,535**	**121,216**
Net gearing ratio		**(9%)**	**16%**

19 Equity – reserves

Share-based payments

The share-based payment reserve records items recognised as expenses on the valuation of director and employee 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.

20 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 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.

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 2020, 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 2019, 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 2020				
US dollar	(2,797)	(365)	2,797	365
Chilean peso	(2,360)	1,496	2,360	(1,496)
Indonesian rupiah	(1,834)	(81)	1,834	81
Colombian peso	(671)	434	671	(434)
Peruvian nuevo soles	(323)	167	323	(167)
Total	**(7,985)**	**1,651**	**7,985**	**(1,651)**
30 June 2019				
US dollar	(2,122)	(292)	2,122	292
Chilean peso	(2,692)	1,000	2,692	(1,000)
Indonesian rupiah	(1,642)	(78)	1,642	78
Colombian peso	(879)	297	879	(297)
Peruvian nuevo soles	(470)	50	470	(50)
Total	**(7,805)**	**977**	**7,805**	**(977)**

20 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 %	2020 $'000	Weighted Average Interest Rate %	2019 $'000
Cash	0.3	19,243	0.3	6,858
Financial liabilities	6.3	(9,388)	7.1	(26,676)
Net exposure to cash flow interest rate risk	-	9,855	-	(19,818)

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 $0.099m (2019: $0.198m). 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.

Definition of default

The Group considers information developed internally or obtained from external sources that indicate whether a debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group) as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet this criteria are generally not recoverable. Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is significantly past due unless the Group has reasonable and supportable information to demonstrate that a longer default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the customer;
- a breach of contract, such as a default or past due event;
- it is probable that the customer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other receivables:

The Group's exposure to credit risk for trade and other receivables as well as finance lease 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 as well as finance lease receivables is concentrated in this sector.

20 Financial risk management (continued)

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.

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.

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 revolving finance facilities, of which $10.374m were undrawn at 30 June 2020 (2019: $3.594m). The principal terms of repayment are detailed in note 17.

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 2020					
Trade and other payables	36,481	–	–	36,481	36,481
Financial liabilities	5,671	4,659	–	10,330	9,388
Lease liabilities	3,578	10,193	2,505	16,276	12,642
Total	**45,730**	**14,852**	**2,505**	**63,087**	**58,511**
At 30 June 2019					
Trade and other payables	36,847	–	–	36,847	36,847
Financial liabilities	19,095	9,282	912	29,289	26,676
Total	**55,942**	**9,282**	**912**	**66,136**	**63,523**

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.

21 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 2020 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 and other receivables

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

Receivables and other assets

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

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.

Unrecognised items notes

22 Contingent liabilities

From time to time, the Group receives legal claims from former employees. The Directors are of the opinion that the likelihood of economic loss for the Group from claims pending at reporting date is low and that the potential quantum of these claims is not material.

During the financial year, the Company received $3.678m as a forgivable loan under the Small Business Administration's Paycheck Protection Program (PPP) in the USA. As at 30 June 2020, $3.232m of expenditure relating to this loan was recognised as an offset against employment expenses in accordance with AASB 120 Accounting for Government Grants as it is probable that the Group will comply with the requirements for forgiveness. The remaining unspent portion of the loan has been recognised as a deferred income liability as at 30 June 2020.

Other than the matters noted above, and bank guarantees that are issued to third parties arising out of dealing in the normal course of business, there are no other contingent liabilities.

23 Capital and leasing commitments

	Consolidated entity	
	2020* $'000	2019 $'000
Finance and hire purchase lease commitments:		
Not later than one year	–	1,301
Between one year and five years	–	2,088
Greater than five years	–	375
	–	**3,764**
Minimum lease payments		
Less: future finance charges	–	(741)
	–	**3,023**

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	
	2020* $'000	2019 $'000
Operating leases commitments:		
Not later than one year	–	3,038
Between one year and five years	–	9,222
Greater than five years	–	3,869
	–	**16,129**

The Group has various property leases under non-cancellable arrangements expiring between 1 and 10 years with rent payable monthly in advance. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

* From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 16 and note 34 for further information.

Capital commitments

There was no significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities (30 June 2019: nil).

24 Events occurring after the reporting period

In August 2020, the Company signed legal agreements for a new $15 million working capital facility with Export Finance Australia, the terms of which are in line with traditional bank funding which represents a significant reduction in the overall cost of funding of facilities in place at reporting date. The new debt facility will replace existing facilities in Australia and the USA with Assetsecure and Bibby, respectively. The new 12 month facility is renewable for a further two years and is expected to be drawn in early September 2020.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Group have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures (such as social distancing and working from home) as well as securing the supply of materials that are essential to the production process.

At this stage, the impact on the Group and results has not been significant and based on experience to date it is expected to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do the utmost to continue operations in the best and safest way possible.

Please also refer to note 33.

Group structure notes

25 Interests in other entities

	Place of business/ country of incorporation	Percentage owned 2020	Percentage owned 2019
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Austin Engineering USA Holding, 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 Holding, Inc.			
Austin Engineering USA Services, 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 Austin Engineering USA Services, Inc.			
Austin Engineering USA, 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 Indonesia are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital, other than through normal dividends. The carrying amount of the assets included within the Group's financial statements to which these restrictions apply is $2.303m (2019: $0.868m). There are no other restrictions on exporting capital from any of the other foreign entities within the Group.

26 Deed of cross guarantee

At 30 June 2020 and 30 June 2019 there was no deed of cross guarantee entered into in relation to the debts of subsidiaries.

27 Parent entity financial information

Summary financial information

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

	2020 $'000	2019 $'000
Statement of financial position		
Current assets	101,107	87,702
Non-current assets	48,077	44,807
Total assets	**149,184**	**132,509**
Current liabilities	37,149	27,410
Non-current liabilities	7,489	2,790
Total liabilities	**44,638**	**30,200**
Net assets	**104,546**	**102,309**
Equity		
Contributed equity	153,958	153,927
Share-based payment reserve	915	213
Retained earnings	(50,327)	(51,831)
	104,546	**102,309**
Profit for the year	3,999	5,816
Other comprehensive income	–	–
Total comprehensive income	**3,999**	**5,816**

Contractual commitments for the acquisition of property, plant or equipment

There was no significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities (2019: nil).

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

Investments in subsidiaries

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial report of Austin Engineering Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Impairment of investments in subsidiaries by the parent entity is undertaken in the same manner as impairment of intangible assets as disclosed in note 15.

28 Cash flow information

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

	Consolidated entity 2020 $'000	Consolidated entity 2019 $'000
Profit/(Loss) for the year	5,185	(4,590)
Adjustment for		
Depreciation and amortisation	7,936	6,478
Impairment expense	68	3,997
(Profit) on disposal of property, plant and equipment	(2,445)	(1,536)
Share based payment expense	733	213
Change in operating assets and liabilities		
(Increase)/decrease in receivables	7,978	18,695
(Increase)/decrease in other assets	(4,167)	(3,323)
(Increase)/decrease in inventories	(7,033)	10,382
Increase/(decrease) in payables	11,164	(17,284)
Increase/(decrease) in income taxes payable and deferred	2,194	2,012
Increase/(decrease) in other provisions	2,480	(1,246)
Net cash inflow from operating activities	**24,093**	**13,798**

(b) Non-cash investing and financing activities

	2020 $'000	2019 $'000
Acquisition of plant and equipment by means of finance leases	1,351	2,055

(c) Net debt reconciliation

	2020 $'000	2019 $'000
Cash and cash equivalents	19,243	6,858
Financial liabilities – repayable within one year	(4,974)	(22,099)
Financial liabilities – repayable after one year	(4,414)	(4,577)
Lease liabilities – repayable within one year	(2,674)	–
Lease liabilities – repayable after one year	(9,968)	–
Net debt	**(2,787)**	**(19,818)**

	Cash and cash equivalents $'000	Lease liabilities due within 1 year $'000	Lease liabilities due after 1 year $'000	Financial liabilities – repayable within 1 year $'000	Financial liabilities – repayable after 1 year $'000	Total $'000
Net debt as at 30 June 2019	**6,858**	**–**	**–**	**(22,099)**	**(4,577)**	**(19,818)**
Recognised on adoption of AASB 16	–	(3,119)	(11,203)	598	1,786	(11,938)
Cash flows	11,648	2,630	–	9,814	3,019	27,111
Acquisitions on finance lease	–	(328)	(1,023)	–	–	(1,351)
Foreign exchange movements	737	100	378	1,813	258	3,286
Transfer in maturity category	–	(1,880)	1,880	4,900	(4,900)	–
Other changes	–	(77)	–	–	–	(77)
Net debt at 30 June 2020	**19,243**	**(2,674)**	**(9,968)**	**(4,974)**	**(4,414)**	**(2,787)**

	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 2018	**5,580**	**(39,149)**	**(12,335)**	**(45,904)**
Cash flows	1,281	21,389	3,460	26,130
Acquisitions on finance lease	–	(459)	(1,596)	(2,055)
Foreign exchange movements	(3)	1,635	379	2,011
Transfer in maturity category	–	(5,515)	5,515	–
Net debt at 30 June 2019	**6,858**	**(22,099)**	**(4,577)**	**(19,818)**

29 Remuneration of auditors

	Consolidated entity 2020 $	Consolidated entity 2019 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the Group	240,548	246,500
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	279,634	170,536
Taxation services (income tax return lodgment)	37,723	77,523
Corporate advisory services	–	68,850
	317,357	**316,909**
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	15,478	100,079
Taxation services (income tax return lodgment)	2,668	30,817
Other services	–	2,732
	18,146	**133,628**
Total auditors' remuneration	**576,051**	**697,037**

30 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 25.

Transactions with other related parties

There were no transactions with related parties in the 30 June 2020 or 30 June 2019 financial years.

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding amounts in respect to related parties (2019: nil).

31 Key management personnel compensation

	Consolidated entity 2020 $	Consolidated entity 2019 $
Short–term employee benefits	1,202,150	1,625,423
Post–employment benefits	68,976	67,162
Long–term benefits	269,798	70,323
	1,540,924	**1,762,908**

Detailed remuneration disclosures are provided in the remuneration report on pages 27 to 32.

32 Share-based payments

Equity settled share based payments form part of the remuneration of employees (including executives) of the Group. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of 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 fair value of performance rights with the relative EPS performance measure is calculated using the Black-Scholes pricing model, taking into account 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 net expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $0.733m (2019: $0.213m).

Performance rights

On 23 November 2018, the shareholders of the company voted to approve 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.

On 17 December 2018 the Managing Director and Senior Executives were granted 2,145,923 and 6,111,843 Performance Rights respectively. 6,541,028 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 30 June 2018 to 30 June 2021. The remaining 1,716,738 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2018 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2018. The grant of Performance Rights to Senior Executives did not require shareholder approval.

On 28 November 2019 the Managing Director and Senior Executives were granted 3,151,515 and 9,200,420 Performance Rights respectively. 9,927,693 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 30 June 2019 to 30 June 2022. The remaining 2,424,242 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2019 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2019. The grant of Performance Rights to Senior Executives did not require shareholder approval.

The Performance Rights were granted on the terms and conditions of the Company's Performance Rights Plan and vesting details are set out below:

Grant Date	Performance Conditions	Performance Period	Test Date	Number of Rights	Expiry Date
17 Dec 2018	EPS and TSR	30 Jun 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,368	17 Dec 2023
28 Nov 2019	EPS and TSR	30 Jun 2019 to 30 Jun 2022	30 Jun 2022	9,927,693	28 Nov 2024
28 Nov 2019	Tenure	28 Nov 2019 to 30 Sep 2022	30 Sep 2022	2,424,242	28 Nov 2024
		Cancellations and conversions		(3,048,147)	N/A
Total				**17,561,554**	

On 10 October 2019, 85,837 performance rights were converted into 85,837 ordinary shares at an exercise price of nil. On 16 October 2019, 85,837 performance rights were converted into 85,837 ordinary shares at an exercise price of nil. Both of these conversions were made in accordance with the terms of the Group's performance rights plan.

32 Share-based payments (continued)

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

	2020 No.	Weighted Average Exercise Price 2020 $	2019 No.	Weighted Average Exercise Price 2019 $
Outstanding at beginning of year	7,828,581	–	519,353	–
Granted	12,351,935	–	8,257,766	–
Expired	–	–	–	–
Exercised	(171,674)	–	–	–
Forfeited/lapsed	(2,447,288)	–	(948,538)	–
Outstanding at end of year	**17,561,554**	**–**	**7,828,581**	**–**
Total exercisable at end of year	**171,674**	**–**	**–**	**–**

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

Grant date	Performance rights	Expiry date	Exercise price	Share price Grant date	Est. volatility	Risk free interest rate	Weighted average fair value rights granted	Fair value of rights TSR	EPS	Tenure
17/12/18	EPS & TSR	17/12/23	–	$0.195	60%	1.98%	$0.132	$0.081	$0.183	N/A
17/12/18	Tenure	17/12/23	–	$0.195	60%	1.98%	$0.183	N/A	N/A	$0.183
28/11/19	EPS & TSR	28/11/24	–	$0.200	50%	0.62%	$0.120	$0.065	$0.174	N/A
28/11/19	Tenure	28/11/24	–	$0.200	50%	0.62%	$0.173	N/A	N/A	$0.173

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.

33 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 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

Going Concern/COVID-19

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 course of business.

This year there are two specific items that the Directors contemplated in arriving at this conclusion:

1. Financing arrangements supporting the Group's operations in Australia and USA. Financing facilities in Australia and USA in place at reporting date were due for expiry in November 2020, and whilst the Group had cash balances in excess of financing facilities (excluding property leases) at reporting date there is a need to retain working capital financing facilities to support liquidity in these regions. As detailed in note 24, the Group has agreed a refinance of these facilities in August 2020 on favourable terms with Export Finance Australia that were commercially agreed prior to balance date. These new financing facilities provide the business with improved liquidity relative to the facilities that existed at the reporting date; and
2. COVID-19 has impacted the business in regard to performance during the financial year as detailed in the Financial Review section to this Annual Report. Whilst an impact to the business was felt with the temporary closure of operations in Peru and Colombia during the year, the overall impact is not material to the going concern conclusion.

Considering the above, 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.

34 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) Application of new and revised accounting standards

The Group has applied the following standards for the first time for the annual reporting period commencing 1 July 2019:

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments

The group had to change its accounting policies as a result of adopting AASB 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019, as disclosed below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

In the current year, the Group has applied AASB 16 Leases ("AASB 16") for the first time.

AASB 16 supersedes AASB 117 Leases ("AASB 117"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group adopted AASB 16 using the modified retrospective method of adoption with 1 July 2019 being the date of initial application. Under the modified retrospective method of adoption, the Group has adjusted only the current year as though AASB 16 had always been applied with no restatement being made to prior period comparative information. Opening retained earnings as at 1 July 2019 has been adjusted to account for the cumulative impact of applying AASB 16 to the Group's financial statements.

34 Summary of significant accounting policies (continued)

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- property, plant and equipment – decrease by $2.580m
- right-of-use assets – increase by $10.742m
- deferred tax assets – increase by $1.126m
- trade and other payables – increase by $0.365m
- financial liabilities – decrease by $2.384m
- lease liabilities – increase by $14.322m

The net impact on retained earnings on 1 July 2019 was a decrease of $3.015m. A reconciliation from note 22 of the 30 June 2019 annual report is as follows:

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	16,129
Effect of discounting using the lessees incremental borrowing rate at the date of initial application	(4,064)
Operating lease commitments discounted using the lessees incremental borrowing rate at the date of initial application	**12,065**
Add: finance lease liabilities recognised as at 30 June 2019	3,023
(Less): Finance lease liabilities associated with assets held for sale	(639)
(Less): Short term leases recognised on a straight-line basis as expense	(127)
Lease Liability recognised as at 1 July 2019	**14,322**
Of which are:	
Current lease liabilities	3,119
Non-current lease liabilities	11,203
	14,322

Impact of the new definition of a lease

The Group has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases, applying AASB 117 at the date of initial application. Therefore, the definition of a lease in accordance with AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease will continue to be applied for those leases entered into or modified before 1 July 2019.

The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and the lease contracts for which the underlying asset is of low value ('low-value assets').

The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group;

(i) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

(ii) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(iii) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within occupancy and utility expenses in the consolidated statement of profit or loss and other comprehensive income.

34 Summary of significant accounting policies (continued)

Determination of the appropriate rate to discount the lease payments

The Group estimated the incremental borrowing rates applicable to the lease portfolio, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, by using a country and asset risk adjusted rate depending on the location and nature of the asset.

The weighted average incremental borrowing rate applied to leases across the group was 8.32%.

Impact on lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as AASB 117.

Financial impact of the initial application of AASB 16

The Group holds Property Leases and Equipment Leases. The tables below show the impact AASB 16 has had on the financial year ended 30 June 2020:

	Financial Year 2019/2020		
	Pre-Application of AASB 16 $'000	Impact of AASB 16 $'000	As Reported $
Impact on the Consolidated Statement of Profit or Loss For the year ended 30 June 2020			
Depreciation expense	(5,124)	(2,130)	(7,254)
Finance costs	(2,326)	(979)	(3,305)
Occupancy and utility expenses	(7,120)	3,292	(3,828)
Profit before income tax from continuing operations	**8,869**	**183**	**9,052**
Earnings per share:			
Basic earnings per share from continuing operations (cents)	0.75	0.03	0.78
Diluted earnings per share from continuing operations (cents)	0.74	0.03	0.77

	Financial Year 2019/2020		
	Pre-Application of AASB 16 $'000	Impact of AASB 16 $'000	As Reported $
Impact on the Consolidated Statement of Financial Position as at 30 June 2020			
Right-of-use asset	–	9,688	9,688
Property, plant and equipment	50,297	(3,022)	47,275
Deferred tax asset	8,869	1,067	9,936
Total assets	**172,708**	**7,733**	**180,441**
Current liabilities			
Lease liabilities	–	(2,674)	(2,674)
Financial liabilities	(5,524)	707	(4,817)
Non-current liabilities			
Lease liabilities	–	(9,968)	(9,968)
Financial liabilities	(5,555)	1,141	(4,414)
Total Liabilities	**(71,104)**	**(10,794)**	**(81,898)**
Net assets/(liabilities)	**101,604**	**(3,061)**	**98,543**

34 Summary of significant accounting policies (continued)

	Financial Year 2019/2020		
	Pre-Application of AASB 16 $'000	Impact of AASB 16 $'000	As Reported $
Impact on the Consolidated Statement of Cash Flows For the year ended 30 June 2020			
Cash flows from operating activities			
Payments to suppliers and employees	(237,890)	3,292	(234,598)
Finance costs	(3,239)	(979)	(4,218)
Net cash provided by operating activities	**21,726**	**2,313**	**24,093**
Cash flows from financing activities			
Repayment of lease liabilities	–	(2,630)	(2,630)
Repayment of borrowings	(22,783)	317	(22,466)
Net cash (used in) financing activities	**(13,150)**	**(2,313)**	**(15,463)**
Net increase in cash and cash equivalents	**11,648**	**–**	**11,648**

The group accounting policies for leases are disclosed in note 16.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) 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 report.

(d) 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 where 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 an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial report 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 Consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated statement of profit or loss on a net basis within other gains/(losses).

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 at fair value through other comprehensive income are recognised in other comprehensive income.

34 Summary of significant accounting policies (continued)

(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 Consolidated statement of profit or loss and other 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.

(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

Austin Engineering Limited is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial report. Amounts in the Financial report 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.

Directors' declaration

In the Directors' opinion:

(a) the Financial report and notes set out on pages 38 to 79 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 2020 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 Austin Engineering Limited will be able to pay its debts as and when they become due and payable.

Note 34 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.

J B Walker

Jim Walker
Non-Executive Chairman

27 August 2020
Brisbane

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020 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 (including Independence Standards)* (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.

Revenue recognition

Key audit matter	***How the matter was addressed in our audit***
Refer to Note 2 of the financial report. Revenue is generated from multiple streams including the sale of goods as well as the rendering of services to the mining industry. The timing of revenue recognition differs, with sale of goods recognised at a point in time and rendering of services recognised over time. This area is a key audit matter as revenue is one of the key drivers to the Group's performance and there is a significant volume of transactions included in revenue.	Our audit procedures included but were not limited to the following: • Assessing the Group's revenue recognition policy's for compliance with AASB 15 Revenue from Contracts with Customers • Selecting samples of services rendered and sale of goods recognised as revenue and agreeing to signed customer contracts, purchase orders, supporting invoices and job completion reports • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period • Analytical procedures on all significant revenue streams on a disaggregated basis and comparing the performance against expected trends and the prior year • Assessing the adequacy of the Group's disclosures within the financial statements, in particular the disaggregation of revenue.

Impairment assessment

Key audit matter	***How the matter was addressed in our audit***
Refer to note 14 and 15 of the financial report. No impairment taken up during the year relating to property, plant and equipment and intangible assets recognised as at 30 June 2020. Given the level of complexity and the judgement exercised by the Group in determining the recoverable amount of each Cash Generating Unit (CGU) and calculating the impairment charges, this area is a key audit matter.	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 • 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, existing and current contracts, economic and industry forecasts. We also assessed that

The impact of COVID-19 on inputs used in management's assessment required significant auditor attention.	management has considered the impact of COVID 19 in their EBITDA forecast, WACC and other input used within the model. 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 valuation assumptions and judgements used to determine they were reasonable and reflective of the current economic situation and impact of COVID in the industry.

US PP Loan Forgiveness

Key audit matter	***How the matter was addressed in our audit***
Refer to Note 2 of the financial report. We considered this area to be significant for our audit due to the level of uncertainty and judgement exercised by the Group in assessing its eligibility for the loan and the likelihood of it being subject to repayment if forgiveness is found to be ineligible in the future based on the discretion of the United States federal government.	Our audit procedure included but were not limited to the following: • Reviewing the loan guidance (as published on the United States Treasury website) and the Company's loan agreements. • Reviewing the eligibility requirements based on the published Small Business Administration (SBA) guidelines. • We reviewed the company loan calculator and performed an Independent recalculation to confirm the accuracy of the amount borrowed.

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 2020, but does not include the financial report and the auditor's report thereon.

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in or pages 27 to 32 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 27 August 2020

Shareholder information

As at 16 August 2020

A. Distribution of equity securities

	Number of shareholders	Number of shares
1 - 1000	740	216,970
1,001 - 5,000	646	1,788,216
5,001 - 10,000	339	2,673,250
10,001 - 100,000	841	32,177,706
100,001 and over	261	542,149,288
	2,827	**579,005,430**

B. Substantial holders at 16 August 2020

	Number held	Percentage
Thorney Investments	140,585,550	24.3%
Perennial Value Management Ltd	86,739,207	15.0%
Spheria Asset Management Pty Ltd	70,940,105	12.3%
LIM Advisors Ltd	34,750,036	6.0%
Moelis Australia Asset Management	29,247,927	5.1%

C. Voting rights

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

D. Twenty largest shareholder at 16 August 2020

	Number of ordinary shares held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	184,229,582	31.82%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	54,070,335	9.34%
UBS NOMINEES PTY LTD	51,227,412	8.85%
NATIONAL NOMINEES LIMITED	44,371,191	7.66%
CITICORP NOMINEES PTY LIMITED	29,844,352	5.15%
BNP PARIBAS NOMS PTY LTD <DRP>	22,713,582	3.92%
TRANSFIELD FINANCE PTY LTD	22,222,222	3.84%
S J QUINLIVAN PTY LTD	17,982,453	3.11%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,395,432	1.28%
MR PETER HOWELLS	5,431,197	0.94%
ACE PROPERTY HOLDINGS PTY LTD	3,800,000	0.66%
NIGHBEACH PTY LTD <TESKANTAS SUPER FUND A/C>	3,200,000	0.55%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,798,826	0.48%
UPTON TRADING PTY LTD	2,701,487	0.47%
DEPOFO PTY LTD <SUPER A/C>	2,150,000	0.37%
MR PETER LOUIS PURSEY + MRS HELEN ELIZABETH PURSEY <THE PURSEY SUPER FUND A/C>	2,075,232	0.36%
DEPOFO PTY LTD <ORDINARY A/C>	2,003,942	0.35%
SOUTHERN STEEL INVESTMENTS PTY LIMITED	1,925,000	0.33%
MR STANLEY JAMES QUINLIVAN + MRS FRANCES MARIE QUINLIVAN <FRANKSTON SUPER FUND A/C>	1,815,000	0.31%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,693,694	0.29%
	463,650,939	**80.08%**

E. Additional information

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

Company information

Principal Place of Business and Brisbane Office
Kings Row 1, Level G
52 McDougall Street
Milton, QLD 4064
P: +61 7 3273 8600
F: +61 7 3271 3689

Principal Australian Operations

Queensland
Mackay
Austin Mackay
56 Len Shield Street
Paget, QLD 4740
P: +61 7 4952 4533
F: +61 7 4952 4687

Aust Bore Pty Ltd
12-16 Progress Drive
Paget, QLD 4740
P: +61 7 4952 6222
F: +61 7 4952 6223

Western Australia
Perth
Austin WA
100 Chisholm Crescent
Kewdale, WA 6105
P: +61 8 9334 0666
F: +61 8 9359 2390

International Operations

USA
Austin Engineering USA, Inc.
415 First Street
Mills, Wyoming, 82644
P: +1 307 235 6475
F: +1 307 235 3306

Chile
Austin Ingenieros Chile Ltda
Camino a la Minera No.254
La Negra, Antofagasta, Chile
P: +56 55 2 657400

Peru
Austin Engineering Peru S.A.C
Calle Los Tulipanes No. 147
Edificio Blu Building,
Oficina 901, Piso 9
Santiago de Surco, Lima, Peru
P: +51 1 6344400

Colombia
Austin Ingenieros Colombia S.A.S
Calle 4, No. 11 Sur-85
Municipio de Malambo
Depto. Atlantico, Colombia
P: +57 5 3819333

Indonesia
PT Austin Engineering Indonesia
Jl. Mas Surya Negara Kav.B2
Kawasan Industrial Terpadu Kab Batu
Besar Nongsa, Batam, 29467
P: +62 778 711 999

Share Registry
Computershare Investor Services
Level 1, 200 Mary Street
Brisbane, QLD 4101
P: +61 7 3237 2100

Lawyers
Coors Chambers Westgarth
111 Eagle Street
Brisbane, QLD 4000

Auditors
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane, QLD 4000

Principal Bankers
Commonwealth Bank of Australia
Commonwealth Bank Building
240 Queen St,
Brisbane, QLD 4000

Company Secretaries
Rochelle Oberholzer
Sophie Raven

Stock Exchange
Australian Securities Exchange

ASX Code
ANG

Website
www.austineng.com

ABN
60 078 480 136

austin
www.austineng.com