Annual Report

2021

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Group Overview

We are one of Australia's largest mining products businesses with a global footprint. We design and manufacture a range of mining products including customised off-highway truck bodies, buckets, water tanks and other ancillary products.

We partner with mining companies, contractors and original equipment manufacturers to create innovative design and engineering solutions that deliver productivity and safety improvements in both open cut and underground mining operations.

Austin's products can create more sustainable mining operations by delivering the lowest cost per tonne to end users, reducing fuel usage per material carried.

We provide a complete service through the product's life cycle, offering on and off-site repair and maintenance, and spare parts.

FY 2021 Key Facts

Revenue	Underlying NPAT	Order book	Truck body revenue	Employees and contractors
$203.1 million	**$9.6 million**	**$90.0 million at 30 June 2021**	**$135.3 million**	**1,104**

2021 Highlights

Corporate

- Non-Executive Director David Singleton appointed Managing Director and CEO, replacing Peter Forsyth who retired in June 2021.
- Strategic review of Company commenced to identify growth opportunities.
- Innovation and technology will be used to develop products and systems to meet the needs of major miners to reduce site manning, improve productivity and safety, and meet decarbonisation goals.
- Decision made to relocate company headquarters to Perth (Western Australia) from Brisbane (Queensland) to bring the central management and control of the Company closer to a number of Austin's major customers.

Our vision

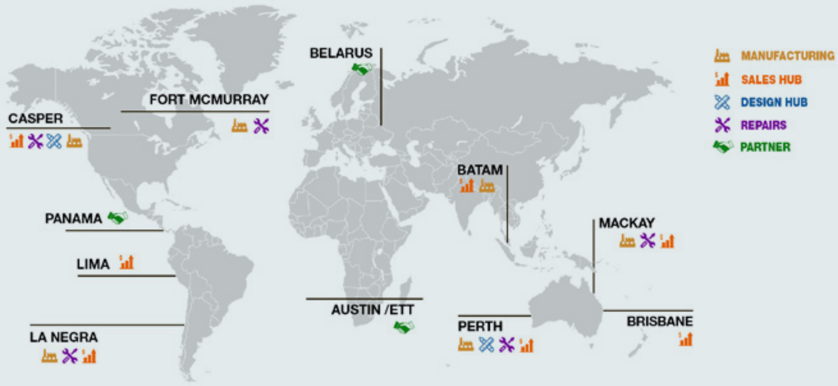
- To be the market leader in providing loading and hauling solutions to the mining industry.
- To provide the best solution for clients' specific needs across a broad product range supporting open-cut and underground applications.
- To put the needs of the client and innovation at the core of our business,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

This will drive returns for our clients, our people and our shareholders.

Global reach

We are headquartered in Perth, Western Australia and have operations around Asia Pacific, North and South America, with two key engineering hubs operating from Perth and Casper, Wyoming USA, and strategic partnerships and representation in Africa, Brazil and Eastern Europe.

We have operations across five continents. We have the largest global footprint of manufacturing facilities of any dedicated customised off-highway truck body and bucket provider.



Operations

- Order book and committed work in hand at 30 June 2021 was $90.0 million, down from $92.1 million at 30 June 2020.
- Strong Asia Pacific performance, driven from Perth and Batam (Indonesia) operations.
- Softer performance in North and South America, improved in 2H21.
- Mackay (QLD) businesses consolidated to enhance sales and support our manufactured product offerings and provide high-quality maintenance and repair services.
- Closure of Colombian operations.

Financial

- FY underlying NPAT of $9.6 million – delivering on guidance.
- Total revenue from continuing operations $203.1 million.
- Normalised EBITDA from continuing operations of $21.4 million.
- Cash outflow from operations of $8.3 million.
- Fully franked FY2021 interim dividend of 0.2 cents per share.
- Fully franked FY2021 final dividend of 0.3 cents per share.

Chairman's Letter

Jim Walker

Dear Shareholders,

We have had a significant year of progress and consolidation and have started the new financial year with a sense of enthusiasm for the future.

As the world begins to recover from the COVID-19 pandemic, I am proud to say the strength and resilience of Austin's business has seen us continue to maintain profitability and exceeding our guidance targets with an underlying net profit after tax from continuing operations of $9.6 million from revenues of $203.1 million.

Our Asia Pacific region performed strongly, as predicted, led by our Perth and Indonesian businesses, although performances in North and South America were softer amid continuing COVID-19 impacts and political instability in the countries Austin operates in.

Statutory results were impacted by non-cash impairments and restructuring costs, many of which were driven by the strategic review undertaken around year end, with a statutory profit after tax of $2.5 million. The Board has determined a final dividend of 0.3 cents per share, consistent with last year.

Most importantly we have had a chance to re-establish and reset the Company to ensure recovery from the impacts of the COVID-19 pandemic and to identify growth opportunities.

Our Chief Executive Officer Peter Forsyth retired towards the end of the year. The Company once again extends its thanks to Peter for the significant and valued contribution he made to Austin over the last four and a half years. He led the Company through a challenging time, and he leaves the Company well positioned for growth.

Non-Executive director David Singleton has been appointed to the role of Managing Director and CEO. David is an experienced CEO and has led many companies through periods of significant change and growth. David was previously the CEO of ASX listed, Austal Ltd, a $2 billion turnover company operating across the globe and employing over 6000 people. He is therefore ideally experienced to lead Austin's next stage of development. David has led a strategic review into the business to identify organic and non-organic opportunities for growth and where we can improve business performance in our manufacturing, engineering and sales. We have already consolidated our Mackay operations, and begun to optimise expenses across all operations. We see this as a necessary step and continue our commitment to improving the business and shareholder value.

We recently announced a refinance of global debt arrangements with HSBC, which is providing a $35 million working capital facility. This enables us to leverage some of the current and future plans arising from the strategic review from our balance sheet. It re-introduces a major banking relationship for Austin for the first time in more than five years, and is an important progress of balance sheet repair completion and readying for growth.

I would like to acknowledge the tremendous dedication and efforts by our global teams to ensure orders and deadlines were met. A particularly noteworthy statistic for the year for me has been the marked reduction in lost time injuries, our LTIFR reduced by 70% to 1.6 over the year as a result of a relentless focus on safety initiatives. I congratulate all global teams in their effort to achieve this significant progress and we remain committed to further improvement in this area.

I also want to thank our Board of Directors for their leadership, counsel and good governance. We have a strong team in place with the expertise to enable Austin to stay a global leader in delivery of engineered solutions with high quality and efficient manufacturing capability.

Finally, I want to thank shareholders for their patience, understanding and ongoing support. I am optimistic for the Company's future, delivering on our objectives and driving value for our shareholders.

JA Walker

Managing Director's Report

David Singleton

I am pleased to have been appointed as Managing Director and CEO of Austin and am looking forward to executing on a global strategic review of the business, completed at the end of July 2021.

The objective of the strategic review was to identify a clear vision for the future of our business. It is also clear that our major customers are focused on improving productivity through the application of innovation and technology, reducing people risks both in safety and for employment, and in meeting their decarbonisation goals.

Our future focus is therefore based on providing solutions for our customers. We are committed to leading in our current product range and to become more broadly a leading Australian supplier of products for the mining business. Optimising our cost base and manufacturing business will be a major focus over the next 18 months, the benefits of which will allow us to invest heavily in products, technology and innovation.

We understand where our growth markets are and have spent considerable time devising strategies to increase sales in existing markets as well as identifying new growth markets through investment and partnerships. I believe our sales strategy, paired with the outcomes of this strategic review, will allow us to grow the business, our market share, our earnings and value for our shareholders.

We have identified, and already started to implement, three phases of business optimisation initiatives, representing short, medium and longer term measures to create company value across Austin's global operations.

The first is business optimisation and efficiency and is actionable immediately. We have rebased our indirect support structures throughout the business and will make considerable labour cost reductions in this half of the new year.

We moved our headquarters from Brisbane to Perth, which is closer to all our key Asia Pacific operations and customers. We have also consolidated our Mackay businesses into one subsidiary and can focus primarily on product delivery, supported by product repair and maintenance. In August 2021, we announced the establishment of a new strategic business unit in Western Canada which will commence operations in November 2021.

The second phase involves manufacturing enhancements across our major facilities, including flow manufacturing and autonomous systems. Automated production stations will allow for increased output, increased quality, reduced waste and improved safety with less human interaction in the manufacturing process. We will still be able to alter designs to specifications required by customers.

The enhancement program will commence at our Perth facility. We plan to do the same at the Batam facility in Indonesia, and have committed $6.5 million to this project. Implementation benefits are expected partially in FY22 and to be fully in place in FY23. Investment costs will be paid for out of cashflow, financing arrangements in place, sale of excess sites, and a reallocation of other previously planned capital investments. In North America, we are reviewing ways to cut transport costs to customers and will outline outcomes when they are confirmed.

The third stage in our review, which is a medium-term goal, is to expand our product offering and to use new innovation and technology to develop best-in-class products and solutions for customers on mine sites across multiple jurisdictions, environments and commodities.

We have established an internal innovation and technology group to act as a conduit between Austin's customers and our design teams to ensure we're delivering exactly what customers need to improve their operations. This is particularly important now, with ESG goals a major consideration in company operations today. Austin's designs enable improved efficiency, increased product haulage and decreased fuel usage per tonne delivered.

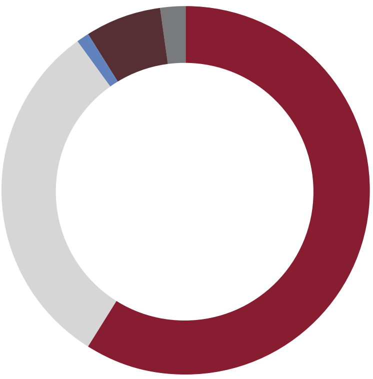
Out of the strategic review I am confident we can fine tune our operations and position Austin and its shareholders for operational and financial growth. I am enthusiastic for the year ahead and look forward to updating shareholders on our progress.

Operational Overview

Asia Pacific

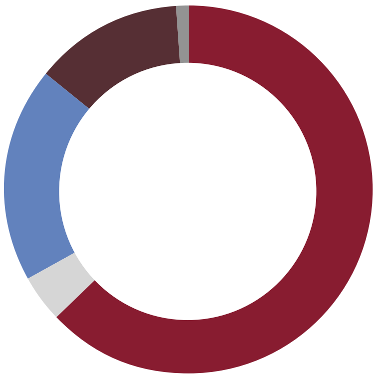
Asia Pacific ($'m)	FY21	FY20	Change
Revenue	138.3	116.7	19%
EBITDA (normalised)	24.5	14.0	75%
EBITDA margin	*17.7%*	*12.0%*	*48%*

Revenue by commodity

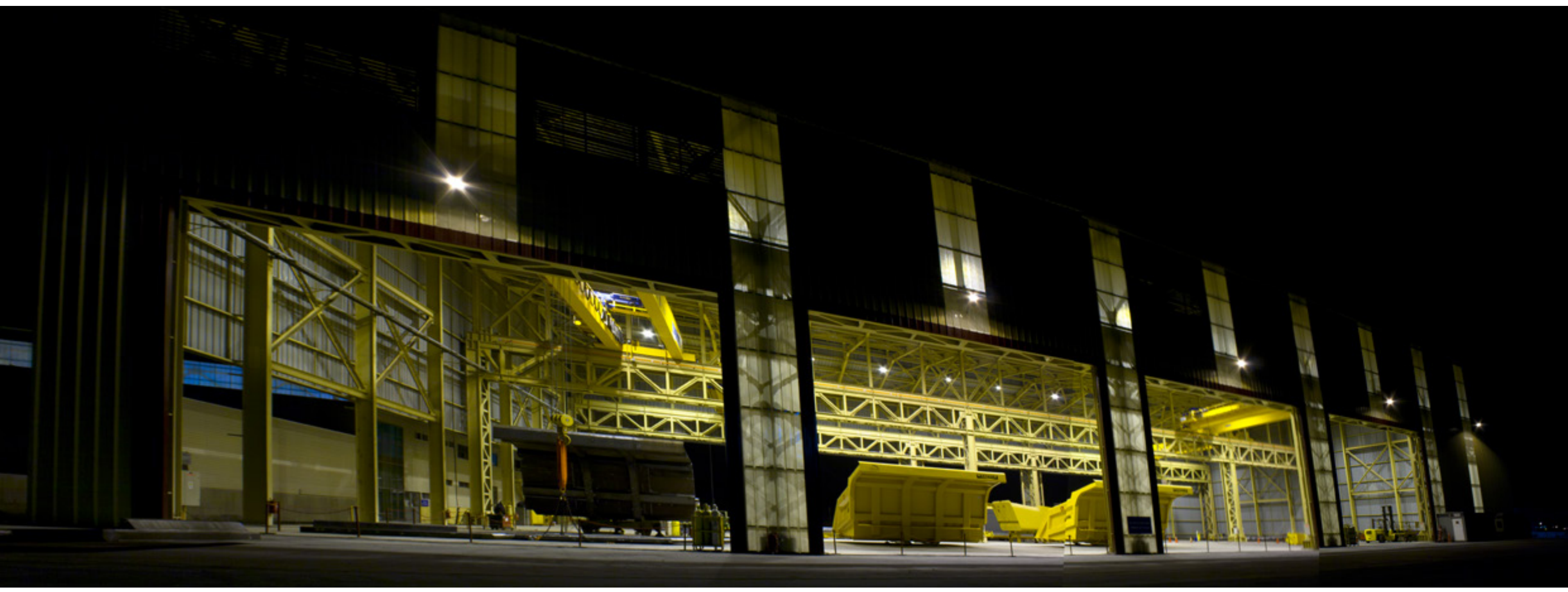


	FY2021	(FY2020)
Iron Ore	53%	(48%)
Coal	28%	(35%)
Copper	1%	(0%)
Gold	16%	(3%)
Zinc	0%	(9%)
Other	2%	(5%)

Revenue by product/service type



	FY2021	(FY2020)
Bodies	63%	(61%)
Buckets	4%	(8%)
Other products	19%	(9%)
Shop maintenance / repairs	13%	(19%)
Site maintenance / repairs	1%	(1%)
Other services	0%	(2%)



Asia Pacific operations contributed 68% or $138.3 million of business revenues in FY2021. This was a 19% increase from $116.7 million the previous year.

Again, growth has been driven by our Perth and Indonesian operations, delivering a strong year with combined revenues of $120.1 million, a 28% lift in revenues from FY2020. These revenue increases, together with operational efficiency improvements, have delivered a 17.7% Normalised EBITDA margin, up from 12.0% in FY2020.

The financial contribution of our Perth operations and their proximity to Indonesia was central to the Board's decision to move the Company's head office to Perth from Brisbane.

Perth

Austin's Perth operation, now co-located to the group headquarters, led the group in both earnings, and revenue, which increased 11% to $76.2 million for the year.

The facility operated at a high volume, steadily throughout the year, servicing major iron ore customers, contractors and operators in the Goldfields. Demand remains high in the region for Austin's products and as part of the strategic review, the business is seeking to increase production throughput in the facility to build additional capacity.

As a result of the relocation of group headquarters, the Perth business has benefitted from early stages of the strategic review process into manufacturing optimisation and is well positioned to leverage those benefits early in the new financial year, including a reduction in the indirect cost base of the business.

Indonesia

The Indonesian operation delivered a 74% increase in revenue to $43.9 million with strong sales into the domestic Indonesian market, east coast Australia market and into Africa.

Austin's joint venture partnership with Engineering Top Tech in South Africa, serviced from Indonesia, is bearing fruit with a number of products delivered into the African market during FY 2021 as well as a proportion of the group's order book coming into FY2022. Revenues for the year included sales of $14.0 million into the Australian market.

Mackay

At the end of the financial year, Austin consolidated its two Mackay businesses in Queensland. The Mackay businesses primarily deliver onsite and offsite repair, maintenance, and machining/line boring services, as well as local sales support for Austin manufactured products. The business consolidation will be focused on enhancing the sales and support of Austin's own manufactured product offerings into the region and in the continued provision of high-quality machining and line boring services.

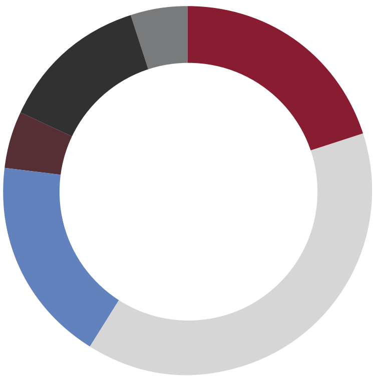
The decision was made following a review of how Austin can best serve its customers in this region through a stronger focus on new product delivery and support, with a reduced focus on highly competitive and price driven repair and maintenance services, which have not delivered significant earnings margins in previous years.

Austin will continue to deliver its own product offerings to the east coast of Australia from its manufacturing facilities in Perth and Batam. Over the last four years, Austin has sourced the majority of new product to the East Coast market from its manufacturing facility in Batam. This approach has enabled our customers to gain the benefits of an Australian designed and supported product at a competitive price.

North America

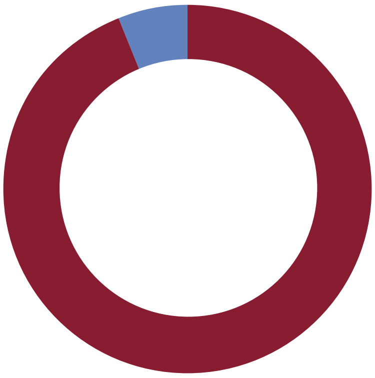
North America ($'m)	FY21	FY20	Change
Revenue	35.7	66.4	(46%)
EBITDA (normalised)	(1.3)	6.9	(119%)
EBITDA margin	*(3.6%)*	*10.4%*	*(134%)*

Revenue by commodity



	FY2021	(FY2020)
Iron Ore	20%	(9%)
Coal	39%	(29%)
Copper	18%	(20%)
Gold	5%	(14%)
Oil	13%	(21%)
Other	5%	(7%)

Revenue by product/service type



	FY2021	(FY2020)
Bodies	94%	(93%)
Other products	6%	(6%)
Buckets	0%	(1%)

North America contributed 18% or $35.7 million of Austin's revenues in FY2021, down from $66.4 million in 2020. This region had a soft start for the financial year, delivering just $12.0 million in revenue in the first half. An improved second half performance was reflective of business confidence starting to return to the region.

Border restrictions between USA and Canada have impacted the business, with traditionally the majority of sales made in Canada, the oil price environment has led to capital expenditure deferrals from producers, which are expected to support a much-improved FY2022.

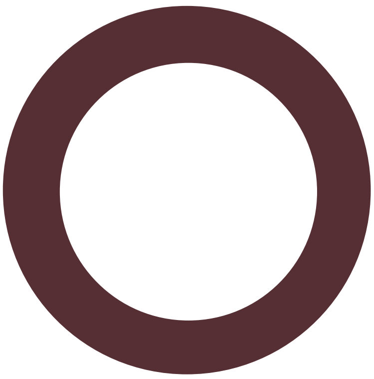
Post the financial year, Austin established a new business unit in Fort McMurray, Alberta. This business operates from a leased facility and is focused on the support of Austin's new product business in the western Canada region, as well as repair and maintenance services.

The operating footprint of the North American region is under review to enable Austin to capitalise on outstanding client relationships and established field population of products. The strategic review is focused upon Austin reducing its cost base to service this market more effectively.

South America

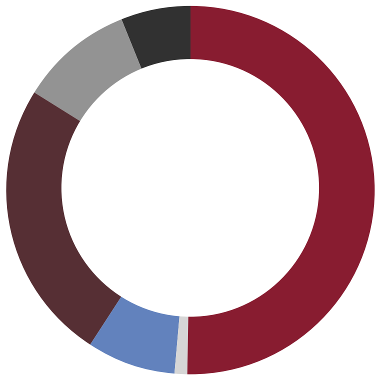
South America ($'m)	FY21	FY20	Change
Revenue	29.1	32.8	(11%)
EBITDA (normalised)	(1.9)	2.5	(176%)
EBITDA margin	*(6.5%)*	*7.6%*	*(186%)*

Revenue by commodity



	FY2021	(FY2020)
Copper	100%	(98%)
Other	0%	(2%)

Revenue by product/service type



	FY2021	(FY2020)
Bodies	51%	(54%)
Buckets	1%	(1%)
Other products	8%	(2%)
Shop maintenance / repairs	25%	(30%)
Site maintenance / repairs	10%	(6%)
Other services	5%	(7%)

South America contributed 14% or $29.1 million of Austin's revenues in FY2021 which was down from $32.8 million in FY2020.

Chile is the largest contributor to this market with revenues of $24.1 million, reduced from $29.2 million in FY2020. COVID-19 and the local political climate have continued to impact this business through a number of tender processes that have been delayed, together with some operational inefficiencies experienced for much of the year. This business also recorded a loss on foreign currency exchange of $1.1 million on the retranslation of a USD long-term receivable.

Chile commences FY2022 with a new leadership team as well as a reduced cost base. The market conditions are improving with a number of tenders in progress in the region. Austin is confident of a turnaround in results in FY2022.

Peru operates as a small sales hub that outsources new product work to either Austin's Chile facility or a local subcontractor. We continue to see opportunities for new product work in this region.

The strategic review is focused upon increasing the returns from all business units through manufacturing efficiencies and reduction of fixed cost bases.

During the year, Austin closed its operations in Colombia due to negative market conditions for mining services in the country. We terminated a major site repair contract in Colombia in 2020 and undertook an analysis on whether our operations in Colombia could be sustained to support the broader South American market. The outcome of the review led to the permanent closure of the site. Operations will be fully wound-up in 1H22, and the property is currently marketed for sale.

Maximum payload, minimal repair requirement

Austin provided a solution for a Canadian customer that had two key requirements when sourcing truck bodies for its operation:

1. **to achieve the maximum payload possible**
2. **to ensure that the truck bodies would not require any maintenance before replacement.**

Austin designed an ultra-light weight body that offered a substantial payload increase on previous designs with sufficient structural integrity to remain maintenance-free for a shortened design life of less than two years.

This solution has enabled our customer to achieve a lower cost per tonne and also provided Austin with a more regular replacement cycle of equipment at this mine.

This was an example of Austin leading from the front in providing innovative solutions tailored to customers' needs.

In this case, we provided our customer with maximum payload in their truck bodies and significant site cost savings thanks to a maintenance-free option for the life of the product, with Austin benefiting from a more regular replacement cycle of this fleet.

Austin helps design world's first autonomous water tank for Rio Tinto

A partnership between Austin, Caterpillar Inc. (CAT), and Rio Tinto Iron Ore RTIO led to the production of the world's first fully autonomous water tank and spray system for open cut mining.

A fleet of three trucks, equipped with the new water tank and CAT spray system, have been deployed to RTIO's Gudai-Darri iron ore project in Western Australia's east Pilbara region as the miner builds automation and robotics capabilities across its loading and hauling fleet for improved safety, productivity and reduced environmental footprint.

The water tanks and spray systems are used for dust control on site during open cut mining operations. They are also equipped to assist with firefighting.

The three-way partnership was led by RTIO, which engaged CAT and Austin to undertake the project. The project involved a global solution with the design and manufacture of the first unit completed in Austin's North America facility in Casper, Wyoming. It was sent to CAT's Tucson headquarters in Arizona for extensive scenario testing.

A further two units were manufactured at Austin's facility in Batam, Indonesia. After arriving in Perth, they were installed onto the trucks at Caterpillar dealer, WesTrac's, build facility in Perth and transported to the Gudai-Darri site.

With Austin's capabilities in bespoke engineering solutions for its clients, it can support Rio Tinto in meeting its autonomous fleet targets in Australia.

Austin and Rio Tinto have worked together for more than 30 years and it currently supplies equipment to Rio across multiple global jurisdictions.

Austin is proud to have been part of the production of the first fully autonomous water tank units in the world for open cut mining, and the first stairway access tanks (SAT) water tank products in Western Australia.

This project shows the global reach of Austin, working with our engineering and manufacturing teams in the US, Indonesia and Australia to deliver this significant project, helping Rio Tinto to improve operational safety and productivity on site.

Financial Review

Strong earnings from Asia-Pacific

Softer earnings in the Americas

Underlying net profit after tax grew from FY2020 with a strong contribution from Perth and Indonesia, which delivered a 28% increase in revenue to $120.1 million. The region as a whole delivered a 75% underlying EBITDA increase from pcp.

This performance reflects the strength of the Asia Pacific region, and the operating leverage that results from increased revenues. This strong performance was offset with reduced contributions from USA and Chile, which recorded revenue reductions due to challenging market conditions as the Americas continued to face challenges with COVID-19 and political uncertainties.

Cash outflows from operating activities were $8.3 million compared to inflows of $24.1 million in the pcp. This was mainly due to working capital movements, supported by low-cost financing facilities, and one off costs incurred in business restructuring. Together with investing cash outflows of $4.8 million and dividends paid totalling $4.0 million, net debt grew to $10.7 million (excluding AASB 16 leases), which was 50% of the annual normalised EBITDA from continuing operations.

Overview of Financial Performance from continuing operations

Normalised Results

A$ million	FY2021	FY2020	% change
Revenue	203.1	216.0	(6%)
EBITDA	21.4	23.3	(8%)
EBITDA margin	10.5%	10.8%	(3%)
Profit before tax	13.7	13.5	1%
Net Profit after tax	9.6	9.5	1%
Earnings per share (cents)	1.66	1.64	1%
Dividends per share (cents)	0.50	0.50	-

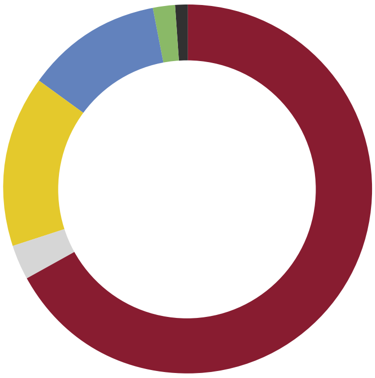
Revenue for the year reduced from last year due to significant reductions in North and South America, offset by a 19% increase in APAC. A reduction of interest expense led to an improved profit result from continuing operations on a normalised basis.

Statutory Results

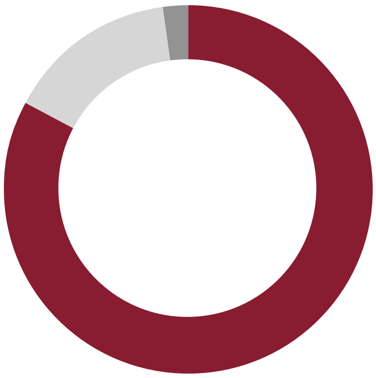
A$ million	FY2021	FY2020	% change
Revenue	203.1	216.0	(6%)
EBITDA	12.1	23.1	(48%)
EBITDA margin	6.0%	10.7%	(44%)
Profit before tax	4.2	13.4	(69%)
Net Profit after tax	2.5	8.9	(72%)
Earnings per share (cents)	0.43	1.53	(72%)
Dividends per share (cents)	0.50	0.50	-

Items excluded from normalised results included:

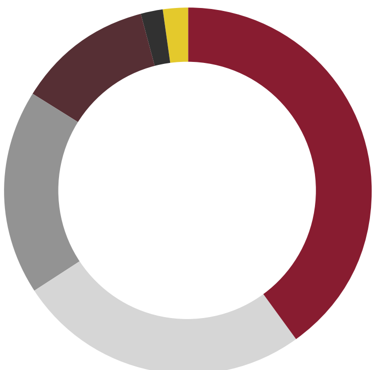
- Impairments totalling $6.6 million of goodwill, other intangibles, fixed assets and inventory.
- Restructuring and other abnormal costs, including the strategic review and headquarters relocation of $2.7 million.



	FY2021	(FY2020)
Bodies	67%	(70%)
Buckets	3%	(5%)
Other products	15%	(7%)
Shop maintenance / repairs	12%	(15%)
Site maintenance / repairs	2%	(2%)
Other services	1%	(1%)



	FY2021	(FY2020)
Miners	83%	(79%)
Mining Contractors	15%	(14%)
OEMs	2%	(7%)



	FY2021	(FY2020)
Iron Ore	40%	(29%)
Coal	26%	(28%)
Copper	18%	(21%)
Gold	12%	(6%)
Zinc	0%	(5%)
Oil	2%	(6%)
Other	2%	(5%)

Revenue Composition Driving Improved Profitability

Austin's total revenue fell 6% on the previous year to $203.1 million with large reductions in revenue in North and South America from the previous year.

Truck body revenue decreased on the slump in North American revenues. Truck body sales represent more than 90% of North America's revenue. Other product revenue saw growth from Indonesia in the sub-contract manufacture of underground components for a large Indonesian miner.

Maintenance revenues decreased as a proportion of revenue to 14% compared to 17% in the previous year.

The 2021 financial year saw a greater proportion of revenue from mining companies and contractors and a reduction from OEMs.

Austin's EBITDA margin decreased from 10.7% to 6.0% in FY2021 when considering continuing operations. People costs, incorporating Austin employees and third-party contractors, were Austin's highest expense, with a small increase in the proportion of expense to revenue due to restructuring costs incurred at the end of the year. In the prior year people costs were reduced by $3.2 million in respect to government assistance in the USA. Expenditure on materials and consumables fell due to savings identified in the supply chain. Occupancy costs were in line with the prior year.

Other expenses increased during the year, in particular due to a loss on foreign currency exchange of $1.2 million, mainly from the retranslation of a foreign currency receivable in Chile, together with abnormal expenses incurred in restructuring.

There were impairment charges in the current year totalling $6.6 million, including goodwill impairments in the restructured Mackay businesses of $3.9 million, together with $0.8 million of other plant and equipment and software assets. A thorough review of assets was undertaken at 30 June 2021 and, other than those impaired, were all assessed as having a carrying value higher than the recoverable amount.

Depreciation and amortisation costs reduced from $6.5 million to $6.0 million due to reallocation of assets to held for sale, which do not depreciate, and some items becoming fully depreciated. Included in depreciation is $2.0 million related to long-term property leases.

Finance costs reduced by 42% to $1.9 million due to improved debt arrangements in place during the year together with a reduction of average debt levels from the prior period. Included in interest expenses are $0.9 million of leasing interest on long-term property leases.

Tax expense represented 40% of profit before tax. The expense was higher than the Australian tax rate of 30% mainly due to impairment of goodwill which does not impact income tax expense, partially offset by lower rates of tax in Indonesia and the USA.

Results from Discontinued Operations were a loss after tax of $3.1 million. The loss is due to the closure of our Colombian operations, including impairments and write-downs of assets either sold during the year or held at the end of the year.

Continuing and discontinued operations

Financial Summary

		FY2021	FY2020	FY2019
Revenue	$M	207.3	231.6	242.6
EBITDA	$M	9.7	20.9	9.2
EBITDA Margin	%	4.7%	9.0%	3.8%
Underlying EBITDA	$M	20.9	21.9	18.7
Underlying EBITDA Margin	%	10.1%	9.5%	7.7%
NPAT	$M	(0.5)	5.2	(4.6)
EPS	c	(0.09)	0.89	(0.79)
Underlying NPAT	$M	8.8	7.0	5.9
Underlying EPS	c	1.51	1.21	1.01
DPS	c	0.50	0.50	-

Net profit after tax from continuing and discontinued operations has improved on an underlying and statutory basis over the last three years. During this time, Austin's Chile crane business, Colombia and Australian site services businesses have been closed, coupled with broader restructures across the business. Statutory net profit after tax is impacted by impairments and other abnormal costs.

Composition of Revenue

		FY2021	FY2020	FY2019
Truck bodies	$M	138.8	152.4	138.5
Buckets	$M	6.3	10.0	8.7
Other products	$M	30.7	16.4	30.6
Off-site services	$M	25.3	33.7	29.1
On-site services	$M	4.4	14.3	24.4
Other services	$M	1.4	4.3	10.8
Other income	$M	0.4	0.5	0.5
Total revenue	$M	207.3	231.6	242.6

Austin's revenue composition has trended towards new product sales as Austin has wound-back unprofitable site repair and maintenance services. Sales of truck bodies were impacted during the current year due to reductions of revenue contribution from the USA. Sales from other products increased for the year primarily from sub-contract works carried out in Indonesia.

Investment in working capital driving operating cash outflows

Cash flows from operations decreased to an outflow of $8.3 million in FY2021 from an inflow of $24.1 million in FY2020. This reduction in cash flow is mainly a function of the increase in working capital following a strong finish to the end of the financial year with a growth in trade receivables of $13.1 million. Trade and other payables also fell by $4.2 million, with revenue collected in advance reducing from the previous corresponding period.

Net cash outflows from investing activities of $4.8 million included new equipment and software additions of $5.9 million, offset by $1.1 million of surplus asset disposals.

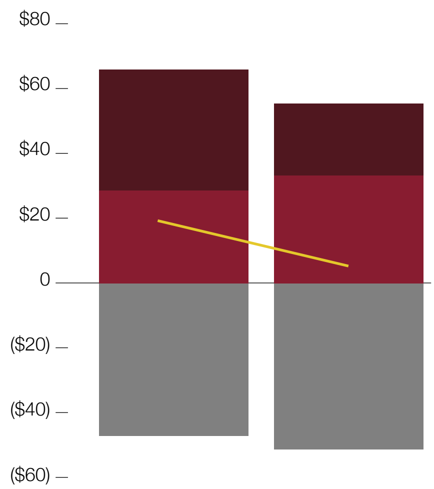
A total of $4.0 million of dividends were paid during the year, including a deferred dividend from FY2020, these cash flows were funded by $10.6 million of net drawings on working capital facilities.

These cash inflows led to an increase in gross debt, before property leases, to $20.5 million compared to $11.2 million at 30 June 2020 and a net debt position, before property leases, of $10.7 million compared to a net cash position of $8.0 million at 30 June 2020.

		FY2021	FY2020	FY2019
Cash flow from operations	$M	(8.3)	24.1	13.8
Net capex inflow / (outflow)	$M	(4.8)	3.0	12.3
Gross debt at end of period	$M	29.5	22.0	26.7
Cash at end of period	$M	9.8	19.2	6.9
Net debt at end of period	$M	19.6	2.8	19.8
Net debt / (cash) (excluding property leases)	$M	10.7	(8.0)	19.8
Total gearing ratio	%	10.8%	(9.0%)	16.3%

Net working capital increased to $19.5 million, from $5.4 million at 30 June 2021. Key drivers to the increase in working capital at 30 June 2021 were:

- Large revenues in May and June 2021 grew trade receivables by $13.1 million from the prior year;
- Revenue collected in advance (Contract Liabilities), included in payables, reduced by $8.3 million; and
- Offset by a reduction of inventory and works in progress, which were high in pcp due to shipping delays of product.



	30 June 21	30 June 20
Receivables	37.6	24.5
Inventory	28.9	32.0
Payables	(46.9)	(51.1)

Sustainability

CORE VALUES

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

Integrity
We are honest, ethical and genuine.

Quality
In everything we do.

Innovation
Using technology to deliver for our customers.

Accountability
We are responsible for our actions and results.

Teamwork
Together we make the difference.

Our targets and our results

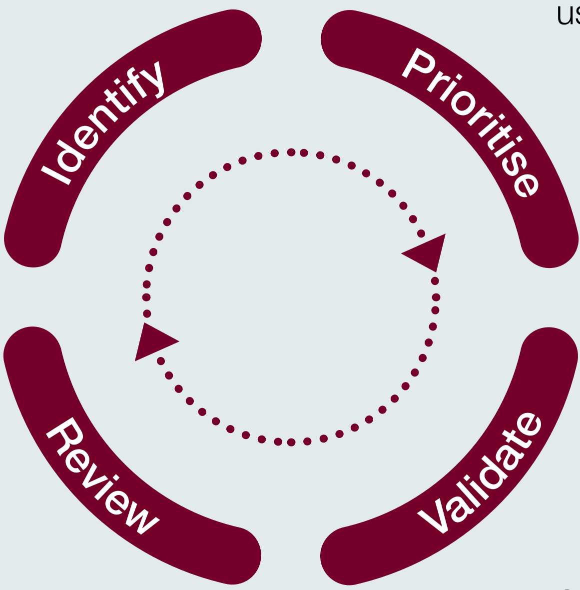
Austin is committed to operating in a manner that acknowledges and proactively manages the issues most material to the long-term sustainability of our business, the environment and the communities in which we operate. This commitment is driven by our Core Values, which are integral to our business and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

To identify the issues material to our global stakeholders, we conducted a materiality assessment in the year, following Global Reporting Initiative (GRI) guidelines.

Our materiality assessment identified the matters of most importance to our global stakeholders, and that are critical to our prolonged sustainability as a global company.

Identify our stakeholders globally

Identify material risks in our risks registers and consider our risk alignment to global standards



Prioritise material matters using the Austin Enterprise Risk Management standard ranked risks

Engage with stakeholders in person and identify key matters for them

Validate identified issues aligned to the GRI Standards at the core level

Review our progress

Track items that require additional effort

ESG Issue	Material Issues for Austin	The Austin Approach	Achievements during FY21
Governance	**Ensure good corporate governance** 	• Austin is committed to operating to the highest standards of ethical behaviour. This is underscored by our Core Values and supported by the Austin Code of Conduct, which sets out our expectations for employees, customers, and suppliers. • The Code of Conduct is further supported by polices around bribery and corruption, and our modern slavery statement.	• Issuance of Modern Slavery statement. • Maintained compliance with ASX Corporate Governance Principles and Recommendations (4th ed). • No breaches of ASX continuous disclosure requirements.
	Robust risk management for prolonged sustainability 	• Austin manages risk guided by our Group Enterprise Risk Management Standard, which is reviewed and approved by the Board annually.	• Measured the Group's performance against quantitative and qualitative factors in Group Enterprise Risk Management Standard with a view towards enhancing existing predictive risk management tools and analytics.
Compliance	**Respect human rights** 	• Protection of, and ensuring, human rights are fundamental to Austin's business conduct. • The rights and freedoms of our people and our stakeholders are enshrined in our values and in our daily interaction with each other and those around us.	• Published the Australian Modern Slavery Act Statement. • Conducted human rights awareness campaigns for all our employees. • Extended supply chain review to all material supply chain partners globally.
	Comply with laws, prevent bribery and corruption 	• Austin values its reputation, and we will continue to ensure that we comply with the laws of the various countries we operate in globally. • We will not participate in any form of bribery nor corruption and will support local authorities, customers, and suppliers in their efforts to prevent bribery and corruption within their sphere of influence.	• Conducted various compliance awareness programs for all employees, including harassment prevention training. • Conducted risk assessments at all facilities globally to estimate bribery and corruption risks. • Maintained initiatives aimed at bolstering global compliance systems (including continued operation of the Whistleblower Policy). • Widely disseminated and strengthened the implementation of risk assessments at global offices.

ESG Issue	Material Issues for Austin	The Austin Approach	Achievements during FY21
Health & safety	**A safe workplace** 	• Conducting our work in a safe manner and environment is a core Austin value. We will continue to strive for continued safety improvement and a safe workplace for all of our employees. • We believe that safety is everybody's responsibility and programs like our Visible Felt Leadership program ensures that safety is being initiated from the Company's senior management through to all employees and contractors.	• Rolled out the Critical Control Effectiveness Monitoring Program (CCEMP) globally across all business units. • Group Critical Risk 'fact sheets' completed and distributed for implementation to all operations. • Enhanced the Corporate Health & Safety Management System. • Provided Health & Safety technical support. Fostered H&S leadership at all levels in Austin by enhancing process safety through standardisation of business and operational processes. • The outcome of these initiatives has led to marked improvements in safety statistics. • Lost Time Injury Frequency Rate (LTIFR), which is reported as a 12-month rolling average, decreased significantly over the year from 5.3 to 1.6 for FY2021. • Total Reportable Incident Frequency Rate (TRIFR), also reported on a 12-month rolling average, decreased slightly from 13.5 to 12.7 year on year in the period to 30 June 2021.
Local Communities	**Positive impacts on local communities** 	• Austin will continue to rely on the communities around our manufacturing facilities to provide our labour requirements, in turn providing jobs, opportunities and an economic boost to the regions we operate in. • We are, and will remain, an equal opportunity employer, and strive to ensure diversity across our staff base.	• Of our total global workforce (including labour hire) of 1,104 at 30 June 2021, 80% of the workforce in each of our facilities globally is sourced from local communities. • During FY21, Austin sponsored local sporting and health-focused initiatives. We support indigenous communities in the regions we operate in through jobs and partnerships.
	Contribute to local economies 	• Austin will continue to support local economies through jobs and opportunities for suppliers throughout our supply chain. • We will continue to participate in and support local initiatives that are important to our people.	• More than 75% of non-steel purchases are locally sourced from the regions we operate in. • Donations and sponsorships to sport and health activities in every operation globally.

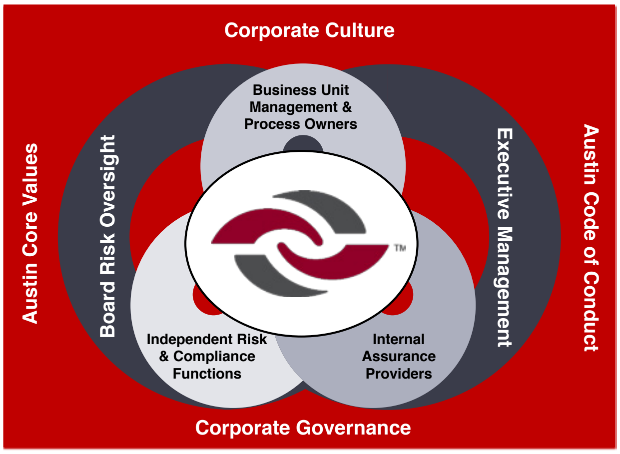
ESG Issue	Material Issues for Austin	The Austin Approach	Achievements during FY21
Climate Change	**Strengthen climate-related risk management** 	• Austin manages risk within the framework set out in our Enterprise Risk Management Standard.	• Using the Austin Environmental Policy, we have begun to formulate guidelines for the assessment and management of climate-related risks and opportunities for mitigation at each of our global manufacturing operations.
	Promote the reduction of waste and contribute to carbon emission reductions 	• Ensure that waste within our operations is minimised. • Our products are designed to increase our customers' operational efficiency and therefore decrease their environmental footprint. We are looking at ways to use technology and innovation in future products to contribute towards reducing carbon emissions.	• Implemented technology to reduce scrap steel by improving operational processes. • Designed and engineered lighter truck bodies with an average 2% fuel burn reduction equating to an average carbon dioxide reduction of 48,200kg per truck.
Employees	**Develop personnel and protect the welfare of our workforce** 	• Continue promoting our Austin Core Values. • Encourage maintaining a healthy work life balance. • Ensure the physical and mental wellbeing of our staff.	• Expanded business knowledge training through e-learning materials. • Reduced overtime hours and continued encouragement for employees to take paid leave. • Provided mental health awareness sessions for those employees having to work from home during COVID-19 lockdowns. • Provided health-related seminars on topics including smoking, dealing with back pain, stretching exercises to improve overall wellness.
	Promote diversity	• Encourage regular exchanges of views among our global offices. • Maintain equal opportunity employer status globally.	• Provided opportunities for employees from overseas offices to gain experience at other worksites. • Enforced equal opportunity employment practices across all our business units globally.

Risk Management

Austin's risk management processes support the Company and its management to identify, manage and, where necessary, mitigate risks to the business. This is essential in operating a successful global business that aims to grow and remain cost competitive.

Overseen by the Board, our risk management processes identify and understand the uncertainties we face and devising strategies to mitigate them if they are deemed a risk to achievement of our strategic objectives.

Risk management takes place across many of Austin's functions. Part of Austin's risk management includes ensuring a corporate culture that reinforces the responsibility for risk management extending beyond the Board and Management.



Macro-Economic Risks

The macro-economic environment has changed at an unprecedented rate brought about by the Fourth Industrial Revolution and accelerated in some respects by COVID-19. This has changed the competitor landscape, customer priorities, workforce demands and societal outlooks.

As a global organisation, some of the macroeconomic variables that pose material risk to Austin include commodity prices, exchange rates and social unrest.

Commodity Prices

Commodity prices directly impact our customers' operations and earnings and have the potential to directly impact their demand for Austin products.

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 actively engaging with our customers to plan replacement cycles well ahead of time while allowing our customers flexibility on product supply timelines. In addition, diversification across similar markets using mining equipment on a large scale in numerous geographical locations supports managing these exposures.

Exchange Rates

As a global company, we are subject to foreign currency rate fluctuations, which can impact our financial results. Although our financial results are reported in Australian dollars, a significant portion of our sales and operating costs are realised in foreign currencies. Our sales and profitability are affected by movements in the Australian dollar against foreign currencies in which we generate sales and incur expenses.

Exchange rate fluctuations are managed by commercial agreements that cater for variation with our customers on the one side and our significant suppliers on the other.

Social unrest

In early 2021, our Chilean operation was impacted by widespread social unrest impacting the ability of our employees to move freely and safely to and from our facilities. With elections scheduled for November 2021, there is a risk of social unrest recurring.

Austin has created risk mitigation strategies, which include the use of staggered shifts to address safety concerns, as we continue to monitor the situation in Chile. Continuous review of country-specific intelligence and risks helps to proactively manage potential exposures. The appointment of local business leaders and management teams adds an additional layer of risk management through a strong understanding of the local operating environments.

Innovation

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.

To ensure risks around maintaining our leading position in design and engineering, Austin has appointed a dedicated Head of Innovation who will ensure Austin is keeping up with customer requirements into the future and to ensure the long-term sustainability of the Company.

Strategic Risks

The Company has undertaken a strategic review of its global operations to optimise performance of the business. The strategic review aimed to identify opportunities to improve business efficiency and to align with the future needs of Austin's mining industry customers. Part of the review will focus on evaluating current operating sites for performance and profitability. The Strategic Review was necessary to ensure the health of the business, to manage costs and ensure Austin stays a market leader in mining equipment design and manufacture. Austin has looked at the merit of consolidation of some of its operations and has already moved to do this in Mackay, Queensland.

We are pursuing growth, through both organic and inorganic opportunities and under our new CEO's leadership, we are implementing this new strategy, critically evaluating strategic alternatives for long-term sustainability.

Health & Safety

We manufacture our products in four locations globally and the operational risks associated with the manufacture of large truck bodies and buckets require vigilant safety management across the Company.

Austin has a comprehensive Occupational Health and Safety management system in place, which sees proactive health and safety risk identification, mitigation and management strategies employed at all times and across all our locations.

Driven by safety and the need for continuous improvement our standard operating procedures and work instructions, are continuously improved to ensure effective risk management in all work activities.

The ongoing COVID-19 pandemic and the risk of future pandemics has come into sharp focus over the last 18 months and the impacts of the pandemic extend far beyond the physical wellbeing of our employees, and the communities they operate in.

Globally, our leadership and safety teams have been trained to identify and escalate safety concerns related to the mental well-being of our employees. Active programs are in place internally and via outsourced specialists to provide support to our employees.

People Risk

Austin faces risks associated with attracting, growing and retaining critical and diverse talent. Austin is heavily dependent on our employees' technical skills and experience. The global shortage of skilled labour and/or the loss of key personnel could disrupt our business operations or adversely affect the achievement of our strategic objectives.

This risk is mitigated through the identification of critical roles and the implementation of succession and retention plans for these roles.

Efforts are underway to support, attract and develop skilled labour through apprenticeship and extended work experience programs, particularly in engineering.

Regulatory Compliance Risks

Our business, and that of our customers and suppliers, is subject to various laws, policies and regulatory provisions across the jurisdictions in which we operate, including anti-bribery and corruption laws, sanctions, anti-trust laws, domestic or international laws relating to import and export tariffs.

Failure to abide by, or changes in, these laws and regulatory provisions in any of the countries in which Austin operates, or in which it has dealings, may adversely impact our business and operations, and or that of our customers and suppliers. Besides the threat of legal action preventing damage to our reputation is key to Austin.

In response to this potential exposure Austin partners with local legal counsels to ensure regulatory risks are identified and addressed.

We have extended our risk mitigation efforts by ensuring that significant suppliers comply with relevant laws, and we undertake due diligence processes as required.

The Austin Code of Conduct sets out our approach to bribery and corruption and frequent awareness campaigns ensure our employees understand their obligations and the reporting requirements under appropriate anti-bribery and corruption laws.

Our Whistleblower system enables employees and third parties to anonymously notify us of any suspected fraudulent or illegal activity.

Market Concentration Risk

Austin operates in a global, competitive market with varying competitor dynamics. In our businesses, a large portion of sales are attributable to a relatively small number of customers. The actions of established or potential competitors could have a negative impact on our market share, in turn negatively impacting Austin's financial performance.

To guard against market concentration risk, Austin has strategies to diversify our customer base. Part of our mitigation strategies seek to maintain and develop competitive cost positions in our chosen markets, whilst maintaining quality products that meet specific customer requirements.

Supply Chain Risks

Timely and economic supply of steel represents a potential 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 and tariffs pose a risk to the cost-effective supply of steel.

Austin incorporates forecasting on a rolling 15-month basis which enables scenario planning and some supply flexibility. The potential for single point of failure exposure is continuously being monitored, with strategies in place to use alternative suppliers as well as potential to increase consigned inventory on hand.

Cyber Security & IT Risks

Sensitive data, pertaining to Austin, our employees, customers, or suppliers, may be lost or exposed, resulting in a negative impact to reputation or competitive advantage, and potential breach of regulatory compliance obligations.

As with all companies, targeted cyber-attacks could have a significant impact on our operations.

We have strict IT policies, procedures and practices in place regarding the use of company information, personal storage devices, IT systems and IT security.

One of the key risk mitigation strategies is training our users to be aware and a robust and continuous training program is in place for all IT users globally.

Cyber security forms part of every Board meeting and our data breach response and recovery plan has been established to respond to, and mitigate the effects of, any instances of sensitive data breaches that may occur.

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 2021.

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 — Chairman, Non-Executive Director
- David Singleton — Managing Director
- Chris Indermaur — Non-Executive Director
- Sy van Dyk — Non-Executive Director
- Peter Forsyth — Managing Director (retired 25 June 2021)

Principal activities

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

Dividends

A fully-franked interim dividend of 0.2 cents per share was declared on 25 February 2021 and was paid to holders of fully paid ordinary shares on 5 April 2021. The Company will be paying a fully franked 0.3 cents per share final dividend to holders of fully paid ordinary shares on 30 September 2021.

Review of operations and results

The profit for the Group after providing for income tax amounted to $2.511 million (2020: $8.872 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 6 to 15 which form part of this Directors' report.

Significant changes in the state of affairs

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

Events after the reporting date

In August 2021, the Company signed legal agreements for a new $35 million global financing arrangement with HSBC Bank Australia Limited, the agreement is for a two-year committed facility with a line fee of 1.10% per annum and an interest margin of 2.05% over BBSY. The new global facility will replace all major debt arrangements in Australia and Chile and represents a less costly and larger facility than those in place during the year. The facility is expected to be available for use shortly after the date of this Annual Report.

The Company established a new strategic business unit in western Canada, signing a long-term lease agreement for a four-acre site with 23,000 square feet of facilities in August 2021. Operations are expected to commence in November 2021 and is expected to contribute to earnings in FY2022.

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 6 to 15.

Information on directors

Jim Walker

Independent Non-Executive Chairman

Experience and expertise	Jim Walker joined the board in July 2016 and was appointed as Non-Executive Chairman in November 2016. Jim has over 45 years of experience in the resources sector. He is currently Non-Executive Chairman of Australian Potash, Non-Executive Chairman of MLG Oz Ltd, Chairman of the Western Australia State Training Board, Non-Executive Chairman of the Mader Group and Deputy Chairman of RAC Holdings (WA). Jim was formerly Non-Executive Chairman of Macmahon Holdings Limited and Chief Executive Officer of WesTrac Pty Limited.
Qualifications	GAICD, FAIM.
Directorships held in other listed entities	Australian Potash Limited from 15 August 2018, Mader Group Limited from 1 January 2019 and MLG Oz Limited from 30 April 2021.
Former directorships in last three years	Macmahon Holdings Limited from 22 January 2013 to 27 June 2019 and Seeing Machines Limited from 19 May 2014 to 18 December 2018.
Special responsibilities	Member of the Audit and Risk Committee, Member of the Safety Committee and Member of the Nomination and Remuneration Committee.
Interest in shares, options and performance rights	166,000 ordinary shares.

David Singleton

Managing Director

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 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 (Austal) from 4 April 2016 to 31 December 2020.
Special responsibilities	None.
Interest in shares, options and performance rights	133,485 ordinary shares.

Information on directors (continued)

Peter Forsyth

Managing Director (retired 25 June 2021)

Experience and expertise	Peter Forsyth was appointed Managing Director of the Company in October 2016 and was the Chief Executive Officer since October 2016. Peter worked as a senior executive with Caterpillar Inc. for 27 years with assignments including USA, Singapore, India, and Australia. Peter's roles included Mining Manager, District Manager, Off-Highway Truck Product Manager and Major Projects Manager for Caterpillar Australia. He has successfully managed numerous major mining equipment deals with global mining companies and mining contractors. Peter was instrumental in the development and execution of Caterpillar's emerging market strategy for Off-Highway Trucks.
Qualifications	B. Eng (Bachelor of Mechanical and Production Engineering), RMIT University.
Directorships held in other listed entities	None.
Former directorships in last three years	None.
Special responsibilities	None.
Interest in shares, options and performance rights	1,150,000 ordinary shares and 8,980,771 performance rights over ordinary shares.

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. Chris was formerly the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Limited. Chris recently held board positions at Poseidon Nickel Limited, Medibio Limited, and Centrex Metals Limited.
Qualifications	Bachelor of Engineering (Mechanical), Graduate Diploma of Engineering (Chemical), Curtin University; Bachelor of Laws, Master of Laws, QUT; Graduate Diploma in Legal Practice, ANU.
Directorships held in other listed entities	Austal Limited from 19 October 2018.
Former directorships in last three years	Poseidon Nickel Limited from 2 July 2007 to 1 October 2018, Medibio Limited from 2 April 2015 to 31 December 2018 and Centrex Metal Limited from 1 July 2017 to 28 January 2020.
Special responsibilities	Chair of the Nomination and Remuneration Committee, Chair of the Safety Committee and a Member of the Audit and Risk Committee.
Interest in shares, options and performance rights	200,000 ordinary shares.

Information on directors (continued)

Sy van Dyk

Independent Non-Executive Director

Experience and expertise	A Non-Executive Director since February 2018, Sy van Dyk brings over 30 years of experience primarily within the resources sector. Sy 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. Sy 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, Sy'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.
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 company secretaries

Katina Nadebaum

Company Secretary since 30 April 2021. B.Comm, CA, AICD.

Katina 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

Rochelle Oberholzer

Global Governance and IT Manager and Company Secretary since 4 December 2018, resigning as Company Secretary on 29 July 2021, remaining with the business. B.Comm, B.Sc, MBA, FGIA, GAICD.

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

Corporate governance statement

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

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition ('the ASX Principles').

The 2021 Corporate Governance Statement, which is available at www.austineng.com, reflects the corporate governance practices in place throughout the 2021 financial year and was approved by the Board on 25 August 2021.

Meetings of directors

The numbers of meetings of Austin Engineering Limited's Board of Directors and of each Board committee held during the year ended 30 June 2021, 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	12	12	2	2	4	4	4	4	3	3
P Forsyth	12	12	0	0	*	*	*	*	*	*
D Singleton	12	11	2	2	4	4	4	4	3	3
C Indermaur	12	12	2	2	4	4	4	4	3	3
S van Dyk	12	12	2	2	4	4	4	4	3	3

Notes:

1 Special Board meetings were held during the financial year to manage the succession of the Chief Executive Officer and relocation of corporate headquarters to Perth.

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.

* Not a member of the relevant committee.

Audited remuneration report

This audited Remuneration Report sets out information about the remuneration of the Group's key management personnel for the financial year ended 30 June 2021 and forms part of the Directors' Report for the year ended 30 June 2021. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Key management personnel

The key management personnel during the 30 June 2021 financial year are set out below:

Name	Position
Jim Walker	Non-Executive Chairman
Chris Indermaur	Non-Executive Director
Sy van Dyk	Non-Executive Director
David Singleton (appointed interim Chief Executive Officer 25 June 2021)	Interim Chief Executive Officer, Non-Executive Director
Peter Forsyth (retired 25 June 2021)	Chief Executive Officer and Managing Director
Sam Cruickshank	Chief Financial Officer

1. Executive remuneration

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of senior executives is reviewed annually by the Board through a process that considers the performance of individual business units and the overall performance of the Group. In addition, external analysis and advice is sought by the Board, where considered appropriate, to ensure that the remuneration for senior executives is competitive in the marketplace. 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 Executive Director and senior executives are offered a competitive base pay with due regard to current market rates. This base pay is calculated on a total cost basis and may include charges associated with the provision of a motor vehicle, including FBT charges, as well as employer contributions to superannuation funds. The remuneration of the Executive Director is reviewed annually by the Board and the remuneration of senior executives is reviewed annually by the Nomination and Remuneration Committee. There are no guaranteed base pay increases included in any Executive Director or senior executive contracts.

Short-term performance incentives

Short-term incentive plan (STI Plan) arrangements in place for senior executives as at 30 June 2021 are set out below as a proportion of Total Fixed Remuneration (TFR):

Position	STI opportunity	Form of remuneration	Subject to achieving performance hurdles
Managing Director	Up to 70% TFR	100% cash	✓
Chief Financial Officer	Up to 60% TFR	100% cash	✓
Interim Chief Executive Officer	Nil	N/A	N/A

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

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

The structure of the short-term incentive plan for bonuses relating to performance in the year ended 30 June 2021 is set out below:

Gate to award

Safety is a key performance indicator for all Austin Employees with safety obligations and reporting being a key element for all activities undertaken by Austin. In the unfortunate situation where there is a fatality during the year, no STI payments will be paid to Key Management Personnel.

In consideration of the importance of recording positive net profit after tax for the benefit of shareholders, there is a requirement to record a net profit after tax (adjusted for non-cash impairments) in excess of $8.60 million prior to any incentive payments.

In respect to the year ended 30 June 2021, both gates were achieved with no fatalities and a profit from continuing operations, adjusted for non-cash impairments, of $9.152 million.

Group bonus pool

The group bonus pool, including executives not considered Key Management Personnel for STI payments is to be limited to 20% of group net profit after tax (adjusted for non-cash impairments), the actual payment for bonuses in respect to the year was less than the pool.

Calculation of STI Plan entitlement

Payments in accordance with the STI Plan are made as a percentage of TFR as at 30 June 2021. Percentages applied to financial performance hurdles per role are as follows:

	Managing Director	Chief Financial Officer
Threshold	40%	30%
Target	55%	45%
Stretch	70%	60%

Entitlements are awarded on a pro-rata basis, that is where results fall between the above levels a pro-rata percentage is calculated. All non-financial goals are paid at the stretch level. Targets are weighted to a total of 100%, meaning if all stretch targets are met, together with non-financial targets the STI Plan entitlement will be equal to TFR multiplied by the Stretch percentage.

Audited remuneration report (continued)

1. Executive remuneration (continued)

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

Short-term performance incentives (continued)

STI financial performance hurdles – Managing Director

Performance hurdle	Weighting	STI entitlement (40% to 70% of TFR)
Financial performance		
Group net profit after tax	25%	0%
Group return on equity	20%	0%
South America EBITDA	5%	0%
North America EBITDA	5%	0%
Asia-Pacific EBITDA	15%	66.5%
Non-financial performance		
Order intake and customer on-boarding	20%	0%
Technology enhancements	10%	70%
Total	**100%**	**17%**

STI financial performance hurdles – Chief Financial Officer

Performance hurdle	Weighting	STI entitlement (30% to 60% of TFR)
Financial performance		
Group net profit after tax	25%	0%
Group return on equity	20%	0%
South America EBITDA	5%	0%
North America EBITDA	5%	0%
Asia-Pacific EBITDA	15%	56.5%
Non-financial performance		
Financing arrangements	20%	60%
Technology enhancements	10%	60%
TOTAL	**100%**	**26%**

Long-term incentives

Long-term incentive plan (LTI Plan) arrangements in place for senior executives as at 30 June 2021 are set out below as a proportion of Total Fixed Remuneration (TFR):

Position	LTI opportunity	Form of remuneration	Subject to achieving performance hurdles
Managing Director	Up to 100% TFR	100% performance rights	✓
Chief Financial Officer	Up to 75% TFR	100% performance rights	✓
Interim Chief Executive Officer	Nil	N/A	N/A

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

Performance rights

On 23 November 2018, the company announced the planned issue of performance rights under the Austin Engineering Ltd (Austin) Performance Rights plan as adopted on 20 December 2013 and amended on 10 October 2018. The Performance Rights Plan is a long-term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling senior executives to have greater involvement with, and share in the future growth and profitability of the company.

Audited remuneration report (continued)

1. Executive remuneration (continued)

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

Performance rights (continued)

On 17 December 2018, the Managing Director and Senior Executives were granted 2,145,923 and 6,111,845 Performance Rights respectively. 6,541,028 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2018 to 30 June 2021. The remaining 1,716,740 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

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

On 28 November 2019, the Managing Director and Senior Executives were granted 3,151,515 and 9,200,420 Performance Rights respectively. 9,927,693 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2019 to 30 June 2022. The remaining 2,424,242 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

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

On 14 December 2020, the Managing Director was granted 3,683,333 and on 6 April 2021 Senior Executives were granted 9,566,958 Performance Rights. 11,653,070 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2020 to 30 June 2023. The remaining 1,597,221 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2020 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2020. The grant of Performance Rights to Senior Executives did not require shareholder approval.

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

Grant date	Performance conditions	Performance period	Test date	Number of rights	Expiry date
17 Dec 2018	EPS and TSR	1 Jul 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,370	17 Dec 2023
28 Nov 2019	EPS and TSR	1 Jul 2019 to 30 Jun 2022	30 Jun 2022	9,927,693	28 Nov 2024
28 Nov 2019	Tenure	28 Nov 2019 to 30 Sep 2022	30 Sep 2022	2,424,242	28 Nov 2024
14 Dec 2020	EPS and TSR	1 Jul 2020 to 30 Jun 2023	30 Jun 2023	11,653,070	14 Dec 2025
14 Dec 2020	Tenure	14 Dec 2020 to 31 Aug 2023	31 Aug 2023	1,597,221	14 Dec 2025
		Forfeited/Converted in respect of the above		(4,770,087)	
			Total	**29,089,907**	

Performance conditions EPS and TSR Performance Rights

For each tranche of EPS and TSR Performance Rights:

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

Audited remuneration report (continued)

1. Executive remuneration (continued)

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

Performance rights (continued)

TSR performance criteria

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

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

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

EPS performance criteria

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

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

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

17 December 2018 LTI vesting awards

The performance rights granted to the Managing Director and other senior executives on 17 December 2018 have a three-year measurement period from 30 June 2018 to 30 June 2021. The vesting performance and award for these rights is as follows:

Peter Forsyth – Managing Director	Number of rights	Performance period	CAGR over performance period	Vesting %	Vesting number
EPS Rights	1,072,961	1 Jul 2018 – 30 Jun 2021	Negative	0%	-
TSR Rights	1,072,962	1 Jul 2018 – 30 Jun 2021	Negative	0%	-
Total	**2,145,923**				**-**

Audited remuneration report (continued)

1. Executive remuneration (continued)

Performance indicators

The table below sets out summary information about the Group's earnings and movements in shareholder wealth since 2017 and forms the background against which short and long-term incentives over the relevant periods has been considered:

	30 Jun 2021 ($'000)	30 Jun 2020 ($'000)	30 Jun 2019 ($'000)	30 Jun 2018 ($'000)	30 Jun 2017 ($'000)
Continuing and discontinued operations					
Revenue	207,260	231,556	242,595	293,362	234,344
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9,733	20,864	9,218	(522)	(7,730)
Normalised EBITDA	20,936	21,942	18,698	23,191	14,263
Net profit/(loss) after tax	(540)	5,185	(4,590)	(11,939)	(27,633)
Basic earnings/(loss) per share (cents)	(0.10)	0.89	(0.79)	(2.06)	(4.94)
Diluted earnings/(loss) per share (cents)	(0.09)	0.88	(0.79)	(2.06)	(4.94)
Shareholder returns					
Interim dividend – fully franked (cents)	0.20	0.20	-	-	-
Final dividend – fully franked (cents)	0.30	0.30	-	-	-
Share price at start of year ($)	0.13	0.18	0.23	0.22	0.08
Share price at end of year ($)	0.14	0.13	0.18	0.23	0.22

Service agreements

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

Key details of the executive service agreements of Key Management Personnel are set out below:

Key Management Personnel during the financial year	Total Fixed Remuneration (TFR)	STI % of TFR	LTI % of TFR	Total remuneration % of TFR	Notice periods to terminate	Termination payments
Interim Chief Executive Officer – David Singleton	$4,000 per day (including superannuation)	Nil	Nil	Nil	No notice period	None
Chief Financial Officer – Sam Cruickshank	$334,750 (including superannuation)	Up to 60%	Up to 75%	Up to 235%	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies	Statutory entitlements
Peter Forsyth – former Chief Executive Officer	$530,400 (including superannuation)	Up to 70%	Up to 100%	Up to 270%	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies	Statutory entitlements

2. Non-executive director remuneration

The structure of the remuneration provided to Non-Executive Directors is distinct from that applicable to executives. Non-Executive Directors receive only fixed remuneration that is not linked to the financial performance of the Company. No performance rights were granted to Non-Executive Directors during the current financial year.

The annual fees paid, inclusive of superannuation, to Non-Executive Directors for the financial year ended 30 June 2021 are set out below:

	30 June 2021 $
Chairman	126,985
Non-Executive Director	88,434
Additional Committee Chairman fee	9,364

Audited remuneration report (continued)

2. Non-executive director remuneration (continued)

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

3. Remuneration governance

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

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

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

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

During the year, the Committee engaged the services of Korn Ferry as a remuneration consultant to conduct a benchmarking review of Director fees and remuneration for the Chief Executive Officer and Chief Financial Officer roles. Korn Ferry was paid $17,350 for this engagement.

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

4. Value provided to key management personnel

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

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

Name	Year	Fixed remuneration				Variable remuneration		Total	Performance related %
		Cash salary and fees	Super-annuation	Movement in annual leave provision	Other benefits [3]	Cash bonus	Performance rights [4]		
Non-Executive Directors									
Jim Walker	2021	115,968	11,017	-	-	-	-	126,985	-
	2020	108,730	10,329	-	-	-	-	119,059	-
Chris Indermaur	2021	89,313	8,485	-	-	-	-	97,798	-
	2020	97,318	-	-	-	-	-	97,318	-
Sy van Dyk	2021	89,313	8,485	-	-	-	-	97,798	-
	2020	88,875	8,443	-	-	-	-	97,318	-
David Singleton [1]	2021	80,412	5,596	-	-	-	-	86,008	-
	2020	93,117	4,201	-	-	-	-	97,318	-
Total compensation for Non-Executive Directors	**2021**	**375,006**	**33,583**	**-**	**-**	**-**	**-**	**408,589**	**-**
	2020	388,040	22,973	-	-	-	-	411,013	-

Audited remuneration report (continued)

4. Value provided to key management personnel (continued)

Name	Year	Fixed remuneration				Variable remuneration		Total	Performance related %
		Cash salary and fees	Super-annuation	Movement in annual leave provision	Other benefits [3]	Cash bonus	Performance rights [4]		
Executive Directors and Other Key Management Personnel									
David Singleton [1]	2021	123,789	-	-	-	-	-	123,789	-
	2020	-	-	-	-	-	-	-	-
Sam Cruickshank	2021	313,056	21,694	(31)	170,925	88,600	136,330	730,574	30.8%
	2020	311,310	21,003	(1,101)	-	-	72,407	403,619	17.9%
Peter Forsyth [2]	2021	580,446	21,694	(84)	-	89,995	(60,689)	631,362	4.6%
	2020	502,800	25,000	8,261	-	-	197,391	733,452	26.9%
Total compensation for Senior Executives	**2021**	**1,017,291**	**43,388**	**(115)**	**170,925**	**178,595**	**75,641**	**1,485,725**	**17.1%**
	2020	814,110	46,003	7,160	-	-	269,798	1,137,071	23.7%
Total Key Management Personnel Remuneration	**2021**	**1,392,297**	**76,971**	**(115)**	**170,925**	**178,595**	**75,641**	**1,894,314**	**13.4%**
	2020	1,202,150	68,976	7,161	-	-	269,798	1,548,085	17.4%

Notes:

1 David Singleton was appointed as interim Chief Executive Officer on 25 June 2021. David was appointed to conduct the strategic review on 17 May 2021 and was remunerated for this work prior to being appointed as interim Chief Executive Officer at a rate of $4,000 (inclusive of superannuation) for each day worked. During the period 17 May 2021 to the end of the financial year David was considered an Executive Director, consulting fees and Non-Executive Director fees totalling $11,789 are included in the Executive Directors and Other Key Management Personnel table above. David's entitlement to Non-Executive Director Fees ceased on 30 June 2021. At 30 June 2021, the Company had an amount payable to David of $64,000 in respect to consulting services provided during the month of June 2021.

2 Peter Forsyth retired as Chief Executive Officer on 25 June 2021 with employment ceasing on 20 August 2021. As no services were provided subsequent to 25 June 2021, the notice period payment for Peter Forsyth has been included in FY2021. All performance rights are expected to be forfeited upon his cessation of employment on 20 August 2021.

3 Other benefits for Sam Cruickshank are relocation support in relation to the head office relocation from Brisbane to Perth.

4 Performance rights expenses included in the remuneration above related to the accounting expense of performance rights issued as well as reversal of life to date expenses for any rights forfeited.

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

No cash bonus payments were made during the year, the Board determined short-term incentive payments were payable to Peter Forsyth and Sam Cruickshank of $89,995 and $88,600 respectively, these amounts are to be paid in Q1 of FY2022.

Other transactions with related parties

Other than those disclosed above, there were no transactions with related parties during the year (2020: nil) and no amounts outstanding to related parties at 30 June 2021 (2020: nil).

There were no other transactions with related parties during the year to 30 June 2021 (2020: nil).

Loans to key management personnel

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

5. Equity instruments

Options held by key management personnel

There were no options held by key management personnel at 30 June 2021 or 30 June 2020.

Audited remuneration report (continued)

5. Equity instruments (continued)

Equity instruments held by key management personnel

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

Key Management Personnel	Balance at 30 June 2020	Granted	Vested	Lapsed/ Forfeited	Bought (sold)	Balance at 30 June 2021	Vested and exercis-able	Unvested	Granted – fair value	% Vested during the year
Peter Forsyth – former Managing Director/CEO (employment ceased 20 August 2021)										
Shares	1,150,000	-	-	-	-	1,150,000	-	-	-	-
Performance rights – 2019 [1]	2,145,923	-	-	-	-	2,145,923	-	2,145,923	283,262	-
Performance rights – 2020 [2]	3,151,515	-	-	-	-	3,151,515	-	3,151,515	375,503	-
Performance rights – 2021 [4]	-	3,683,333	-	-	-	3,683,333	-	3,683,333	504,432	-
Total	**6,447,438**	**3,683,333**	**-**	**-**	**-**	**10,130,771**	**-**	**8,980,771**	**1,163,197**	
Sam Cruickshank – Chief Financial Officer										
Shares	108,064	-	128,755	-	-	236,819	-	-	-	-
Performance rights – 2019 [3]	343,348	-	(128,755)	-	-	214,593	-	214,593	78,541	30%
Performance rights – 2020 [2]	1,477,273	-	-	-	-	1,477,273	-	1,477,273	176,017	-
Performance rights – 2021 [4]	-	1,743,490	-	-	-	1,743,490	-	1,743,490	238,771	-
Total	**1,928,685**	**1,743,490**	**-**	**-**	**-**	**3,672,175**	**-**	**3,435,356**	**493,329**	
David Singleton – Managing Director (appointed 14 July 2021)										
Shares	-	-	-	-	133,485	133,485	-	-	-	-
Total	**-**	**-**	**-**	**-**	**133,485**	**133,485**	**-**	**-**	**-**	**-**
Jim Walker – Non-Executive Director										
Shares	166,000	-	-	-	-	166,000	-	-	-	-
Total	**166,000**	**-**	**-**	**-**	**-**	**166,000**	**-**	**-**	**-**	**-**
Sy van Dyk – Non-Executive Director										
Shares	213,500	-	-	-	-	213,500	-	-	-	-
Total	**213,500**	**-**	**-**	**-**	**-**	**213,500**	**-**	**-**	**-**	**-**
Chris Indermaur – Non-Executive Director										
Shares	-	-	-	-	200,000	200,000	-	-	-	-
Total	**-**	**-**	**-**	**-**	**200,000**	**200,000**	**-**	**-**	**-**	**-**

1 EPS and TSR rights granted on 17 December 2018.
2 EPS and TSR rights granted on 28 November 2019.
3 Tenure rights were granted to Sam Cruickshank prior to his permanent appointment as Chief Financial Officer whilst occupying the role of Group Financial Controller.
4 EPS and TSR rights granted on 14 December 2020 to the Managing Director, and 6 April 2021 to the Chief Financial Officer.

No other key management personnel held shares at 30 June 2021 and 30 June 2020.

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

THIS CONCLUDES THE AUDITED REMUNERATION REPORT.

Shares under option

There were no unissued ordinary shares of Austin Engineering Limited under option as at 30 June 2021.

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

Shares under performance rights

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

Grant date	Expiry date	Type	Exercise price	Number of shares under right
17 December 2018	17 December 2023	Tenure	$0.00	858,372
17 December 2018	17 December 2023	EPS and TSR	$0.00	4,291,848
28 November 2019	28 November 2024	Tenure	$0.00	2,424,242
28 November 2019	28 November 2024	EPS and TSR	$0.00	8,265,154
14 December 2020	14 December 2025	Tenure	$0.00	1,597,221
14 December 2020	14 December 2025	EPS and TSR	$0.00	11,653,070
Total				**29,089,907**

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

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Austin Engineering Limited paid a premium in respect of a contract insuring the directors and officers of Austin Engineering Limited against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) Indemnity of auditors

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40.

Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Jim Walker
Non-Executive Chairman

25 August 2021
Perth

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2021, 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.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 25 August 2021

Annual Financial Report

For the year ended 30 June 2021

Consolidated financial statements

Notes to the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Notes	2021 $'000	2020* $'000
Revenue from continuing operations	**2**	**203,088**	**215,987**
Expenses			
Raw materials and consumables used		(61,390)	(80,467)
Changes in inventories and work in progress		(1,284)	6,701
Employment expenses		(64,730)	(63,230)
Subcontractor expenses		(24,817)	(25,490)
Occupancy and utility expenses		(3,862)	(3,628)
Depreciation expense		(5,668)	(6,259)
Amortisation expense	15	(335)	(238)
Production operational expenses		(12,802)	(12,598)
Other expenses		(15,475)	(14,140)
Finance costs		(1,900)	(3,255)
Impairment expense	3	(6,641)	-
Profit before income tax		**4,184**	**13,383**
Income tax expense	5	(1,673)	(4,511)
Profit for the year from continuing operations		**2,511**	**8,872**
Loss from discontinued operation	4	(3,051)	(3,687)
(Loss)/profit for the year		**(540)**	**5,185**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	19	(3,875)	(5,758)
Other comprehensive income for the year		**(3,875)**	**(5,758)**
Total comprehensive income for the year		**(4,415)**	**(573)**
Profit for the year is attributable to:			
Owners of Austin Engineering Limited		(540)	5,185
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		(4,415)	(573)

	Notes	2021 Cents	2020* Cents
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	6	0.43	1.53
Diluted earnings per share (cents per share)	6	0.43	1.50
Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited:			
Basic earnings/(loss) per share (cents per share)	6	(0.09)	0.89
Diluted earnings/(loss) per share (cents per share)	6	(0.09)	0.88

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

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

Consolidated statement of financial position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	8	9,824	19,243
Trade and other receivables	9	39,708	30,878
Inventories	10	28,859	32,043
Current tax assets	5	459	157
Other receivables and other assets	11	11,736	9,243
		90,586	**91,564**
Assets classified as held for sale	4	8,312	4,992
Total current assets		**98,898**	**96,556**
Non-current assets			
Property, plant and equipment	14	40,420	47,275
Intangible assets	15	11,258	12,251
Deferred tax assets	5	10,010	9,936
Right-of-use assets	16	7,522	9,688
Other non-current assets	11	9,240	4,735
Total non-current assets		**78,450**	**83,885**
Total assets		**177,348**	**180,441**
Current liabilities			
Trade and other payables	12	46,942	51,118
Financial liabilities	17	14,384	4,817
Current tax liabilities	5	598	907
Provisions	13	9,037	7,291
Lease liabilities	16	2,427	2,674
		73,388	**66,807**
Financial liabilities directly associated with assets classified as held for sale	4	1,086	157
Total current liabilities		**74,474**	**66,964**
Non-current liabilities			
Financial liabilities	17	3,914	4,414
Provisions	13	551	552
Lease liabilities	16	7,649	9,968
Total non-current liabilities		**12,114**	**14,934**
Total liabilities		**86,588**	**81,898**
Net assets		**90,760**	**98,543**
Equity			
Share capital	18	154,133	153,958
Accumulated losses		(47,962)	(43,366)
Reserves	19	(15,411)	(12,049)
Total equity		**90,760**	**98,543**

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 2021

	Notes	Contributed equity $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Opening balance at 1 July 2019		**153,927**	**213**	**(7,206)**	**(48,551)**	**98,383**
Total comprehensive income for the year:						
Profit for the year		-	-	-	5,185	5,185
Other comprehensive income, net of tax:						
Currency translation differences		-	-	(5,758)	-	(5,758)
Total comprehensive income for the year		**-**	**-**	**(5,758)**	**5,185**	**(573)**
Transactions with owners in their capacity as owners:						
Conversion of performance rights	18	31	(31)	-	-	-
Share-based payments		-	733	-	-	733
		31	702	-	-	733
Balance at 30 June 2020		**153,958**	**915**	**(12,964)**	**(43,366)**	**98,543**
Balance at 1 July 2020		**153,958**	**915**	**(12,964)**	**(43,366)**	**98,543**
Total comprehensive income for the year:						
Loss for the year		-	-	-	(540)	(540)
Other comprehensive income, net of tax:						
Currency translation differences		-	-	(3,875)	-	(3,875)
Total comprehensive income for the year		**-**	**-**	**(3,875)**	**(540)**	**(4,415)**
Transactions with owners in their capacity as owners:						
Shares issued under dividend reinvestment plan (net of share issue costs)	18	59	-	-	-	59
Share issue costs	18	(10)	-	-	-	(10)
Share-based payments		-	639	-	-	639
Conversion of performance rights	18	126	(126)	-	-	-
Dividends provided for or paid	7	-	-	-	(4,056)	(4,056)
		175	513	-	(4,056)	(3,368)
Balance at 30 June 2021		**154,133**	**1,428**	**(16,839)**	**(47,962)**	**90,760**

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 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		196,207	264,240
Payments to suppliers and employees		(201,424)	(234,598)
Interest received		789	239
Finance costs		(2,771)	(4,218)
Income tax refund		1,341	488
Income tax paid		(2,471)	(2,058)
Net cash (used in)/provided by operating activities	**27**	**(8,329)**	**24,093**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,245)	(3,295)
Payments for intangibles		(2,700)	(1,146)
Proceeds from sale of property, plant and equipment		1,106	7,459
Net cash (used in)/provided by investing activities		**(4,839)**	**3,018**
Cash flows from financing activities			
Proceeds from borrowings		52,254	9,633
Repayment of borrowings		(41,623)	(22,466)
Dividends paid to company's shareholders	7	(3,996)	-
Repayment of lease liabilities		(2,575)	(2,630)
Net cash provided by/(used in) financing activities		**4,060**	**(15,463)**
Net (decrease)/increase in cash and cash equivalents		**(9,108)**	**11,648**
Cash and cash equivalents at the beginning of the financial year		19,243	6,858
Effects of exchange rate changes on cash and cash equivalents		(311)	737
Cash and cash equivalents at end of the year	**8**	**9,824**	**19,243**

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 and Peru for mining equipment, other products and repair and maintenance services). The strategic operating segments are driven by the integration of Australian and Indonesian business units in supplying a common market. Management also acknowledge the difference in markets between its operations in North America and South America. These reporting segments 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 2021 and 30 June 2020 is as follows:

	Asia-Pacific		North America		South America		Total	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Continuing operations								
Total segment revenue from continuing operations – from external customers	138,314	116,741	35,657	66,433	29,117	32,813	203,088	215,987
Normalised EBITDA from continuing operations	24,526	14,000	(1,285)	6,887	(1,880)	2,453	21,361	23,340
Profit/(loss) before tax	11,648	8,231	(3,408)	5,343	(4,056)	(191)	4,184	13,383
Other segment information								
Depreciation and amortisation	3,940	3,795	862	892	1,201	1,810	6,003	6,497
Impairment	4,889	-	1,076	-	676	-	6,641	-
Continuing and discontinued operations								
Total segment assets	88,408	80,295	39,780	39,734	49,160	60,412	177,348	180,441
Total assets include:								
Additions to non-current assets (other than financial assets and deferred tax)	6,186	3,917	622	1,009	813	622	7,621	5,548
Total segment liabilities	58,045	49,481	10,407	8,921	18,136	23,496	86,588	81,898

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

1 Segment information (continued)

Segment revenue and non-current assets

Continuing operations

	2021 $'000	2020* $'000
Total revenues from external customers attributed to:		
- Australia	116,795	106,653
- Chile	24,227	29,761
- USA	15,112	30,974
- Canada	22,781	38,358
- all other foreign countries	24,173	10,241
Revenues derived from a single external customer were attributable to Australia	61,221	41,923
Non-current assets, excluding financial instruments and deferred tax assets, located:		
- in Australia	22,854	24,435
- in Chile	13,285	12,965
- in USA	16,222	18,164
- in Indonesia	6,406	7,640
- in other foreign countries	432	6,010

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

Corporate expenses

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

Segment assets and liabilities

Segment asset and liability amounts are measured in the same way that they are measured in the financial statements. Segment assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

The reconciliation of normalised EBITDA to loss before income tax is as follows:

	Continuing and discontinued operations		Continuing operations	
	2021 $'000	2020 $'000	2021 $'000	2020* $'000
Normalised EBITDA used for segment reporting	**20,936**	**21,942**	**21,361**	**23,340**
Non-impairment one-off items**	(3,350)	(1,010)	(2,633)	(205)
Impairment expense	(7,853)	(68)	(6,641)	-
Reported EBITDA	**9,733**	**20,864**	**12,087**	**23,135**
Depreciation expense	(6,263)	(7,629)	(5,668)	(6,259)
Amortisation expense	(349)	(307)	(335)	(238)
Interest revenue	789	239	789	239
Finance costs	(2,771)	(4,218)	(2,689)	(3,494)
Profit before income tax	**1,139**	**8,949**	**4,184**	**13,383**

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

2 Revenue

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

	2021 $'000	2020* $'000
Revenue from contracts with customers	202,544	215,225
Other income	544	762
Total revenue from continuing operations	**203,088**	**215,987**

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

(a) Disaggregation of revenue from contracts with customers

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

	Asia Pacific		North America		South America		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Revenue from contracts with customers								
Sale of goods								
Truck bodies	86,524	71,647	34,189	61,733	14,598	17,563	135,311	150,943
Buckets	5,953	8,996	-	824	218	188	6,171	10,008
Other goods	25,863	11,026	1,468	3,878	2,956	640	30,287	15,544
Total sale of goods	**118,340**	**91,669**	**35,657**	**66,435**	**17,772**	**18,391**	**171,769**	**176,495**
Services								
On-site services	1,533	1,502	-	-	2,723	1,888	4,256	3,390
Off-site services	18,182	21,762	-	-	6,979	9,791	25,161	31,553
Other services	170	1,661	-	-	1,188	2,126	1,358	3,787
Total services	**19,885**	**24,925**	**-**	**-**	**10,890**	**13,805**	**30,775**	**38,730**
Revenue from contracts with customers	**138,225**	**116,594**	**35,657**	**66,435**	**28,662**	**32,195**	**202,544**	**215,225**
Timing of revenue recognition								
At a point in time	118,340	91,669	35,657	66,435	17,772	18,391	171,769	176,495
Over time	19,885	24,925	-	-	10,890	13,805	30,775	38,730
Revenue from contracts with customers	**138,225**	**116,594**	**35,657**	**66,435**	**28,662**	**32,196**	**202,544**	**215,225**

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

(b) Accounting policies

(i) Sale of goods

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

The performance obligation is fulfilled at a point in time and as such revenue is recognised when control over the corresponding goods is transferred to the customer. Transfer of control is determined based on the details of the contract and is deemed to pass once the goods have either been accepted by the customer, delivered to the customer or where the Group has a present right to payment for the asset. All goods sold include defect and warranty periods following transfer of control to the customer. These obligations are not deemed separate performance obligations and therefore recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

2 Revenue (continued)

(b) Accounting policies (continued)

(i) Sale of goods (continued)

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, $8.154 million (2020: $5.356 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. Revenue is recognised using the input method by reference to the stage of completion of the project. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

(c) Contract assets and liabilities

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

	Notes	2021 $'000	2020 $'000
Contract assets	9	2,109	6,386
Contract liabilities	12	(6,355)	(14,637)

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

	Contract assets		Contract liabilities	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
At 1 July	**6,386**	**3,478**	**(14,637)**	**(3,276)**
Invoices issued in advance of performance	-	-	(117,327)	(35,099)
Transfers to trade receivables	(14,808)	(13,088)	-	-
Amounts recognised in revenue during the year	10,391	16,750	125,463	23,681
Effect of foreign exchange	140	(754)	146	57
At 30 June	**2,109**	**6,386**	**(6,355)**	**(14,637)**

(i) Contract assets and liabilities

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

3 Expenses

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

	2021 $'000	2020* $'000
Cost of goods sold	147,667	159,228
Defined contribution superannuation costs	1,423	1,723
Net foreign currency exchange losses	1,213	387
Government grants	(373)	(3,232)
Impairment expense	6,641	-

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

(b) Government grants

(i) Loan forgiveness

During the previous financial year, the company received $3.678 million as a forgivable loan under the Small Business Administration Paycheck Protection Program (PPP) in the USA. By 30 June 2021, $0.373 million (in addition to the $3.232 million incurred in FY2020) of expenditure relating to this loan met the conditions for forgiveness and was recognised as an offset against employment expenses in accordance with AASB 120 *Accounting for Government Grants.*

(c) Impairment charge

There were impairment charges from continuing operations in 2021 of $6.641 million (2020: nil) and $1.212 million (2020: nil) from discontinued operations, a total of $7.853 million (2020: nil). In 2021, impairment charges were made on inventories of $2.454 million and on non-current assets of $5.399 million which have been allocated against property, plant and equipment of $1.144 million, goodwill of $3.936 million, software intangibles of $0.319 million (refer to Notes 14 and 15).

4 Discontinued operations

(a) Discontinued operations

During the year ended 30 June 2021, the Group closed its Colombian operation including exiting unprofitable coal mine-site contracts, retrenching staff, transferring assets to other Austin business units, disposing assets and actively marketing the Malambo manufacturing facility for sale. The decision to discontinue the Colombian operations was made based on the current and future expected market conditions in Colombia. The Group will continue to service the greater region from its Chilean and Peruvian operations.

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

	2021 $'000	2020* $'000
Revenue	4,172	15,569
Expenses	(7,217)	(20,003)
Income tax (expense)/benefit	(6)	747
(Loss) from discontinued operations	**(3,051)**	**(3,687)**
Net cash inflow/(outflow) from operating activities	(201)	(4,516)
Net cash inflow/(outflow) from investing activities	243	4,195
Net cash inflow/(outflow) from financing activities	275	(4,645)
Net increase in cash generated by discontinued operations	**317**	**(4,966)**

*Balances for the prior period have been re-presented to include results from the Group's Colombian operation as disclosed above.

4 Discontinued operations (continued)

(a) Discontinued operations (continued)

The assets and associated liabilities relating to the cranes business in Chile and the discontinued Colombian operations are presented as held for sale. See (b) below. There were impairment charges from discontinued operations in 2021 of $1.212 million (2020: nil). In 2021, impairment charges from discontinued operations were made on inventories of $0.558 million and on non-current assets of $0.654 million which have been allocated against property, plant and equipment (refer to Note 14).

(b) Assets and liabilities classified as held for sale

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

	2021 $'000	2020 $'000
Cranes	438	564
Discontinued cranes business operation in Chile	**438**	**564**
Colombia property	3,155	-
Discontinued operation in Colombia	**3,155**	**-**
Peru property	735	867
Chile property	3,681	3,561
Peru equipment	303	-
Other assets held for sale	**4,719**	**4,428**
Total assets classified as held for sale	**8,312**	**4,992**
Financial liabilities directly associated with assets classified as held for sale	1,086	157

Assets are classified as held for sale when their 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 32 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:

	2021 $'000	2020 $'000
Opening assets classified as held for sale	**4,992**	**5,549**
Transfers from Property, Plant and Equipment (refer Note 14)	3,395	3,950
Disposals	-	(3,853)
Exchange differences	(75)	(654)
Closing assets classified as held for sale	**8,312**	**4,992**

5 Tax

(a) Income tax expense

	2021 $'000	2020 $'000
Components of income tax expense:		
Current tax – current period	3,111	2,940
(Over) provision in respect of prior years	(1,450)	(54)
Deferred tax – origination and reversal of temporary differences	18	879
	1,679	**3,765**
Income tax expense is attributable to:		
Profit from continuing operations	1,673	4,511
Loss from discontinued operation	6	(746)
	1,679	**3,765**

Numerical reconciliation of income tax expense to prima facie tax payable

	2021 $'000	2020 $'000
Profit from continuing operations before income tax expense	4,184	13,383
Loss from discontinuing operation before income tax expense	(3,045)	(4,434)
	1,139	**8,949**
Tax at the Australian tax rate of 30.0% (2020 – 30.0%)	342	2,685
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	(1,121)	(399)
Impairment expense	2,356	-
Over-provision for tax in prior years	(1,450)	(54)
Share performance right expenses in the year	192	220
Differences in overseas tax rates	(713)	(185)
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	2,073	2,086
De-recognition of previously recognised deferred tax assets	-	282
Previously unrecognised tax losses used	-	(870)
Income tax expense	**1,679**	**3,765**

(b) Current tax asset and liability

	2021 $'000	2020 $'000
Current tax assets	459	157
Current tax liabilities	(598)	(907)
	(139)	**(750)**

5 Tax (continued)

(c) Deferred tax

	2021 $'000	2020 $'000
Deferred tax assets – non-current:		
Employee leave entitlements	1,799	1,295
Warranty and other provisions	1,205	583
Transaction costs on equity issue	89	291
Tax losses	3,474	5,801
Other	3,443	1,966
Total deferred tax assets	**10,010**	**9,936**

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2021				
Deferred tax assets				
Employee leave entitlements	1,295	472	32	1,799
Warranty and other provisions	583	619	3	1,205
Transaction costs on equity issue	291	(202)	-	89
Tax losses	5,801	(2,327)	-	3,474
Other	1,966	1,419	58	3,443
Total deferred tax assets	**9,936**	**(19)**	**93**	**10,010**
Movements: 2020				
Deferred tax assets				
Employee leave entitlements	1,398	(122)	19	1,295
Warranty and other provisions	274	295	14	583
Transaction costs on equity issue	676	(385)	-	291
Tax losses	7,158	(1,357)	-	5,801
Other	1,433	(816)	1,349	1,966
Total deferred tax assets	**10,939**	**(2,385)**	**1,382**	**9,936**

Income tax

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

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

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

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

5 Tax (continued)

Income tax (continued)

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

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

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

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

6 Earnings per share

Basic earnings per share

	2021 Cents	2020 Cents
Basic earnings per share		
From continuing operations	0.43	1.53
From discontinued operations	(0.52)	(0.64)
Total basic earnings per share	**(0.09)**	**0.89**
Diluted earnings per share		
From continuing operations	0.43	1.50
From discontinued operations	(0.52)	(0.62)
Total diluted earnings per share	**(0.09)**	**0.88**

Reconciliation of earnings to loss

	2021 $'000	2020 $'000
Profit/(loss) after tax:		
From continuing operations	2,511	8,872
From discontinued operation	(3,051)	(3,687)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(540)**	**5,185**

Weighted average number of shares used as the denominator

	2021 Number	2020 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	579,663,085	578,956,179
Effect of dilutive securities – share-based performance rights	4,360,937	14,390,526
Used to calculate diluted earnings per share	**584,024,022**	**593,346,705**

(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 31.

7 Dividends

Recognised amounts

	30 Jun 2021 $'000	30 Jun 2020 $'000
Interim fully franked dividend for the half-year ended 31 December 2019 of 0.2 cents per share, paid on 30 September 2020	-	1,158
Fully franked dividend for the year ended 30 June 2020 of 0.3 cents per share, paid on 30 September 2020	1,738	-
Interim fully franked dividend for the half-year ended 31 December 2020 of 0.2 cents per share, paid on 5 April 2021	1,160	-
Total recognised amounts	**2,898**	**1,158**

A portion of shareholders participated in the Dividend Reinvestment Plan in respect of $0.059 million. The cash outflow of the above dividends for the year was $3.996 million (2020: nil).

Dividends not recognised at the end of the reporting period

Subsequent to the end of the financial year, the directors declared a final dividend of 0.3 cents per share (2020: 0.3 cents per share) per fully paid ordinary shares. The aggregate amount of the proposed dividend expected to be paid on 30 September 2021 out of retained earnings at 30 June 2021 but not recognised as a liability, is $1.740 million.

Franking credits

	Consolidated entity	
	2021 $'000	2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2020 – 30.0%)	24,889	26,627

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The balance of the franking account after the payment of dividends above will be $24.144 million.

8 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash and cash equivalents	9,824	19,243

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. At 30 June 2021, there were no restricted cash balances (2020: nil).

9 Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	37,629	24,523
Allowance for expected credit losses	(30)	(31)
Trade receivables net of expected credit losses	**37,599**	**24,492**
Contract assets	2,109	6,386
	39,708	**30,878**

9 Trade and other receivables (continued)

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

	2021 $'000	2020 $'000
Australian dollars	11,183	9,902
US dollars (Australian dollar equivalent)	23,305	10,325
Chilean pesos (Australian dollar equivalent)	4,248	9,264
Colombian pesos (Australian dollar equivalent)	49	1,066
Peruvian nuevo soles (Australian dollar equivalent)	773	321
Indonesian rupiah (Australian dollar equivalent)	150	-
	39,708	**30,878**

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

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

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

Impairment loss on financial assets

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

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

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

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

10 Inventories

	2021 $'000	2020 $'000
At cost:		
Raw materials and consumables	19,476	17,717
Work in progress	9,233	13,277
Finished goods	150	1,049
	28,859	**32,043**

Raw materials, consumables and work in progress

Inventories consist of raw materials, consumables and work in progress and are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

11 Other assets

	2021 $'000	2020 $'000
Current		
Prepayments	3,759	3,224
Other receivables	2,640	2,752
Current finance lease receivable	5,337	3,267
	11,736	**9,243**

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 9 for details on the Group's policy for impairment of financial assets, including finance lease receivables.

	Current 2021 $'000	Non-current 2021 $'000	Current 2020 $'000	Non-current 2020 $'000
Finance lease receivable				
Not later than one year	5,653	-	3,622	-
Later than one year and not later than five years	-	10,847	-	5,333
Later than five years	-	-	-	-
	5,653	**10,847**	**3,622**	**5,333**
Less: unearned finance income	(316)	(1,607)	(355)	(598)
Present value of minimum lease payments receivable	5,337	9,240	3,267	4,735
Allowance for uncollectible lease payments	-	-	-	-
	5,337	**9,240**	**3,267**	**4,735**

12 Trade and other payables

	2021 $'000	2020 $'000
Current unsecured liabilities:		
Trade payables	30,673	24,165
Accrued and other payables	9,914	12,316
Contract liabilities	6,355	14,637
	46,942	**51,118**

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

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30–90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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

12 Trade and other payables (continued)

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

	2021 $'000	2020 $'000
Australian dollars	19,788	27,209
US dollars (Australian dollar equivalent)	14,180	8,034
Chilean pesos (Australian dollar equivalent)	7,480	9,209
Colombian pesos (Australian dollar equivalent)	2	2,042
Peruvian nuevo soles (Australian dollar equivalent)	756	812
Indonesian rupiah (Australian dollar equivalent)	3,499	2,713
Singaporean dollars (Australian dollar equivalent)	1,237	1,099
	46,942	**51,118**

13 Provisions

	2021 $'000	2020 $'000
Current		
Employee leave entitlements	4,430	5,471
Warranty provisions	2,285	979
Restructuring costs	1,656	-
Other	666	841
	9,037	**7,291**
Non-current		
Employee leave entitlements	551	552
	551	**552**

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 that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations

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

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

13 Provisions (continued)

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.

Restructuring costs

Provision has been made in respect of costs to restructure the business based on the ongoing strategic review as well as the Group's decision to relocate the head office from Brisbane to Perth. These costs include redundancy and other staff restructuring costs.

14 Property, plant and equipment

	2021 $'000	2020 $'000
Freehold land		
Cost	18,105	19,995
	18,105	**19,995**
Freehold buildings		
Cost	23,317	27,279
Accumulated depreciation	(7,251)	(8,224)
	16,066	**19,055**
Plant and equipment		
Cost	37,650	42,302
Accumulated depreciation	(32,112)	(34,289)
	5,538	**8,013**
Capital work in progress		
Cost	711	212
	711	**212**
Closing net book amount	**40,420**	**47,275**

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2021					
Opening net book amount	19,995	19,055	8,013	212	47,275
Additions	-	645	1,733	855	3,233
Reallocation of capital work in progress	-	-	336	(336)	-
Disposals	-	(24)	(847)	-	(871)
Reallocation from inventory	-	-	738	-	738
Exchange differences	(755)	(502)	(165)	(20)	(1,442)
Impairment loss (ii)	-	-	(1,144)	-	(1,144)
Depreciation charge	-	(1,164)	(2,810)	-	(3,974)
Transfers to/from assets classified as held for sale	(1,135)	(1,944)	(316)	-	(3,395)
Closing net book amount	**18,105**	**16,066**	**5,538**	**711**	**40,420**

14 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 2020					
Opening net book amount	23,132	24,267	11,637	1,580	60,616
Additions	537	199	2,754	69	3,559
Reallocation of capital work in progress	-	-	1,111	(1,111)	-
Disposals	-	(71)	(622)	-	(693)
Transfers to intangible assets	-	-	(512)	(337)	(849)
Depreciation charge	-	(1,650)	(3,351)	-	(5,001)
Exchange differences	(1,240)	(1,684)	(46)	11	(2,959)
AASB 16 opening balance reclassification	-	(547)	(2,033)	-	(2,580)
Transfers to/from assets classified as held for sale	(2,434)	(1,459)	(57)	-	(3,950)
Transfer to right-of-use assets	-	-	(868)	-	(868)
Closing net book amount	**19,995**	**19,055**	**8,013**	**212**	**47,275**

(i) Non-current assets pledged as security

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

(ii) Impairment

Impairment losses of $1.144 million mainly relate to individual assets located in Colombia, Mackay and Brisbane that were assessed as having a carrying value exceeding their recoverable amount. Impairment losses in 2020 of $0.069 million relate to write downs on assets held for sale relating to the discontinued crane business in Chile.

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.

15 Intangible assets

	Goodwill $'000	Customer relationships and brands $'000	Patents $'000	Software $'000	Total $'000
Year ended 30 June 2021					
Opening net book amount	10,444	-	506	1,301	12,251
Additions	-	-	194	3,697	3,891
Exchange differences	(268)	-	(22)	(4)	(294)
Amortisation charge	-	-	(38)	(297)	(335)
Impairment charge	(3,936)	-	-	(319)	(4,255)
Closing net book amount	**6,240**	**-**	**640**	**4,378**	**11,258**
At 30 June 2021					
Cost	51,623	6,596	706	6,234	65,159
Accumulated amortisation and impairment	(45,383)	(6,596)	(66)	(1,856)	(53,901)
Net book amount	**6,240**	**-**	**640**	**4,378**	**11,258**
Year ended 30 June 2020					
Opening net book amount	10,388	-	179	-	10,567
Additions	-	-	347	814	1,161
Exchange differences	56	-	(7)	(68)	(19)
Amortisation charge	-	-	(13)	(294)	(307)
Transfers from property, plant and equipment	-	-	-	849	849
Closing net book amount	**10,444**	**-**	**506**	**1,301**	**12,251**
At 30 June 2020					
Cost	62,667	16,527	534	3,058	82,786
Accumulated amortisation and impairment	(52,223)	(16,527)	(28)	(1,757)	(70,535)
Net book amount	**10,444**	**-**	**506**	**1,301**	**12,251**

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:

	2021 $'000	2020 $'000
Cash generating unit		
Aust Bore Pty Ltd	2,563	5,310
Austin Engineering USA Inc.	3,677	3,945
Austin Mackay	-	1,189
Net carrying value	**6,240**	**10,444**

15 Intangible assets (continued)

Impairment charge

During the year, a net impairment charge of $4.255 million (2020: nil) have been allocated to the following intangible assets and CGUs:

	Goodwill $'000	Software $'000	Total $'000
Aust Bore Pty Ltd	2,747	-	2,747
Austin Engineering Ltd – Mackay	1,189	-	1,189
Austin Engineering Ltd – Corporate	-	319	319
Total	**3,936**	**319**	**4,255**

The impairment of Goodwill was the result of the Company reassessing the recoverable values of its CGU in light of the anticipated risks and opportunities that exist in each CGU including the impacts of the ongoing strategic review. The write-down of software was the result of the Group reassessing the recoverable amount of head office assets in light of the head office relocation from Brisbane to Perth.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Key assumptions used for value in use calculations

The recoverable amount of the cash generating units is based on value-in-use calculations. These calculations use cash flow projections covering a five-year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, including the impact of COVID-19, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

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

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

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

Pre-tax WACC

	2021 %	2020 %
Region		
Australia	12.73	13.18
USA	11.40	12.10
Chile	17.77	15.69
Colombia	25.53	22.95
Peru	21.07	21.26
Indonesia	21.18	21.62

15 Intangible assets (continued)

Key assumptions used for value in use calculations (continued)

Pre-tax WACC (continued)

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 3% (2020: 3%) based on the long-term growth rates experienced in the Group's end-markets and external forecasts.

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

The current year value-in-use assessment included estimating the expected impact of COVID-19 on future cash flows of each of the Group's CGUs. These estimates included reducing FY22 forecast cash flows, increasing discount rates and re-assessing growth rates on CGUs expected to be impacted by the pandemic.

Impact of reasonably possible changes in key assumptions

The impairments recorded during the year were based on management determination on the CGU's recoverable amount, after taking into consideration of any possible change in key assumptions of value-in-use calculations of the CGUs. At 30 June 2021, after impairment charges, and applying reasonable sensitivity analysis, the recoverable amount of each CGU exceeds its carrying value.

16 Right-of-use assets and lease liabilities

(a) Leases

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

(i) Amounts recognised in the statement of financial position

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

	2021 $'000	2020 $'000
Right-of-use assets		
Buildings	5,176	6,911
Equipment	1,597	2,576
Vehicles	749	201
	7,522	**9,688**
Lease liabilities		
Current	2,427	2,674
Non-current	7,649	9,968
	10,076	**12,642**

Additions to the right-of-use assets during the financial year ended 30 June 2021 were $0.497 million (2020: $0.828 million). The Group's leases primarily relate to real property leases, long-term lease of equipment and motor vehicles.

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

(a) Leases (continued)

(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:

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets		
Buildings	1,542	1,637
Equipment	277	757
Vehicles	470	234
	2,289	**2,628**
Interest expense (included in finance cost)	934	1,115
Expense relating to short-term leases (included in Occupancy and utility expenses)	279	141
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in Occupancy and utility expenses)	-	14

The total cash outflow for leases in fiscal year ended in 30 June 2021 was $3.541 million (2020: $3.609 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.

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.

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

(a) Leases (continued)

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

(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.

17 Financial liabilities

Secured liabilities

	Current 2021 $'000	Non-current 2021 $'000	Current 2020 $'000	Non-current 2020 $'000
Facilities associated with continuing operations				
Bank facilities	1,974	3,914	2,408	4,414
Non-bank core debt	12,410	-	2,409	-
	14,384	**3,914**	**4,817**	**4,414**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale (Note 4)	1,086	-	157	-
	15,470	**3,914**	**4,974**	**4,414**

17 Financial liabilities (continued)

Assets pledged as security – fixed/floating charge

	2021 $'000	2020 $'000
Current		
Floating charge		
Cash and cash equivalents	7,014	18,027
Receivables	15,806	23,042
Inventories	6,446	28,146
Fixed charge		
Assets held for sale	-	4,125
Total current assets pledged as security	**29,266**	**73,340**
Non-current		
Fixed charge		
Property, plant and equipment	22,186	43,747
Total assets pledged as security	**51,452**	**117,087**

Financing facilities

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

	Consolidated entity	
	2021 $'000	2020 $'000
Total facilities		
Bank facilities	5,888	6,822
Non-bank core debt	16,143	12,783
Finance liabilities associated with assets held for sale in cranes business	1,086	157
	23,117	**19,762**
Utilised facilities		
Bank facilities	5,888	6,822
Non-bank core debt	12,410	2,409
Finance liabilities associated with assets held for sale in cranes business	1,086	157
	19,384	**9,388**
Unused		
Bank facilities	-	-
Non-bank core debt	3,733	10,374
Finance liabilities associated with assets held for sale in cranes business	-	-
	3,733	**10,374**

Banking facilities

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

Non-bank core debt

The Group has a $15 million working capital facility with Export Finance Australia which was entered into in August 2020 with the first draw down taking place in early September 2020. The loan is a 12-month facility renewable for a further two years. As at 30 June 2021, the Group has complied with all financial covenants on this facility.

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

18 Equity – share capital

	2021 No.	2021 $'000	2020 No.	2020 $'000
Ordinary shares				
Opening balance	579,005,430	153,958	578,833,756	153,927
Conversion of performance rights	686,694	126	171,674	31
Share issued for dividend reinvestment plan (net of share issue costs)	382,193	59	-	-
Cost of share issues	-	(10)	-	-
Balance at end of year	**580,074,317**	**154,133**	**579,005,430**	**153,958**

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 31.

Capital management

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

The Group's total capital is defined as the shareholders' net equity plus net debt and amounted to $101.446 million at 30 June 2021 (30 June 2020: $90.535 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.

The gearing ratios for the years ended 30 June 2021 and 30 June 2020 are as follows:

	Notes	2021 $'000	2020 $'000
Total borrowings		19,384	9,388
Add leases formerly reported as finance leases		1,126	1,847
Less cash and cash equivalents	8	(9,824)	(19,243)
Net debt		**10,686**	**(8,008)**
Total equity		90,760	98,543
Total capital		**101,446**	**90,535**
Net gearing ratio		**11%**	**(9%)**

19 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. No tax entries are captured in these translations.

20 Financial risk management

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

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

Market risk

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

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

(i) Foreign exchange risk

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

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

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

Sensitivity

A sensitivity analysis was performed at 30 June 2021, 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 2020, 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 2021				
US dollar	(2,667)	203	2,667	(203)
Chilean peso	(2,189)	(580)	2,189	580
Indonesian rupiah	(2,468)	(555)	2,468	555
Colombian peso	(374)	284	374	(284)
Peruvian nuevo soles	(257)	81	257	(81)
Total	**(7,955)**	**(567)**	**7,955**	**567**
30 June 2020				
US dollar	(2,797)	(365)	2,797	365
Chilean peso	(2,360)	1,496	2,360	(1,496)
Indonesian rupiah	(1,834)	(81)	1,834	81
Colombian peso	(671)	434	671	(434)
Peruvian nuevo soles	(323)	167	323	(167)
Total	**(7,985)**	**1,651**	**7,985**	**(1,651)**

20 Financial risk management (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity (continued)

There is a finance lease receivable of US$9.702 million at 30 June 2021 included in Austin's Chilean operation, a 10% strengthening of the US dollar against the Chilean peso would result in a profit of $1.294 million, whereas a 10% weakening would result in a loss of $1.294 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.

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

	Consolidated entity			
	Weighted average interest rate %	2021 $'000	Weighted average interest rate %	2020 $'000
Cash	0.3	9,824	0.3	19,243
Financial liabilities	4.3	(19,384)	6.3	(9,388)
Net exposure to cash flow interest rate risk	**-**	**(9,560)**	**-**	**9,855**

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 1% shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $0.194 million (2020: $0.094 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.

20 Financial risk management (continued)

Credit risk (continued)

Credit-impaired financial assets

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

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

Write-off policy

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

Trade and other receivables

The Group's exposure to credit risk for trade and other receivables (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 Note 9 for a summary of the Group's exposure to credit risk relating to receivables at the end of the financial year.

Cash and cash equivalents

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

Liquidity risk

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

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

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

20 Financial risk management (continued)

Liquidity risk (continued)

The Group maintains backup liquidity for its operations and currently maturing debts through a combination of revolving finance facilities, of which $3.733 million were undrawn at 30 June 2021 (2020: $10.374 million). The principal terms of repayment are detailed in Note 17.

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

	No later than one year $'000	Between one and five years $'000	Greater than five years $'000	Contractual cash flows $'000	Carrying value $'000
At 30 June 2021					
Trade and other payables	40,587	-	-	40,587	40,587
Financial liabilities	15,470	3,914	-	19,384	19,384
Lease liabilities	3,179	7,966	872	12,017	10,076
Total	**59,236**	**11,880**	**872**	**71,988**	**70,047**
At 30 June 2020					
Trade and other payables	36,481	-	-	36,481	36,481
Financial liabilities	5,671	4,659	-	10,330	9,388
Lease liabilities	3,578	10,193	2,505	16,276	12,642
Total	**45,730**	**14,852**	**2,505**	**63,087**	**58,511**

21 Fair value measurements

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

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

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

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

At 30 June 2021, the Group did not have any financial instruments that were measured and recorded at fair value. The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents and other receivables

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

Receivables and other assets

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

Short-term borrowings and other payables

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

Long-term borrowings

The fair value of variable rate borrowings, and fixed rate borrowings repriced within 12 months, approximates the carrying value.

22 Contingent liabilities

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

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.

23 Events occurring after the reporting period

In August 2021, the Company signed legal agreements for a new $35 million global financing arrangement with HSBC Bank Australia Limited, the agreement is for a two-year committed facility with a line fee of 1.10% per annum and an interest margin of 2.05% over BBSY. The new global facility will replace all major debt arrangements in Australia and Chile and represents a less costly and larger facility than those in place during the year. The facility is expected to be available for use shortly after the date of this Annual Report.

The Company established a new strategic business unit in western Canada, signing a long-term lease agreement for a four-acre site with 23,000 square feet of facilities in August 2021. Operations are expected to commence in November 2021 and is expected to contribute to earnings in FY2022.

24 Interests in other entities

	Place of business/ country of incorporation	Percentage owned 2021	2020
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Austin Engineering USA Holding, Inc.	USA	100%	100%
Austin Engineering South America (No.1) Pty Ltd	Australia	100%	100%
Austin Engineering South America (No.2) Pty Ltd	Australia	100%	100%
Austin Engineering Singapore Pte Ltd	Singapore	100%	100%
Austin Ingenieros Colombia S.A.S.	Colombia	1%	1%
Austin Engineering Treasury Pty Ltd	Australia	100%	-
Austin Canada Inc.	Canada	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%

24 Interests in other entities (continued)

	Place of business/ country of incorporation	Percentage owned	
Subsidiaries of Austin Ingenieros Chile Ltda			
Austin Ingenieros Colombia S.A.S.	Colombia	99%	99%
Austin Engineering Peru S.A.C.	Peru	1%	1%
Subsidiaries of Austin Engineering Offshore Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	1%	1%
Subsidiaries of Austin Engineering Batam Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	99%	99%

Cash and short-term deposits held in Indonesia are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital, other than through normal dividends. The carrying amount of the assets included within the Group's financial statements to which these restrictions apply is $0.472 million (2020: $2.303 million). There are no other restrictions on exporting capital from any of the other foreign entities within the Group.

25 Deed of cross guarantee

At 30 June 2021 and 30 June 2020, there was no deed of cross guarantee entered into in relation to the debts of subsidiaries.

26 Parent entity financial information

Summary financial information

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

	2021 $'000	2020 $'000
Statement of financial position		
Current assets	101,550	101,107
Non-current assets	34,008	48,077
Total assets	**135,558**	**149,184**
Current liabilities	51,693	37,149
Non-current liabilities	4,995	7,489
Total liabilities	**56,688**	**44,638**
Net assets	**78,870**	**104,546**
Equity		
Contributed equity	154,133	153,958
Share-based payments reserve	1,428	915
Accumulated losses	(79,738)	(50,327)
Profits reserve	3,047	-
	78,870	**104,546**
(Loss)/profit for the year	(22,329)	3,999
Other comprehensive income	-	-
Total comprehensive income	**(22,329)**	**3,999**

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 (2020: nil).

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

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. At 30 June 2021, the Company recognised impairments totalling $29.915 million in respect of investments in, and loans to, subsidiary companies.

Profits reserve

During the year, the Board appropriated interim profits of $4.207 million to a dedicated profits reserve. The 2021 interim dividend of $1.160 million was paid from the profits reserve with remaining distributable profits at 30 June 2021 of $3.047 million.

27 Cash flow information

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

	2021 $'000	2020 $'000
(Loss)/profit for the year	**(540)**	**5,185**
Adjustment for:		
Depreciation and amortisation	6,612	7,936
Impairment expense	7,853	68
(Profit) on disposal of property, plant and equipment	(211)	(2,445)
Share based payment expense	639	733
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(14,325)	7,978
(Increase)/decrease in other assets	(4,265)	(4,167)
(Increase)/decrease in inventories	(797)	(7,033)
Increase/(decrease) in payables	(4,979)	11,164
Increase/(decrease) in income taxes payable and deferred	609	2,194
Increase/(decrease) in other provisions	1,075	2,480
Net cash inflow from operating activities	**(8,329)**	**24,093**

(b) Non-cash investing and financing activities

	2021 $'000	2020 $'000
Acquisition of plant and equipment by means of leases	497	1,351

(c) Net debt reconciliation

	2021 $'000	2020 $'000
Net debt		
Cash and cash equivalents	9,824	19,243
Financial liabilities – repayable within one year	(15,470)	(4,974)
Financial liabilities – repayable after one year	(3,914)	(4,414)
Lease liabilities – repayable within one year	(2,427)	(2,674)
Lease liabilities – repayable after one year	(7,649)	(9,968)
Net debt	**(19,636)**	**(2,787)**

27 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 2020	**19,243**	**(2,674)**	**(9,968)**	**(4,974)**	**(4,414)**	**(2,787)**
Cash flows	(9,108)	2,575	-	(10,631)	-	(17,164)
Acquisitions through finance lease	-	(120)	(377)	-	-	(497)
Foreign exchange movements	(311)	71	293	135	500	688
Transfer in maturity category	-	(2,403)	2,403	-	-	-
Other changes	-	124	-	-	-	124
Net debt as at 30 June 2021	**9,824**	**(2,427)**	**(7,649)**	**(15,470)**	**(3,914)**	**(19,636)**
Net debt as at 30 June 2019	**6,858**	**-**	**-**	**(22,099)**	**(4,577)**	**(19,818)**
Recognised on adoption of AASB 16	-	(3,119)	(11,203)	598	1,786	(11,938)
Cash flows	11,648	2,630	-	9,814	3,019	27,111
Acquisitions through finance lease	-	(328)	(1,023)	-	-	(1,351)
Foreign exchange movements	737	100	378	1,813	258	3,286
Transfer in maturity category	-	(1,880)	1,880	4,900	(4,900)	-
Other changes	-	(77)	-	-	-	(77)
Net debt as at 30 June 2020	**19,243**	**(2,674)**	**(9,968)**	**(4,974)**	**(4,414)**	**(2,787)**

28 Remuneration of auditors

	Consolidated entity	
	2021 $	2020 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the Group	242,770	240,548
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	162,590	279,634
Taxation services (income tax return lodgement)	55,216	37,723
	217,806	**317,357**
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	13,588	15,478
Taxation services (income tax return lodgement)	-	2,668
	13,588	**18,146**
Total auditors' remuneration	**474,164**	**576,051**

29 Related party transactions

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

Ultimate parent company

Austin Engineering Limited is the ultimate parent company.

Controlled entities

Interests in subsidiaries are set out in Note 24.

Transactions with other related parties

There were no transactions with related parties in the 30 June 2021 or 30 June 2020 financial years.

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding amounts in respect to related parties (2020: nil).

30 Key management personnel compensation

	2021 $	2020 $
Short-term employee benefits	1,741,702	1,209,311
Post-employment benefits	76,971	68,976
Long-term benefits	75,641	269,798
	1,894,314	**1,548,085**

Detailed remuneration disclosures are provided in the remuneration report on pages 29 to 37.

31 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

The net expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $0.639 million (2020: $0.733 million).

Performance rights

On 23 November 2018, the shareholders of the company voted to approve the Austin Engineering Limited (Austin) Performance Rights Plan. The Performance Rights Plan is a long-term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling senior executives to have greater involvement with, and share in the future growth and profitability of the Company.

31 Share-based payments (continued)

Performance rights (continued)

On 17 December 2018, the Managing Director and Senior Executives were granted 2,145,923 and 6,111,843 Performance Rights respectively. 6,541,028 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2018 to 30 June 2021. The remaining 1,716,740 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

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

On 28 November 2019, the Managing Director and Senior Executives were granted 3,151,515 and 9,200,420 Performance Rights respectively. 9,927,693 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2019 to 30 June 2022. The remaining 2,424,242 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

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

On 14 December 2020, the Managing Director was granted 3,683,333 and on 6 April 2021 Senior Executives were granted 9,566,958 Performance Rights. 11,653,070 Performance Rights will vest if Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance conditions are met (EPS and TSR Performance Rights) for the performance period 1 July 2020 to 30 June 2023. The remaining 1,597,221 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights).

The grant of Performance Rights to the Managing Director was approved at the 2020 Annual General Meeting. The number of rights granted to the Managing Director is based on 100% of total fixed remuneration calculated on a 30-day volume weighted average share price to 30 June 2020. The grant of Performance Rights to Senior Executives did not require shareholder approval.

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

Grant date	Performance conditions	Performance period	Test date	Number of rights	Expiry date
17 Dec 2018	EPS and TSR	1 Jul 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,370	17 Dec 2023
28 Nov 2019	EPS and TSR	1 Jul 2019 to 30 Jun 2022	30 Jun 2022	9,927,693	28 Nov 2024
28 Nov 2019	Tenure	28 Nov 2019 to 30 Sep 2022	30 Sep 2022	2,424,242	28 Nov 2024
14 Dec 2020	EPS and TSR	1 Jul 2020 to 30 Jun 2023	30 Jun 2023	11,653,070	14 Dec 2025
14 Dec 2020	Tenure	14 Dec 2020 to 31 Aug 2023	31 Aug 2023	1,597,221	14 Dec 2025
		Forfeited/Converted in respect of the above		(4,770,087)	
			Total	**29,089,907**	

On 30 September 2020, 257,510 performance rights were converted into 257,510 ordinary shares at an exercise price of nil. On 28 October 2020, 214,592 performance rights were converted into 214,592 ordinary shares at an exercise price of nil. On 7 November 2020, 214,592 performance rights were converted into 214,592 ordinary shares at an exercise price of nil. These conversions were made in accordance with the terms of the Group's performance rights plan.

31 Share-based payments (continued)

Performance rights (continued)

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

	2021 No.	Weighted average exercise price 2021 $	2020 No.	Weighted average exercise price 2020 $
Outstanding at beginning of year	17,561,554	-	7,828,581	-
Granted	13,250,291	-	12,351,935	-
Expired	-	-	-	-
Exercised	(686,694)	-	(171,674)	-
Forfeited/lapsed	(1,035,244)	-	(2,447,288)	-
Outstanding at end of year	**29,089,907**	**-**	**17,561,554**	**-**
Total exercisable at end of year	**-**	**-**	**171,674**	**-**

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

Grant date	Performance rights	Expiry date	Exercise price	Share price grant date	Est. volatility	Risk-free interest rate	Weighted average fair value rights granted	Fair value TSR	Fair value EPS	Fair value tenure
17 Dec 2018	EPS and TSR	17 Dec 2023	-	$0.195	60%	1.98%	$0.132	$0.081	$0.183	N/A
17 Dec 2018	Tenure	17 Dec 2023	-	$0.195	60%	1.98%	$0.183	N/A	N/A	$0.183
28 Nov 2019	EPS and TSR	28 Nov 2024	-	$0.200	50%	0.62%	$0.120	$0.065	$0.174	N/A
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

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.

32 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 15.

Taxation – Carried forward tax losses

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

32 Critical accounting estimates (continued)

Key estimates (continued)

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.

33 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated Financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial 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 2021 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

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

(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.

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 Engineering Limited's functional and presentation currency.

(ii) Transactions and balances

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

33 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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.

(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.

33 Summary of significant accounting policies (continued)

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

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.

In the Directors' opinion:

(a) the Financial report and notes set out on pages 42 to 82 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 2021 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 the 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.

Jim Walker
Non-Executive Chairman

25 August 2021
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of Austin Engineering Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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.

Impairment assessment

Key audit matter	*How the matter was addressed in our audit*
Refer to Notes 14 and 15 of the financial report. Given the level of complexity and the judgement exercised by the Group in determining the recoverable amount of each Cash Generating Unit (CGU) and calculating the impairment charges, this area is a key audit matter.	For assets supported by a value in use calculation, our audit procedures included, but were not limited to the following: • Obtaining an understanding of the 'Value in Use' model and evaluating management's methodologies and their key assumptions. • Evaluating the inputs used in the value in use calculation including the growth rates, discount rates and the underlying cash flows by comparing them to historical results, existing and current contracts, economic and industry forecasts. We also assessed that management has considered the impact of COVID-19, assets write offs during the year, WACC and other inputs used within the model. For assets supported by valuations at fair value less costs to sell, our audit procedures included, but were not limited to the following: • Agreeing the fair value less costs to sell of particular items of Property, Plant & Equipment to a valuation obtained by the Group from valuation experts and assessing the extent to which we could use the work of the valuation experts by considering their competence and objectivity • Assessing the independent valuation's assumptions and judgements used to determine they were reasonable and reflective of the current economic situation and the impact of COVID in the industry.

Recoverability of Deferred Tax Assets

Key audit matter	***How the matter was addressed in our audit***
The Group's disclosures about deferred tax assets are included in Note 6. Australian accounting standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter as the assessment of the future taxable profits involves significant judgement by management and required significant auditor effort.	Our audit procedures included, but were not limited to the following: • Evaluating management's forecast of future taxable profits and assessing whether it is probable that there will be sufficient future profits to utilise the deferred tax assets recognised. • Assessing the key assumptions used in the forecast period including revenue, expenditure and growth rates applied against actual results achieved. • Assessing the disclosures related to the recognition of the deferred tax assets.

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 2021, 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 at:

(http://www.auasb.gov.au/Home.aspx)

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 on pages 29 to 37 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2021, 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

C R Jenkins
Director

Brisbane, 25 August 2021

Shareholder information

As at 18 August 2021

A. Distribution of equity securities

	Number of shareholders	Number of shares
1 to 1,000	714	195,042
1,001 to 5,000	611	1,676,808
5,001 to 10,000	315	2,463,297
10,001 to 100,000	821	31,479,720
100,001 and over	358	544,259,450
	2,819	**580,074,317**

B. Substantial holders at 18 August 2021

	Number held	Percentage
Thorney Investments	139,585,550	24.1%
Spheria Asset Management Pty Ltd	62,616,129	10.8%
Moelis Australia Asset Management	36,237,457	6.2%
Westoz Funds Management Pty Ltd	35,968,000	6.2%

C. Voting rights

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

D. Twenty largest shareholders at 18 August 2021

	Number of ordinary shares held	Percentage of issued shares
UBS NOMINEES PTY LTD	142,472,225	24.56%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	63,630,819	10.97%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,693,267	7.36%
ZERO NOMINEES PTY LTD	40,000,000	6.90%
NATIONAL NOMINEES LIMITED	25,163,216	4.34%
TRANSFIELD FINANCE PTY LIMITED	22,222,222	3.83%
S J QUINNLIVAN PTY LTD	17,982,453	3.10%
CITICORP NOMINEES PTY LIMITED	13,763,277	2.37%
BNP PARIBAS NOMS PTY LTD <DRP>	8,677,504	1.50%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8,200,000	1.41%
ACE PROPERTY HOLDINGS PTY LTD	6,000,000	1.03%
MR PETER HOWELLS	5,431,197	0.94%
ZERRIN INVESTMENTS PTY LTD	3,500,000	0.60%
NIGHBEACH PTY LTD <TESKANTAS SUPER FUND A/C>	3,200,000	0.55%
PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	3,000,000	0.52%
SOUTHERN STEEL INVESTMENTS PTY LIMITED	2,754,966	0.47%
BNP PARIBAS NOMS(NZ) LTD<DRP>	2,746,282	0.47%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,738,126	0.47%
UPTON TRADING PTY LTD	2,701,487	0.47%
O & S COULON PTY LTD <O & S COULON SUPERFUND A/C>	2,244,006	0.39%
	419,121,047	**72.25%**

E. Additional information

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

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Company secretaries

Katina Nadebaum

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