Annual Report 2023

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Group Overview

Austin Engineering Limited ("Austin") is a leading global designer and manufacturer of customised loading and hauling solutions, including truck trays, buckets, water tanks and other equipment used in the mining industry.

We partner with mining companies, mining services companies, and original equipment manufacturers to create innovative engineering solutions that deliver productivity and safety improvements to multi-commodity open-cut and underground operations

With a presence in the world's principal mining regions, Austin provides high-quality, cost-effective solutions, and a complete service through the product's life cycle, offering on and off-site repair and maintenance, and spare parts.

Austin's products can create more sustainable mining operations by delivering the lowest cost per tonne to end users, reducing fuel and tyre usage per material carried, and maximising profitability for our clients.

FY 2023 Highlights

Corporate

- Austin 2.0 strategy delivers strong order book and revenue improvements across all operating regions.
- Investment in Batam, Indonesia and La Negra, Chile manufacturing operations increases manufacturing capacity.
- Indonesia introduced as manufacturing and global export hub.
- Mainetec acquisition and integration completed.
- AustBuy bulk procurement program launched, increasing purchasing power for steel and other inputs.

Our vision

- To be the global market leader in providing customised loading and hauling products to the mining industry.
- To provide the best engineering solution for clients' specific needs across a broad product range, supporting open-cut and underground applications.
- To put the needs of the client and innovation at the core of our business, supported by world-class engineering, manufacturing and quality.
- To protect and enhance the long term sustainability of the business through our environmental, social and governance targets, and supporting the communities around us.
- To remain at the forefront of new technologies and take an innovation-led approach to all aspects of the business.

Delivering returns for our clients, our people, and our shareholders

Global reach

We are headquartered in Perth, Western Australia and have manufacturing sites located in Australia, North America, Indonesia and South America. Our engineering and design centres in Australia and North America form one global engineering operation focused on research and development for new, innovative products. We have the largest global footprint of manufacturing facilities of any dedicated customised off-highway truck body and bucket provider, and an extensive global partner network to ensure the delivery of exceptional customer service.

Where we operate

Operations

- FY23 order book up 35% year-on-year.
- High Performance Truck Tray (HPT) launched, recording 150 sales in FY23.
- Specialist bucket facility established in Perth, increased and improved Austin and Mainetec bucket range.
- First Mainetec bucket sold internationally to US customer.
- First tray order received from India, representing a new market opportunity.
- Truck tray and bucket revenue accounted for 65% of total sales.
- Bucket revenue rose by 110% year-on-year.
- Workshop established in Indonesia for underground products, including chutes.
- Mainetrack condition monitoring software updated for roll out on trays in addition to buckets.
- Strong revenue and profit performance in North America.
- Strong revenue performance in South America due to expansion and moving focus to design and manufacture in addition to service operations.
- Revenue increase in Australia despite weakness in Perth-based operation due to labour constraints.
- FY24 order book 50% of forecast revenue versus 42% at same point in FY23.

Financial

- Group revenue up 27% to $258.3 million.
- Revenue growth recorded across all operating regions.
- EBITDA:
  - o Normalised $31.3 million
  - o Statutory $20.3 million
- NPAT
  - o Normalised $18.1 million
  - o Statutory $7.1 million
- Cash inflows from operations increased to $15.8 million.
- Mainetec business contribution to APAC revenue of $32.2 million.

Chair's Letter

Jim Walker

Dear Shareholders,

On behalf of the Board, I am pleased to present Austin Engineering Limited's ("Austin's") Annual Report for 2023. It has been a year of good progress for Austin, particularly operationally, and we have advanced our platform for robust and sustainable future growth. This achievement comes amid an environment where inflationary headwinds and labour constraints were prevalent across the mining sector.

Guided by the vision of our Austin 2.0 strategy, we have been able to shield the business from some of the volatility and pressures the mining equipment sector has faced. Two of the most pervasive challenges stemming from this volatility have been the highly inflated price of steel and a very tight labour market in our key Australian operating market.

Our team was able to reconfigure our supply chain to meet these challenges by commencing the roll out of our global AustBuy bulk procurement program and the expansion of operating capacity at our Batam facility in Indonesia to ease labour pressures, particularly in Australia and the US. Batam's expansion has given us the financial flexibility to retain our strong, locally based expertise and presence in Australia.

AustBuy and the growth of our Indonesian manufacturing hub are the single biggest strategic changes we've made in our business for many years, creating a deflationary impact at a time of an inflationary market. Through AustBuy we are implementing a well-structured procurement process that takes advantage of the global nature of the business to keep our costs down. Through the major expansion and upgrade of our Batam hub, we have a lower cost, high production base from which we can export products globally and provide ramp up support to our other facilities. Notably, for the first time ever our US capacity is being augmented by our Batam operations, highlighting how Austin as an integrated company is using its scale to create advantage.

Crucially, the business is yet to fully realise the material price benefits of our AustBuy program and Indonesian expansion. This substantial latent value potential, in conjunction with an increasingly high level of repeat business and strong order book, will underpin our platform for robust and sustainable growth in FY24 and beyond.

Despite global inflationary pressures, mining product demand remains strong and is expected to remain remarkably resilient over the long-term, rather than just existing in a short-term boom. This is buoyed by the rapid rise of electrification increasing need for critical minerals and base metals, and energy insecurity in Europe heightening the need for a stable supply of traditional energy sources. These factors have offset lower industrial demand, and labour shortages have weighed on overall industrial output, further strengthening the overall demand profile.

Furthermore, our core offerings are wear products, which are required throughout the mining cycle irrespective of market fluctuations.

We have continued to enhance our focus on sustainability to position Austin as a leading provider of greener, more sustainable mining solutions that are safer, increase productivity and lower emissions.

Austin made substantial and tangible positive progress on this key objective during FY23, driven by the launch of new lighter weight, more efficient products designed to reduce steel requirements, increase payload, and minimise fuel and tyre usage.

The health and safety of our people is another core part of Austin operating sustainably. We run a number of programs aimed at ensuring the safety, health, and wellbeing of all of our staff. This includes our company-wide LIFE Saving Controls safety program, and the 'Buckets, Bodies and Benefits' (BBB) program, that offers access to health and wellbeing services. Whether it's our operations in Australia, Indonesia, Chile, or the US, we have the same resolute commitment to a safety-first approach.

Over the past year, we have continued to offer our apprenticeships and traineeship programs. In the year, we took on 14 apprentices, a 75% increase from FY22. All of our apprentices are offered full time, permanent roles in the Company. Coinciding with the Batam expansion has been an increase in training and upskilling programs beyond mandatory programs. Our Quality Control (QC) welding program in Indonesia is proving a great success with the latest team undertaking training at The Welding Institute. Through our in-house welding training program, we have recently employed a group of female welders, and we also have a number of female QC Inspectors working at our Indonesian operations.

Enhancing the gender diversity across our organisation at every level is a key initiative we are striving to achieve. We were pleased to welcome our first female director to the Board during FY23, with the highly-credentialled Linda O'Farrell joining as a non-executive director. Linda has held senior roles across major resources companies including Newcrest, BHP, Mount Gibson Iron and Fortescue Metals Group. She has already provided valuable contributions to the Austin Board.

I encourage you to read our standalone Sustainability Report to get a complete picture of the ESG initiatives we are undertaking and how they are benefiting, and will continue to benefit, Austin and the communities we operate in.

Austin has entered the new financial year backed by a strong order book, with a robust pipeline of work in the US. We believe that this is a sign that more companies in US are pivoting to the Australian focus on lighter weight customised trays that Austin has built its business around. Additionally, following the Mainetec acquisition we have enhanced our focus on buckets, as we believe the acquisition gives us significant scope for market share improvement, particularly for larger and more complex buckets.

On behalf of the Board, I would like to conclude by thanking our team, capably led by our Managing Director David Singleton. The commitment and substantial contributions of all our people this year has positioned us for a new phase of growth.

And finally, I would like to thank our shareholders for your continued support. FY24 is shaping up to be a big year for Austin and I look forward to updating you on our progress.

J. A. Walker

JIM WALKER
Chair

Managing Director's Report

David Singleton

The 2023 financial year was marked by the full implementation of our Austin 2.0 strategy, which is delivering customer and sales growth opportunities in all of our operating regions, and further integrating our global business units.

From our original steps in 2021 to consolidate the business, optimise costs and improve margins, we have since undertaken major facility upgrades and deployed advanced manufacturing processes to increase our production capacity and competitiveness in the market. We have also made strides in increasing efficiencies of our products, in respect to production, safety, and decarbonisation.

Through our engineering capabilities, combined with technology and innovation, we are delivering bespoke solutions to meet the specific requirements of our customers. Manufacturing leadership initiatives under Austin 2.0 have allowed us to provide better assurances to customers on timing, delivery, and costs, while strengthening our order book in all business units. We have successfully bolstered the resilience of the business against the global supply chain pressures faced by the sector including labour shortages and procurement risks.

A key achievement in FY23 has been the streamlining of our bulk procurement processes for steel and other materials through the establishment of our AustBuy program. AustBuy leverages our scale in the mining equipment market by sourcing materials in bulk globally and is a key differentiator for us in our markets.

Under AustBuy, we are delivering centrally sourced steel plate directly from mills around the world to all of our operating regions outside the US (due to tariff restrictions). We have purchased substantial amounts of Australian-made, high quality quench and tempered steel for use in all of our manufacturing hubs, especially Indonesia. Late in FY23, Chile and Mainetec were incorporated into the program, with the benefits expected to show in FY24.

Another achievement in manufacturing leadership has been the investment in and growth of the Indonesian operations in Batam, which are serving as a central point of our Austin 2.0 hub and spoke strategy. Batam has been transformed into a high quality, high capacity, and lower cost fabrication site, which is manufacturing our products for customers in Asia Pacific and North America.

The timing of the Batam expansion, which completed in early CY23, has proven optimal in allowing the business to offset labor constraints and costs in the most impacted of our operational areas such as Australia, the US and, increasingly, Chile.

The expansion coincided with freight costs returning to pre-pandemic levels, further enhancing the economics of using Batam as a major manufacturing base. FY23 saw fully and partially built trays delivered directly to customers in Western Australia's (WA) mining hub, the Pilbara, and to customers in Queensland. We are manufacturing trays in Batam for delivery into the US both as fully complete, and partially complete, which will be assembled in our Caspar facility.

Order book growth and the doubling of capacity in Indonesia has seen sales in that region increase 50 percent year-on-year, and we see further revenue growth in that business unit as a result of the aforementioned manufacturing and delivery approach.

Our design and innovation function has encompassed development of our product range to increase production, safety, and environmental benefits. In FY23 we introduced the WA-designed and manufactured, ultra-lightweight High Performance Truck Tray (HPT). The HPT takes less steel to manufacture and can carry additional ore tonnes per annum due to its lighter weight and increased volume efficiency. The HPT's advantage sees a decline in overall fuel and tyre usage and reduces carbon emissions per tonne of ore delivered.

We are delivering the HPT to a number of major customers and expect to increase orders as part of new fleet and replacement programs.

Buckets sales have also increased in FY23 thanks to investments into product suite improvement and expansion. We invested in our JEC range of high performance (HP) buckets that are lighter weight and can be operated without heavy liner packages. A catalyst for our 2022 acquisition of Mainetec was to grow our mining bucket business. We are integrating Mainetec's range of buckets into our international offering and have sold the first dipper bucket into North America. We are working on several further opportunities as we internationalise the brand.

We have also integrated Mainetec's cutting-edge wear monitoring software, Mainetrack, onto our bucket range and, through the year, reconfigured it for application on trays. Mainetrack gives customers a precise picture of the health of our equipment, enabling a more accurately timed equipment replacement cycle.

Across our business units, we have recorded outstanding growth in the US, with North America reporting a record order book at the end of FY23. The US market's appetite for lightweight, high performance trays has increased due to the operational efficiencies and environmental advantages. Labour shortages in the US have also reduced the capacity, and inclination, of miners to make onsite repairs to long life trays.

Our South American unit has also continued to strengthen following a number of years of low returns. We see increasing business development opportunities in this region especially in the copper industry, which is experiencing significant annual demand increases due to electrification. A major upgrade to our manufacturing facility at La Negra in FY23 assisted the unit's growing revenue, which is projected to continue to strengthen.

As mentioned, the Asia Pacific region has been boosted by increased capacity in Indonesia, which has helped keep costs down and meet order timeframes. We established a specialist bucket facility in Perth, WA, which brings together the full Austin and Mainetec bucket range and sets us up to be a market leader in this area.

Efforts to secure new and repeat customers under Austin 2.0 has led to a continually improving order book and pipeline. After the strength of FY22 end-year order book, which was 50 percent higher than FY21, we have kept that momentum in FY23.

For the first time, we have included data on our level of recurring revenue in the business in our financial reports. With stability across our business units, we have a high recurring revenue base from long term customers in all markets across the globe. We have done this through the creation and installation of a large base of reliable and high performing products. Our continuous investment in product development means that we continue to redefine the benefits of customised trays and mining buckets.

Our Austin 2.0 strategy is robust and is delivering the outcomes we wanted operationally and financially. It continues to be the base upon which we will grow the company.

We welcomed two new members to the executive team in FY23. CFO David Bonomini joined us in November 2022, and Vincent D'Rozario was appointed as company COO in January 2023. David and Vince were carefully selected to provide the management team with the skills needed for our next phase of development and are making strong contributions to Austin.

We have ended the year with an expanding and dedicated team of more than 1200 people who have helped navigate the challenges of the business. Their commitment and innovation are the reasons for our success, and I'm very proud of all we have achieved. We have worked hard to promote a strong culture around workplace health, safety, and wellbeing, and to give our valued employees opportunities to grow their careers at Austin. We are proud to release our second Sustainability Report in conjunction with our FY23 Annual Report, which outlines our approach to sustainability, diversity and inclusion.

The team and I are looking forward to the year ahead and delivering on our targets to ensure the continued success of the business.

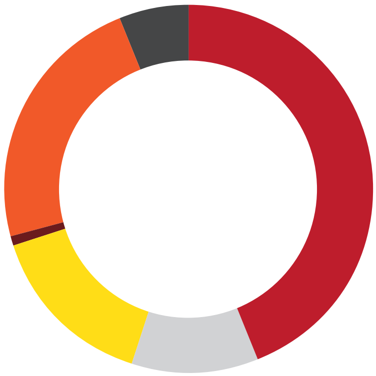
DAVID SINGLETON
Managing Director and Chief Executive Officer

Operational Overview

Asia Pacific

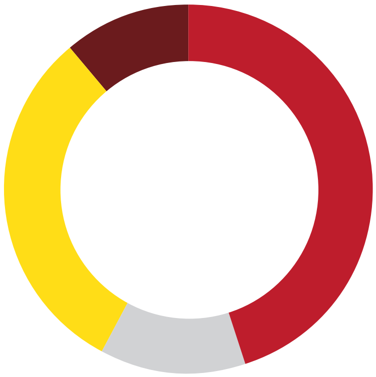
Asia Pacific ($ million)	FY23	FY22	Change
Revenue	141.9	107.5	32.0%

Revenue by commodity



	FY23	FY22
Iron Ore	**44%**	49%
Coal - Met	**11%**	12%
Coal - Thermal	**15%**	3%
Copper	**1%**	29%
Gold	**23%**	7%
Other	**6%**	0%

Revenue by product/service type



	FY23	FY22
Bodies	**45%**	59%
Buckets	**13%**	10%
Other products	**31%**	16%
Shop maintenance / repairs	**11%**	12%
Other services	**0%**	3%

The Asia Pacific (APAC) region recorded another strong year of growth, supported by the integration of the Mainetec business, new product sales, order book strength, repeat business, and a capacity expansion and upgrade to the Indonesian based manufacturing centre in Batam. There was performance weakness in the West Australian operations due to labour constraints.

APAC's operations contributed 55% of business revenues to the Group in FY23. The region delivered a 32% increase in revenue to $141.9 million from $107.5 million the previous year.

Stability as well as growth is a feature of the APAC business, with 89% of revenue in the region attributed to recurring revenue, including 10% for spares.

The benefits of the 2022 Mainetec acquisition are flowing into the business, with Mainetec contributing $32.2 million in revenue through a combination of sales of new high-performance buckets and also repairs/refurbishment to existing buckets. The acquisition of Mainetec has enabled the introduction of new buckets into the business and represents growth through diversification of one of our core business areas. Buckets are being offered into all of Austin's markets, with the first order received from a US customer for the newly improved high-performance Armadillo electric rope shovel dipper bucket.

Investment in new product design and engineering also resulted in the release of the High Performance Truck Tray (HPT) in the year. With its operational and environmental benefits, the lightweight HPT has recorded 150 sales to date, and is being well received as one of the most innovated and best designed trays in the market.

Revenue in Indonesia increased by 51% in FY23. Revenues in this business unit have increased 2.7 times in two years, on the back of the expansion and upgrade of the Batam facility to create a central, advanced manufacturing hub. This has been crucial to the advancement of our Austin 2.0 strategy and, today, Indonesia can manufacture Austin's full suite of products, at improved margins, and deliver to the whole APAC region along with Europe, Middle East and Africa (EMEA) and, in FY24, the Americas. The completion of the upgrade in H2 FY22 allowed Austin to start redeploying some manufacturing from Australia and the US to Indonesia at a time when labour shortages have been particularly critical in those regions.

APAC was impacted by the constrained labour market in Western Australia and delayed customer orders. The awaited tray orders were received in May 2023, and included some further orders under that contract. The trays are being manufactured in Batam and most of the revenue will be booked in FY24.

Western Australia

During the year, Austin established a specialist bucket manufacturing facility in Perth following the full integration of Mainetec, which comprises new bucket manufacture and repairs. The Western Australian bucket business was driven by repeat business for new build buckets, which constituted 80% of the work. The remaining 20% of the bucket work included repair and refurbishment.

The overall volume for both new build and repair/refurbishment work for trays and buckets was constrained by shortages of qualified trades, however, Austin sees significant growth ahead for its bucket business, including further export of buckets to international markets. Austin will continue to increase manufacturing of trays in Indonesia to free up capacity in Australia for bucket builds and repairs, and to continue to manage labour shortages. Short term migration visas are expected to help alleviate the labour pressures in this region.

Eastern Australia

The acquisition of the Mainetec business solidified Austin's presence in, and service to, markets on Australia's East Coast, with the Mainetec Mackay facility augmenting the established manufacturing hub in Batam. Austin has been able to leverage improved margins by manufacturing trays in Batam and shipping them directly to the East Coast for final assembly by an affiliate partner in NSW.

The Mainetec business in Mackay has performed strongly as per acquisition expectations for both new build and repair/refurbishment work. Customer orders for Mainetec's high performing bucket range have grown across Australia, with repeat orders in place. Austin is growing its international bucket sales, encouraged by the sale of the Mainetec Armadillo dipper bucket into the US market in the year.

Indonesia

Austin Indonesia performed strongly with a 51% increase in revenue compared to the previous year.

The advanced manufacturing program implemented in Indonesia under the Austin 2.0 strategy has delivered significant gains with respect to improvement in safety, quality and efficiency leading to strong margin growth and increased customer orders across the world. Customer turnaround times have improved with automation in the facility able to reduce build times.

The Indonesian business has simultaneously helped in picking up manufacturing overflow from other regions and to circumnavigate ongoing labour shortages in other operating jurisdictions like Australia and the US. Reduced shipping rates have also allowed Indonesia to become a key global export hub for Austin's products. It has the lowest operating costs of Austin's business units, and its large, scalable workforce has improved Austin's competitiveness in the market.

The Indonesian business is able to produce Austin's range of trays and buckets. In the year, Batam won orders and delivered product across APAC as well as EMEA. The resumption of freight rates to pre-pandemic levels will allow Austin to export product to the Americas region as well.

Austin also opened a second workshop in Batam during the year, which is dedicated to manufacturing underground mine shaft chutes and tyre handlers. A mine shaft chute customer has since placed a repeat order and it is another way Austin is diversifying its product base and revenue streams across the business.

During the year, more than 20 tyre handing units were manufactured, with most of those sold in the period.

The Batam facility production capacity in FY23 increased from 10 truck bodies per month to over 20 units. Further enhancements to the manufacturing process systems and tools will see the facility produce over 30 truck bodies in the near future, which will allow it to extend its manufacturing hub service to Austin's North and South American business units.

North America

North America ($ million)	FY23	FY22	Change
Revenue	75.3	66.7	12.9%

Revenue by commodity

	FY23	FY22
Iron Ore	**22%**	14%
Coal - Met	**30%**	37%
Coal - Thermal	**11%**	9%
Gold	**15%**	10%
Oil	**19%**	14%
Other	**3%**	18%

Revenue by product/service type

	FY23	FY22
Bodies	**88%**	94%
Other products	**12%**	6%

North America's performance was the strongest in the Group, delivering 29% or $75.3 million of business revenue in FY23, representing a 12.9% increase in revenue over the previous year. The North American market is very mature with key blue-chip customers across the US, Canada and Mexico continuing to provide repeat business. 96% of the business in North America can be attributed to recurring revenue (including 2% for spares).

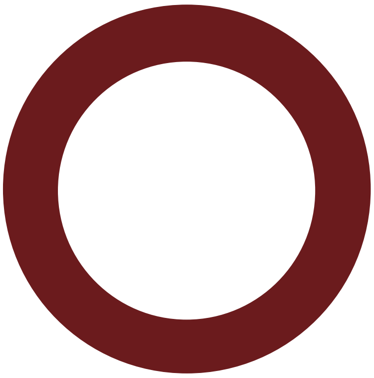
Part of the strategy of the acquisition of the Mainetec business was to leverage its innovative bucket designs into the global Austin customer base. The North American business has succeeded in securing the first Armadillo high performance dipper bucket to a major US mining company. This opportunity has synthesised a global Austin effort with the engineering conducted in Australia, the manufacture of the bucket completed in Indonesia, due for delivery in May 2024 to a customer in the US. Further dipper bucket opportunities are being developed within the North American market.

The plan to provide additional manufacturing capacity to the existing North American facility is in progress with a focus on the manufacturing optimisation currently being implemented at Austin Indonesia.

South America

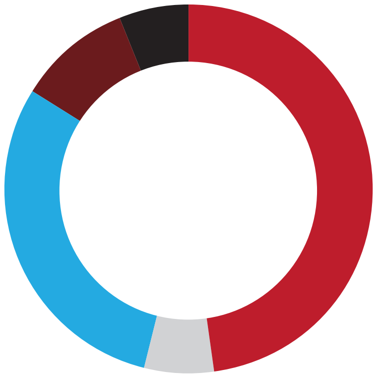
South America ($ million)	FY23	FY22	Change
Revenue	41.1	29.2	40.8%

Revenue by commodity



	FY23	FY22
Copper	**100%**	100%

Revenue by product/service type



	FY23	FY22
Bodies	**48%**	45%
Other products	**6%**	4%
Shop maintenance/repairs	**30%**	28%
Site maintenance/repairs	**10%**	11%
Other services	**6%**	12%

South America provided a solid contribution to the Group results with a revenue of $41.1 million which represented a 40.8% increase compared to the previous year. Recurring revenue comprises 82% of the total revenue (including 3% for spares).

The operational performance was constrained in the first half of FY23 due to Austin's Chile-based facility at La Negra, near Antofagasta undergoing an expansion to lift capacity and capability.

Austin's focus on a 'home market' strategy in South America has lifted orders in the region as it changes focus to engineering led solutions in addition to its traditional repairs and maintenance offering. The La Negra facility can produce Austin's core product range now, including buckets. Austin's customer base has vastly expanded in the region, and it will be a large driver of growth in the future.

Financial Review

Strong growth continues in the Americas

Mixed earnings performance across the Asia-Pacific region

Strong operating cashflow

Austin achieved a solid set of results, with higher revenues across all business units and a continued order book improvement throughout FY23.

The results reflect the full implementation of the Group's Austin 2.0 strategy, which aimed to improve Austin's competitiveness in the market and generate increased sales through a widened customer base. Austin has achieved this through advanced manufacturing, improved margins and using innovation to increase and diversify Austin's product range. The repeat business of 85% is providing a platform for stability and growth going forward.

The Group's revenue from continuing operations for the FY23 year was $258.3 million, a 27.0% increase compared to the prior year following another strong year of growth in the Americas region, and an increase in new product sales.

The Group's normalised net profit after tax (NPAT) from continuing operations was up 8.4% to $18.1 million, from $16.7 million the previous year (adjusted for FX gain of $3.9 million). Normalised NPAT fell within Austin's guidance range of $17 million-$19 million.

Normalised NPAT has been adjusted for one off charges of $8.2 million listed below and FX loss of $2.7 million.

Normalised Group EBITDA for FY23 grew to $31.3 million, which was 9.4% higher than $28.6 million in FY22. The US, Indonesia, Austbore, and Chile (in H2), have increased EBITDA margins to Austin's target levels with a sharp focus on cost reduction, improved manufacturing systems and an increased sales base, all targeted under the Austin 2.0 strategy. A turnaround in Perth is required to meet the full Group target.

North America recorded another strong performance with a 12.9% increase in revenue to $75.3 million, and statutory EBITDA of $15.2 million, a 4% decrease from the previous year (FY22 $15.9 million).

South America had a solid second half (H2 FY23) performance, resulting in a full-year revenue of $41.1 million, a 40.8% increase from the prior year. Statutory EBITDA for South America was $3.0 million.

The APAC (Asia-Pacific) region achieved a revenue of $141.9 million, a 32.0% increase from the previous year. The acquisition of Mainetec and expansion of throughput capacity in Indonesia contributed significantly to this growth, with Mainetec adding $32.2 million in revenue and Indonesia's revenue increasing 51%. The timing of the investment in Batam has proven fruitful, with revenues up 2.7 times in two years, with the business unit manufacturing and delivering product for APAC, EMEA and, in FY24, the Americas. Despite the strong revenue growth, APAC's statutory EBITDA declined to $2.1 million due to Western Australia's trading loss, offsetting the gains from Indonesia and Mainetec.

On a statutory basis, Group NPAT fell to $7.1 million from $20.6 million the previous year. The Group's EBITDA was $20.3 million from $32.5 million in FY22. Austin experienced growth in all regions, except for Perth, Western Australia, which faced challenging market conditions, labour shortages, and delayed customer orders, which have been received but will be booked in FY24.

The full year FY23 statutory result was impacted by certain one-off costs which comprised:

- Write down of IT investment in ERP following new management review of investment priorities - $3.5 million.
- Costs regarding a warranty issue from circa 2021, which will be completed during FY24. Costs are high due to equipment needing to be returned to Perth for repairs. No further significant warranty issues are anticipated - $1.8 million.
- Mainetec acquisition and integration costs - $2.1 million.
- Provision for cost to liquidate the Colombia entity - $0.2 million.
- Business restructuring - $0.5 million.
- Batam facility expansion - $0.1 million.

Cash inflows from operating activities increased 236% to $15.8 million compared to $4.7 million in the previous year, primarily due to profit contribution, partially offset by an increase in net working capital.

Net cash outflows from investing activities were $20.9 million, which included the acquisition of Mainetec and investments in capital plant and equipment.

Net cash inflows from financing activities were $5.4 million, which included debt funding for Mainetec and lease repayments.

The Group's net bank debt increased by $12.9 million to $14.1 million (excluding AASB 16 leases) mainly due to the acquisition of Mainetec.

Overview of Financial Performance from continuing operations

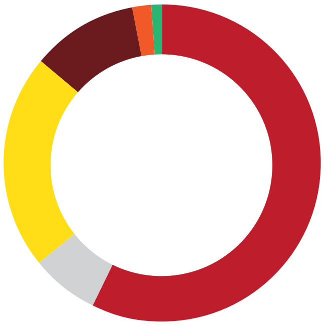
$ million	FY2023	FY2022	% change
Revenue	258.3	203.3	27.0%
EBITDA (statutory)	20.3	32.5	(37.5)%
EBITDA margin (statutory)	7.9%	16.0%	(50.6)%
Depreciation expense	(6.9)	(4.7)	46.8%
Amortisation expense	(1.0)	(0.3)	233.3%
Interest revenue	0.8	0.6	33.3%
Finance Costs	(3.8)	(1.7)	123.5%
Profit before tax (statutory)	9.4	26.3	(64.3)%
Net Profit after tax (statutory)	7.1	20.6	(65.5)%
Earnings per share (cents)	1.22	3.55	(65.6)%
Dividends per share (cents)	0.0	0.50	(100)%
EBITDA (normalised)	31.3*	28.6#	9.4%
EBITDA margin (normalised)	12.1%	14.0%	(13.6)%
Net Profit after tax (normalised)	18.1	16.7	8.4%

*FY23 statutory EBITDA has been normalised for FX gains/(loss) and one-off costs: IT investment, Mainetec acquisition & integration cost, increase in warranty provision, Colombia provision, business restructure and Indonesia Batam expansion.

#FY22 statutory EBITDA has been normalised for FX gains/(Loss).

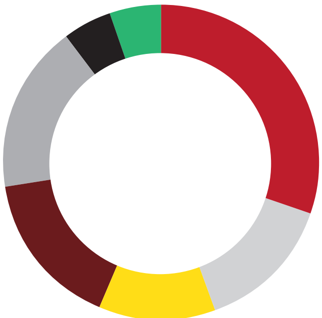
FY23 EBITDA and NPAT were impacted by Perth's operational performance offset by the performance of the other regions, the impairment of the legacy IT system investment, and increase in warranty provision.

Revenue by Products and Services



	FY23	FY22
Bodies	57%	68%
Buckets	7%	5%
Other products	22%	11%
Shop maintenance / repairs	11%	11%
Site maintenance / repairs	2%	2%
Other services	1%	3%

Revenue by Commodity Type



	FY23	FY22
Iron Ore	31%	31%
Coal - Met	14%	18%
Coal - Thermal	12%	5%
Copper	16%	30%
Gold	17%	6%
Oil	5%	5%
Other	5%	5%

Customer Types

	FY23	FY22
Miners	79%	76%
Mining Contractors	9%	10%
OEMs	3%	2%
Other	9%	12%

Product diversification accelerating

Austin's total revenue increased by 27.0% year-on-year to $258.3 million, with revenue increases recorded in all regions. There was strong growth in North and South America, and in APAC driven by growth in Indonesia, and the addition of Mainetec to the business.

Expansions in Indonesia's and Chile's manufacturing hubs, and operational and product improvements across the board have increased Austin's competitiveness. A resultant strong order book throughout the year and a high percentage (~85%) of repeat business were contributors to revenue gains.

Both truck body and bucket revenue increased and accounted for 67% of total sales. Other products revenue increased, particularly in the APAC region.

The integration of Mainetec's buckets into the business, and the successful launch of the High Performance Truck Tray (HPT) have increased and diversified Austin's core product range. The products feature operational and environmental efficiencies too with regards to increasing payload per tonne carried, reducing fuel and tyre usage, and limiting overall carbon emissions during operation.

Tyre handlers have recorded strong sales, and the addition of underground equipment being manufactured out of Batam has further diversified our portfolio.

We have concentrated on using advanced manufacturing processes and engineering capabilities to shorten manufacture and order delivery times for customers.

Group maintenance revenues increased year-on-year representing 13% of total sales.

A substantial portion of revenue came from mining companies and mining services companies, while revenue from Original Equipment Manufacturers (OEMs) remained steady.

Austin's statutory EBITDA margin from continued operations decreased from 16.0% to 7.9% in FY23.

People costs, incorporating both Austin employees and third-party contractors recorded a 20.7% increase with majority of the increase due to the inclusion of Mainetec. Expenditure on **materials and consumables** increased by 44% with part of the increase due to inclusion of Mainetec. **Occupancy** costs increased due to capacity expansions in particular the new facility in Batam and the Mainetec facility in Queensland.

Other expenses increased during the year by $9.9 million, due mainly to equipment hire, transport, consultancy, and operational costs.

Other income of $3.9 million, includes net foreign currency exchange loss of $2.8 million offset by USA employee retention credit of $4.8 million as compensation for Austin's costs of employee retention through the COVID-19 period and other income of $1.8 million.

Depreciation and amortisation costs increased from $5.0 million to $7.9 million, reflecting the inclusion of depreciation on Mainetec's right of use lease of $0.7 million and depreciation of $1.4 million due to the alignment to Austin depreciation guidelines, which resulted in low value equipment write-offs of $1.0 million.

Finance costs increased by $1.9 million, attributed to HSBC's Mainetec term loan and an increase in interest rates during the year. Included in interest expenses was $1.1 million of leasing interest on long-term property leases.

Tax expense represented 24% of profit before tax expense, lower than the Australian tax rate of 30%. The difference is due changes to the utilisation of DTAs in Chile and Australia, along with permanent and temporary adjustments.

Austin reported a loss after tax of $4.3 million from discontinued operations, attributed to the closure of operations in Colombia, Peru, and Canada in the prior years.

Continuing and discontinued operations

Financial Summary

		FY2023	FY2022	FY2021
Revenue	$M	258.3	206.0	207.3
EBITDA (statutory)	$M	17.3	29.5	9.7
EBITDA Margin (statutory)	%	6.7%	14.3%	4.7%
NPAT (statutory)	$M	2.8	16.8	(0.5)
EBITDA (normalised for FY23 and FY22)	$M	27.0	25.6	9.7
EBITDA Margin (normalised for FY23 and FY22)	%	10.5%	12.4%	4.7%
NPAT (normalised for FY23 and FY22)	$M	13.8	12.9	(0.5)
EPS	c	0.49	2.89	(0.09)
DPS	c	0.45	2.80	(0.09)

Net profit after tax from continuing and discontinued operations declined in FY23 due to the performance of the Perth business, an increase in Perth warranty provision, the impairment of Group's legacy IT investment, and the write down of the discontinued Canada operations right of use asset.

Composition of Revenue

		FY2023	FY2022	FY2021
Truck bodies	$M	149.1	139.5	138.8
Buckets	$M	25.0	11.9	6.3
Other products	$M	50.0	23.1	30.7
Off-site services	$M	4.2	3.6	4.4
On-site services	$M	27.4	21.4	25.3
Other services	$M	2.6	5.8	1.4
Other revenue	$M	-	0.7	0.4
Total revenue	**$M**	**258.3**	**206.0**	**207.3**

Austin's revenue composition continues to trend towards new product sales. Sales of truck bodies and buckets has improved in FY23 with strong growth in North America, South America, and Indonesia. Sales from other products also increased mainly due to a capacity expansion in the Batam facility in Indonesia.

Improved performance driving cash inflows

Cash flows from operations increased to an inflow of $15.8 million in FY23 from an inflow of $4.7 million in FY22. The increase in cash flow driven by profit conversion was offset by the increase in working capital. This is primarily due to the build-up of steel inventory during the pandemic, and induced shipping issues at that time. This is anticipated to reduce as the safety stock is consumed in FY24.

Cash flow from investing activities is a net outflow of $20.9 million due to the Mainetec acquisition and plant and equipment investment of $10.9 million, supporting capacity expansion in Indonesia and Chile, plus upgrades to aging equipment in Australia.

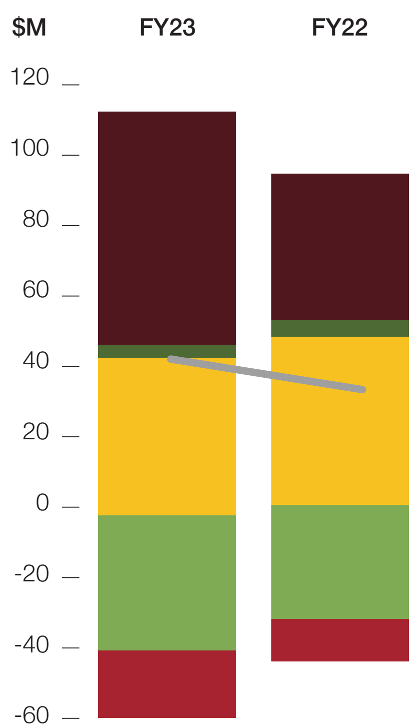
A total of $1.7 million of dividends was paid during the year, these cash flows were funded from cash reserves and drawings on working capital facilities.

Steel stocks increased in FY23 in part due to higher revenue but primarily through managing supply side risk post covid and the introduction of the Company's bulk procurement program, AustBuy, which drives cost reductions through increased purchasing power, but increases inventory amounts. As mentioned, much of this is likely to reverse in FY24 as we take a less conservative view on stocks and AustBuy is adjusted to improve stock turns.

Net debt, before considering property leases, increased to $21.6 million compared to $1.2 million as of 30 June 2022. This increase in net debt was driven by the acquisition of Mainetec, which contributed $11.1 million of external funding and deferred consideration of $6.7 million.

Cash of $20.1 million at the end of the period was in line with prior year.

		FY2023	FY2022	FY2021
Cash flow from operations	$M	15.8	4.7	(8.3)
Net investment inflow / (outflow)	$M	(20.9)	8.7	(4.8)
Gross debt at end of period	$M	55.4	36.3	29.5
Cash at end of period	$M	20.1	20.8	9.8
Net debt at end of period	$M	35.3	15.5	19.6
Total gearing ratio	%	23.6%	12.6%	10.8%
Net debt / (cash) (excluding property leases)	**$M**	**21.6**	**1.2**	**10.7**
Bank gross debt at end of period	$M	34.2	22.0	5.9
Net bank debt/ (cash) (excl. property leases)	**$M**	**14.1**	**1.2**	**3.9**
Bank gearing ratio	%	11.0%	1.1%	6.5%



Net working capital increased to $43.0 million, from $34.0 million at 30 June 2022.

The increase in working capital at 30 June 2023 due to:

- Inventory increase of $28.3 million.
- Decrease in receivables trade and other of $10.2 million despite revenue growth of 27%.
- The inventory increase was partially offset by customer advance payments increase (Contract Liabilities) of $6.7 million.
- Payables trade and other increased by $2.5 million.

Working Capital	FY23	FY22
Payables - Contract Liability	(19.2)	(12.5)
Payables - Trade and Other	(50.9)	(48.4)
Receivables - Trade	43.4	48.6
Receivables - Other	1.0	5.9
Inventory	68.7	40.4
Net Working Capital	43.0	34.0

2023 Sustainability Report

Our Sustainability Report 2023 outlines Austin's comprehensive approach to Environment, Social and Governance (ESG) performance and sustainability. Our second annual Sustainability Report demonstrates our progress and achievements in FY23. Below is a summary of our progress. For more information, please refer to our standalone Sustainability Report 2023, which is available on the ASX and our website.

Guided by our Core Values, we have incorporated ESG policies and procedures in all facets of our business, from our people through to their families and communities, to our customers, suppliers, and contractors.

We continue to explore ways to ensure we are providing a safe and secure place to work, to instil a healthy, diverse, and inclusive culture that recognises and develops its employees, and to operate in a responsible manner at all times.

Sustainability considerations are fostered through all aspects of our business. As a global mining products business, we are at the forefront of designing and building products that are efficient and sustainable. A strategic business review undertaken in 2021 aimed to help our customers increase operational efficiency and improve site safety, and meet their environmental and decarbonisation targets. This has been crucial as the mining industry works towards dramatically reducing emissions globally.

Our Austin 2.0 strategy has utilised innovation and technology to develop and launch products that meet the changing requirements of our customers, while reducing our own carbon emissions and fabrication waste.

Our latest product offerings are lighter in weight, require less steel, and are more efficient, reducing overall fuel and tyre usage and, importantly, reducing carbon emissions per tonne of ore delivered.

Through our 2022 purchase of bucket specialist firm, Mainetec, we acquired its cutting-edge wear monitoring software, Mainetrack. The system attaches to buckets, and now trays, to give the most accurate picture of the health of our equipment, enabling customers to avoid a premature equipment replacement cycle.

We have also reduced the level of waste generated through increasing our overall steel use, lowering the amount needing to be sent for recycling.

The wellbeing and safety of our workforce continues to be our chief focus globally. We have continued to increase OH&S training and education across all our businesses, improving our performance in this area. We were pleased to mark the achievement of three million man hours with zero Lost Time Injuries (LTIs) in Batam in May this year. We are working hard to continue this trend with continued monitoring of our Critical Risk Controls program that measures the effectiveness of our OH&S initiatives.

We have also continued to provide opportunities for our employees to thrive and have fulfilling careers at Austin. We are offering more traineeship, apprenticeship, and leadership program opportunities and are continually seeking gender balance in all levels of the business.

Like many businesses, we have continued to navigate through a period of labour shortages, particularly in Australia. While we recorded considerable turnover in a competitive market, we are proud to have maintained a stable staff base over this time.

We have continued to support a number of community initiatives near to, and associated with, our global operations and they are featured in our Sustainability Report 2023. Our aim is to support initiatives that are important to our staff and that make a meaningful difference to the communities we operate within.

As a company with an increasing global presence and network, we must continue to improve our ESG performance, and be vigilant in supporting our customers and other stakeholders with their own targets, as well as supporting the communities around us. This will drive tangible returns for our customers, our people and our shareholders.

Our Core Values are integral to the working lives of our employees and operations

CORE VALUES

Safety
First and foremost, always.
It's in our hands.

Quality
In everything we do.

Accountability
We are responsible for our actions and results.

Integrity
We are honest, ethical and genuine.

Innovation
Using technology to deliver for our customers.

Teamwork
Together we make the difference.

FY23 Sustainability Snapshot

Austin is committed to operating in a manner that acknowledges and proactively manages the issues most material to the long-term sustainability of its business, the environment, and the communities in which it operates. This commitment is driven by Austin's Core Values, which are integral to our business and culture.

Environment

- Our Western Australian operations recycled 82% of waste, diverting it from landfill. More than 90% of waste is recycled in Austin's international operations;
- Steel utilisation remains at nearly 100%, minimising the need for recycling;
- Recycling of metal by-products continues through scrap deposit bins located on site;
- Customers offered more sustainably focused options for their equipment orders around energy use and reduction of GHG emissions;
- New lighter weight, more efficient products launched to reduce steel requirements, increase payload and reduce fuel and tyre usage;
- Condition monitoring software configured for buckets and trays, enabling more precision over replacement needs;
- Further investment in energy-efficient lighting, modern welding equipment, and modern manufacturing technology to further reduce waste and energy

Social

- In May 2023, Batam workforce in Indonesia achieved 3 million manhours Lost Time Injury (LTI) free;
- Occupational Health and Safety (OH&S) performance has continued to improve through education and training on safe work practices;
- Monitored and reported monthly on the effectiveness of our Critical Risk Controls program for OH&S and developed appropriate lead indicators to measure across the business;
- Continued to offer training and development programs to all staff globally;
- Continued to support local communities and initiatives around our operations globally to enable meaningful outcomes;
- Started a three-month trial of a nine-day work fortnight for Australian-based finance teams

Governance

- Publicly disclosed our policy commitment to human rights by lodging our Modern Slavery Statement online;
- Continued to reinforce the Company's Whistleblower Policy across the organisation;
- Continued to regularly engage with key stakeholders to determine priority ESG focus areas for them, and to inform our own strategy;
- Significant upgrades to IT systems and mitigation of cyber security threats;
- Female director appointed to Austin Board, initiating process to achieve a more gender diverse Board.

Environment

Austin is committed to the continued management of the environmental impact of our operations facilities, our products and corporate locations to lower our carbon footprint. We are guided by best practice procedures, legislative requirements, client and site obligations, and we undertake continued education and training of our workforce and contractors.

Austin continues to assess its designs, manufacturing systems and products to understand, analyse and actively reduce its carbon footprint. We continue to work with our customers to identify and offer more sustainably-focused options for their equipment orders around energy use and reduction of GHG emissions

Energy use and greenhouse gas emissions

Energy use is calculated based on electricity consumption only and does not include the variety of welding gases that are consumed. Many of the welding gases are used as inert shielding gas that improves weld quality and are not generally consumed as part of the welding process. Small volumes of gas are used to preheat steel as part of the preparation for welding, however the combustion of this gas has not been captured.

Global Energy Use	FY21	FY22	FY23
Total Energy Consumption (GJ)	26,313	26,169	24,276

Calculation notes:

kWh to CO2 calculator. CO2 emissions per kWh calculator | Powershop

Greenhouse Gas Equivalencies Calculator | US EPA

2022_03_emissions_factors_sources_for_2021_electricity_v11.pdf (carbonfootprint.com)

Greenhouse gas emissions

Our Scope 1 emissions from energy sources that are controlled by Austin are shown in the table below.

Global GHG emissions	FY21	FY22	FY23
GHG emissions (Scope 1) (Tonnes CO2-e)	3,967	3,760	3,826

Material efficiency and waste management

Austin's goal is to prevent actions that may have an impact on the environment and implement measures to improve its environmental performance. We do this in a manner consistent with our key business priorities and the expectations and values of the communities around our operations.

We adhere to our Environmental Sustainability Policy on how we will conduct investigations and establish programs to conserve resources and minimise waste.

Material efficiency

We continue to reuse or recycle waste generated during fabrication, maintenance, and repair work. As a priority, we use and reuse steel instead of sending it for recycling, which uses additional energy to reprocess.

We also recycle the plastic spools that hold welding wire. The welding spools become alternative use products, such as floor drains and mounting hardware. Additionally, we are repurposing plastic packers for spacers on the installation of automotive utility canopies.

Waste management

Our Western Australian operations recycled approximately 82% of waste generated in 2023. Over the last four years, this business unit has recycled 92% of waste on average, and 91% over the past three years. Internationally, Austin averages more than 90% recycled waste with less than 10% going to landfill.

Waste generated includes ferrous metal, plus a small amount of concrete and timber, and occasionally gyprock, along with cardboard and plastic.

Under its current program, Austin recycles:

- Steel
- Concrete
- Timber
- Some plastics
- Paper and cardboard

Global Waste Data	FY21	FY22	FY23
Total waste generated (Tonnes)	4,175	3,385	4,259
Waste recycled (Tonnes)	3,798	3,077	3,932

Social

Austin is dedicated to the health and safety of our people, providing an inclusive workplace that offers many opportunities. We build strong relationships with the communities in which we operate.

Health, safety and wellbeing

Austin is a global firm with employees across four continents. We want to see our employees thrive and succeed in their careers. To do that we must provide a safe, inclusive, and healthy environment, and place employee wellbeing as a top priority.

To achieve this, we proactively work to identify and manage risks to health and safety, as we strive to operate our business in a manner that ensures that Austin's employees, contractors, and visitors return home safely every day. We strive for a culture of accountability and servant leadership. Team members at all levels of our organisation are supported and encouraged to contribute to the development of our health, safety and wellbeing initiatives, in order for Austin to become an organisation that continuously evolves for the better.

Safety first as Austin reaches a major milestone

Making sure all our employees go home to their loved ones safely at the end of each day is a core priority for Austin. Our safety-first attitude was exemplified by our Batam workforce achieving 3 million manhours LTI free in May this year. The Batam facility has seen large investments recently, including the expansion of facilities and enhanced manufacturing capabilities. Our Batam workforce has worked through these upgrades while maintaining safety and quality at front of mind, making this achievement even more extraordinary. While this is a tremendous achievement, we will continue to persistently strive to enhance the safety of our operations across the globe

Employee management

Austin is committed to providing a safe and inclusive workplace for all of our employees and contractors. Our people are essential to the continued success of the business and their safety and wellbeing is our priority.

We want to foster a workplace that encourages diversity and inclusion, and appropriate behaviour at all times. We also seek to provide opportunities for our employees to grow and develop their skills and retain them in the business.

At Austin, we offer our employees the following:

- Career development including apprenticeships and traineeships. We aim to build our staff and provide opportunities for them to become leaders.
- Employee benefits including discounts with many retailers through our Employee Benefit Program.
- Reward and recognition initiatives to employees across the globe to recognise the hard work and successes of our employees. These include Worker of the Week and Safe Worker of the Month awards.
- Our Employee Assistance program provides confidential support services to employees and their immediate families.
- Flexible working arrangements, including working from home arrangements where possible and compressed working week initiatives for our trade-based employees. Our finance teams in Australia are trialling a nine-day fortnight roster as another flexible working arrangement.

In April 2023, our total workforce (employees and contractors) was 1114, an increase of 66 on FY22. During the year, we expanded capacity in our Indonesian operations in Batam, our Perth operations in Kewdale (including establishing a bucket facility in Perth following the acquisition of Mainetec in 2022), and South America (Chile).

We have continued to build our staff base as we have integrated the expanded facilities into the business.

Austin's commitment to promoting employee wellbeing and safety

Ice cream day

As a small token of our appreciation for our hardworking team, Austin continued its highly popular tradition of holding an 'ice cream day' twice a year. It was great to see everyone enjoying complimentary treats across our global teams, who collectively work extremely diligently to service our clients across six continents each and every day.

All of our locations around the world participated, although our North American team, due to the extremely cold winter storm weather, enjoyed coffee, cocoa, and cookies instead. The ice cream (and now cookie) tradition is part of the Austin vocabulary and an example of one of the many initiatives we have in place to bring joy to the workplace.

Diversity and Inclusion

As a global company, Austin values diversity, is committed to providing a safe, inclusive, and diverse workplace, and recognises that diversity needs to be representative of the communities in which it operates. Diversity refers to the variety of skills, abilities, experiences, and cultural backgrounds that enable individuals to achieve superior business and personal results. Austin recognises that diversity brings a variety of benefits, including improved performance. In keeping with Austin's commitment to equal opportunity and workplace diversity, Austin provides a workplace that is free of discrimination and hostility on the basis of gender, race, religion, ethnicity, national origin, age, disability, marital status, family responsibilities, pregnancy, sexual orientation, political conviction, or trade union membership. Creating and maintaining an environment that promotes diversity and is free of harassment and discrimination is the responsibility of every Austin employee.

The Company's Diversity Policy is available on its website and supports the Board to set and report against measurable diversity targets, including targets in relation to gender diversity.

Cultural inclusion and community key as Austin celebrates Batam expansion

Austin's Indonesia manufacturing hub experienced an extremely busy start to 2023, including the opening ceremony of a second manufacturing facility in Batam. Austin celebrated this significant milestone by way of a traditional Indonesian style ceremony with our entire local workforce, valued partners and clients, local dignitaries, and Sally Deane, the Minister-Counsellor, Senior Trade and Investment Commissioner for Indonesia, from the Australian Embassy.

The opening of the new facility is already yielding tangible benefits for the local community, and Indonesia more broadly, via increased employment of local trades. Following the opening ceremony Austin continued to champion local cultural inclusion initiatives. For instance, we celebrated Iftar Ramadan as a team in Batam and it was a truly memorable experience. Our colleagues and their families came together to break the fast, enjoy traditional Indonesian cuisine and embrace diversity and inclusivity.

Austin is proud to be a team that celebrates different cultures, and we are grateful to all who made this event possible.

Community partnerships and investment

Austin supports local initiatives in the communities in which it operates. It seeks to identify community sponsorships and partnerships that align with the interests of local communities close to its projects, in addition to larger projects, which provide strong synergies with Austin's values-based culture. Austin's strategic community investment includes voluntary contributions, in-kind support, and allocated funding. Austin is committed to increasing its community investment in FY24.

Austin offers varying types of support to programs that best align with the Company's operations and values. The types of support to community organisations include:

- Sponsorship for projects or programs that aim to meet a specific community need and align with one or more of its Core Values;
- Support for local sporting or community organisations in locations where Austin has operations;
- In-kind support for community organisations in locations where Austin has operations; and
- Support for employees' community fundraising activities.

Charity Ride for The Harry Perkins Institute

The Harry Perkins Institute of Medical Research is a leading Western Australian medical research centre dedicated to tackle some of the world's most significant health issues. Giving back to the community and supporting a culture of generosity is very important to the people of WA. Austin believes cancer research is so important in assisting the broader community.

In late 2022, Team Austin swapped hi-vis for lycra to raise money for the Harry Perkins Institute of Medical Research by taking part in the MACA Cancer 200 Ride for Research and will participate again in October 2023.

This year we will take our employee participation to the next level, with two Austin employees from our Indonesian operations set to join us on this ride.

It is a great opportunity to enhance our involvement and funding contribution to this terrific cause, grow international awareness of the great work the Harry Perkins Institute of Medical Research does, and celebrate the diversity and global nature of the Austin team.

Governance

Austin is committed to demonstrating the highest standards of corporate governance – it is the foundation of stakeholders' trust in our business.

Business ethics and transparency

Integrity is one of Austin's six Core Values, and our Directors and employees share a collective commitment to act with integrity, accountability, and transparency always. Our organisational behaviour is guided by the Corporate Code of Conduct and Anti-Bribery and Anti- Corruption policy, which are available on our website.

Austin's approach to bribery and corruption is supported by our Whistleblower Policy. The Company has a number of channels for making a report, including an Austin email address dedicated to stakeholders to write if they would like to report actual or suspected unlawful, unethical or irresponsible behaviour in a confidential manner.

In 2023, there were no reports received of any breaches of laws or regulations. There were no matters reported or referred under the Corporate Code of Conduct, or the Anti-Bribery and Anti-Corruption Policy.

In accordance with the Anti-Bribery and Anti-Corruption Policy, Austin has a Gift and Hospitality Register in place, which is maintained at a group level.

Cyber Security

Austin has robust technology-based internal systems in place to protect its IP, and also the data of its customers and suppliers across the globe. It is critical for Austin's business stability to protect it from threats such as cyber-attacks, data security breaches, theft of money, intellectual property, or other assets.

Austin has developed and continues to update its IT policies, procedures and practices including the use of company information, personal storage devices, IT systems and IT security. To mitigate these risks, Austin maintains ongoing employee training and education for users in all of our locations. In the event of a cyber event, the data breach response and recovery plan and/or business continuity plan will be activated to respond to, and mitigate, the effects of such events. The Austin Board is briefed on cyber security on a regular basis.

Risk Management

Austin's Enterprise Risk Management Standard underpins and drives the identification, management, and mitigation of risk, which in turn creates a risk-aware corporate culture. Key risks are periodically reviewed and reported to the Audit and Risk Committee, and to the Board.

The key risks to Austin's ability to successfully operate a global business, grow and remain cost competitive, and the strategies devised to mitigate these risks are summarised below.

Economic Risk

As a global organisation, Austin's revenue and earnings are influenced by a range of factors including commodity prices, fluctuating freight costs, and exchange rates. Reduced demand for steel inputs (in particular iron ore and metallurgical coal) can lead to a decrease in demand for replacement equipment by our customers.

Austin manages commodity price risk by engaging with our customers to plan replacement cycles well ahead of time, whilst allowing our customers flexibility on product supply timelines. Diversification across similar markets using mining equipment on a large scale in numerous geographical locations supports the management of these exposures.

Since a significant portion of our sales and operating costs are realised in foreign currencies, foreign currency rate fluctuations can impact our financial results both negatively and positively. In addition to the diversification strategy, Austin seeks to standardise commercial terms for all new contracts. These factors assist Austin in mitigating the impact of any material slowdown in economic activity or increased competitive conditions.

Cyber Security and Information Technology Risk

Targeted cyber-attacks or unauthorised access to Austin's IT systems pose a number of risks to Austin including reputational damage, financial loss, operational disruption, and breaches of regulatory compliance obligations.

Austin has developed, and continues to update, its IT policies, procedures and practices including the use of company information, personal storage devices, IT systems and IT security. To mitigate these risks, Austin maintains ongoing mandatory employee training and education for users in all of our locations. In FY23 Austin invested in the development and implementation of systems for the transfer of data and back-up to eliminate risk of data loss through system failure or data theft. In the event of a cyber event, the data breach response and recovery plan and/or business continuity plan will be activated to respond to, and mitigate, the effects of such events. The Board is briefed on cyber security on a regular basis.

Health and Safety Risk

We manufacture our products in locations globally and the operational risks associated with the manufacture of large truck bodies and buckets require vigilant safety management across the organisation. Austin has a no risk appetite for activities that may cause injury or loss of life. Austin has a comprehensive Occupational Health and Safety management system in place, designed to ensure proactive health and safety risk identification, mitigation and management strategies are employed at all times across all our locations. A number of active programs are in place both internally and via outsourced specialists to provide support to our employees. Austin remains committed to refine safety management practices already adopted in all workplaces.

Regulatory and Compliance Risk

Austin's businesses operate in different jurisdictions and are subject to various legal frameworks, laws and regulations including, but not limited to, anti-bribery and anti-corruption, sanctions regimes and anti-trust laws, as well as domestic and international laws. Risks of non-compliance or breach of local and international laws includes, amongst other impacts, damage to Austin's reputation. Changes in laws and government policy in Australia or elsewhere may affect Austin's operations, assets, contracts, and profitability. To monitor changes to laws and identify regulatory risks, Austin engages industry associations and regulatory bodies, consultants, and other advisors to provide independent advisory services. Risk mitigation efforts include internal legal resourcing and the implementation of contractual requirements for significant suppliers' compliance with all laws.

In FY23, Austin implemented a revised and updated its Anti-Bribery and Anti-Corruption Policy to ensure that all employees understand the Company's approach to bribery and corruption. Regular employee training on policies and procedures is undertaken.

People Risk

The ongoing global shortage of skilled labour continues to place pressure on our ability to attract, grow and retain critical and diverse talent across all Austin workforces. In addition, there are also risks of disruptions due to industrial relations leading to financial loss. Austin aims to mitigate risks through remunerating competitively in relevant employment markets, identification of critical roles, and the implementation of succession and retention plans. Efforts are continuing to support, attract and develop skilled labour through apprenticeship programs and work experience programs, particularly in engineering.

Innovation Risk

Austin prides itself on bespoke design and engineering solutions that meet customers' needs around product capability and performance. Delivering innovative solutions to our customers is key to our continued success. Technology and innovation within our designs and products helps Austin to stay competitive and differentiates us from our competitors. Price, quality, delivery, technological innovation and engineering development are the primary elements of competition in our market.

Risks to our innovation advantage are addressed across the business by attracting the best people, ensuring protection through intellectual property, and investing in future operations. Austin has developed and implemented a global advanced manufacturing plant to upgrade manufacturing and processes, using the latest technology and innovation to streamline and increase production, as well as improve quality. In FY23 Austin was selected by the Western Australian Government for funding under the Investment Attraction Fund, enabling Austin to continue investment into advanced manufacturing and technology in its Australian operations.

Strategic Risk

Austin is continually pursuing business growth opportunities and critically evaluating strategic alternatives for long-term sustainability of the production of high-quality products for its customers. To address identified production restraints, in FY23 Austin completed expansions of its Chilean and Indonesian facilities to accommodate increased work levels. An expansion to the US facility has been approved and work is anticipated to commence in FY24.

Supply Chain Risk

Timely and cost-effective supply of steel continues to represent a risk to Austin's ability to manufacture our products. Austin is reliant on a few strategic global suppliers for the raw materials we require for production. Market protectionism, tariffs and fluctuating freight costs continue to pose a risk to the secure ongoing supply of cost-effective steel.

Austin incorporates forecasting on a rolling 15-month basis enabling scenario planning and some supply flexibility. To address these risks, strategies have been developed to implement a centralised bulk steel purchasing program to aggregate steel requirements for all business divisions, to greatly improve Austin's competitiveness and ensure steel supply stability with major steel mills.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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 2023.

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 — Chair, Non-Executive Director
- David Singleton — Managing Director and Chief Executive Officer
- Chris Indermaur — Non-Executive Director
- Sybrandt van Dyk — Non-Executive Director
- Linda O'Farrell — Non-Executive Director (appointed 1 September 2022)

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

No dividend was declared in relation to the current period.

Review of operations and results

The profit for the Group after providing for income tax amounted to $7.1 million (2022: $20.6 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 10 to 18 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

No matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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 45 to 91.

Information on directors

Jim Walker

Independent Non-Executive Chair

Experience and expertise	Mr Jim Walker has been the Chair of Austin Engineering Limited since July 2016. Jim has over 45 years of experience in the resources sector. Jim was formerly Chair of MLG Oz Limited, Mader Group Limited, Australian Potash Limited, Macmahon Holdings Limited, Non-Executive Director of Programmed Maintenance Services Limited, and Chief Executive Officer of WesTrac Pty Ltd.
Qualifications	GAICD, FAIM.
Directorships held in other listed entities	None.
Former directorships in last three years	Australian Potash Limited from 15 August 2018 to 16 December 2021. Mader Group Limited from 1 January 2019 to 21 April 2023. MLG Oz Limited from 30 April 2021 to 21 April 2023.
Special responsibilities	Member of the Audit and Risk Committee, Member of the Safety Committee, and Member of the Nomination and Remuneration Committee.
Interest in shares, options, and performance rights	166,000 ordinary shares.

David Singleton

Managing Director and Chief Executive Officer

Experience and expertise	David Singleton has been a Non-Executive Director since April 2019 and was appointed the interim Chief Executive Officer on 25 June 2021, and subsequently the Managing Director and Chief Executive Officer on 14 July 2021. David was recently the Chief Executive Officer and Managing Director of Austal Limited. Prior to this, David was Chief Executive Officer and Managing Director of mineral explorer, Poseidon Nickel Limited, and engineering and project services contractor of Clough Limited. 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 from University College London and Honorary Doctor of Engineering, Edith Cowan University.
Directorships held in other listed entities	None.
Former directorships in last three years	Managing Director of Austal Limited from 4 April 2016 to 31 December 2020.
Special responsibilities	None.
Interest in shares, options, and performance rights	133,485 ordinary shares. 42,900,000 options.

Information on directors (continued)

Chris Indermaur

Independent Non-Executive Director

Experience and expertise	A Non-Executive Director since July 2016, 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 and Mayur Resources 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 previously 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 and Mayur Resources Limited from 16 September 2021.
Former directorships in last three years	None.
Special responsibilities	Chair of the Safety Committee, Member of the Audit and Risk Committee, and Member of the Nomination and Remuneration Committee.
Interest in shares, options, and performance rights	200,000 ordinary shares.

Sybrandt van Dyk

Independent Non-Executive Director

Experience and expertise	A Non-Executive Director since February 2018, Sybrandt van Dyk brings over 30 years of experience primarily within the resources sector. Sybrandt is currently the Chief Executive Officer and Managing Director of DDH1 Limited. He has held the role of CEO and, prior to that, CFO of contract mining company Macmahon Holdings Limited. Sybrandt has also held a number of senior operational roles, including Chief Operating Officer Western Australia and Chief Financial Officer of mining equipment distributor WesTrac Group. Prior to WesTrac Group, Sybrandt's career spanned 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 and New Zealand.
Directorships held in other listed entities	DDH1 Limited from 8 February 2021.
Former directorships in last three years	None.
Special responsibilities	Chair of the Audit and Risk Committee, Member of the Nomination and Remuneration Committee, and Member of the Safety Committee.
Interest in shares, options, and performance rights	213,500 ordinary shares.

Information on directors (continued)

Linda O'Farrell

Independent Non-Executive Director

Experience and expertise	A Non-Executive Director since September 2022, Linda is a senior executive with extensive experience in the global resources sector. Linda is the founder of Go Higher Pty Ltd, a purpose driven consultancy inspiring companies and leaders to go higher and transform culture and contribution and was recently Director-Fortescue People at Fortescue Metals Group Ltd ("FMG"). Linda has shaped people and culture strategy for leading companies including Newcrest, BHP, Mount Gibson Iron and led the People and People Operations teams for FMG, during a period of rapid growth both in the metals and energy business from 2013 to 2022. Linda is also on the Board of Lifeline Australia and the board of the Australian Institute of Management Western Australia.
Qualifications	Bachelor of Economics (Honours in Industrial Relations) from the University of Western Australia; Member of the Australian Institute of Company Directors and Chief Executive Women.
Directorships held in other listed entities	None.
Former directorships in last three years	None.
Special responsibilities	Chair of the Nomination and Remuneration Committee, Member of the Audit and Risk Committee, and Member of the Safety Committee.
Interest in shares, options, and performance rights	Nil.

Information on company secretaries

Katina Nadebaum

Company Secretary; B.Comm, CA, AICD

Katina Nadebaum joined the Company in April 2021 as Company Secretary. She is a Chartered Accountant and Company Secretary, with 20 years' experience in company secretarial roles. Katina has held the position of Company Secretary with various ASX-listed companies, including Programmed Maintenance Services Limited and Macmahon Holdings Limited. She has also worked as a Chartered Accountant in public practice where she provided corporate and company secretarial advice.

Corporate governance statement

Austin 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 4th Edition ("the ASX Principles").

The 2023 Corporate Governance Statement, which is available at www.austineng.com, reflects the corporate governance practices in place throughout the 2023 financial year.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2023, and the numbers of meetings attended by each Director were:

	Standard Board Meetings		Special Board Meetings [1]		Audit and Risk Committee		Nomination and Remuneration Committee		Safety Committee	
	A	B	A	B	A	B	A	B	A	B
J Walker	7	7	5	5	4	4	3	3	4	4
D Singleton	7	7	5	5	4	4	3	3	4	4
C Indermaur	7	7	5	5	4	4	3	3	4	4
S van Dyk	7	6	5	5	4	4	3	3	4	4
L O'Farrell	6	6	2	2	3	3	2	2	3	3

1 A Special Board Meeting was held during the financial year due to corporate activities.

Note:

A Number of meetings held during the time the Director held office during the year or was a member of the relevant committee.
B Number of meetings attended by Director.

Audited remuneration report

This audited Remuneration Report ("Report") sets out information about the remuneration of the key management personnel ("KMP") as defined by and in accordance with the requirement of the *Corporations Act 2001* ("the Act") and its regulations for the financial year ended 30 June 2023. The Report forms part of the Directors' Report for the year ended 30 June 2023.

Key management personnel

The KMP during the 30 June 2023 financial year are set out below:

Name	Position
James (Jim) Walker	Non-Executive Chair
Christopher Indermaur	Non-Executive Director
Linda O'Farrell [1]	Non-Executive Director
Sybrandt van Dyk	Non-Executive Director
David Singleton	Managing Director and Chief Executive Officer
Vince D'Rozario [2]	Chief Operating Officer
Gareth Jones [3]	Chief Financial Officer
David Bonomini [4]	Chief Financial Officer

1 Linda O'Farrell was appointed on 1 September 2022.
2 Mr Vince D'Rozario was appointed on 4 January 2023.
3 Mr Gareth Jones resigned as Chief Financial Officer on 31 October 2022.
4 Mr David Bonomini was appointed on 21 November 2022.

1. Executive remuneration

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of executive KMP is reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition, external advisors and industry surveys may be used to ensure the KMP's remuneration is competitive with the market and relevant industry peers. Korn Ferry, a globally recognised remuneration consultant, was last engaged by the Group in January 2021. 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.

Audited remuneration report (continued)

1. Executive remuneration (continued)

Principles used to determine the nature and amount of remuneration (continued)

Base pay and benefits

The fixed remuneration paid to executive KMP is based on the size and scope of their role, knowledge and experience, market benchmarks for that role, and to some extent the Group's financial circumstances. Fixed remuneration comprises base salary, any applicable role specific allowances, and superannuation.

David Singleton

Mr David Singleton was appointed the Managing Director and Chief Executive Officer on 14 July 2021 and has been provided with a Fixed Annual Remuneration ("FAR") equivalent to $250,000 per annum inclusive of superannuation fixed for three years. Mr Singleton's base pay has been set significantly below that normally associated with a role of this type and less than half that of his predecessor. In addition, Mr Singleton will receive no STI for the first three years of his tenure and will not be issued with annual LTI share grants for this period. The Company has agreed that Mr Singleton would be remunerated with a package weighted towards growing the Company's share price by issuing share options at the prevailing price on or around the time he was appointed as Managing Director and Chief Executive Officer. This package is weighted towards variable pay based on the Company share price performance over three years, thereby ensuring alignment with Shareholders. The total value of his package was benchmarked in January 2021 by Korn Ferry.

Mr Singleton's FAR has been fixed for three years. After this fixed three-year period, it is anticipated that the FAR will be reviewed annually on or about 30 September each year.

Vincent D'Rozario

Mr Vincent D'Rozario was appointed the Chief Operating Officer on 4 January 2023 and has been provided with an annual remuneration equivalent to $475,000 per annum inclusive of superannuation. To incentivise performance and encourage retention, the Company issued share options to Mr D'Rozario at the prevailing price on or around the time he was appointed as Chief Operating Officer. The share options are based on the Company share price performance over three years, thereby ensuring alignment with Shareholders.

David Bonomini

Mr David Bonomini was appointed the Chief Financial Officer on 1 November 2022 and has been provided with an annual remuneration equivalent to $345,000 per annum inclusive of superannuation. The Company has entered into a cash incentive arrangement with Mr Bonomini to reward him for achieving Austin's key financial, operational and strategic objectives in the medium to long term. This is in a form that aligns the interests of the Chief Financial Officer with the Company's key strategies and share price performance. The material terms of the cash incentive arrangement are outlined below.

Short-term incentives ("STI")

For the year ended 30 June 2023, executive KMP had no short-term incentive opportunity in place and no short-term incentive payments were made to executive KMP.

Long-term incentives ("LTI")

Long-term incentive plan (LTI Plan) arrangements in place for key management personnel as at 30 June 2023 are set out below.

Audited remuneration report (continued)

1. Executive remuneration (continued)

Principles used to determine the nature and amount of remuneration (continued)

Options

David Singleton

The issue of Options to Mr David Singleton (Managing Director and Chief Executive Officer), in accordance with the terms of the Option Plan, were approved by shareholders at the 2021 Annual General Meeting on 26 November 2021. The Company issued 42,900,000 Options to Mr Singleton as a key component of his remuneration package and as a LTI to perform in his role as Managing Director and Chief Executive Officer of the Company, ensuring continued alignment to shareholders.

Material Terms of the Options

The Options have an exercise price of $0.13 and an expiry date of three years after the date of issue.

The Options are divided into nine tranches and are subject to two separate performance conditions, a share price hurdle and a retention condition. Both performance conditions must be satisfied in respect of a tranche of Options before Options in that particular tranche will vest. The applicable performance conditions in relation to the Managing Director are set out in the table below:

		Share Price Hurdle			
		20 cents	**24 cents**	**28 cents**	**Total**
Retention Dates	30 June 2022	(Tranche 1) 4,400,000	(Tranche 2) 4,600,000	(Tranche 3) 5,300,000	14,300,000
	30 June 2023	(Tranche 4) 4,400,000	(Tranche 5) 4,600,000	(Tranche 6) 5,300,000	14,300,000
	30 June 2024	(Tranche 7) 4,400,000	(Tranche 8) 4,600,000	(Tranche 9) 5,300,000	14,300,000
	Total	**13,200,000**	**13,800,000**	**15,900,000**	**42,900,000**

Share Price Hurdle

The Company's 60-day volume weighted average share price must meet or exceed the relevant share price hurdle relating to the relevant tranche of Options in order for the vesting condition to be satisfied.

In relation to all nine tranches of Options relating to Mr Singleton, the share price hurdle can be met at any point between 14 July 2021, the date Mr Singleton was appointed as Managing Director and Chief Executive Officer, and 30 June 2024.

Retention Dates

In addition to meeting the share price hurdle, for each tranche of option to become capable of exercise, both Mr Singleton must remain in the employ of the Company and must not have resigned or been given notice of termination, on the relevant retention date (set out in the table above).

Once Options become capable of exercise, they can be exercised by paying the exercise price in cash or by way of cashless exercise. The Company has the right, in its absolute discretion, to elect to cash settle some or all of the Options exercised by Mr Singleton.

Vesting of Options

At the date of this report, a total of 28,600,000 Options (tranche 1, 2, 3, 4, 5 and 6) issued to Mr Singleton vested on 30 June 2022 (14,300,000 options) and on 30 June 2023 (14,300,000 options) following satisfaction of the applicable retention and share price performance conditions. All 28,600,000 Options may be exercised into shares at an exercise price of $0.13 on or before 26 November 2024.

Audited remuneration report (continued)

1. Executive remuneration (continued)

Principles used to determine the nature and amount of remuneration (continued)

Options (continued)

Vince D'Rozario

The Company issued 5,000,000 Options to Mr Vincent D'Rozario (Chief Operating Officer), in accordance with the terms of the Option Plan, on 12 January 2023. The Options were issued as a key component of his remuneration package and as a LTI to perform in his role as Chief Operating Officer of the Company, ensuring continued alignment to shareholders.

Material Terms of the Options

The Options have an exercise price of $0.35 and an expiry date of three years and three months after the date of issue.

		Share Price Hurdle			
		45 cents	55 cents	65 cents	Total
Retention Dates	4 January 2024	(Tranche 1) 510,000	(Tranche 2) 540,000	(Tranche 3) 616,666	1,666,666
	4 January 2025	(Tranche 4) 510,000	(Tranche 5) 540,000	(Tranche 6) 616,667	1,666,667
	4 January 2026	(Tranche 7) 510,000	(Tranche 8) 540,000	(Tranche 9) 616,667	1,666,667
	Total	**1,530,000**	**1,620,000**	**1,850,000**	**5,000,000**

Share Price Hurdle

The Company's 60-day volume weighted average share price must meet or exceed the relevant share price hurdle relating to the relevant tranche of Options in order for the vesting condition to be satisfied.

In relation to all nine tranches of Options relating to Mr D'Rozario, the share price hurdle can be met at any point between 4 January 2023, the date Mr D'Rozario was appointed as Managing Director and Chief Executive Officer, and 4 January 2026.

Retention Dates

In addition to meeting the share price hurdle, for each tranche of option to become capable of exercise, Mr D'Rozario must remain in the employ of the Company and must not have resigned or been given notice of termination, on the relevant retention date (set out in the table above).

Once Options become capable of exercise, they can be exercised by paying the exercise price in cash or by way of cashless exercise. The Company has the right, in its absolute discretion, to elect to cash settle some or all of the Options exercised by Mr D'Rozario.

Vesting of Options

At the date of this report, no Options issued to Mr D'Rozario had vested.

Performance Rights Plan

At the discretion of the Board, the Company provides a LTI opportunity to executive KMP and senior executive through the grant of performance rights. These performance rights can vest into fully paid ordinary shares in the Company for no consideration, subject to meeting performance conditions or continued employment conditions. The purpose of the LTI opportunity is to incentivise executive KMP and senior executive to deliver sustained increases in shareholder value over the long term.

There were no performance rights issued to executive KMP for the year ended 30 June 2023.

Audited remuneration report (continued)

1. Executive remuneration (continued)

Principles used to determine the nature and amount of remuneration (continued)

Cash Incentive Arrangement

David Bonomini

The Company entered into a cash incentive arrangement with Mr David Bonomini (Chief Financial Officer) on 21 November 2022. The cash incentive is a key component of his remuneration package and as a LTI to perform in his role as Chief Financial Officer of the Company, ensuring continued alignment to shareholders.

Material Terms of the Cash Incentive

The Performance Criteria for each period is in the table below. The Chief Financial Officer must be employed with the Company at the end of each Performance Period.

Period	Performance Period	LTI achievement hurdle	Test date
1	1 December 2022 to 30 June 2024	Maximum 60-day VWAP > 34 cents [1]	1 July 2024
2	1 July 2024 to 30 June 2025	Maximum 60-day VWAP > 41 cents	1 July 2025
		Un-earnt incentive from Period 1 can be earnt if the VWAP is above 34 cents	
3	1 July 2025 to 30 June 2026	Maximum 60-day VWAP > 47 cents	1 July 2026
		Un-earnt incentive from Period 1 and 2 can be earnt if the VWAP is above 34 and 41 cents respectively	

1 where the VWAP is of the listed shares of Austin Engineering Limited.

The Incentive for each Performance Period will be calculated using the following formula:

Period	Incentive calculation
1	[(Maximum 60-day VWAP) - $0.22] x 972,094
2	[(Maximum 60-day VWAP) – $0.22] x 613,953
3	[(Maximum 60-day VWAP) – $0.22] x 613,953

Where: Maximum 60-day VWAP = the lower of the actual maximum 60-day VWAP in dollars for the Performance Period or 75 cents.

For Performance Period 1 and 2, the amount earnt will be calculated and "banked" until the end date of 1 July 2026 at which point all vested incentives will be recalculated using the following formula. The recalculation will only occur based on the formula below if the Chief Financial Officer is in the employ of the Company at the end date of 1 July 2026.

Period	Incentive calculation
1	[(Maximum 60-day VWAP) - $0.22] x 972,094
2	[(Maximum 60-day VWAP) – $0.22] x 613,953
3	[(Maximum 60-day VWAP) – $0.22] x 613,953

Where: Maximum 60-day VWAP = the lower of the actual maximum 60-day VWAP in dollars for the period 1 December 2022 to 30 June 2025 or 75 cents.

The Maximum Incentive that can be earnt in each Performance Period is as follows:

Period	Performance Period	Maximum Incentive
1	1 December 2022 to 30 June 2024	($0.75 - $0.22) x 972,094 = **$515,210**
2	1 July 2024 to 30 June 2025	($0.75 - $0.22) x 613,953 = **$325,395**
3	1 July 2025 to 30 June 2026	($0.75 - $0.22) x 613,953 = **$325,395**
Total		**$1,166,000**

Audited remuneration report (continued)

Key management personnel (continued)

1. Executive remuneration (continued)

Statutory Performance Indicators

The table below shows measures of the Group's financial performance over the past five years as required by the *Corporations Act 2001*. However, these measures are not all consistent with the measures used in determining the variable amounts of remuneration to be awarded to executive KMP. Consequently, there may not always be a direct correlation between statutory key performance measures and the variable remuneration awarded to executive KMP.

	30 Jun 2023 ($'000)	30 Jun 2022 ($'000)	30 Jun 2021 ($'000)	30 Jun 2020 ($'000)	30 Jun 2019 ($'000)
Continuing and discontinued operations					
Revenue	258,298	205,999	207,260	231,556	242,595
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	17,333	29,548	9,733	20,864	9,218
Net profit/(loss) after tax	2,849	16,807	(540)	5,185	(4,590)
Basic earnings/(loss) per share (cents)	0.49	2.89	(0.10)	0.89	(0.79)
Diluted earnings/(loss) per share (cents)	0.45	2.80	(0.09)	0.88	(0.79)
Shareholder returns					
Interim dividend – fully franked (cents)	-	0.20	0.20	0.20	-
Final dividend – fully franked (cents)	-	0.30	0.30	0.30	-
Share price at end of year ($)	0.28	0.23	0.14	0.13	0.18

Service agreements

The Company's executive KMP are engaged under 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 service agreements of the current executive KMP are set out below:

KMP during the financial year	Total Fixed Remuneration including superannuation ("TFR")	Notice periods to terminate	Termination payments
Managing Director and Chief Executive Officer – David Singleton	$250,000 (fixed for a 3-year period)	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 Operating Officer – Vince D'Rozario [1]	$475,000	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 – David Bonomini [2]	$345,000	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies	Statutory entitlements

1 Mr Vince D'Rozario was appointed on 4 January 2023.
2 Mr David Bonomini was appointed on 21 November 2022.

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.

Non-Executive Directors' fees are set at a level which enables the attraction and retention of experienced and skilled Board members to ensure an effective oversight role over the Company's operations. Non-Executive Directors' fees and payments are reviewed annually by the Board to ensure fee levels are appropriate and in-line with the market.

The annual fees paid, inclusive of superannuation, to Non-Executive Directors for the financial year ended 30 June 2023 are set out below:

	30 June 2023 $
Board Chair	153,470
Board Members	91,087
Committee Chair	9,364

The maximum aggregate amount that can be paid to Non-Executive Directors is $600,000 per annum, including superannuation ("the Fee Pool"). There was an increase in the Fee Pool amount which was approved by shareholders at the 2022 Annual General Meeting.

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 KMP. The Managing Director and Chief Executive Officer, in consultation with the Board, sets remuneration arrangements for other executive KMP. No employee is directly involved in deciding their own remuneration (including the Managing Director and Chief Executive Officer).

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.

Audited remuneration report (continued)

4. Value provided to key management personnel

The following tables detail the remuneration provided to KMP for the current and previous financial years.

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

Name	Year	Fixed remuneration				Variable remuneration		Total	Performance related %
		Cash salary & fees	Super-annuation	Movement in annual leave provision	Long term benefits	Other benefits	Share-based payments[5]		
Non-Executive Directors									
Jim Walker	**2023**	**138,887**	**14,583**	**-**	**-**	**-**	**-**	**153,470**	**-**
	2022	135,455	13,545	-	-	-	-	149,000	-
Chris Indermaur	**2023**	**91,991**	**9,659**	**-**	**-**	**-**	**-**	**101,651**	**-**
	2022	97,583	9,758	-	-	-	-	107,341	-
Sybrandt van Dyk	**2023**	**90,906**	**9,545**	**-**	**-**	**-**	**-**	**100,451**	**-**
	2022	88,907	8,891	-	-	-	-	97,798	-
Linda O'Farrell	**2023**	**75,755**	**7,954**	**-**	**-**	**-**	**-**	**83,709**	**-**
	2022	-	-	-	-	-	-	-	-
Total compensation for Non-Executive Directors	**2023**	**397,539**	**41,742**	**-**	**-**	**-**	**-**	**439,281**	**-**
	2022	321,946	32,194	-	-	-	-	354,140	-
Executive Directors and Other KMP									
David Singleton	**2023**	**227,273**	**23,864**	**14,860**	**3,786**	**-**	**995,343**	**1,265,126**	**78.7%**
	2022	247,697	21,970	16,860	-	-	2,136,292	2,422,819	88.2%
Vince D'Rozario[1]	**2023**	**221,395**	**12,646**	**16,870**	**3,652**	**-**	**172,766**	**427,329**	**40.4%**
	2022	-	-	-	-	-	-	-	-
David Bonomini[2]	**2023**	**196,339**	**14,754**	**12,499**	**3,238**	**-**	**285,540**	**512,370**	**55.7%**
	2022	-	-	-	-	-	-	-	-
Gareth Jones[3]	**2023**	**112,633**	**7,856**	**13,822**	**-**	**-**	**-**	**134,311**	**-**
	2022	212,320	14,730	7,278	-	-	-	234,328	-
Sam Cruikshank[4]	**2023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2022	157,514	11,784	(14,132)	-	164	-	155,330	-
Total compensation for Senior Executives	**2023**	**757,639**	**59,119**	**58,051**	**10,676**	**164**	**1,453,649**	**2,239,135**	**62.1%**
	2022	617,531	48,484	10,006	-	164	2,136,292	2,812,477	76.0%
Total KMP remuneration	**2023**	**1,155,178**	**100,861**	**58,051**	**10,676**	**164**	**1,453,649**	**2,778,416**	**52.3%**
	2022	939,477	80,678	10,006	-	164	2,136,292	3,166,617	67.5%

1 Mr Vince D'Rozario was appointed as Chief Operating Officer on 4 January 2023.
2 Mr David Bonomini was appointed as Chief Financial Officer on 21 November 2022.
3 Mr Gareth Jones resigned as Chief Financial Officer on 31 October 2022 and was paid out his accumulated annual leave.
4 Mr Sam Cruickshank resigned as Chief Financial Officer on 31 December 2021.
5 Share-based payments included in the remuneration above relate to the accounting expense of cash settled share-based payments and options issued.

No cash bonus payments were made during the year.

Other transactions with related parties

Other than those disclosed above, there were no transactions with related parties during the year (2022: Nil) and no amounts outstanding to related parties at 30 June 2023 (2022: Nil).

There were no other transactions with related parties during the year to 30 June 2023 (2022: Nil).

Loans to key management personnel

There were no loans made, guaranteed or secured, directly or indirectly, by Austin and any of its subsidiaries to KMP, including their close family members and entities related to them.

Audited remuneration report (continued)

5. Equity instruments

Equity instruments held by key management personnel

The details of Shares, Options and Performance Rights over ordinary shares granted to and vested by KMP of the Group are set out below:

KMP	Balance at 30 June 2022	Granted	Vested	Lapsed/ Forfeited	Bought (sold)	Balance at 30 June 2023	Vested and exercisable	Unvested	Granted – fair value	% Vested during the year
David Singleton – Managing Director and Chief Executive Officer										
Shares[1]	133,485	-	-	-	-	133,485	-	-	-	-
Options[2]	42,900,000	-	14,300,000	-	-	42,900,000	28,600,000	14,300,000	3,529,000	33.3%
Total	**43,033,485**	**-**	**14,300,000**	**-**	**-**	**43,033,485**	**28,600,000**	**14,300,000**	**3,529,000**	
Jim Walker – Non-Executive Director										
Shares[1]	166,000	-	-	-	-	166,000	-	-	-	-
Total	**166,000**	**-**	**-**	**-**	**-**	**166,000**	**-**	**-**	**-**	**-**
Sybrandt van Dyk – Non-Executive Director										
Shares[1]	213,500	-	-	-	-	213,500	-	-	-	-
Total	**213,500**	**-**	**-**	**-**	**-**	**213,500**	**-**	**-**	**-**	**-**
Chris Indermaur – Non-Executive Director										
Shares[1]	200,000	-	-	-	-	200,000	-	-	-	-
Total	**200,000**	**-**	**-**	**-**	**-**	**200,000**	**-**	**-**	**-**	**-**
Vincent D'Rozario – Chief Operating Officer										
Options[3]	-	5,000,000	-	-	-	5,000,000	-	-	576,550	-
Total	**-**	**5,000,000**	**-**	**-**	**-**	**5,000,000**	**-**	**-**	**576,550**	**-**
TOTAL	**43,612,985**	**5,000,000**	**14,300,000**	**-**	**-**	**48,612,985**	**28,600,000**	**14,300,000**	**4,105,550**	**-**

1 Ordinary shares in the Company held directly, indirectly or beneficially by Non-Executive Directors and executive KMP, including related parties, are outlined above and were acquired in accordance with Company's Share Trading Policy.
2 Options granted on 26 November 2021 to the Managing Director.
3 Options granted on 12 January 2023 to the Chief Operating Officer.

No other KMP held shares, options or rights at 30 June 2023 and 30 June 2022.

Shares under option

The number of options over ordinary shares held by KMP at the date of this report are as follows:

Grant date	Expiry date	Type	Exercise price	Number of shares under option
26 November 2021	26 November 2024	Share price and tenure	$0.13	42,900,000
12 January 2023	12 April 2023	Share price and tenure	$0.35	5,000,000

No options were granted to, or exercised by, KMP since the end of the financial year.

Shares under performance rights

There are no Performance Rights over ordinary shares held by KMP at the date of this report and no Performance Rights were granted to KMP since the end of the financial year.

THIS CONCLUDES THE AUDITED REMUNERATION REPORT.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Austin paid a premium in respect of a contract insuring the directors and officers of Austin 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 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 28 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk 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* (including Independence Standards) for APES 110 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 43.

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.

J. A. Walker

Jim Walker
Non-Executive Chair

28 August 2023
Perth

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2023, 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.

Dean Just

Director

BDO Audit Pty Ltd

Perth

28 August 2023


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Annual Financial Report

For the year ended 30 June 2023

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue from continuing operations	2	258,298	203,348
Other income	3	3,877	5,383
Expenses			
Raw materials and consumables used		(91,693)	(63,826)
Employment expenses		(64,808)	(53,747)
Subcontractor expenses		(27,953)	(23,080)
Occupancy and utility expenses		(6,039)	(3,487)
Depreciation expense		(6,911)	(4,709)
Amortisation expense	16	(994)	(338)
Production operational expenses		(23,122)	(18,688)
Gain from disposal of property, plant and equipment		136	1,531
Other expenses	4b	(24,911)	(14,981)
Finance costs		(3,042)	(1,061)
Impairment expense	16	(3,481)	-
Profit before income tax		**9,357**	**26,345**
Income tax expense	6	(2,242)	(5,736)
Profit for the year from continuing operations		**7,115**	**20,609**
Loss from discontinued operation	5	(4,266)	(3,802)
Profit for the year		**2,849**	**16,807**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	20	4,483	843
Other comprehensive income for the year		**4,483**	**843**
Total comprehensive income for the year		**7,332**	**17,650**
Profit for the year is attributable to:			
Owners of Austin Engineering Limited		2,849	16,807
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		7,332	17,650

	Notes	2023 Cents	2022 Cents
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	7	1.22	3.55
Diluted earnings per share (cents per share)	7	1.13	3.43
Earnings per share from continuing and discontinued operations attributable to the owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	7	0.49	2.89
Diluted earnings per share (cents per share)	7	0.45	2.80

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 2023

	Notes	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	9	20,167	20,781
Trade and other receivables	10	44,330	54,530
Inventories	11	68,750	40,362
Current tax assets	6	406	-
Other receivables and other assets	12	17,570	14,443
		151,223	**130,116**
Assets classified as held for sale	5	4,513	1,109
Total current assets		**155,736**	**131,225**
Non-current assets			
Property, plant and equipment	15	47,736	37,247
Intangible assets	16	26,113	11,588
Deferred tax assets	6	5,907	11,185
Right-of-use assets	17	10,916	12,005
Other non-current assets	12	14,457	10,894
Total non-current assets		**105,129**	**82,919**
Total assets		**260,865**	**214,144**
Current liabilities			
Trade and other payables	13	70,082	60,888
Financial liabilities	18	33,712	22,000
Current tax liabilities	6	4,087	2,883
Provisions	14	9,623	6,026
Lease liabilities	17	4,525	2,998
		122,029	**94,795**
Financial liabilities directly associated with assets classified as held for sale	5	6,051	-
Total current liabilities		**128,080**	**94,795**
Non-current liabilities			
Financial liabilities	18	8,107	-
Provisions	14	1,380	765
Lease liabilities	17	9,100	11,264
Total non-current liabilities		**18,587**	**12,029**
Total liabilities		**146,667**	**106,824**
Net assets		**114,198**	**107,320**
Equity			
Share capital	19	155,052	154,466
Accumulated losses		32,956	(34,059)
Reserves	20	(7,898)	(13,087)
Total equity		**114,198**	**107,320**

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 2023

	Notes	Contributed equity $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Opening balance at 1 July 2021		**154,133**	**1,428**	**(16,839)**	**(47,962)**	**90,760**
Total comprehensive income for the year:						
Loss for the year		-	-	-	16,807	16,807
Other comprehensive income, net of tax:						
Currency translation differences		-	-	843	-	843
Total comprehensive income for the year		**-**	**-**	**843**	**16,807**	**17,650**
Transactions with owners in their capacity as owners:						
Shares issued under dividend reinvestment plan (net of share issue costs)	19	176	-	-	-	176
Share-based payments		-	1,638	-	-	1,638
Conversion of performance rights	19	157	(157)	-	-	-
Dividends provided for or paid	8	-	-	-	(2,904)	(2,904)
		333	**1,481**	**-**	**(2,904)**	**(1,090)**
Balance at 30 June 2022		**154,466**	**2,909**	**(15,996)**	**(34,059)**	**107,320**
Balance at 1 July 2022		**154,466**	**2,909**	**(15,996)**	**(34,059)**	**107,320**
Total comprehensive income for the year:						
Profit for the year		-	-	-	2,849	2,849
Other comprehensive income, net of tax:						
Currency translation differences		-	-	4,483	-	4,483
Total comprehensive income for the year		**-**	**-**	**4,483**	**2,849**	**7,332**
Transactions with owners in their capacity as owners:						
Shares issued under dividend reinvestment plan (net of share issue costs)	19	33	-	-	-	33
Share-based payments		-	1,259	-	-	1,259
Conversion of performance rights	19	553	(553)	-	-	-
Dividends provided for or paid	8	-	-	-	(1,746)	(1,746)
		586	**706**	**-**	**(1,746)**	**(454)**
Balance at 30 June 2023		**155,052**	**3,615**	**(11,513)**	**(32,956)**	**114,198**

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 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		270,975	186,858
Payments to suppliers and employees		(250,518)	(179,406)
Receipts from government grants – employee retention credits	3	3,190	-
Interest received		769	622
Finance costs		(4,295)	(2,036)
Income tax paid		(4,340)	(1,303)
Net cash provided by operating activities	29	**15,781**	**4,735**
Cash flows from investing activities			
Payments for property, plant and equipment		(10,932)	(3,852)
Payments for intangibles		(89)	(335)
Proceeds from sale of property, plant and equipment		180	12,912
Net payment for acquisition of subsidiary	28	(10,089)	-
Net cash (used in)/provided by investing activities		**(20,930)**	**8,725**
Cash flows from financing activities			
Proceeds from borrowings		14,974	35,708
Repayment of borrowings		(4,649)	(33,068)
Dividends paid to company's shareholders	8	(1,712)	(2,727)
Repayment of lease liabilities		(3,257)	(2,573)
Net cash provided by/(used in) financing activities		**5,356**	**(2,660)**
Net increase/(decrease) in cash and cash equivalents		**207**	**10,800**
Cash and cash equivalents at the beginning of the financial year		20,781	9,824
Effects of exchange rate changes on cash and cash equivalents		(821)	157
Cash and cash equivalents at end of the year	9	**20,167**	**20,781**

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

1 Segment information

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 for mining equipment, other products and repair and maintenance services). The strategic operating segments are driven by the closer integration of Australian and Indonesian business units in supplying a common market. Management also acknowledges 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.

Executive management monitors segment performance based on EBITDA. Segment information for the years ended 30 June 2023 and 30 June 2022 is as follows:

	Asia-Pacific		North America		South America		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Continuing operations								
Total segment revenue from continuing operations – from external customers	141,918	107,490	75,320	66,652	41,060	29,206	258,298	203,348
EBITDA from continuing operations	2,085	8,858	15,242	15,945	2,976	7,650	20,303	32,453
Profit/(loss) before tax	(8,609)	7,856	15,046	12,456	2,919	6,033	9,356	26,345
Other segment information								
Depreciation and amortisation	6,268	3,510	766	786	871	751	7,905	5,047
Impairment	3,481	-	-	-	-	-	3,481	-
Continuing and discontinued operations								
Total segment assets	126,540	100,044	63,689	58,364	70,336	55,736	260,565	214,144
Total assets include:								
Additions to non-current assets (other than financial assets and deferred tax)	6,830	4,441	523	10,673	1,732	3,069	9,085	18,183
Total segment liabilities	102,456	72,994	27,001	22,921	17,210	10,909	146,667	106,824

1 Segment information (continued)

Segment revenue and non-current assets

Continuing operations

	2023 $'000	2022 $'000
Total revenues from customers based on geographical regions:		
- Australia	99,263	78,941
- Chile	41,060	29,201
- USA	27,207	26,865
- Canada	42,904	36,808
- Indonesia	38,532	17,812
- all other foreign countries	9,332	13,721
Revenues derived from a single external customer were attributable to Asia-Pacific and North America segments	42,253	41,793
Non-current assets, excluding financial instruments and deferred tax assets, located:		
- in Australia	20,793	18,851
- in Chile	29,007	22,331
- in USA	17,779	17,353
- in Indonesia	12,633	6,289

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 profit before income tax is as follows:

	Continuing and discontinued operations		Continuing operations	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
EBITDA	**17,333**	**29,548**	**20,304**	**32,453**
Depreciation expense	(7,702)	(5,247)	(6,911)	(4,709)
Amortisation expense	(999)	(342)	(994)	(338)
Interest revenue	769	622	767	617
Interest expense	(4,295)	(2,037)	(3,809)	(1,678)
Profit before income tax	**5,106**	**22,544**	**9,357**	**26,345**

2 Revenue

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

	2023 $'000	2022 $'000
Revenue from contracts with customers	258,298	202,927
Other revenue	-	421
Total revenue from continuing operations	**258,298**	**203,348**

(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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenue from contracts with customers								
Sale of goods								
Truck bodies	63,335	62,791	66,218	62,507	19,531	13,240	149,084	138,538
Buckets	18,914	10,770	6,110	-	-	-	25,024	10,770
Other goods	44,542	17,640	2,992	4,145	2,473	1,198	50,007	22,983
Total sale of goods	**126,791**	**91,201**	**75,320**	**66,652**	**22,004**	**14,438**	**224,115**	**172,291**
Services								
On-site services	14,704	13,368	-	-	12,656	8,066	27,360	21,434
Off-site services	247	78	-	-	3,952	3,285	4,199	3,363
Other services	176	2,761	-	-	2,448	3,078	2,624	5,839
Total services	**15,127**	**16,207**	**-**	**-**	**19,056**	**14,429**	**34,183**	**30,636**
Revenue from contracts with customers	**141,918**	**107,408**	**75,320**	**66,652**	**41,060**	**28,867**	**258,298**	**202,927**
Timing of revenue recognition								
At a point in time								
- Sale of goods	126,791	91,201	75,320	66,652	22,004	14,438	224,115	172,291
- Services	15,127	16,207	-	-	-	-	15,127	16,207
Over time								
- Services	-	-	-	-	19,056	14,429	19,056	14,429
Revenue from contracts with customers	**141,918**	**107,408**	**75,320**	**66,652**	**41,060**	**28,867**	**258,298**	**202,927**

(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.

2 Revenue (continued)

(b) Accounting policies (continued)

(i) Sale of goods (continued)

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method appropriately depicts the Group's performance in transferring control of the goods and services to the customer. If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

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*.

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. During the financial year, $8.0 million (2022: $5.8 million) of revenue was recognised from truck bodies sold on finance lease arrangements in South America.

(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. For each performance obligation relating to services within a contract, the Group determines whether it is satisfied over time or at a point in time. For Services provided over time, 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. If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment.

2 Revenue (continued)

(c) Contract assets and liabilities

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

	Notes	2023 $'000	2022 $'000
Contract assets	10	958	5,900
Contract liabilities	13	(19,199)	(12,529)

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

	Contract assets		Contract liabilities	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At 1 July	**5,900**	**2,109**	**(12,529)**	**(6,355)**
Invoices issued in advance of performance	-	-	(10,165)	(8,097)
Transfers to trade receivables	(13,326)	(25,426)	-	-
Amounts recognised in revenue during the year	7,921	29,626	3,769	1,887
Effect of foreign exchange	463	(409)	(274)	36
At 30 June	**958**	**5,900**	**(19,199)**	**(12,529)**

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 Other income

	2023 $'000	2022 $'000
Employee retention credit*	4,841	-
Net foreign currency exchange (losses)/gains	(2,751)	3,927
Other income	1,787	1,456
Total other income	**3,877**	**5,383**

* During the year, the USA operations recognised an amount of $4.8 million in relation to amounts received from the US government as compensation for Austin's costs of employee retention through the COVID-19 period. $3.2 million of this amount was received in June 2023 with the remaining amount of $1.6 million included within other receivables at reporting date. This amount was subsequently received in July 2023.

4 Expenses

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

	2023 $'000	2022 $'000
Cost of goods sold	190,953	145,943
Defined contribution superannuation costs	1,940	1,529
Share-based payment expense	1,544	1,638

(b) Other expenses

	2023 $'000	2022 $'000
Consultancy	4,431	2,757
Insurance costs	2,948	2,431
Administration costs	1,881	1,659
Information technology costs	2,362	1,176
Travel expenses	875	347
Other expenses	12,414	6,611
Total other expenses	**24,911**	**14,981**

5 Discontinued operations

(a) Discontinued operations

During the prior year, the Group closed its operation in Peru and Canada including, retrenching staff, transferring assets to other Austin business units and disposing of assets. The decision to discontinue the operations was made based on the current and future expected market conditions in Peru and Canada as well as the overall Group strategy and hub and spoke model. During the year, the right-of-use asset and lease liability associated with the Canadian operations were reclassified as held for sale. Impairment testing was performed on the right of use asset and impairment was recognised on the right of use asset in Canada based on the estimated settlement price for exiting the lease arrangement. Refer to Note 17.

The results of Austin Engineering Peru SAC, Austin Canada Inc, Austin Ingenieros Colombia S.A.S., Pilbara Hire Group Pty Ltd and 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.

	2023 $'000	2022 $'000
Revenue	-	2,650
Expenses	(4,251)	(6,452)
Income tax expense	(15)	-
(Loss) from discontinued operation	**(4,266)**	**(3,802)**
Net cash inflow/(outflow) from operating activities	(632)	(3,398)
Net cash (outflow)/inflow from investing activities	-	3,338
Net cash outflow from financing activities	304	(1,356)
Net decrease in cash generated by discontinued operations	**(328)**	**(1,416)**

The assets relating to the Peruvian operations and Canadian right of use asset are presented as held for sale. See (b) below. In 2023, the Canadian right of use asset was impaired by $2.3 million based on the estimated settlement price for exiting the lease arrangement (2022: Nil). The carrying value of the remaining assets held for sale are expected to be recovered through sale.

5 Discontinued operation (continued)

(b) Assets and liabilities classified as held for sale

The Group intends to continue to dispose properties and equipment that it no longer requires in the next 12 months. The properties and equipment are located in Peru and Australia.

	Consolidated entity	
	2023 $'000	2022 $'000
Land and building – Peru	885	803
Plant and equipment – Australia (Mackay)	306	306
Right-of-use asset – Building (Canada)	3,322	-
Total assets classified as held for sale	**4,513**	**1,109**
Lease liability (Canada)	6,051	-
Financial liabilities directly associated with assets classified as held for sale	**6,051**	**-**

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 34 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	
	2023 $'000	2022 $'000
Opening assets classified as held for sale	**1,109**	**8,312**
Transfers from Property, Plant and Equipment (refer Note 15)	68	144
Transfers from right-of-use assets (refer Note 17)	3,322	-
Disposals	-	(7,431)
Exchange differences	14	84
Closing assets classified as held for sale	**4,513**	**1,109**

6 Tax

(a) Income tax expense

	2023 $'000	2022 $'000
Components of income tax expense:		
Current tax – current period	6,158	4,169
(Over) provision in respect of prior years	-	(528)
Deferred tax – origination and reversal of temporary differences	(3,901)	2,095
	2,257	**5,736**
Income tax expense is attributable to:		
Profit from continuing operations	2,242	5,736
Loss from discontinued operation	15	-
	2,257	**5,736**

6 Tax (continued)

(a) Income tax expense (continued)

Numerical reconciliation of income tax expense to prima facie tax payable

	2023 $'000	2022 $'000
Profit from continuing operations before income tax expense	9,357	26,345
Loss from discontinuing operation before income tax expense	(4,251)	(3,802)
	5,106	**22,543**
Tax at the Australian tax rate of 30.0% (2022: 30.0%)	1,532	6,763
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	1,237	(2,092)
Entertainment/donations	3	32
Over-provision for tax in prior years	-	(528)
Share performance right expenses in the year	-	491
Differences in overseas tax rates	(983)	(2,197)
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	468	3,267
Income tax expense	**2,557**	**5,736**

(b) Current tax asset and liability

	2023 $'000	2022 $'000
Current tax assets	406	-
Current tax liabilities	(4,087)	(2,883)
	(3,681)	**(2,883)**

(c) Deferred tax

	2023 $'000	2022 $'000
Deferred tax assets – non-current:		
Trade and other payables	1,472	-
Employee leave entitlements	804	1,418
Warranty and other provisions	1,119	732
Property, plant and equipment and intangible	(920)	-
Foreign exchange	(3,372)	3,527
Leases	764	822
Tax losses	6,042	4,363
Other	(2)	323
Total deferred tax assets	**5,907**	**11,185**

6 Tax (continued)

(c) Deferred tax (continued)

	Opening balance $'000	Recognised in goodwill $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2023					
Deferred tax assets					
Trade and other payables	-	-	1,472	-	1,472
Employee leave entitlements	1,418	-	(614)	-	804
Warranty and other provisions	732	-	387	-	1,119
Property, plant and equipment and intangible	-	(2,280)	1,360	-	(920)
Foreign exchange	3,527	-	-	(6,899)	(3,372)
Leases	822	-	(58)	-	764
Tax losses	4,363	-	1,679	-	6,042
Other	323	-	(325)	-	(2)
Total deferred tax assets	**11,185**	**(2,280)**	**3,901**	**(6,899)**	**5,907**

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2022				
Deferred tax assets				
Employee leave entitlements	1,799	(381)	-	1,418
Warranty and other provisions	1,205	(473)	-	732
Foreign exchange	258	-	3,269	3,527
Leases	945	(123)	-	822
Tax losses	3,474	889	-	4,363
Other	2,329	(2,006)	-	323
Total deferred tax assets	**10,010**	**(2,094)**	**3,269**	**11,185**

Unused tax losses for which no deferred tax asset has been recognised amount to $4.4 million of capital tax losses and $3.9 million of revenue losses (2022: $6.7 million) at reporting date and can be carried forward indefinitely (subject to meeting utilisation requirements).

Temporary timing differences for which no deferred tax asset has been recognised amount to nil (2022: Nil) at reporting date.

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.

6 Tax (continued)

(c) Deferred tax (continued)

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 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 with Austin Engineering Limited as the Head Company. These entities form part of the tax funding and sharing agreement. In accordance with the tax funding agreement, the current and deferred tax balances are recognised by each party using a modified standalone payer allocation approach. The Head Company recognises current tax liabilities or assets, and deferred tax arising from unused tax losses and unused relevant tax credits, assumed from the tax funding contributing members. The contributing members recognise deferred taxes relating to temporary differences. The assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

7 Earnings per share

Basic earnings per share

	2023 Cents	2022 Cents
Basic earnings per share		
From continuing operations	1.22	3.55
From discontinued operations	(0.73)	(0.66)
Total basic earnings per share	**0.49**	**2.89**
Diluted earnings per share		
From continuing operations	1.13	3.43
From discontinued operations	(0.68)	(0.63)
Total diluted earnings per share	**0.45**	**2.80**

7 Earnings per share (continued)

Reconciliation of earnings to loss

	2023 $'000	2022 $'000
Profit/(loss) after tax:		
From continuing operations	7,115	20,609
From discontinued operation	(4,266)	(3,802)
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**2,849**	**16,807**

Weighted average number of shares used as the denominator

	2023 Number	2022 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	582,818,251	581,223,539
Effect of dilutive securities – share-based performance rights and options	47,322,448	18,812,617
Used to calculated dilute earnings per share	**630,140,669**	**600,036,156**

(a) Performance rights

Performance rights granted to employees under the performance rights plan whose conditions have been met at year end, excluding conditions only relating to time, 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 33.

(b) Options

Options granted to employees as part of their total remuneration package are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the Company's performance up to the reporting date, and to the extent to which they are dilutive. At the date of this report, a total of 28,600,000 Options (tranche 1, 2 and 3) issued to the Mr Singleton vested on 30 June 2023 following satisfaction of the applicable retention and share price performance conditions. All 28,600,000 Options may be exercised into shares at an exercise price of $0.13 on or before 26 November 2024. Accordingly, these options were included in the calculation of diluted earnings per share.

During the year, a total of 5,000,000 Options (tranche 1, 2 and 3) issued to the Chief Operating Officer. Once vested, these Options may be exercised into shares at an exercise price of $0.35. As the exercise price is above the average share price of the Company during the year, these options are considered anti-dilutive and excluded in the calculation of diluted earnings per share.

Further information about the Options is provided in Note 33.

8 Dividends

Recognised amounts

	30 Jun 2023 $'000	30 Jun 2022 $'000
Fully franked dividend for the year ended 30 June 2021 of 0.3 cents per share, paid on 30 September 2021	-	1,740
Interim fully franked dividend for the half-year ended 31 December 2021 of 0.2 cents per share, paid on 6 April 2022	-	1,164
Fully franked dividend for the year ended 30 June 2022 of 0.3 cents per share, paid on 27 October 2022	1,746	-
Total recognised amounts	**1,746**	**2,904**

8 Dividends (continued)

Recognised amounts (continued)

A portion of shareholders participated in the Dividend Reinvestment Plan and reinvested $0.033 million of the amount declared (2022: $0.2 million). The cash outflow of the above dividends for the year was $1.7 million (2022: $2.7 million).

Dividends not recognised at the end of the reporting period

No dividend was declared in relation to the current period.

Franking credits

	Consolidated entity	
	2023 $'000	2022 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2022: 30.0%)	22,897	23,645

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.

9 Cash and cash equivalents

	2023 $'000	2022 $'000
Cash and cash equivalents	20,167	20,781
	20,167	**20,781**

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. Refer to Note 21 for foreign exchange risk.

The cash and cash equivalents disclosed above and in the statement of cash flows include Australian dollar equivalent of $1.7 million (2022: $4.2 million) which are held by PT Austin Engineering Indonesia. These deposits are subject to regulatory local exchange control regulations. These regulations provide for restrictions on exporting capital, other than normal dividends. No other restriction on cash and cash equivalents held by the Group.

10 Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	43,383	48,659
Allowance for expected credit losses	(11)	(29)
Trade receivables net of expected credit losses	**43,372**	**48,630**
Contract assets	958	5,900
	44,330	**54,530**

10 Trade and other receivables (continued)

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

	2023 $'000	2022 $'000
Australian dollars	10,681	17,565
US dollars (Australian dollar equivalent)	25,618	29,699
Chilean pesos (Australian dollar equivalent)	8,031	6,144
Colombian pesos (Australian dollar equivalent)	-	584
Peruvian nuevo soles (Australian dollar equivalent)	-	538
	44,330	**54,530**

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.

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

11 Inventories

	2023 $'000	2022 $'000
At cost:		
Raw materials and consumables	47,804	19,525
Work in progress	20,566	20,485
Finished goods	380	352
	68,750	**40,362**

Raw materials, consumables and work in progress

Inventories 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.

12 Other receivables and other assets

	2023 $'000	2022 $'000
Current		
Prepayments	4,362	4,591
Other receivables (i)	1,090	1,852
Current finance lease receivable (ii)	9,118	8,000
	17,570	**14,443**

(i) Other receivables predominantly consist of $1.65 million relating to COVID-19 employee retention credits and $1.1 million relating to value added tax balances.

(ii) 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 five 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. Please refer to Note 10 for details on the Group's policy for impairment of financial assets, including finance lease receivables.

	Current 2023 $'000	Non-current 2023 $'000	Current 2022 $'000	Non-current 2022 $'000
Finance lease receivable				
Not later than one year	9,578	-	8,361	-
Later than one year and not later than five years	-	17,153	-	12,970
Later than five years	-	-	-	-
	9,578	17,153	8,361	12,970
Less: unearned finance income	(460)	(2,696)	(361)	(2,076)
Present value of minimum lease payments receivable	9,118	14,457	8,000	10,894
Allowance for uncollectible lease payments	-	-	-	-
	9,118	**14,457**	**8,000**	**10,894**

13 Trade and other payables

	2023 $'000	2022 $'000
Current unsecured liabilities:		
Trade payables	41,164	30,959
Accrued and other payables	9,719	17,400
Contract liabilities	19,199	12,529
	70,082	**60,888**

For information about the consolidated entity's exposure to foreign exchange risk, refer to Note 21.

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 Trade and other payables (continued)

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

	2023 $'000	2022 $'000
Australian dollars	28,169	24,915
US dollars (Australian dollar equivalent)	23,075	15,655
Chilean pesos (Australian dollar equivalent)	9,067	8,367
Colombian pesos (Australian dollar equivalent)	17	148
Peruvian nuevo soles (Australian dollar equivalent)	74	1,542
Indonesian rupiah (Australian dollar equivalent)	3,855	7,763
Singaporean dollars (Australian dollar equivalent)	1,499	2,365
Canadian dollars (Australian dollar equivalent)	88	92
Euro (Australian dollar equivalent)	4,141	41
New Zealand dollars (Australian dollar equivalent)	97	-
	70,082	**60,888**

14 Provisions

	2023 $'000	2022 $'000
Current		
Employee leave entitlements and benefits	3,836	3,218
Warranty provisions	3,016	825
Other	2,771	1,983
	9,623	**6,026**
Non-current		
Employee leave entitlements and benefits	1,380	765
	1,380	**765**

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.

14 Provisions (continued)

Other long-term employee benefit obligations (continued)

Liabilities associated with the long term incentive scheme are included within the employee benefits obligations based on the fair value of these incentives at reporting date. Refer Note 33 for further information.

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 12 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.

15 Property, plant and equipment

	2023 $'000	2022 $'000
Freehold land		
Cost	18,823	16,910
	18,823	**16,910**
Freehold buildings		
Cost	24,258	19,030
Accumulated depreciation	(7,900)	(5,768)
	16,358	**13,262**
Plant and equipment		
Cost	42,313	33,424
Accumulated depreciation	(34,359)	(28,898)
	7,954	**4,526**
Capital work in progress		
Cost	4,601	2,549
	4,601	**2,549**
Closing net book amount	**47,736**	**37,247**

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2023					
Opening net book amount	16,910	13,262	4,526	2,549	37,247
Additions through acquisition of subsidiary (refer Note 28)	-	-	2,417	-	2,417
Other additions	-	1,877	5,367	2,021	9,265
Reallocation of capital work in progress	-	-	(15)	-	(15)
Disposals	-	-	(10)	-	(10)
Exchange differences	1,357	2,027	(163)	31	3,252
Depreciation charge	-	(808)	(3,544)	-	(4,352)
Transfers to/from assets classified as held for sale	-	-	(68)	-	(68)
Closing net book amount	**18,267**	**16,358**	**8,510**	**4,601**	**47,736**

15 Property, plant and equipment (continued)

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2022					
Opening net book amount	18,105	16,066	5,538	711	40,420
Additions	-	151	3,644	56	3,851
Reallocation of capital work in progress	-	827	-	(827)	-
Disposals	(1,180)	(1,210)	(1,058)	(120)	(3,568)
Exchange differences	(15)	(1,662)	1,140	10	(527)
Depreciation charge	-	(910)	(1,875)	-	(2,785)
Transfers to/from assets classified as held for sale	-	-	(144)	-	(144)
Others	-	-	(2,719)	2,719	-
Closing net book amount	**16,910**	**13,262**	**4,526**	**2,549**	**37,247**

(i) Non-current assets pledged as security

Refer to Note 18 for information on non-current assets pledged as security by the Group.

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% to 10%
Plant and equipment	5% to 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.

16 Intangible assets

	Goodwill $'000	Customer relationships $'000	Intellectual property $'000	Patents $'000	Software $'000	Total $'000
Year ended 30 June 2023						
Opening net book amount	6,501	-	-	828	4,259	11,588
Additions through acquisition of subsidiary (refer Note 28)	11,299	5,443	2,159	-	14	18,915
Other additions	-	-	-	96	65	161
Disposal	-	-	-	-	(168)	(168)
Transfers	-	-	-	-	-	-
Exchange differences	132	-	-	6	(46)	92
Amortisation charge	-	(454)	(180)	(95)	(265)	(994)
Impairment charge	-	-	-	-	(3,481)	(3,481)
Closing net book amount	**17,932**	**4,989**	**1,979**	**835**	**378**	**26,113**
At 30 June 2023						
Cost	21,868	5,443	2,159	1,045	3,146	33,661
Accumulated amortisation and impairment	(3,936)	(454)	(180)	(210)	(2,768)	(7,548)
Net book amount	**17,932**	**4,989**	**1,979**	**835**	**378**	**26,113**
Year ended 30 June 2022						
Opening net book amount	6,240	-	-	640	4,378	11,258
Additions	-	-	-	223	112	335
Disposal	-	-	-	-	(3)	(3)
Transfers	-	-	-	-	84	84
Exchange differences	261	-	-	9	(18)	252
Amortisation charge	-	-	-	(44)	(294)	(338)
Closing net book amount	**6,501**	**-**	**-**	**828**	**4,259**	**11,588**
At 30 June 2022						
Cost	10,285	-	-	940	6,569	17,794
Accumulated amortisation and impairment	(3,784)	-	-	(112)	(2,310)	(6,206)
Net book amount	**6,501**	**-**	**-**	**828**	**4,259**	**11,588**

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 ("CGUs") as follows:

	2023 $'000	2022 $'000
Cash generating unit		
Aust Bore Pty Ltd	2,563	2,563
Austin Engineering USA Inc.	4,070	3,938
Australia (excluding Austbore)	11,299	-
Net carrying value	**17,932**	**6,501**

16 Intangible assets (continued)

Impairment charge

An impairment assessment was performed at the end of the financial year and no impairment recognised. Similarly no impairment was recognised in the prior year.

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 CGU to which the asset belongs.

The write-down of software by $3.5 million was the result of the Group re-assessing the recoverable amount of the capitalised ERP implementation costs resulting in a written down value of Nil.

Key assumptions used for value in use calculations

The recoverable amount of the CGUs 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) Revenue forecast and cash earnings assumptions;
(b) Growth rates used within the forecast period;
(c) Discount rates; and
(d) 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

	2023 %	2022 %
Region		
Australia	11.25	11.30
USA	9.94	9.70
Chile	13.80	13.80
Indonesia	13.84	18.10

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 2.6% (2022: 3%) based on the long-term growth rates experienced in the Group's end-markets and external forecasts.

17 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 12.

(i) Amounts recognised in the statement of financial position

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

	2023 $'000	2022 $'000
Right-of-use assets		
Buildings	6,640	10,095
Equipment	4,096	1,581
Vehicles	180	329
	10,916	**12,005**
Lease liabilities		
Current	4,525	2,998
Non-current	9,100	11,264
	13,625	**14,262**

Additions to the right-of-use assets during the financial year ended 30 June 2023 were $3.9 million (2022: $6.6 million). The Group's leases primarily relate to real property leases, long term lease of equipment and motor vehicles. During the current year, the Canadian right-of-use property asset was impaired by $2.3 million based on the estimated settlement price for exiting the lease arrangement. The carrying value of the remaining assets of $3.3 million was reclassified as an asset held for sale at the end of the reporting period.

(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:

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets		
Buildings	2,119	2,165
Equipment	797	205
Vehicles	180	63
	3,096	**2,433**
Interest expense (included in finance cost)	2,247	1,094
Expense relating to short-term leases (included in Occupancy and utility expenses)	-	189

The total cash outflow for leases in fiscal year ended 30 June 2023 was $5.5 million (2022: $3.7 million).

(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.

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

(a) Leases (continued)

(iii) The Group's leasing activities and how these are accounted for (continued)

(i) Lease liabilities (continued)

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 term 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.

18 Financial liabilities

Secured liabilities

	Current 2023 $'000	Non-current 2023 $'000	Current 2022 $'000	Non-current 2022 $'000
Facilities associated with continuing operations				
Bank borrowings (i)	29,641	4,583	22,000	-
Deferred consideration (ii)	3,500	3,368	-	-
Hire purchase liabilities	571	156	-	-
	33,712	**8,107**	**22,000**	**-**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale (Note 5)	6,051	-	-	-
	39,763	**8,107**	**22,000**	**-**

(i) Bank borrowings

In August 2021, the Group entered into a $35.0 million global financing arrangement provided by HSBC Bank Australia Limited and is used to support the working capital requirements of the Group. The facility has a number of financial covenants being, a borrowing base ratio > 1.00, interest cover ratio > 4 times, leverage ratio < 2.25 times and debt service cover ratio of >1.5. As at 30 June 2023, the Group has complied with all covenants. During the current period, the Group borrowed an additional $11.0 million as a term loan facility to fund the acquisition of Mainetec Pty Ltd ("Mainetec").

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

(ii) Deferred consideration

Deferred consideration relates to the amounts payable to the former shareholders of Mainetec over a two-year period to 11 October 2024. Refer Note 28 for details in relation to the acquisition.

Deferred consideration is initially recognised at fair value and subsequently remeasured at each reporting period based on the net present value of the amounts payable. The difference in fair value is recognised in the consolidated statement of profit or loss.

Assets pledged as security – fixed/floating charge

	2023 $'000	2022 $'000
Current		
Floating charge		
Cash and cash equivalents	16,304	14,735
Receivables	27,655	40,119
Inventories	36,254	20,509
Other assets	3,726	4,144
Fixed charge		
Assets held for sale	3,628	306
Total current assets pledged as security	**87,567**	**79,813**
Non-current		
Fixed charge		
Property, plant and equipment	23,754	21,312
Intangible assets	26,056	11,510
Total assets pledged as security	**137,377**	**112,635**

18 Financial liabilities (continued)

Financing facilities

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

	Consolidated entity	
	2023 $'000	2022 $'000
Total facilities		
Bank facilities – revolving credit	28,000	28,000
Bank facilities – bank guarantees	7,000	7,000
Bank facilities – term loan *	11,000	-
	46,000	**35,000**
Utilised facilities		
Bank facilities – revolving credit	26,000	22,000
Bank facilities – guarantees	5,475	6,418
Bank facilities – term loan	11,000	-
	42,475	**28,418**
Unused		
Bank facilities – revolving credit	2,000	6,000
Bank facilities – guarantees	1,525	582
Bank facilities – term loan	-	-
	3,525	**6,582**

* The term balance at 30 June 2023 was $8.2 million.

19 Equity – share capital

	2023 No.	2023 $'000	2022 No.	2022 $'000
Ordinary shares				
Opening balance	581,727,804	154,466	580,074,317	154,133
Conversion of performance rights	1,515,152	553	858,372	157
Share issued for dividend reinvestment plan (net of share issue costs)	96,628	33	795,115	176
Balance at end of year	**583,339,584**	**155,052**	**581,727,804**	**154,466**

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.

Options and Performance Rights Plan

For information relating to Austin Engineering Limited's employee option plan and performance rights plan, including details of options and rights issued, exercised, and lapsed during the financial year and the options and rights outstanding at the year-end, refer to Note 33.

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 $128.5 million at 30 June 2023 (30 June 2022: $108.5 million). 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.

19 Equity – share capital (continued)

Capital management (continued)

The gearing ratios for the years ended 30 June 2023 and 30 June 2022 are as follows:

	Notes	2023 $'000	2022 $'000
Total borrowings		34,224	22,000
Less cash and cash equivalents	9	(20,167)	(20,781)
Net debt		**14,057**	**1,219**
Total equity		114,198	107,320
Total capital		**128,256**	**108,539**
Net gearing ratio		**11%**	**1%**

20 Equity – reserves

Share-based payments

The option/performance rights 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.

21 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.

21 Financial risk management (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

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 2023, 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 at 30 June 2022, 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 2023				
US dollar	(2,079)	(1,003)	2,542	1,226
Chilean peso	4,751	(1,692)	(5,807)	(2,068)
Indonesian rupiah	(2,834)	(282)	3,463	345
Colombian peso	283	22	(346)	(27)
Peruvian nuevo soles	10	(1)	(13)	1
Canadian dollar	556	353	(679)	(431)
Total	**687**	**(2,603)**	**(840)**	**(954)**
30 June 2022				
US dollar	(1,024)	(876)	1,251	1,071
Chilean peso	4,931	700	(6,027)	(856)
Indonesian rupiah	(2,456)	(730)	3,001	892
Colombian peso	251	180	(306)	(220)
Peruvian nuevo soles	8	47	(9)	(57)
Canadian dollar	192	186	(235)	(228)
Total	**1,902**	**(493)**	**(2,325)**	**602**

There is a finance lease receivable of US$15.4 million at 30 June 2023 included in Austin's Chilean operation, a 10% strengthening of the US dollar against the Chilean peso would result in a profit of AUD $2.3 million, whereas a 10% weakening would result in a loss of AUD $1.8 million.

(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 or loss. The interest rate shift scenario is run only for assets and liabilities that represent the major interest-bearing positions.

21 Financial risk management (continued)

Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

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

	Consolidated entity			
	Weighted average interest rate %	2023 $'000	Weighted average interest rate %	2022 $'000
Cash	0.5%	20,167	0.1%	20,781
Financial liabilities	6.2%	(34,224)	3.3%	(22,000)
Net exposure to cash flow interest rate risk		**(14,057)**		**(1,219)**

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 or 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 $0.3 million (2022: $0.2 million). 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 (over 120 days) 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.

21 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables

The Group's exposure to credit risk for trade and other receivables (including contract assets) 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.

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 to Note 10 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 $2.0 million were undrawn at 30 June 2023 (2022: $6.6 million). The principal terms of repayment are detailed in Note 18.

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.

21 Financial risk management (continued)

Liquidity risk (continued)

	No later than one year $'000	Between one and five years $'000	Greater than five years $'000	Contractual cash flows $'000	Carrying value $'000
At 30 June 2023					
Trade and other payables	50,883	-	-	50,883	50,883
Financial liabilities	33,712	8,238	-	41,951	41,819
Lease liabilities	6,702	11,345	278	18,325	13,626
Total	**91,297**	**19,583**	**278**	**111,159**	**106,328**
At 30 June 2022					
Trade and other payables	48,359	-	-	48,359	48,359
Financial liabilities	22,000	-	-	22,000	22,000
Lease liabilities	3,534	9,918	4,918	18,370	14,262
Total	**73,893**	**9,918**	**4,918**	**88,729**	**84,621**

22 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 2023 the Group measured deferred consideration at fair value based on the net present value of future payments using an appropriate discount rate. The Group did not have any other 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 12 months, approximates the carrying value.

23 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.

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

24 Events occurring after the reporting period

There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

25 Interests in other entities

	Place of business/ country of incorporation	Percentage owned	
		2023	2022
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Mainetec Pty Ltd	Australia	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%
Austin Ingenieros Colombia S.A.S.	Colombia	1%	1%
Austin Engineering Treasury Pty Ltd	Australia	100%	100%
Austin Canada Inc.	Canada	100%	100%
Austin ETT Africa Limited	Mauritius	-	100%
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%

26 Deed of cross guarantee

At 30 June 2023 and 30 June 2022, 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 shows the following aggregate amounts:

	2023 $'000	2022 $'000
Statement of financial position		
Current assets	96,210	97,203
Non-current assets	45,164	30,947
Total assets	**141,374**	**128,150**
Current liabilities	63,830	49,114
Non-current liabilities	11,087	3,734
Total liabilities	**74,917**	**52,848**
Net assets	**66,457**	**75,302**
Equity		
Contributed equity	155,052	154,466
Share-based payment reserve	3,615	2,909
Accumulated losses	(94,111)	(84,928)
Profits reserve	1,901	2,855
	66,457	**75,302**
Profit/(loss) for the year	(4,934)	792
Other comprehensive income	-	-
Total comprehensive income	**(4,934)**	**792**

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 (2022: Nil).

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

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. In FY2023, the Company did not recognise any impairments in respect of investments in, and loans to, subsidiary companies (2022: $3.9 million).

Profits reserve

The 2022 final dividend of $1.7 million was paid out of the profit reserve during the year. There was no transfer to the profit reserve during the year. Remaining distributable profits available to the Group at 30 June 2023 was $2.9 million.

During the prior year, the Board appropriated interim profits of $2.7 million to a dedicated profits reserve. The 2022 interim dividend of $1.2 million was paid from the profits reserve with remaining distributable profits at 30 June 2022 of $2.9 million.

28 Business combination

On 23 August 2022, Austin Engineering Limited acquired 100% of the issued shares in Mainetec Pty Ltd, an engineering and fabrication business, for consideration of $17.8 million. Transfer of Mainetec shares was completed on 11 October 2022 after the transfer of the initial cash consideration of $11.1 million to the vendors of Mainetec. Significant judgement was involved in the determination of 23 August 2022 as the acquisition date as this was the date on which Austin obtained control of Mainetec. This was the date from which Austin had the power to direct the relevant activities of Mainetec and had exposure to the variable returns from Mainetec and the ability to use its power to affect those returns.

Mainetec's premium range of "Hulk" buckets will complement Austin's JEC-HP high performance and standard bucket ranges, as well as bolster the Company's presence on the East Coast of Australia by leveraging Mainetec's existing strong market share in the region.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	At 23 August 2022 $'000
Purchase consideration	
Cash paid	11,120
Deferred cash consideration	6,727
Total purchase consideration	**17,847**

The allocation of the purchase price to assets and liabilities as a result of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	1,031
Trade receivables	1,334
Inventories	6,079
Other receivables and other assets	439
Property, plant and equipment	2,417
Intangible assets – Customer relationships (1)	5,443
Intangible assets – Intellectual property (2)	2,159
Intangible assets – Other intangibles	14
Right-of-use assets	3,039
Trade and other payables	6,208
Financial liabilities	(2,327)
Provisions	(1,514)
Lease liabilities	(3,077)
Deferred tax liabilities	(2,281)
Net identifiable assets acquired	**6,548**
Goodwill (3)	**11,299**

(1) The fair value of customer relationships was determined based on the Multi-period excess earnings method. This required key assumptions to be made around the discount rate, growth rate, forecast revenue and attrition rates.

(2) The fair value of the acquired Intellectual property was determined using the Relief from Royalty method. This required key assumptions to be made around the useful life, attributable revenue, growth rate, royalty rate and discount rate.

(3) The goodwill recognised is attributable to the assembled workforce, growth opportunities available to Mainetec and synergies with Austin's existing business, including opportunities for cross-selling and efficiencies arising from the expanded business footprint.

(i) Purchase consideration – cash outflow

The net cash outflow in the period relating to the acquisition was $10.09 million, being cash consideration of $11.1 million less net cash acquired of $1.0 million.

Acquisition-related costs of $1.3 million are included in other expenses in profit or loss.

28 Business combination (continued)

(ii) Acquired receivables

Trade receivables of $1.3 million are expected to be fully recoverable and are representative of the fair value of these receivables.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $32.2 million, EBITDA of $3.2 million and net profit of $0.2 million to the Group for the period from 23 August 2022 to 30 June 2023. EBITDA includes a deduction of $1.5 million of general Group overhead costs. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary, together with the consequential tax effects. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of $37.5 million and profit after tax of $1.5 million.

(iv) Post-completion arrangements

In addition to the deferred consideration noted above, under the terms of the acquisition agreement Austin also entered into a post-completion arrangement to incentivise continued employment and further performance over a three-year period. Under this arrangement, up to $6.0 million can be paid (in Austin shares) if various performance hurdles are met. Those incentive hurdles relate, respectively, to:

General revenue – up to $3.0 million

Revenue from Mainetec's buckets business must equal or exceed an agreed annual revenue target in any financial year prior to 30 June 2025 (for the full earn-out amount to be paid). Revenue below a lower (but still substantial) baseline figure will not qualify for any payment, and payment will be pro-rated for revenue that exceeds the baseline (but is less than the target).

Dipper revenue – up to $2.0 million

Aggregate revenue for the period 1 July 2022 to 30 June 2025 from worldwide sales of Mainetec sourced new dippers and related sales (but excluding sales that relate to existing work in progress and any further Australian refurbishing or rebuild work) must equal or exceed an agreed revenue hurdle. If aggregate revenue is below this, no amount is payable.

New business offering – up to $1.0 million

Mainetec entering into a new (Australia wide) contract (for a new business line) at prices acceptable to Austin with a large Australian mining company (or any of its related bodies corporate) and four other operators prior to 30 June 2025. If these contracts are not entered into, no amount is payable.

The number of shares that may be issued are calculated by dividing the revenue earnout amount under the three categories described above divided by the Issue Price. Issue price is the price per Austin Share equal to the volume weighted average price of fully paid ordinary shares in Austin traded on the ASX, measured over the 30 days prior to the third anniversary date, but subject to the minimum issue price equal to the floor price. If when determining the number of shares to be issued under the agreement, the issue price is less than the floor price, then Austin is required to make a cash payment on the day on which the earn out shares are issued to each vendor equal to the shortfall relevant to the vendor.

The binding agreement was entered into between Austin, the three individual founders of Mainetec, and the three shareholders of Mainetec at the acquisition date (each of which is associated with one of the founders). Each of the three founders will be required to continue to be employed by Austin at the end of the three-year incentive period in order for the associated vendor to receive any earn-out shares. In accordance with the requirements of accounting standards, these post completion arrangements are considered share-based payments for employment services and will be expensed over the three-year service period, with the expense weighted based on management's assessment of the probability that the relevant conditions will be met. As at the end of the reporting period, Management has assessed the probability of the earn out shares vesting, no expense has been recorded for 30 June 2023.

29 Cash flow information

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

	2023 $'000	2022 $'000
Profit for the year	**2,549**	**16,807**
Adjustment for:		
Depreciation and amortisation	8,701	5,589
Unrealised foreign exchange gain	(719)	-
Impairment expense	5,773	-
Profit on disposal of property, plant and equipment	(170)	(1,913)
Share-based payment expense	1,544	1,638
Finance costs	4,295	1,414
Others	-	(833)
Change in operating assets and liabilities		
Decrease/(increase) in receivables	14,533	(14,822)
(Increase) in other assets	(6,286)	(4,319)
(Increase) in inventories	(22,310)	(11,501)
(Decrease)/increase in payables	(504)	13,944
(Decrease)/increase in income taxes payable and deferred	5,170	1,527
Increase/(decrease) in other provisions	3,205	(2,796)
Net cash inflow from operating activities	**15,781**	**4,735**

(b) Non-cash investing and financing activities

	2023 $'000	2022 $'000
Acquisition of plant and equipment by means of leases	3,923	6,620

(c) Net debt reconciliation

	2023 $'000	2022 $'000
Net debt		
Cash and cash equivalents	20,167	20,781
Financial liabilities – repayable within one year	(33,712)	(22,000)
Financial liabilities – repayable after one year	(8,107)	-
Lease liabilities – repayable within one year	(4,525)	(2,998)
Lease liabilities – repayable after one year	(9,100)	(11,264)
Net debt	**(35,277)**	**(15,481)**

	Cash and cash equivalents $'000	Lease liabilities due within one year $'000	Lease liabilities due after one year $'000	Financial liabilities – repayable within one year $'000	Financial liabilities – repayable after one year $'000	Total $'000
Net debt as at 30 June 2022	**20,781**	**(2,998)**	**(11,264)**	**(22,000)**	**-**	**(15,481)**
Cash flows	207	5,503	-	(7,641)	(4,583)	(6,514)
Acquisitions	-	(456)	(3,004)	(4,071)	(3,524)	(11,055)
Foreign exchange movements	(821)	128	(1,535)	-	-	(2,228)
Transfer in maturity category	-	(6,702)	6,702	-	-	-
Net debt as at 30 June 2023	**20,167**	**(4,525)**	**(9,101)**	**(33,712)**	**(8,107)**	**(35,278)**

29 Cash flow information (continued)

(c) Net debt reconciliation (continued)

	Cash and cash equivalents $'000	Lease liabilities due within one year $'000	Lease liabilities due after one year $'000	Financial liabilities – repayable within one year $'000	Financial liabilities – repayable after one year $'000	Total $'000
Net debt as at 30 June 2021	**9,824**	**(2,427)**	**(7,649)**	**(15,470)**	**(3,914)**	**(19,636)**
Cash flows	10,800	3,667	-	(2,640)	-	11,827
Acquisitions	-	(1,111)	(5,509)	-	-	(6,620)
Foreign exchange movements	157	407	(1,640)	24	-	(1,052)
Transfer in maturity category	-	(3,534)	3,534	(3,914)	3,914	-
Net debt as at 30 June 2022	**20,781**	**(2,998)**	**(11,264)**	**(22,000)**	**-**	**(15,481)**

30 Remuneration of auditors

	Consolidated entity	
	2023 $	2022 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the Group	289,000	262,000
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	272,750	185,000
Taxation services (income tax return lodgement)	26,695	50,970
Other services	-	22,319
	299,445	**258,289**
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	-	25,226
	-	**25,226**
Total auditors' remuneration	**588,445**	**545,515**

31 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 2023 or 30 June 2022 financial years.

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding amounts in respect to related parties (2022: Nil).

32 Key management personnel compensation

	2023 $	2022 $
Short-term employee benefits	1,213,230	949,647
Post-employment benefits	110,861	80,678
Long-term benefits	1,464,325	2,136,292
	2,778,416	**3,166,617**

Detailed remuneration disclosures are provided in the remuneration report on pages 33 to 41.

33 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
- Share based payments relating to post completion arrangements following Mainetec acquisition. Refer Note 28 for details regarding the valuation of these share-based payments.

The net expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $1.5 million (2022: $1.6 million).

Performance rights

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

As at reporting date, outstanding Performance Rights 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
14 Dec 2020	EPS and TSR	1 Jul 2020 to 30 Jun 2023	30 Jun 2023	7,969,737	14 Dec 2025
14 Dec 2020	Tenure	14 Dec 2020 to 31 Aug 2023	31 Aug 2023	1,597,221	14 Dec 2025
25 Jul 2022	Tenure	1 Jun 2022 to 30 Jun 2023 1 Jun 2022 to 30 Jun 2024 1 Jun 2022 to 30 Jun 2025	30 Jun 2023 30 Jun 2024 30 Jun 2025	230,166	1 Aug 2027
		Forfeited/Converted in respect of the above		(6,504,663)	
			Total	**3,292,461**	

On 26 October 2022, 1,515,152 performance rights were converted into 1,515,152 ordinary shares at an exercise price of nil. These conversions were made in accordance with the terms of the Group's performance rights plan.

33 Share-based payments (continued)

Performance rights (continued)

The following table shows the performance rights granted, expired/forfeited, exercised, outstanding and exercisable at the reporting date:

	2023 No.	Weighted average exercise price 2023 $	2022 No.	Weighted average exercise price 2022 $
Outstanding at beginning of year	7,090,073	-	29,089,907	-
Granted	230,166	-	-	-
Expired	-	-	-	-
Exercised	(1,515,152)	-	(858,372)	-
Forfeited/lapsed	(2,512,626)	-	(21,141,462)	-
Outstanding at end of year	**3,292,461**	**-**	**7,090,073**	**-**
Total exercisable at end of year	**-**	**-**	**-**	**-**

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 TSR	Fair value EPS	Fair value Tenure
28 Nov 2019	Tenure	28 Nov 2024	-	$0.200	50%	0.62%	$0.173	N/A	N/A	$0.173
14 Dec 2020	EPS and TSR	14 Dec 2025	-	$0.175	47%	0.10%	$0.137	$0.121	$0.153	N/A
14 Dec 2020	Tenure	14 Dec 2025	-	$0.175	47%	0.10%	$0.153	N/A	N/A	$0.153
25 Jul 2022	Tenure	1 Aug 2027	-	$0.245	N/A	3.1%	$0.225	N/A	N/A	$0.225

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

Options

At the Annual General Meeting held on 26 November 2021, shareholders approved the issue of 42,900,000 Options as part of the Chief Executive Officer's remuneration package. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Number of options	Expiry date	Share price at grant date	Exercise price	Hurdle rate	Estimated volatility	Risk-free interest rate	Dividend yield	Fair value of option
26 Nov 2021	13,200,000	30 Jun 2024	$0.21	$0.13	$0.20	48%	0.10%	2.85%	$0.088
26 Nov 2021	13,800,000	30 Jun 2024	$0.21	$0.13	$0.24	48%	0.10%	2.85%	$0.084
26 Nov 2021	15,900,000	30 Jun 2024	$0.21	$0.13	$0.28	48%	0.10%	2.85%	$0.076

The Options are divided into nine tranches and are each subject to two separately considered performance conditions, both of which must be satisfied in respect of each tranche and before that particular tranche will vest and become capable of exercise. The applicable performance conditions are set out in the following table:

		Share price hurdle			
		20 cents	**24 cents**	**28 cents**	**Total**
Retention dates	30 June 2022	(Tranche 1) 4,400,000	(Tranche 2) 4,600,000	(Tranche 3) 5,300,000	14,300,000
	30 June 2023	(Tranche 4) 4,400,000	(Tranche 5) 4,600,000	(Tranche 6) 5,300,000	14,300,000
	30 June 2024	(Tranche 7) 4,400,000	(Tranche 8) 4,600,000	(Tranche 9) 5,300,000	14,300,000
	Total	**13,200,000**	**13,800,000**	**15,900,000**	**42,900,000**

33 Share-based payments (continued)

Options

5,000,000 Options to the Chief Operating Officer, in accordance with the terms of the Option Plan on 12 January 2023. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Number of options	Expiry date	Share price at grant date	Exercise price	Hurdle rate	Estimated volatility	Risk-free interest rate	Dividend yield	Fair value of option
4 Jan 2023	1,530,000	4 Jan 2026	$0.35	$0.35	$0.45	50%	3.04%	2.5%	$0.121
4 Jan 2023	1,620,000	4 Jan 2026	$0.35	$0.35	$0.55	50%	3.04%	2.5%	$0.116
4 Jan 2023	1,850,000	4 Jan 2026	$0.35	$0.35	$0.65	50%	3.04%	2.5%	$0.110

The Options are divided into nine tranches and are each subject to two separately considered performance conditions, both of which must be satisfied in respect of each tranche and before that particular tranche will vest and become capable of exercise. The applicable performance conditions are set out in the following table:

		Share price hurdle			
		45 cents	55 cents	65 cents	Total
Retention dates	4 January 2024	(Tranche 1) 510,000	(Tranche 2) 540,000	(Tranche 3) 616,666	1,666,666
	4 January 2025	(Tranche 4) 510,000	(Tranche 5) 540,000	(Tranche 6) 616,667	1,666,667
	4 January 2026	(Tranche 7) 510,000	(Tranche 8) 540,000	(Tranche 9) 616,667	1,666,667
	Total	**1,530,000**	**1,620,000**	**1,850,000**	**5,000,000**

The following table shows the Options granted, expired/forfeited, exercised, outstanding and exercisable at the reporting date:

	2023 No.	Weighted average exercise price 2023 $	2022 No.	Weighted average exercise price 2022 $
Outstanding at beginning of year	42,900,000	0.13	-	-
Granted	5,000,000	0.35	42,900,000	0.13
Expired	-	-	-	-
Exercised	-	-	-	-
Forfeited/lapsed	-	-	-	-
Outstanding at end of year	**47,900,000**	**0.15**	**42,900,000**	**0.13**
Total exercisable at end of year	**28,600,000**	**0.13**	**14,300,000**	**0.13**

Cash incentive arrangement

The Company entered into a cash incentive arrangement with the Chief Financial Officer on 21 November 2022. The valuation model inputs used to determine the fair value are as follows.

Grant date	Share price at grant date	Est. volatility	Risk-free interest rate
21 November 2022	$0.27	60%	3.20%

33 Share-based payments (continued)

Cash incentive arrangement (continued)

The applicable performance conditions are set out below. The Chief Financial Officer must be employed with the Company at the end of each Performance Period.

Period	Performance Period	LTI achievement hurdle	Test date
1	1 December 2022 to 30 June 2024	Maximum 60-day VWAP > 34 cents	1 July 2024
2	1 July 2024 to 30 June 2025	Maximum 60-day VWAP > 41 cents	1 July 2025
		Un-earnt incentive from Period 1 can be earnt if the VWAP is above 34 cents	
3	1 July 2025 to 30 June 2026	Maximum 60-day VWAP > 41 cents	1 July 2026
		Un-earnt incentive from Period 1 and 2 can be earnt if the VWAP is above 34 and 41 cents respectively	

34 Critical accounting estimates

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 16.

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 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.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

34 Critical accounting estimates (continued)

Key estimates (continued)

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Black Scholes model to value the rights with the EPS performance conditions or tenure performance conditions and a Monte-Carlo simulation to value the rights with the TSR performance conditions. Options and cash settled incentives are valued using a Monte-Carlo simulation. Refer to Notes 28 and 33 for key assumptions used in the valuation.

Impairment of right-of-use asset

In the current year, an impairment indicator was identified in respect of a right of use asset. In determining that no impairment was necessary, management undertook an impairment test based on an offer to lease the asset. This included estimates in respect of lease payments and services to be provided at a discount. Based on the impairment test that was performed, no impairment was necessary.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

35 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 report are for the Group consisting of Austin Engineering Limited and its subsidiaries.

(a) 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 2023 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.

(b) Basis of preparation

The general purpose financial report has been prepared on a going concern basis 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.

In preparing the financial report on the going concern basis management has considered the following factors:

- As at 30 June 2023, the Group has net current assets of $27.7 million (2022: $36.4 million).
- As at 30 June 2023, the Group has a net asset position of $114.2 million as at 30 June 2023 (2022: $107.3 million).
- The Group generated positive cashflows from operating activities of $15.8 million for the year ended 30 June 2023 (2022: $4.7 million).
- The Group has a net debt position of $14.1 million as at 30 June 2023. The Group's current financing facility with HSBC has a maturity date of 14 September 2023. However, the Group is well advanced with the refinancing of this facility and management is comfortable that the existing facility will be extended for a period of 12 months from September 2023.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity 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. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

Inter-company 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.

(d) 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 report are presented in Australian dollars ($), which is Austin's functional and presentation currency.

35 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(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.

(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 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.

(e) 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.

35 Summary of significant accounting policies (continued)

(f) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(g) Rounding of amounts

All amounts disclosed in the Financial report and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

(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

30 June 2023

In the Directors' opinion:

(a) the Financial report and notes set out on pages 45 to 91 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 2023 and of its performance for the financial year ended on that date,

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

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

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

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

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

J. A. Walker

Jim Walker
Chair

28 August 2023
Perth

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
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 2023, 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 2023 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.

Accounting for the acquisition of Mainetec Pty Ltd

Key audit matter	*How the matter was addressed in our audit*
During the financial year ended 30 June 2023, the Group acquired Mainetec Pty Ltd as disclosed in Note 28 of the financial report. Acquisition accounting is complex and involves a number of significant estimates and judgements as disclosed in Note 28 of the annual report. The key areas of significant estimation and judgement applied in assessing the acquisition included: • Determination of acquisition date; • Determination of the fair value of the total purchase consideration for the acquisition; and • Determination of the fair value of assets and liabilities acquired.	Our procedures included but were not limited to: • Reviewing the acquisition agreement to understand the key terms and conditions and consideration payable for the acquisition, and confirming our understanding of the transaction with management; • Evaluating management's determination of acquisition date against requirements of the accounting standards; • Evaluating management's expert's methodology and assumptions utilised in determining the fair value of the assets acquired in conjunction with our internal expert; • Assessing the competency and objectivity of experts engaged by management; • Assessing the identification of assets and liabilities acquired for completeness; and • Assessing the appropriateness of the related disclosures in Note 28 to the financial report.

Impairment assessment

Key audit matter	*How the matter was addressed in our audit*
Note 16 in the financial report discloses the assets and the assumptions used by the Group in testing these assets for impairment. This was determined to be a key audit matter as management's assessment of the recoverability of the intangible assets is supported by a value in use model which requires the use of estimates and judgements about future operating performance. These include judgements and estimates over the expectation of future revenues, anticipated budgeted costs, growth rates and the discount rate applied.	Our audit procedures included, but were not limited to: • Evaluating the Group's identification of Cash Generating Units ("CGUs") and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business; • Challenging key inputs used in the value in use calculations including the following: • Assessing the discount rate used by involving internal valuation experts and comparing to market data and industry research;

Key audit matter	How the matter was addressed in our audit
	• Comparing growth rates with historical data and economic and industry growth forecasts; • Assessing the Group's forecast cash flows is consistent with our knowledge of the business, board approved budget and corroborating our work with external information where possible; • Performing sensitivity analysis on the revenue, growth rates, gross profit margins and discount rates; and • Assessing the adequacy of the related disclosures in the financial report.

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 2023, 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 pages 33 to 41 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

Dean Just

Director

Perth

28 August 2023

Shareholder Information

As at 14 August 2023

A. Distribution of equity securities

Range of holding	Number of shareholders	Number of shares
1 to 1,000	685	174,673
1,001 to 5,000	704	1,972,799
5,001 to 10,000	377	2,952,193
10,001 to 100,000	897	32,629,808
100,001 and over	293	545,610,111
	2,956	**583,339,584**

B. Substantial shareholders as at 14 August 2023

Name	Number held	Percentage
Thorney Investment Group Australia Pty Ltd	134,230,772	23.01%
Wilson Asset Management (International) Pty Ltd	36,429,752	6.25%
Pendal Group Ltd	33,807,863	5.80%
Mitsubishi UF J Financial Group	32,493,295	5.57%

C. Voting rights

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

D. Twenty largest shareholders as at 14 August 2023

Rank	Name	Number of ordinary shares held	Percentage of issued shares
1	UBS NOMINEES PTY LTD	134,337,700	23.03
2	CITICORP NOMINEES PTY LIMITED	103,641,424	17.77
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,664,356	10.91
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	34,241,646	5.87
5	NATIONAL NOMINEES LIMITED	28,267,051	4.85
6	S J QUINLIVAN PTY LTD	17,982,453	3.08
7	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	10,014,722	1.72
8	CIRCUMFERENCE CAPITAL CT PTY LTD <CIRCUMFERENCE CAPITAL A/C>	10,000,000	1.71
9	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	6,909,334	1.18
10	ACE PROPERTY HOLDINGS PTY LTD	6,400,000	1.10
11	MR PETER HOWELLS	5,581,197	0.96
12	UPTON TRADING PTY LTD	3,475,319	0.60
13	SUPER SMART INVESTMENTS PTY LTD <BARRY & NAOMI KING S/F A/C>	2,700,000	0.46
14	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,536,824	0.43
15	TOP END ENTERPRISES PTY LTD <ATKINS FAMILY A/C>	2,449,790	0.42
16	BNP PARIBAS NOMS(NZ) LTD<DRP>	2,348,101	0.40
17	SOUTHERN STEEL INVESTMENTS PTY LIMITED	2,254,966	0.39
18	RYDER INVESTMENT MANAGEMENT PTY LTD	2,088,255	0.36
19	MR PETER LOUIS PURSEY + MRS HELEN ELIZABETH PURSEY <THE PURSEY SUPER FUND A/C>	2,075,232	0.36
20	DEPOFO PTY LTD <ORDINARY A/C>	2,003,942	0.34
		442,972,313	**75.94%**

E. Additional information

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

Company information

Principal place of business and Perth office

100 Chisholm Crescent
Kewdale, WA 6105
Australia

P: +61 8 9334 0666
F: +61 8 9359 2390

Principal Australian operations

Queensland

Mainetec Pty Ltd
21 Gateway Drive
Paget, QLD 4740

P: +61 7 4955 7888

Aust Bore Pty Ltd
12-16 Progress Drive
Paget, QLD 4740

P: +61 7 4952 6222
F: +61 7 4952 6223

International operations

Indonesia

PT Austin Engineering Indonesia
Jl. Mas Surya Negara Kav. B2
Kawasan Industrial Terpadu Kabil Batu
Besar, Nongsa Batam, Kepulauan Riau
29467 Indonesia

P: +62 778 711 999

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 2 657 400

Share registry

Computershare Investor Services
Level 11
172 St Georges Terrace
Perth, WA 6000

P: +61 8 9323 2000

Lawyers

Johnson Winter & Slattery
Level 49
152-158 St Georges Terrace
Perth, WA 6000

Auditors

BDO
Level 9
Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Principal bankers

HSBC Bank Australia
Level 33, QV1
250 St Georges Terrace
Perth, WA 6000

Company secretary

Katina Nadebaum

Stock exchange

Australian Securities Exchange

ASX code

ANG

Website

www.austineng.com

ABN

60 078 480 136

At Austin “Design Matters”

100 Chisholm Crescent
Kewdale
Perth WA 6105

austineng.com