Austin Engineering Limited
ABN 60 078 480 136
and controlled entities

Results for announcement to the market
Report for the half-year ended 31 December 2019

Results	Half-Year to 31 December 2019 $'000				Half-Year to 31 December 2018 $'000
EBITDA from continuing operations	**5,084**	down	(55.6)%	from	**11,449**
Net profit before tax for the year from continuing operations attributable to members	**(571)**	down	(107.8)%	from	**7,331**
Net profit after tax for the year from continuing operations attributable to members	**(688)**	down	(113.0)%	from	**5,134**
Revenue from continuing operations	**95,567**	down	(19.8)%	from	**119,205**
Net cash provided by operating activities	**18,095**	up	69.9%	from	**10,652**

Brief explanation of results

A review of the group operations and results for the half-year is set out in the media statement released to the market on 27 February 2020. A copy of which is attached herewith on page 23. Please also refer to the associated presentation that was released to the market on 27 February 2020.

The interim 100% franked dividend of 0.2 cents per share was approved by the Board of directors on 27 February 2020. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the half-year financial report.

Dividends and Dividend Reinvestment Plans

	Amount per security (cents)	Franked amount per security
Interim dividend payable in respect of half-year ended 31 December 2019	0.2	100%

Record date for determining entitlements to the dividend: 5 March 2020

Net Tangible Assets per Security

	31 December 2019	30 June 2019
Net tangible asset backing per ordinary security (cents)	14.90	15.69

Control Gained or Lost Over Entities Having a Material Effect

There were no acquisitions undertaken during the half year ended 31 December 2019.

Associates or Joint Ventures

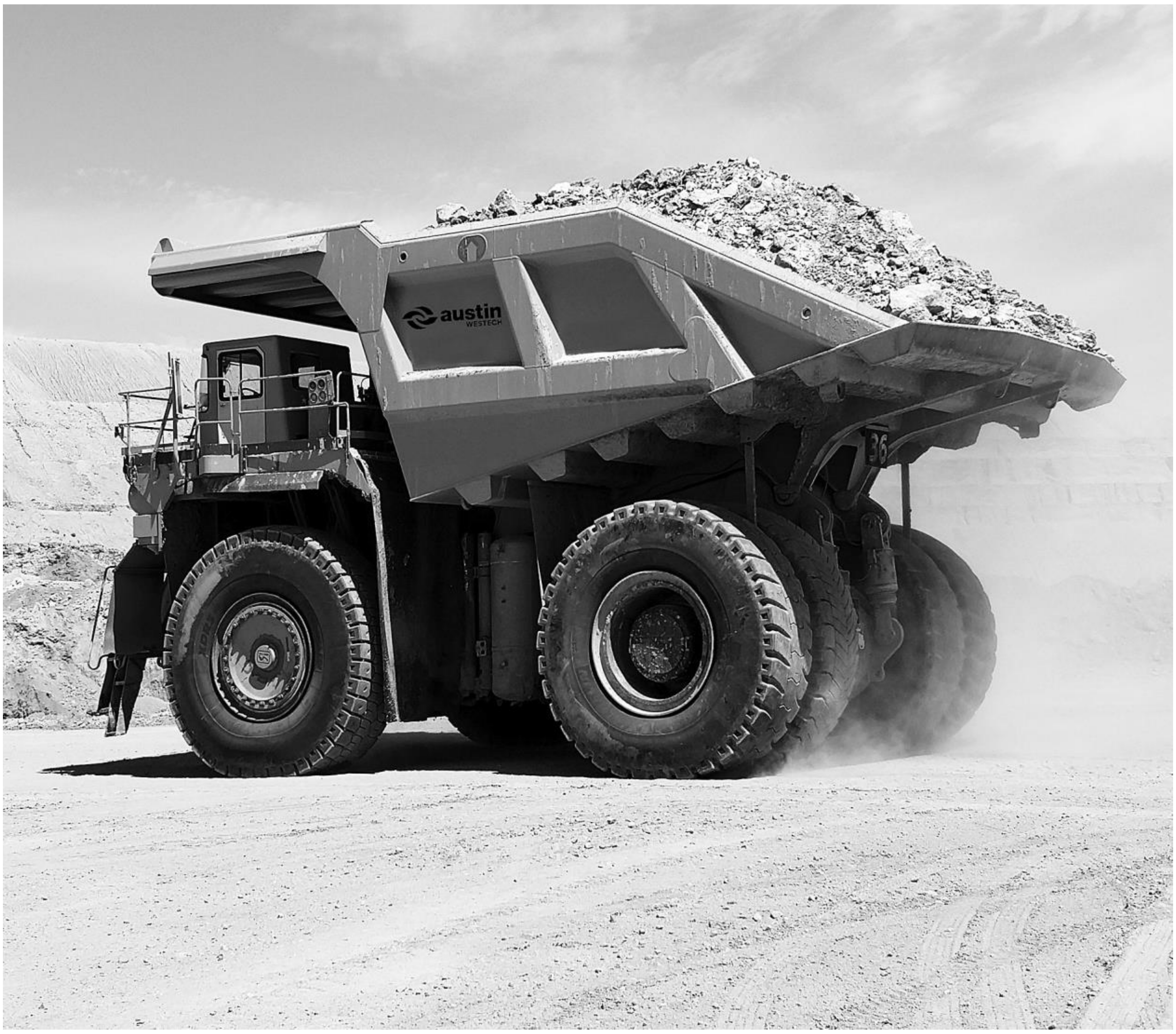
There were no associates or joint ventures.

Audit

This report is based on financial statements that have been reviewed. A copy of the reviewed financial statements is attached.

Austin Engineering Limited
ABN 60 078 480 136
and controlled entities

Austin Engineering Limited
Financial report
for the half-year ended 31 December 2019
ABN 60 078 480 136



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

As lead auditor for the review of Austin Engineering Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2020

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

Austin Engineering Limited
Directors' report
31 December 2019

Your Directors present their report on the Consolidated entity consisting of Austin Engineering Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019. Throughout the report, the Consolidated entity is referred to as the Group.

Directors

The Directors of the company who held office during and up to the date of this report are:
Jim Walker, Chris Indermaur, Peter Forsyth, Sy Van Dyk and David Singleton.

Financial highlights

		Consolidated Entity	
	Change %	**Half-Year 19/20 $'000**	**Half-Year 18/19 $'000**
Continuing operations			
Revenue	(19.8)	95,567	119,205
Reported EBITDA	(55.6)	5,084	11,449
Normalised EBITDA*	(58.0)	4,669	11,108
(Loss)/Profit before tax	(107.8)	(571)	7,331
(Loss)/Profit after tax	(113.0)	(668)	5,134
Basic (loss)/ earnings per share (cents)	(113.5)	(0.12)	0.89
Net cash provided by operating activities	69.9	18,095	10,652

* Excludes $0.415m net non-recurring gains (31 December 2018: $0.341m net non-recurring gains).

Review of operations

A review of the operations of the Group during the half-year and the results of these operations is set out in the media statement released to the market on 27 February 2020, a copy of which is attached herewith on page 23.

Going concern basis for preparation

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

The Directors confirm that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

Lead 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 1.

Rounding of amounts

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

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

J L Walker

Jim Walker
Non-Executive Chairman

Brisbane
27 February 2020

Austin Engineering Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated entity	
		Half-Year 19/20	**Half-Year 18/19***
	Notes	**$'000**	**$'000**
Revenue from continuing operations	3	95,567	119,205
Raw materials and consumables used		(19,097)	(37,036)
Changes in inventories and work in progress		(12,865)	(4,195)
Employment expenses		(35,827)	(41,913)
Subcontractor expenses		(9,208)	(9,691)
Occupancy and utility expenses		(2,295)	(3,184)
Depreciation expense		(3,782)	(2,322)
Amortisation expense		(150)	(26)
Production operational expenses		(2,064)	(4,025)
Other expenses		(9,127)	(7,712)
Finance costs		(1,723)	(1,770)
(Loss)/Profit before income tax		**(571)**	**7,331**
Income tax expense		(97)	(2,197)
(Loss)/Profit from continuing operations		**(668)**	**5,134**
Loss from discontinued operations	4	(112)	(2,829)
(Loss)/Profit for the period		**(780)**	**2,305**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax		(2,449)	179
Total comprehensive income for the period		**(3,229)**	**2,484**
(Loss)/Profit is attributable to:			
Owners of Austin Engineering Limited		(780)	2,305
Total comprehensive income for the period is attributable to:			
Owners of Austin Engineering Limited		(3,229)	2,484

		Cents	**Cents**
(Loss)/Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic earnings per share	5	(0.12)	0.89
Diluted earnings per share	5	(0.11)	0.89
(Loss)/Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited:			
Basic earnings per share	5	(0.14)	0.40
Diluted earnings per share	5	(0.13)	0.40

* 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.

Austin Engineering Limited
Consolidated statement of financial position
As at 31 December 2019

		Consolidated entity	
	Notes	**31 December 2019 $'000**	**30 June 2019 $'000**
Current assets			
Cash and cash equivalents		8,591	6,858
Trade and other receivables		31,530	39,042
Inventories		38,546	26,690
Current tax assets		300	1,458
Other receivables and other assets		10,766	12,997
		89,733	**87,045**
Assets classified as held for sale	4	3,150	5,549
Total current assets		**92,883**	**92,594**
Non-current assets			
Property, plant and equipment		53,854	60,616
Intangible assets		11,612	10,567
Deferred tax assets		11,409	10,939
Right-of-use assets	1	12,041	-
Other non-current assets		1,944	2,639
Total non-current assets		**90,860**	**84,761**
Total assets		**183,743**	**177,355**
Current liabilities			
Trade and other payables		60,215	40,123
Financial liabilities	8	2,083	16,690
Current tax liabilities		9	1,754
Provisions		7,141	6,427
Lease liabilities	1	3,075	-
		72,523	**64,994**
Financial liabilities directly associated with assets classified as held for sale	4, 8	4,290	5,409
Total current liabilities		**76,813**	**70,403**
Non-current liabilities			
Financial liabilities	8	-	4,577
Deferred tax liabilities		-	381
Provisions		550	596
Lease liabilities	1	8,495	-
Total non-current liabilities		**9,045**	**5,554**
Total liabilities		**85,858**	**75,957**
Net assets		**97,885**	**101,398**
Equity			
Share capital	9	153,958	153,927
Retained earnings		(46,821)	(45,536)
Reserves		(9,252)	(6,993)
Total equity		**97,885**	**101,398**

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

Austin Engineering Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

Consolidated entity	Notes	Contributed equity $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2018		**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**
Total comprehensive income for the period:						
Profit for the half-year		-	-	-	2,305	2,305
Other comprehensive income, net of tax:						
Currency translation differences		-	-	179	-	179
Total comprehensive income for the period		**-**	**-**	**179**	**2,305**	**2,484**
Transactions with owners in their capacity as owners:						
Share-based payments		-	16	-	-	16
Transfers		-	(1,280)	-	1,280	-
		-	**(1,264)**	**-**	**1,280**	**16**
Balance at 31 December 2018		**153,927**	**16**	**(8,594)**	**(38,641)**	**106,708**
Opening balance at 1 July 2019		**153,927**	**213**	**(7,206)**	**(45,536)**	**101,398**
Adjustment on adoption of AASB 16 (net of tax)		-	-	-	(505)	(505)
Restated total equity at the beginning of the financial period		**153,927**	**213**	**(7,206)**	**(46,041)**	**100,893**
Total comprehensive income for the period:						
Loss for the half-year		-	-	-	(780)	(780)
Other comprehensive income, net of tax:						
Currency translation differences		-	-	(2,449)	-	(2,449)
Total comprehensive income for the period		**-**	**-**	**(2,449)**	**(780)**	**(3,229)**
Transactions with owners in their capacity as owners:						
Share-based payments		-	221	-	-	221
Conversion of performance rights	9	31	(31)	-	-	-
		31	**190**	**-**	**-**	**221**
Balance at 31 December 2019		**153,958**	**403**	**(9,655)**	**(46,821)**	**97,885**

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

Austin Engineering Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Consolidated entity	
	Half-Year 19/20 $'000	Half-Year 18/19 $'000
Cash flows from operating activities		
Receipts from customers	134,935	135,400
Payments to suppliers and employees	(114,169)	(123,008)
Interest received	237	11
Finance costs	(2,154)	(1,781)
Income tax refund	985	876
Income tax paid	(1,739)	(846)
Net cash provided by operating activities	**18,095**	**10,652**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and assets held for sale	3,346	4,190
Payments for property, plant and equipment	(1,788)	(2,389)
Payments for intangibles	(468)	(39)
Net cash provided by investing activities	**1,090**	**1,762**
Cash flows from financing activities		
Proceeds from borrowings	500	665
Repayment of borrowings	(18,106)	(10,391)
Net cash (used in) financing activities	**(17,606)**	**(9,726)**
Net increase in cash and cash equivalents	**1,579**	**2,688**
Cash and cash equivalents at the beginning of the financial year	6,858	5,580
Effects of exchange rate changes on cash and cash equivalents	154	49
Cash and cash equivalents at end of period	**8,591**	**8,317**

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

1 Basis of preparation of half-year financial statements

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by Austin Engineering Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange and Corporations Act 2001.

Except for the new, revised or amended Accounting Standards and Interpretations adopted during the period (see below), the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern basis of preparation

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

The Directors believe that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

New, revised or amended Accounting Standards and Interpretations adopted

AASB 16 Leases

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

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

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

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

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

- property, plant and equipment - decrease by $2.580m
- right-of-use assets - increase by $11.769m
- deferred tax assets - increase by $0.052m
- trade and other payables - increase by $0.365m
- financial liabilities - decrease by $2.384m
- lease liabilities - increase by $11.765m

1 Basis of preparation of half-year financial statements (continued)

The net impact on retained earnings on 1 July 2019 was a decrease of $0.505m. A reconciliation from note 22 of the 30 June 2019 annual report is as follows:

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	16,129
Effect of discounting using the lessees incremental borrowing rate at the date of initial application	(6,622)
Operating lease commitments discounted using the lessees incremental borrowing rate at the date of initial application	**9,507**
Add: finance lease liabilities recognised as at 30 June 2019	3,023
(Less): Finance lease liabilities associated with assets held for sale	(639)
(Less): Short term leases recognised on a straight-line basis as expense	(126)
Lease Liability recognised as at 1 July 2019	**11,765**
Of which are:	
Current lease liabilities	3,076
Non-current lease liabilities	8,689
	11,765

Impact of the new definition of a lease

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

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

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

Former operating leases

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

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

(i) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
(ii) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
(iii) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

1 Basis of preparation of half-year financial statements (continued)

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

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

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

Determination of the appropriate rate to discount the lease payments

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

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

Impact on lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as AASB 117. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Financial impact of the initial application of AASB 16

The Group holds Property Leases and Equipment Leases. The tables below show the impact AASB 16 has had on the half-year ended 31 December 2019:

	Half-Year 19/20		
	Pre-Application of AASB16 $'000	**Impact of AASB 16 $'000**	**As Reported $'000**
Impact on the Consolidated Statement of Profit or Loss for the half-year ended 31 December 2019			
Depreciation expense	(2,601)	(1,181)	(3,782)
Finance costs	(1,245)	(478)	(1,723)
Occupancy and utility expenses	(3,942)	1,647	(2,295)
Loss before income tax from continuing operations	**(559)**	**(12)**	**(571)**
Earnings per share:			
Basic earnings per share from continuing operations (cents)	(0.11)	(0.01)	(0.12)
Diluted earnings per share from continuing operations (cents)	(0.10)	(0.01)	(0.11)

1 Basis of preparation of half-year financial statements (continued)

	Half-Year 19/20		
	Pre-Application of AASB16 $'000	**Impact of AASB 16 $'000**	**As Reported $'000**
Impact on the Consolidated Statement of Financial Position as at 31 December 2019			
Non-current assets			
Right-of-use asset	-	12,041	12,041
Property, plant and equipment	56,379	(2,795)	53,584
Deferred tax asset	11,354	55	11,409
Total assets	**174,442**	**9,301**	**183,743**
Current liabilities			
Lease liabilities	-	3,075	3,075
Financial liabilities	2,746	(663)	2,083
Non-current liabilities			
Lease liabilities	-	8,495	8,495
Financial liabilities	1,475	(1,475)	-
Total Liabilities	**76,426**	**9,432**	**85,858**
Net assets/(liabilities)	**98,016**	**(131)**	**97,885**
Impact on the Consolidated Statement of Cash Flows for the half-year ended 31 December 2019			
Cash flows from operating activities			
Payments to suppliers and employees	(115,723)	1,554	(114,169)
Finance costs	(1,676)	(478)	(2,154)
Net cash provided by operating activities	**17,019**	**1,076**	**18,095**
Cash flows from financing activities			
Repayment of borrowings	(17,030)	(1,076)	(18,106)
Net cash (used in) financing activities	**(16,530)**	**(1,076)**	**(17,606)**
Net increase in cash and cash equivalents	**1,579**	**-**	**1,579**

1 Basis of preparation of half-year financial statements (continued)

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

(a) 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.

(b) 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 of 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.

1 Basis of preparation of half-year financial statements (continued)

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'.

(c) 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.

(d) Group as Lessor - finance leases - manufacturer lessor

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 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.

(e) Group as Lessor - operating leases

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

2 Segment information

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

Executive management monitors segment performance based on Normalised EBITDA. Segment information for the period ended 31 December 2019 and 31 December 2018 is as follows:

	Asia-Pacific		**North America**		**South America**		**Total**	
	HY20 $'000	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**
Continuing operations								
Total segment revenue from external customers	48,996	63,581	26,079	30,449	20,492	25,175	95,567	119,205
Normalised EBITDA/(LBITDA) from continuing operations	4,590	8,347	(308)	3,224	387	(463)	4,669	11,108
Profit/(loss) before tax	2,101	5,920	(1,067)	2,786	(1,605)	(1,375)	(571)	7,331
Other segment information								
Depreciation and amortisation	1,975	1,191	426	233	1,531	924	3,932	2,348
Continuing and discontinued operations								
Total segment assets - 31 December 2019	80,406		38,923		64,414		183,743	
Total segment assets - 30 June 2019	68,433		37,602		71,320		177,355	
Total segment liabilities - 31 December 2019	48,455		14,818		22,585		85,858	
Total segment liabilities - 30 June 2019	34,931		14,164		26,862		75,957	

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

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.

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.

2 Segment information (continued)

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

	Continuing and discontinued operations		Continuing operations	
	Half-Year 19/20 $'000	**Half-Year 18/19* $'000**	**Half-Year 19/20 $'000**	**Half-Year 18/19* $'000**
Normalised EBITDA used for segment reporting	4,194	10,222	4,669	11,108
One-off items	584	(18)	415	341
Reported EBITDA	**4,778**	**10,204**	**5,084**	**11,449**
Depreciation expense	(4,152)	(3,074)	(3,782)	(2,322)
Amortisation expense	(150)	(26)	(150)	(26)
Finance costs	(1,918)	(2,123)	(1,723)	(1,770)
Profit before income tax	**(1,442)**	**4,981**	**(571)**	**7,331**

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

3 Revenue

	Consolidated entity	
	Half-Year 19/20 $'000	**Half-Year 18/19* $'000**
Revenue from contracts with customers	95,105	118,903
Other income	462	302
Total revenue from continuing operations	**95,567**	**119,205**

(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:

Revenue from contracts with customers	Asia-Pacific		North America		South America		Total	
	HY20 $'000	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**	**HY20 $'000**	**HY19* $'000**
Sale of Goods								
Truck Bodies	28,587	39,912	23,197	26,302	5,113	7,865	56,897	74,079
Buckets	3,482	3,922	404	1,043	-	108	3,886	5,073
Other Goods	4,407	8,732	2,478	3,104	871	1,947	7,756	13,783
Total Sale of Goods	**36,476**	**52,566**	**26,079**	**30,449**	**5,984**	**9,920**	**68,539**	**92,935**
Services								
On-Site Services	659	447	-	-	7,978	10,003	8,637	10,450
Off-Site Services	10,906	8,341	-	-	5,373	4,311	16,279	12,652
Other Services	816	2,202	-	-	834	664	1,650	2,866
Total Services	**12,381**	**10,990**	**-**	**-**	**14,185**	**14,978**	**26,566**	**25,968**
Revenue from contracts with customers	**48,857**	**63,556**	**26,079**	**30,449**	**20,169**	**24,898**	**95,105**	**118,903**
Timing of Revenue Recognition								
At a point in time	36,476	52,566	26,079	30,449	5,984	9,920	68,539	92,935
Over time	12,381	10,990	-	-	14,185	14,978	26,566	25,968
Revenue from contracts with customers	**48,857**	**63,556**	**26,079**	**30,449**	**20,169**	**24,898**	**95,105**	**118,903**

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

4 Discontinued operations

(a) Discontinued operations

During the 6 month period to 31 December 2019 the Group closed down its site services business in Western Australia, Pilbara Hire Group Pty Ltd. This included exiting an unprofitable site contract in the Pilbara region, exiting the leased premises and re-distributing the remaining fixed assets for use in other Austin Group business units. The Group will manage after-sales support from its Perth operations, this closure allows an enhanced focus on the the Group's core competencies in Western Australia, namely new product sales and workshop repairs.

The Group continues to seek buyers for the remaining crane assets held by its cranes business in Chile with the majority of these assets already disposed. Property, plant and equipment of the business is classified as held for sale as at 31 December 2019.

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

	Consolidated entity	
	Half-Year 19/20 $'000	**Half-Year 18/19* $'000**
Revenue	1,029	9,194
Expenses	(1,900)	(11,544)
Income tax expense	759	(479)
Loss from discontinued operations	**(112)**	**(2,829)**
Net cash inflow/(outflow) from operating activities	(1,498)	(1,806)
Net cash inflow/(outflow) from investing activities	842	289
Net cash inflow/(outflow) from financing activities	(701)	1,542
Net (decrease)/increase in cash generated by discontinued operations	**(1,357)**	**25**

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

(b) Assets and liabilities classified as held for sale and discontinued operation

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

	Consolidated entity	
	31 December 2019 $'000	**30 June 2019 $'000**
Plant and equipment	424	1,105
Land and buildings	1,818	1,984
Discontinued crane business operation in Chile	**2,242**	**3,089**
Land and buildings in Hunter Valley	-	1,543
Land and buildings in Peru	908	917
Other properties held for sale	**908**	**2,460**
Total assets classified as held for sale	**3,150**	**5,549**
Financial liabilities associated with discontinued cranes business operation in Chile	**4,290**	**5,409**

During the period, land and buildings in Hunter Valley were disposed of for net proceeds of $2.450m. Following the settlement of a tax dispute in Chile, the land and buildings of the crane business can be sold, the sale is expected to settle during the second half of FY2020. Further sales of cranes have been made during the period. The property in Peru remains for sale and continues to be Austin's head office in Peru.

5 Earnings per share

	Consolidated entity	
Basic earnings/(loss) per share	**Half-Year 19/20 Cents**	**Half-Year 18/19* Cents**
From continuing operations	(0.12)	0.89
From discontinued operations	(0.02)	(0.49)
Total basic earnings/(loss) per share	**(0.14)**	**0.40**
Diluted earnings/(loss) per share		
From continuing operations	(0.11)	0.89
From discontinued operations	(0.02)	(0.49)
Total diluted earnings/(loss) per share	**(0.13)**	**0.40**
Reconciliation of earnings to profit/(loss)		
From continuing operations	(668)	5,134
From discontinued operations	(112)	(2,829)
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per share	**(780)**	**2,305**

Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	578,907,464	578,833,756
Effect of dilutive securities - share based performance rights	10,037,298	631,742
Used to calculate diluted earnings/(loss) per share	**588,944,762**	**579,465,498**

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

6 Dividends

Recognised amount
There was no dividend recognised during the 6-month period to 31 December 2019 (31 December 2018: Nil).

Dividends not recognised at the end of the reporting period

Unrecognised amounts	**31 December 2019 $'000**	**31 December 2018 $'000**
Interim fully franked dividend for the half-year ended 31 December 2019: 0.2 cents (31 December 2018: no dividend declared)	1,158	–

On 27 February 2020, the directors declared a fully franked interim dividend of 0.2 cents per share to the holders of fully paid ordinary shares in respect of the period to 31 December 2019, to be paid to shareholders on 31 March 2020. The dividend will be paid to all shareholders on the Register of Members on 5 March 2020. The total dividend to be paid is $1.158 million.

7 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2019:

Revenue from continuing operations decreased by 19.8% on the prior corresponding period due to the timing of orders received impacting the sale of new product into Australia and North America during the current period.

The reduction of revenue led to a net loss after tax from continuing operations for the period of $0.668 million which was a reduction of $4.466 million from a profit after tax of $5.134 million for the prior corresponding period.

Tax expense of $0.097 million from continuing operations for the period was recorded on a loss before tax of $0.571 million. The tax expense arose from unrecognised deferred tax assets on losses for the period from Austin Ingenieros Colombia S.A.S and adjustments for non-deductible permanent differences.

Net debt reduced to $9.352 million at 31 December 2019 from $19.818 million at 30 June 2019, inclusive of new requirements under the application of AASB 16: Leases. As shown in Note 8, when excluding the impact of AASB 16: Leases, the Group was in a net cash position of $0.080 million at 31 December 2019. This reduction in net debt is mainly a result of improved operating cash flow.

Trade receivables reduced in line with revenue for the period. Inventories increased as work in progress rose to satisfy demands for the second half of the financial year. Trade and other payables rose by $20.092 million from 30 June 2019 to $60.215 million, primarily as a result of increased income in advance on orders received for delivery after 31 December 2019.

A fully franked interim dividend of 0.2 cents per share has been declared and will be paid on 31 March 2020, and will be the first time the Group has paid a dividend since March 2014.

Refer to Note 1 for movements arising from the application of AASB 16: Leases on property, plant and equipment, right of use assets, financial liabilities and lease liabilities. Refer also to Note 4(b) for movements in assets held for sale.

Impairment review of non-financial assets

A full impairment review was performed as at 30 June 2019 and 31 December 2019 the Group considered whether there were indicators of impairment of any of its assets. After reviewing and updating the assessment of the recoverable amount of the Group's cash generating units that presented indicators of impairment, as a result of forecast cash flows based on a mix of committed work and reasonable growth assumptions, no impairment has been recorded for the period ended 31 December 2019 as all reviewed cash generating units had a positive difference between their recoverable amounts and carrying value.

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 based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

The calculation of value in use for the cash generating units at 31 December 2019 were reconsidered. No significant changes in assumptions were required from the impairment test undertaken at 30 June 2019.

8 Financing facilities

	31 December 2019		30 June 2019	
	Current $'000	**Non-current $'000**	**Current $'000**	**Non-current $'000**
Secured liabilities				
Facilities associated with continuing operations				
Bank facilities	410	-	2,510	1,787
Non-bank core debt	1,673	-	14,180	2,790
	2,083	**-**	**16,690**	**4,577**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale in Chile cranes business	4,290	-	5,409	-
	6,373	**-**	**22,099**	**4,577**

Financial liabilities associated with assets held for sale

Financial liabilities due from Austin Arrendamientos Chile Ltda are secured against assets classified as held for sale. On the basis that the Group intends to dispose of the secured assets within twelve months, the financial liabilities have been classified as current. Upon the sale of the Austin Arrendamientos Chile Ltda property, approximately half of this debt is expected to be refinanced into current operations and half repaid.

Impact of AASB 16 on Net Debt

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

	Consolidated Entity 31 December 2019 $'000
Cash and cash equivalents	(8,591)
Financial liabilities	2,083
Financial liabilities directly associated with assets held for sale	4,290
Lease liabilities:	
Leases formerly reported as operating leases	9,432
Leases formerly reported as finance leases	2,138
Total Lease liabilities	11,570
Net debt/(cash) - including leases formerly reported as operating leases	**9,352**
Net debt/(cash) - excluding leases formerly reported as operating leases	**(80)**
Impact of AASB 16 on net debt	**9,432**

9 Equity - issued capital

	31 December 2019		30 June 2019	
	No.	**$'000**	**No.**	**$'000**
Ordinary shares				
Opening balance	578,833,756	153,927	578,833,756	153,927
Conversion of performance rights	171,674	31	-	-
Balance at end of year	**579,005,430**	**153,958**	**578,833,756**	**153,927**

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

10 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.

11 Events occurring after the reporting period

Subsequent to 31 December 2019, the Group have obtained a credit approved term sheet for new financing facilities in Australia with a major international bank that are intending to refinance the current Australian facilities. The proposed new facilities comprise of a $3.000 million multi-option revolving facility and a working capital facility of $8.000 million. These facilities will be secured by Australian assets, together with cross-guarantees with certain subsidiaries of the Group, settlement is expected during the second half of this financial year.

On 27 February 2020 the directors of Austin Engineering Limited declared an interim dividend on fully paid ordinary shares in respect of the year ended 30 June 2020. The total amount of the dividend will be $1.158 million, which represents a fully franked dividend of 0.2 cents per share. The dividend has not been recognised as a liability in the consolidated financial statements for the half-year ended 31 December 2019.

In the opinion of the Directors there have been no other material matters or circumstances which have arisen between 31 December 2019 and the date of this report, that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Austin Engineering Limited
Directors' declaration
31 December 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 3 to 19 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001,* and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial period ended on that date, and

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

Signed in accordance with a resolution of Directors.

J L Walker

Jim Walker
Non-Executive Chairman

Brisbane
27 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

P A Gallagher
Director

Brisbane, 27 February 2020

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ASX ANNOUNCEMENT (ASX Code: ANG) **27 February 2020**

Austin remains on track to meet FY2020 earnings guidance with 90% of work already secured

Austin Engineering Limited (ASX: ANG - "Austin") delivered a record operating cash flow result of $18.1 million in the half and is now in a net positive cash position. Revenues declined 20% on the previous corresponding period (pcp) to $95.6 million, mostly due to order deferrals that have now been received and timing of deliveries falling into the second half of FY2020. Consequently, EBITDA fell 55% on pcp to $5.1 million, with a net loss of $0.7 million being recorded after tax. A strong second half is expected with 90% of orders to meet FY2020 guidance already secured. The Board has declared Austin's first dividend in six years at 0.2 cents per share.

Summary of Business Performance

- Continuation of strong cash flow from operations of $18.1 million, a 69% increase on the $10.7 million recorded in pcp and ahead of $13.8 million recorded for FY2019
- Asset sale proceeds and operational cash flow applied to repayment of debt, placing Austin in a net cash positive position.
- Group revenue declined 20% from $119.2 million to $95.6 million, mostly due to order deferrals that have now been received and timing of deliveries shifting into the second half of FY2020.
- Statutory EBITDA fell 55% to $5.1 million compared to the prior year due to reduced revenue.
- Normalised NPAT and EPS from continuing operations recorded losses of $0.6 million and 0.10 cents respectively compared with a $4.9 million profit and 0.85 cents in the pcp.
- EBITDA from Asia-Pacific, including Australia and Indonesia, declined by 45% to $4.6 million ($8.3 million pcp) on lower revenue (-23%) as large orders into the Perth operation were pushed into the second half. Activity levels in Indonesia only picked up late in the first half.
- North America recorded a small loss ($0.3 million) for the half as revenue fell 14% due a slowdown in demand for new products.
- South America delivered a profit of $0.4 million compared with a $0.5 million loss in pcp which was largely due to the performance of the La Negra facility in Chile.

Financial Summary	1H2020	1H2019	Change	1H2020	1H2019	Change
	Statutory			Normalised*		
	$m	$m	%	$m	$m	%
Revenue	**95.6**	119.2	(20)%	**95.6**	119.2	(20)%
EBITDA	**5.1**	11.4	(55)%	**4.7**	11.1	(58)%
Net Profit/(Loss) Before Tax	**(0.6)**	7.3	↓	**(0.9)**	7.0	34%
Net Profit/(Loss) After Tax	**(0.7)**	5.1	↓	**(0.6)**	4.9	33%
EPS (cents)	**(0.12)**	0.89	↓	**(0.10)**	0.85	33%
Cash from operations	**18.1**	10.7	69%	**18.1**	10.7	69%
Net cash / (debt)	**0.1**	(33.5)	↑	**0.1**	(33.5)	↑
DPS (cents)	**0.2**	-	↑	**0.2**	-	↑

*Excluding impairment and one-off costs / gains

Results Commentary

Austin's Managing Director, Peter Forsyth, commented that the operational results for the first six months of FY2020 were negatively impacted by delays in receiving orders with deliveries for FY2020 being weighted towards the second half. Reassuringly, around 90% of the orders needed to meet FY2020 guidance have now been secured, positioning Austin for a solid FY2020 result.

"Results for the first six months of the financial year have been particularly frustrating as the projected level of sales activity in the business did not gain the momentum as quickly as we expected. However an outstanding cash flow result was delivered in the first half which brought the Company into a net cash position for the first time in many years. Our focus is now on execution of this work and maximising the throughput of key facilities across the group to meet this level of demand whilst ensuring safety and quality workmanship. The outlook for the remainder of the financial year is very strong" Mr Forsyth said.

Asia-Pacific

Asia-Pacific, including Australia and Indonesia, contributed 51% or $49.0 million of Austin's revenues, down from $63.6 million in pcp. The Perth operation experienced delays of large orders which have now been received and are scheduled for delivery throughout the 2020 calendar year. Perth is expected to be operating at record activity levels for the remainder of FY2020 and well into FY2021 with a strong order book.

Austin's operations in Mackay experienced low levels of activity and subdued demand for repair work in the first half. Activity levels however have improved with strong demand for repair and maintenance services in the second half.

Austin's facility at Batam, Indonesia is a key strategic manufacturing plant for distribution into the Asia-Pacific and African market. Activity levels were low during the half, picking up at the end of the period for supply of product into Australia in the second half. Further opportunities to fabricate products for Africa are expected through partnership arrangements.

North America

Austin's North American operation accounted for around a quarter of group revenues in the half, contributing $26.1 million, which was 14% down on pcp. Normalised earnings (EBITDA) moved into loss (-$0.3 million) compared to a $3.2 million profit in pcp as demand for new products across the wider manufacturing industry fell in reaction to the uncertainties created by the trade war between China and the USA, and also a reduction in spending from a number of US coal clients. Opportunities exist to expand the regional footprint into Canada and Mexico which are both considered to be growth markets.

South America

South America accounted for 21% or $20.5 million of revenue within the Group during the half, a decline of 19% on pcp. Austin operates in Chile, Peru and Colombia.

Chile's operation in La Negra delivered a modest return for the period and has a strong order book for the balance of FY2020 with signs that the market there is recovering. Austin is currently looking for additional capacity in the La Negra region of Chile.

Facilities in Calama (Chile), Peru and Colombia all recorded small EBITDA losses. The small facility in Calama has since been closed and is likely to be sold during the 2020 calendar year. A strategic review of both the Colombia and Peru operations is being undertaken to improve the return on assets in those businesses.

Cash Flow and Working Capital

Operational cash flow of $18.1 million for the half exceeded that for the whole of FY2019 ($13.8 million) and exceeds that of the previous corresponding period ($10.7 million). As an indication of the strong order book in place for 2H2020, a significant contributor to this strong cash flow came from a $22.1 million increase of payments received in advance from customers. These funds were needed to pay for the significant investment in raw materials required to execute on the orders. Additional support also came from proceeds received from the sale of the Hunter Valley facility and Chile crane assets.

Working capital reduced from $22.1 million at 30 June 2019 to $6.2 million due to the large pre-payments for orders received for delivery after 31 December 2019. Inventories increased from $26.7 million to $38.5 million due to the large amount of work in progress that will support earnings in the second half. Receivables fell partly due to lower revenues but also as a result of improved payment terms with clients.

Balance Sheet and Gearing

A combination of $3.3 million in proceeds from the sale of assets and $18.1 million in cash from operating activities resulted in the business being in a net cash positive position of $0.1 million at 31 December 2019. Austin has made a $46 million reduction in net debt over the past 18 months through improved operating cash flow and $23.5 million in asset sales.

At 31 December 2019, the company was ungeared resulting in added balance sheet strength and providing the group with maximum flexibility to take advantage of growth opportunities when they arise.

Outlook

The outlook for sustaining/maintenance capital expenditure across mining companies is for growth in budgets over the next three years. Sustaining capital expenditure is an indicator of immediate opportunity and Austin's product sales are heavily skewed towards this. Sustaining capital investment is expected to grow in iron ore, consistent with Austin's understanding of this market, and to be relatively stable in copper.

Based on discussions with a range of clients regarding their planned expenditure in the current year, it is clear that in the USA there has been some caution in the market driven by weak global growth and the disruption caused by the ongoing USA/China trade dispute. This, coupled with the timing of client requirements led to delays in the placement of orders but we are seeing improved positivity in the market evidenced by the strong turnaround in orders for 2H2020, particularly in Australia and Chile.

Whilst the impacts of COVID-19 will be monitored closely, at this stage we do not anticipate any material impact of this in FY2020 results given the level of secured work and Austin's supply chain is not reliant on any countries with significant exposure to this virus.

"With around 90% of the required work to meet guidance now locked in, I am confident that we will achieve an underlying EBITDA result from continuing operations of $24 - $28 million for FY2020. Given the strength of Austin's balance sheet with strong cash flow and no debt, the board has determined to reinstate dividends with the first payment in March 2020. We will continue to execute our strategy which is focused on the sustainable growth in profitability of this business." Mr. Forsyth said.

End

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About Austin Engineering: An Australian based engineering company, headquartered in Brisbane, with operations in Australia, Asia, North and South America. In Australia Austin manufactures, assembles, repairs and maintains (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, water tanks, excavator buckets and materials handling equipment. In Australia and South America specialised field services to the mining industry are provided by Austin's site services divisions. The equipment and service needs of mining and oil and gas-related customers in Asia are delivered through a world class production facility on Batam Island in Indonesia. Austin's facility in the USA is based in Casper, Wyoming and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies and water tanks. It services the North American, Mexican and Canadian mining markets. In South America, Austin has operations located in Chile, Peru and Colombia that manufacture, repair and maintain dump truck bodies and other mining products for their respective markets. For more information visit www.austineng.com.au