Annual Report 2019

Operating cash flow increased to $13.8 million, from $1.2 million in FY2018

Net debt reduced by 57% to $19.8 million

Underlying EPS growth of 33% to 1.38 cents per share

Contents


austin
WESTECH
Operating Cash Flow ($m)
1.2
13.8
FY18 FY19
Net Debt ($m)
45.9
19.8
FY18 FY19
Underlying EPS (cps)
1.04
1.38
FY18 FY19

About Austin

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

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

Austin's operations are focused on its core competencies in markets which have clearly defined growth characteristics.

Core Competencies

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

Global Manufacturing and Sales Footprint
The One Austin operating model is built on a manufacturing footprint that spans four continents with sales distribution networks across the globe. As some of our clients progressively change procurement decisions towards central hubs, Austin is well positioned to capitalise on incremental sales to large global miners.

Branding and Market Presence
Austin's key brands of Austin, JEC and Westech are well known in the industry for both innovation in the product range and quality of engineering, design and manufacture. The Group's brands were all aligned to the Austin brand during the year.

Manufacturing Expertise
Austin is renowned for manufacturing expertise and is regularly engaged to perform manufacturing services for clients on non-Austin products. In 2018, as part of the One Austin operating model, a Production Efficiency Group was established to bring together the best and brightest ideas from the global Austin network and apply them across all operations.


austin


Casper, USA
Malambo, Colombia
Lima, Peru
Arequipa, Peru
La Negra, Chile
Calama, Chile
Batam, Indonesia
Mackay, Australia
Brisbane, Australia
Perth, Australia
Newcastle, Australia
Offices
Manufacturing
Innovation and Engineering Hub

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

North America

Our North American operations are based in Casper, Wyoming, the home of our Austin Westech branded range of products, designed to fit all major Original Equipment Manufacturers (OEM's). This business has a 50-year heritage and is renowned for its custom engineered and innovative off road, off-highway truck bodies that are specifically designed to meet the unique needs of our customers. Our Casper facility supplies equipment to a range of commodities, including coal into the Powder River Basin, the largest coal mining region in the United States and also Canada, to the oil sands in Alberta, copper mines in the Utah area and iron ore mines in the USA Midwest.

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

South America

Following a period of restructuring Austin's operations in South America, our Chile, Peru and Colombia businesses are well positioned to benefit from the expanding copper and coal mining industry across South America. In Chile we exited our, non-core, crane hire business and are now focussed on our core competencies.

We have facilities at La Negra, which services the copper mining industry in the Antofagasta region and is strategically located close to the Escondida Copper mine, the largest producer of copper in the world and also at Calama, known as the mining capital of Chile and home to Chuquicamata, the world's largest open pit copper mine.

Our operations in Chile supply the Copper mining industry with the full range of Austin's products. We also provide specialised repair and maintenance services, mainly from our facilities in La Negra and Calama.

In Colombia our operations are run from our purpose built facility in Malambo, Baranquilla which is one of the main coal mining hubs of the country. Our Malambo facility offers the full range of Austin's products and services.

Historically our Colombian operations have focussed mainly on a single client, providing both on and off-site repair and maintenance services and some new product sales. The geographic and clientele reach has improved in recent years with a broader revenue mix from clients within Colombia and surrounding markets such as Panama.

In Peru, during FY2019 we closed the unprofitable Lurin workshop in Lima, exited a large site contract which was not delivering acceptable returns and have consolidated operations at our Arequipa facility which services the significant copper mining industry in the Arequipa region of Southern Peru.

Whilst our facility in Arequipa is smaller than other global Austin sites, Austin is able to leverage third party manufacturing services in times of increased workloads. This enables the business to operate on a low cost base providing earnings upside benefits from this growth area but limiting the potential for downside as experienced in previous years in this region.

Australia

Our Australian operations are predominantly focused on Perth in Western Australia and Mackay in Queensland, together with active sales coverage of the Hunter Valley region in New South Wales. We have closed the unprofitable workshops in the Hunter Valley in New South Wales and Karratha in Western Australia.

Kewdale in Perth is home to the Austin JEC brand of mining and earthmoving equipment with engineering origins that date back to the mid 1960's when John's Engineering and Cranes was first established. Our Perth operations include a large engineering department with design capabilities supporting Austin JEC branded products which are manufactured by Austin's operations globally. Working under the One Austin operating model the engineering team in Perth work closely with our USA engineering team, operating under a unified management structure.

Our Perth facility offers the full range of Austin's products and both off-site and on-site services. It mainly supplies the Western Australian iron ore, gold and nickel mines with a small amount of export sales.

Our operations in Mackay focus mainly on off-site repair and maintenance services with the capability of manufacturing new products. The region is mainly focused on coal in the Bowen Basin region of Queensland. Austin supports the Queensland market from a combination of locally fabricated products from the Mackay facility and import goods from Austin Batam.

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

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

Asia

Our Batam, Indonesian operations are run from a world-class manufacturing facility, that was purpose built to meet Austin's global standards.

Batam is positioned to benefit from growth in the local Indonesia market creating additional opportunities and accessing opportunities in Africa for new products and site support that can be shipped and serviced directly from Batam.

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

Together with supporting the local market, our Batam facility exports into east coast Australia, Africa and Asia to provide cost effective solutions to our clients in those markets.

Chairman and Managing Director's review

Jim Walker
Non-Executive Chairman

Peter Forsyth
Managing Director

Business Performance

Austin delivered a statutory net profit after tax of $1.5 million for the 2019 financial year from continuing operations, its first in five years and a clear demonstration that the successful restructuring of the business over the past three years is being delivered.

While revenues in the 2019 financial year were 14% lower, at $235.7 million, compared to the previous year, this reflects the continuation of the current restructuring program. During the year we sold non-core assets, closed poorly performing operations and exited low margin contracts in Chile and Peru. These changes, together with improved productivity, delivered a 20% improvement to the EBITDA margin and a 3% improvement to Austin's underlying earnings before interest, tax, depreciation and amortisation of $21.0 million. This translated to a 33% increase in underlying net profit after tax (excluding one off costs and impairments) to $8.0 million.

Austin is well positioned to ensure it remains a global supplier of choice in the mining services sector at a time when the industry is returning to growth and commodity markets are strengthening.

Innovation

Austin is known for innovating new products, and has released a number of new designs into the market including our new Austin Ultima truck body which represents an improvement on our already successful Austin JEC-LD model. It is with great pride that we were nominated in the AFR BOSS Most Innovative Companies list for 2019 for our unique two-piece bucket design, Austin came second out of more than 800 entrants in the Agriculture, Mining and Utilities category for a design focused on safety, efficiency and performance.

People and Safety

Safety is the cornerstone of Austin's business. No work is ever too urgent or too important that we cannot take the time to do it safely. At the end of every working day we want every one of our people to return home safely and so it is with the deep regret that an employee was involved in a fatal workplace accident at our Indonesian facility in Batam, in June of this year.

The tragic loss of one of our people, while at work at Austin, brings into sharp focus why safety is of critical importance in our business. We will continue to be unrelenting in our commitment to safety management, monitoring and reporting in support of the 1,719 people that work at Austin.

Austin has established improved programs in safety aimed at preventing incidents and fostering its safety culture globally. These include the introduction of Visible Felt Leadership which is a formalised and measurable way in which leaders within the business interact with all staff members on safety. A number of global safety standards were also rolled out across the group during the year, enhancing the consistent approach to safety.

Capital Management

Working capital reduced by $7.4 million to $22.1 million partly as a result of lower revenues but also as a result of increasing productivity across the group. Cash flow from operations of $13.8 million is the highest level since FY2013 and a significant improvement on $1.2 million in the 2018 financial year.

Capital expenditure in the 2019 financial year was a relatively modest $7.9 million. It included investments in a new robotic welding machine in our Perth workshop; a large brake press for our North American facility and a new horizontal boring machine for the Aust Bore business.

Repayment of debt continued to be Austin's primary focus in FY2019. A total of $24.8 million in borrowings were repaid, funded by a combination of $20.2 million of proceeds from the sale of assets, which included the proceeds from the sale and lease back of our Aust Bore property in Mackay, and strong operating cash flows. As a result Austin's net debt as at 30 June 2019 was $19.8 million, down from $45.9 million at 30 June 2018. This reduced our gearing to 16.3% compared with 30.6% at 30 June 2018.

The Board's focus on strengthening Austin's balance sheet by reducing the company's debt over the past two years has been the right capital management strategy. Whilst it has decided not to reinstate dividend payments for the 2019 financial year, an interim dividend following the 1H2020 results is on the Boards agenda.

Board, Governance and Senior Leadership

During the 2019 financial year the strength and diversity of the Austin Board was enhanced with the appointment of David Singleton as an independent Non-Executive Director. David is the Chief Executive Officer and Managing Director of Austal Limited and has gained vast international business experience in senior executive roles in Europe and the USA. Mr. Singleton brings significant experience in manufacturing, procurement and operations, in Australia and internationally, to the Austin Board.

The Board established a new Safety Committee during the year and in parallel, the Audit Committee and Risk Committee were combined into a single Audit and Risk Committee. The objective of this change was to continue to increase the company's focus on health and safety matters.

Performance rights were reestablished for senior executives of Austin during the year. These rights align recipients to shareholder returns and group profitability over the long-term, and will improve employee retention in senior roles which is important following business restructuring activities.

The company's senior executive team was also strengthened with the appointment, during the 2019 financial year, of Sam Cruickshank to the role of Chief Financial Officer and Rochelle Oberholzer and Sophie Raven appointed as Joint Company Secretaries.

Outlook

Austin is in regular conversation with its clients regarding their capital expenditure budgets and has a number of large projects in the pipeline. Compared to the same time last year however our current order book is softer, evidence of some caution that exists within the market. This is offset by a strong tender book and a number of orders that we expect to receive imminently. Based on the position of the Group now, we expect an underlying EBITDA from continuing operations of $24 –- $28 million in FY2020.

While significant progress has been made in restructuring the business, the sale of a further $5.5 million of non-core assets associated with our discontinued Chilean crane business, Hunter Valley operations and rationalisation of our operations in Peru is still pending. These are expected to be finalised in the 2020 financial year.

The outlook for the mining industry remains robust. Projections for capital expenditure within Austin's client base suggest a sustained growth in budgets over the next two years. Demand for the key commodities to which Austin has exposure, namely iron ore, copper and coal, is also expected to remain strong for the next two to three years.

Austin has a market leading position built on innovation, engineering and manufacturing excellence and the delivery of customised solutions that drive productivity gains for our customers. The current trends in the mining industry support a growing pipeline of opportunities that we are confident of converting, based on our strong client relationships. We expect to deliver growth through the 2020 financial year and over the mid-term.

Conclusion

On behalf of the Board and senior management we would like to thank our shareholders, clients, employees and suppliers for their ongoing support. Restructuring Austin Engineering for a return to growth has relied on contributions from many people but we acknowledge the continued backing from our investors and other business partners.

It is a very exciting time to be a part of Austin. The Board and executive team are confident Austin can take advantage of future opportunities to maximise value and deliver enhanced returns for our shareholders, customers and other stakeholders.

Jim Walker
Non-Executive Chairman

Peter Forsyth
Managing Director

Operational and Financial Review

Strong demand stimulates increased production and the opening of new mines which leads to greater investment in infrastructure, plant and equipment. It also requires equipment to be serviced and parts replaced more often.


21907

Operational Review

Australia

Australia contributed 41% or $96.9 million of Austin's revenues in 2019 which were down from $124.0 million in 2018, mainly due to the closure of the unprofitable Hunter Valley workshops in NSW and the unprofitable site service operations at Karratha in Western Australia.

Corporate costs are included in the Australia results in full as that is where they are incurred, this impacts on the margins disclosed in Australia based on the quantum of central services provided to the wider group including engineering, innovation and business development, together with back-office leadership and governance oversight.

Australia	2019	2018	Change
Revenue	$96.9m	$124.0m	(22)%
EBITDA (normalised)	$4.4m	$7.9m	(44)%
EBITDA margin	4.5%	6.4%	(30)%

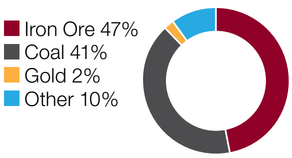
Perth operations decreased in revenue by 16% to $48.2 million as a result of the reduction of the Australian site services business which now operates on a smaller footprint and focusses on supporting Austin's products and clients in the region. The Perth facility was under-utilised in the second half of FY2019 due to the timing of client orders received later than anticipated. This impacted the Group's earnings materially and resulted in revised earnings guidance published in April 2019.

Mackay delivered a material increase in revenue of 57% to $26.1 million. This revenue was supported both from products and services supplied by the local facility and by imported goods from Austin's Batam facility.

Aust Bore saw a reduction in revenue of 11% to $7.5 million for the year as a result of challenges sourcing appropriate skilled labour and aging equipment. Austin has invested in new equipment and tooling for this business which is expected to increase revenue and earnings in the next financial year. In February 2019 its operating facility was sold for $2.9 million and leased back, reducing Austin's term loan payable.

Hunter Valley remains a key territory for Austin for sourcing new product sales and service of existing fleets. We maintain a small sales and after-market support office in the region and service our clients through imports from our Batam facility and through authorised subcontract manufacturers. Our former operating facility has been rented to a local business and is currently for sale.

Revenue by commodity Australia



Americas

Just over half of the Group's revenue is sourced from the Americas, evenly split between its operations in the USA and those in South America. Our operations in Colombia, Peru and Chile generated the majority of their revenue in FY2019 from clients operating in the copper and coal sectors while in the USA close to 85% came from clients operating in the coal and oil industries.

Americas	2019	2018	Change
Revenue	$122.8m	$136.2m	(10)%
EBITDA (normalised)	$12.3m	$8.1m	52%
EBITDA margin	10.0%	5.9%	69%

USA delivered a modest increase in revenue of 2% to $65.1 million with improved earnings on pcp. A strategic change to the key management team together with production efficiencies gained through global improvement measures delivered by the Production Efficiency Group underpinned the strong uplift in margins and earnings recorded by this operation for the year.

Chile reported a 28% fall in revenue to $24.2 million compared to the previous year due to the termination of a number of low margin site contracts. Following the closure of the crane hire business in the second half of the year, the focus is now on our core competencies. The continuing business performed well delivering a marked increase in EBITDA contribution for the year, underpinned by an increase in new product sales in the region.

Colombia delivered $26.2 million in revenue and earnings in-line with the prior year through a mixture of long-term repair and maintenance contract revenues and new product deliveries.

Peru reported a 40% reduction in revenue to $7.3 million compared to the previous year. Performance remained at break even for the year, reflecting ongoing restructuring and further reduction in operations following the exit from an unprofitable site contract.

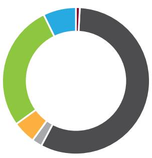
Asia

This region contributed $16.0 million in sales or 7% of Austin's FY2019 group revenue, up from $15.0 million in the prior year, delivering comparable earnings to the prior year.

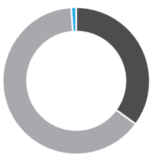
Asia	2019	2018	Change
Revenue	$16.0m	$15.0m	7%
EBITDA (normalised)	$4.3m	$4.3m	–
EBITDA margin	26.9%	28.7%	(6%)

Indonesia – Operations are run from a world-class manufacturing facility on Batam Island that was purpose built to meet Austin's global standards. It has increasingly become a key strategic manufacturing plant for distribution into the Australian market, in particular following the closure of the Hunter Valley operations.

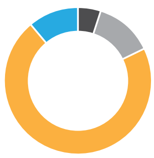
Revenue by commodity
North America



Revenue by commodity
South America



Revenue by commodity
Asia



Operational Review

Safety Performance

Austin continued to build on strategies implemented in the previous year to improve safety management, monitoring and reporting. When such programs are introduced, with all other variables held equal, the level of injuries and incidents reported will increase. Positively whilst total reportable incidents incidents were expected to increase as a result of these programs, the Total Reportable Incident Frequency Rate (TRIFR) fell from 19 for FY2018 to 16 in FY2019. The Lost Time Injury Frequency Rate (LTIFR) increased from 6 in FY2018 to 7 this year.

During the year, Austin reported a fatality in its Batam, Indonesia operations. The investigation into this fatality remains ongoing and Austin are working closely with local authorities on the matter.

Over the past 2 years Austin has implemented a number of programs developed to assist in reduction of safety incidents and enhance Austin's safety culture. These were centred on the framework created by Austin's Occupational Health and Safety Global standards which set out a program of internal and external safety audits to improve the work environment for employees and contractors. In FY2018 the majority of key operations staff across all business units successfully participated in ICAM (Incident Cause Analysis Method) training to improve the incident investigation process and determine the root cause of safety incidents. Over the past year a program titled 'Visible Felt Leadership' was introduced. This is a formal program that requires management at all levels to interact with the workforce identifying unsafe conditions and behaviours and to discuss the hazards and risks associated with the work being undertaken. Additional programs introduced were a consistent Austin wide Drug and Alcohol Management Standard, Working at Height Standard, Vehicles and Driving Standard and the introduction of formal Operational Risk Registers.

People

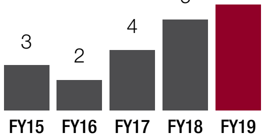
As at 30 June 2019 Austin's workforce consisted of 1,719 employees across permanent and flexible roles and including contractors. This represents a decline of 18% from the 2,105 people employed at the same time last year, a rate of decline which was also reflected in the number of man hours worked.

Austin has been progressively rationalising and restructuring its operations, particularly in South America and Australia, for the past three years. In the past year the crane hire business in Chile was wound down and a number of unprofitable site contracts were terminated in both Chile and Peru, resulting in a significant contraction in the employee base in those regions.

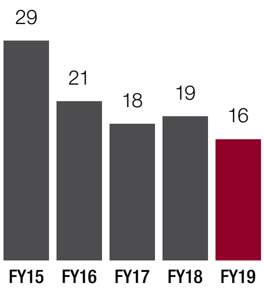
The majority of Austin's staff are based in the America's, with over 500 people in Colombia to support a large repair and maintenance contract. Reductions in staff have been focussed principally in South America and Australia in line with business restructures.

During the year Austin continued to implement a number of activities designed to ensure it attracted, retained and motivated the people it needed to grow the business once the restructuring phase was complete. These included the introduction of Austin's Core Values and a global Code of Conduct, trainee and apprentice programmes and enhanced salary review processes linked to performance.

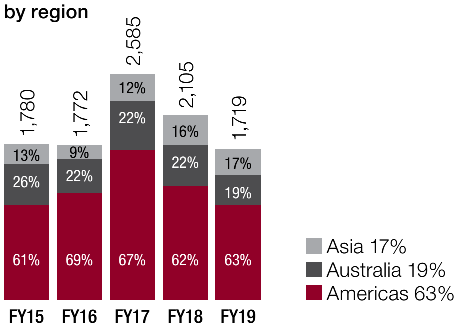
Lost Time Injury Frequency Rate (LTIFR)



Total Reportable Incident Frequency Rate (TRIFR)



Austin headcount at year end, by region



Financial Review

The strength of this year's result lies in the quality of its earnings. Austin continued to work through several restructuring activities during FY2019, with the sale of the majority of its remaining underperforming assets contributing to further reduction in debt. As a result, Earnings Per Share (EPS) has increased delivering a 33% increase to our bottom line on a normalised basis from continuing operations. This is due in no small part to our One Austin model which allows us to leverage our engineering intellectual property and roll out best practice across our global footprint.

Our focus on research and development is central to our ability to deliver new and innovative products to market, allowing clients to improve their productivity and cost competitiveness.

Overview of Financial Performance from continuing operations

Normalised Results

A$ million	FY19	FY18	% change
Revenue	235.7	275.2	(14%)
EBITDA	21.0	20.4	3%
EBITDA margin	8.9%	7.4%	20%
Profit before tax	11.5	8.6	34%
Net Profit after tax	8.0	6.0	33%
Earnings per share (cents)	1.38	1.04	33%

Austin's EBITDA, excluding impairments and one-off costs, is a measure of the underlying performance of the business. It increased 3% despite a 14% fall in revenue resulting from the restructure of underperforming businesses during the year. Lower depreciation charges and interest costs further contributed to a strong uplift (+33%) in earnings after tax.

Statutory Results

A$ million	FY19	FY18	% change
Revenue	235.7	275.2	(14%)
EBITDA	14.2	8.9	60%
EBITDA margin	6.0%	3.2%	88%
Profit/(loss) before tax	4.7	(3.7)	▲
Net Profit/(loss) after tax	1.5	(2.0)	▲
Earnings per share (cents)	0.27	(0.34)	▲
Net Assets	101.4	104.2	(3%)

The costs associated with FY2019 restructuring activities, and its impact on earnings, are reflected in the statutory accounts which include $6.8 million in impairments and one-off costs ($11.5 million in FY2018). While there is an impact on actual reported earnings, the extent of the turnaround from loss in FY2018 to profit in FY2019 and a doubling in EBITDA margins is even more significant.

Extensive restructuring activities were completed during FY2019. It focused mainly on the South American operations and included the sale of Peru's former operating facility together with the Chile crane assets and an agreement for the sale of the associated property used to store and maintain the cranes, completion of this deal is expected during FY2020, with some delays persisting from completing the sale due to local tax disputes ongoing. A number of surplus assets that were left from the closure of the unprofitable workshops in the Hunter Valley at the end of FY2018 were also sold during the course of FY2019 with the facility itself under lease with a tenant and currently for sale. Finally, a sale and lease back of the property associated with the Aust Bore business released $2.9 million in cash which was allocated to further reduction in term debt.

Restructuring Underpins Margin Growth and Rise in Profit

Revenue and Profitability

Austin reported a 14% fall in revenue from continuing operations of $235.7 million compared to the previous year. This largely reflected the rationalisation of underperforming operations in South America and Australia and the termination of low margin site contracts in Chile and Peru, it also included some delays in the receipt of orders from Australian clients which are now being serviced in FY2020.

Normalised EBITDA (excluding impairments and one-off costs) increased 3% to $21.0 million. Given the fall in revenue, this reflects the significant productivity gains being realised from the internal restructure and rationalisations undertaken not only in FY2019 but also the previous year. EBITDA margins increased 20% from 7.4% to 8.9%.

Austin's $1.5 million statutory net profit after tax from continuing operations is a marked turnaround from last years' loss of $2.0 million and is its first reported profit, inclusive of impairments and one-off costs, in five years.

Operating Costs and Other Expenses

Austin's EBITDA and PBT margins from continuing operations have improved, with cost decreases exceeding revenue decreases, as a result of operational improvements and business rationalisation.

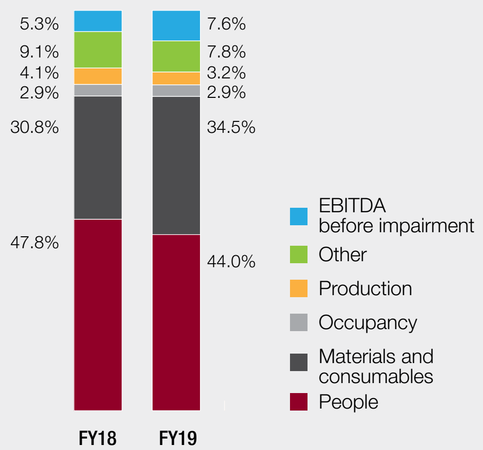
Depreciation and amortisation costs fell as a result of assets sold during the year and an impairment of intangible assets at 30 June 2018.

Of the **Impairment** charges of $3.7 million, $3.2 million related to South American property, plant and equipment assets that were assessed as having a carrying value higher than the recoverable amount. This included a $1.9 million impairment to Austin's facility in Calama based on a professional valuation undertaken in June 2019. The balance of impairment charges related to abandoned and expired patent costs in Australia for products and regions that were no longer required.

Finance costs reduced by $2.1 million to $3.2 million as a result of a marked reduction in net debt from $45.9 million to $19.8 million during the year.

Tax expense represented 67% of profit before tax. The expense was higher than the Australian tax rate of 30% mainly as a result of the non-cash de-recognition of a deferred tax asset balance in Colombia, increasing the expense this year by $2.2 million.

Results from **Discontinued Operations** were a loss before tax of $5.8 million. This included redundancy costs of $2.6 million, $0.7 million of finance costs and $0.4 million of impairments and depreciation of assets. Remaining costs related to the continuing costs of rent, insurance and back office services incurred whilst winding the operation down.



Expenses to an EBITDA level as a proportion of Austin's revenue are presented in the left-hand chart, key movements are:

- **People** – as a direct result of headcount reducing from 2,105 to 1,719, Austin's employment and contractors cost has reduced. The reduction as a proportion of revenue is driven from an increased weighting of revenue from products, which is less labour intensive than repairs and maintenance. Costs included significant restructures for both years.
- **Materials and consumables** – expenses as a proportion of revenue increased due to more materials and consumables used in new product revenue than repair and maintenance.
- **Other expenses** – have decreased as a proportion of revenue mainly as a result of the closure of unprofitable sites.

Net Cash Inflows driving Debt Reduction

In FY2019 the Group recorded a substantial rise in Cash Flow from Operations, from $1.2 million last year to $13.8 million. This represented the highest level of operating cash flow generated by the business since FY2013 and was broadly in line with EBITDA (before impairment, from continuing and discontinued operations), of $13.2 million, supported by a $7.4 million reduction in net working capital.

Net cash inflows from investing activities of $12.3 million included $20.2 million in proceeds received from the sale of underperforming or underutilised assets. Capital expenditure of $7.9 million included the purchase of a robotic welder for our Perth facility, a brake press for our USA facility and a new horizontal boring machine for the Aust Bore business, together with a number of smaller items including a range of new technology welding machines that have demonstrated production efficiencies.

$24.8 million in net cash outflows from financing activities reflect the repayment of debt from both the sale of assets and operating cash flow.

During the 2019 financial year Austin recorded a net cash inflow of $1.3 million ($1.7 million in FY2018).

Balance Sheet Strengthened as Gearing falls to 16%

Austin's reduction in net assets to $101.4 million (-3% from 30 June 2018) reflects a group net loss after tax of $4.6 million, driven from discontinued operations and impairments raised during the year, offset by a gain on translation of foreign operations of $1.6 million. Net tangible asset backing per share of 15.7 cents was slightly down compared to the prior year (16.2 cents).

Property, plant and equipment has decreased by $6.1 million as a result of depreciation ($6.4 million), impairment charges ($3.5 million), disposals ($3.1 million) and net transfers to assets held for sale ($1.9 million) exceeding additions ($7.7 million) and exchange variances ($1.1 million).

Intangible assets have decreased by $0.2 million to $10.6 million, mainly as a result of impairment charges of $0.5 million.

Assets held for sale of $5.5 million represent the remaining assets connected to the Chile crane business ($3.1 million), Hunter Valley property ($1.5 million) and Austin's Peru office building ($0.9 million). These assets are expected to be sold within the next 12 months. Assets held for sale have decreased by $13.2 million, mainly through disposals of $15.2 million for the year.

Deferred tax assets have decreased by $2.3 million mainly as a result of a de-recognition of deferred tax assets associated with tax losses in Colombia of $2.2 million and the utilisation of a portion of Australian deferred tax assets during the year.

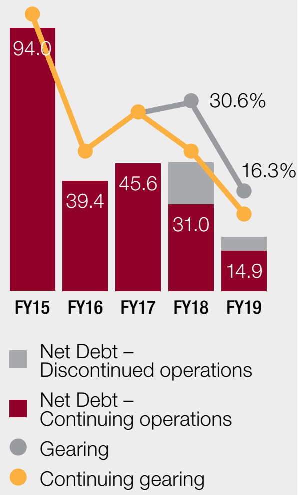
Working Capital

Net working capital has reduced to $22.1 million, from $29.5 million at 30 June 2018. Key drivers to the reduction in working capital at 30 June 2019 were:

- reduction in group revenue and expenditure
- improved payment terms with certain large clients
- greater efficiencies in turning work in progress
- timing of workloads, payments and receipts

Historical cash flow from operating activities

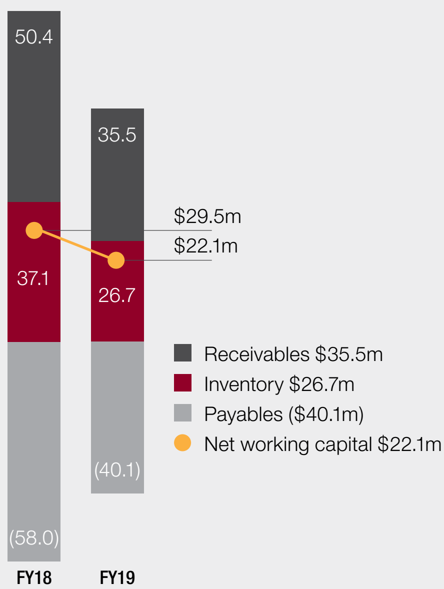
Net Debt and Gearing



Financing and Gearing

During the year $24.8 million in debt was repaid from the proceeds of asset sales and cash flow from operations. As at 30 June 2019 gearing was 16.3%, down from 30.6% at 30 June 2018. This will further reduce following the sale of assets held for sale at 30 June 2019 of $5.5 million.

Working Capital



Strategy

Austin's vision is to be the market leader supplying customised truck bodies and excavator/rope shovel buckets to mining companies globally, mining contractors and original equipment manufacturers (OEMs). To be perceived as the supplier of choice and the 'go-to' solution provider for these products.

Strategic priorities

1 To be the market leader supplying customised truck bodies and buckets globally

- Business operations re-oriented to provide clients with engineered solutions combined with high quality and efficient manufacturing capability
- Continued engagement plus strengthening of existing and new relationships with large global mining clients and contractors
- Develop new and existing relationships with original equipment manufacturers (OEMs), utilising 'One Austin' and an integrated sales function to provide better customer coverage and foster relationships

2 Grow and diversify the business through identified opportunities unique to Austin

- Leverage Austin's product intellectual property (IP) to expand existing markets and enter new markets
- Innovation team to focus on research and development and new products which continue to reduce client operating costs per tonne
- Grow approved sub-contractor base to provide additional revenue through flexible manufacturing capacity and production facilities where Austin does not have an existing footprint

3 Maintain cost competitiveness

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


austin
JEC.LD

Risk Management


3M
Speedglas

Risk Management

Effective risk management is critical to Austin's achievement of its strategic priorities. It influences how its clients, shareholders and the public perceive the company as well as having a direct bearing on its financial performance and reputation.

Austin regards efficient and effective management of risk as a core function at all levels of the Group and to this end has adopted a three lines of defense model which establishes lines of responsibility for the oversight, management and reporting of risk throughout the Group.

This approach is designed to ensure there is:

- an effective and efficient flow of information
- a clear delineation of responsibility for the day to day management of risk and
- accountability for how the response to risk is managed across the Group.

Central to Austin's management of risk is the Enterprise Risk Management Standard (ERMS), which is approved by the Board of Directors and reviewed by the Audit and Risk Committee at least annually. If there is a material change to the business or its strategy or to the Group's risk profile, for any reason, the ERMS is automatically reviewed.

Board and Audit & Risk Committee

MD and Executive Management team

Business Unit Management	Governance	Independent Assurance
Business Unit Management are responsible for taking and managing risks day to day, setting the right risk culture and tone, and developing and implementing controls. Business Unit Management ultimately 'own' the risks of Austin and are accountable for managing those risks within the range deemed appropriate by the Board.	Austin's Governance function oversees and challenges risk management, provides guidance and direction and develops overall risk frameworks. This function is comprised of Enterprise Risk, Compliance, Safety, HR, Legal and other Group teams and subject matter experts that provide key policies and direction to support the business in managing risks and achieving objectives.	Austin obtains independent assurance to ensure a consistent group-wide wide approach to risk management. This function is comprised of specialist external providers where required.

Austin focuses on six key areas of risk that are both Group specific and incorporates general commercial and economic risk. Either individually or in combination, these risks areas have the potential to affect the future operating and financial performance of the Group. The nature of those risks and the processes in place to mitigate them are detailed as follows:

1 Macro-economic conditions

Macro-economic conditions, or economic conditions affecting the supply chain or industries in which Austin's clients operate, may impact demand for Austin's services and/or its financial performance.

Risk mitigation: Austin concentrates on driving growth through investment in expanded client value propositions and adopts pricing and cost-recovery strategies to limit the impact of cost inflation within the supply chain.

2 Mining industry exposure

Austin provides customised engineering solutions predominantly to the mining industry. This industry is cyclical and subject to fluctuations due to a variety of factors beyond our control. As a result demand for Austin's products has been, and we expect will continue to be, influenced by changes in economic conditions and changes in client spending, particularly during periods of economic or political uncertainty.

Risk mitigation: Austin's strategy is to create innovative and customised solutions to its existing client base in order to address their specific needs through each point of the cycle. Its new business strategy is designed to broaden its client base by diversifying Austin's product and service range.

3 Regulatory compliance

Austin operates in a large number of countries with widely differing legal regimes, legislative requirements and compliance cultures. A failure to comply with regulatory obligations and local laws could adversely affect Austin's operational and financial performance and ultimately its reputation.

Risk mitigation: Strategies to embed a strong culture of compliance centred around the Austin Code of Conduct which provides a framework for detailed policies and procedures for "doing the right thing".

Legislative requirements and regulatory compliance risks are also mitigated by drawing on the expertise and knowledge of various service providers (insurers, legal counsels, external accountants and compliance authorities) in each of the countries in which Austin operates. The monitoring of regulatory changes, assessment of impacts and mitigation strategies are managed by Austin's governance team.

4 Safety

Austin is subject to inherent operational risks, including industrial hazards, that could potentially result in serious injury or fatality of employees or contractors. The Austin Group Occupational Health and Safety Policy states that everyone has the right to be safe at work and to return home as healthy as when they started the day.

Risk mitigation: Safety management systems are adopted in all workplaces, including the recording of safety metrics and monthly reporting to, and monitoring by, the Austin Board.

Safety is supported by infrastructure that includes dedicated safety personnel responsible for the implementation of processes and controls at all of Austin's operations globally. Safety personnel have responsibility for prevention and workplace safety training that is aligned to best practice within Austin's industry, incorporating lessons learned from clients and industry peers.

5 Information Technology & Cyber Security

The unauthorised access to, or use of, Austin's IT systems has the potential to adversely impact its ability to serve its clients or compromise client or employee data. This could result in reputational damage, financial loss and/or adverse operational consequences.

Risk mitigation: Implementation of an IT security strategy which utilises technologies and processes to protect systems and to prevent, detect and promptly respond to unauthorised or inappropriate activities. These controls include the use of the latest information technology preventative software measures as well as conducting IT security awareness training. Independent assurance of our risk mitigation strategies is provided by external assurance providers with frequent penetration and data recovery testing across our network globally.

Related to cyber security risk is the misuse, loss of, or unauthorised access to, sensitive data due to incomplete or unsuitable identification, storage, processing or disposal procedures. Preventative controls have been put in place to mitigate the risk of loss or misuse of data. These controls include encryption strategies, data recovery and retention controls. Unauthorised access to data is further mitigated by storing, controlling and managing data (Data Access Layers) across various physical and virtual servers across the globe.

6 Talent retention and attraction

The operating and financial performance of Austin is largely dependent on its ability to retain and attract key management and trades person talent. A loss of key personnel could adversely impact Austin's operating and financial performance on a strategic level while global declines in high calibre trades people, particularly in Australia, have created competitive labour markets.

Risk mitigation: Human resources strategies have been implemented which focus on:

- accessing the widest possible pool of talent available globally;
- providing employees with mobility and development opportunities throughout its global network of operations;
- instilling a high-performance culture by setting challenging objectives and rewarding high-performing individuals; and
- remunerating competitively in the relevant employment markets to support the attraction, motivation and retention of quality employees as well as aligning remuneration with business outcomes that deliver value to shareholders.

Austin came second in the Agriculture, Mining and Utilities category in this years AFR BOSS Most Innovative Companies List for our 2 Piece Excavator Bucket

Austin's innovative 2 Piece Excavator Bucket features a reusable upper structure and consumable lower structure and is fully customisable to any application and all current OEM models. The upper structure can be used for a significantly higher number of operating hours compared to traditional designs, delivering a reduction in our client's total cost of ownership.

The lower structure can be quickly and safely changed out as needed and miners can keep lower sections in stock as consumable items.

The 2 Piece Excavator Bucket can be used with a range of ground engaging tools and is particularly suited to high abrasive material extraction.


austin
ULTIMA

Directors' Report

The Directors present their report, together with the financial statements, on the Consolidated entity (referred to hereafter as the "Group" or the "Consolidated Entity") consisting of Austin Engineering Limited (referred to hereafter as the "parent entity" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

- **Jim Walker**
- **Peter Forsyth**
- **Chris Indermaur**
- **Sy van Dyk**
- **David Singleton** (appointed 15 April 2019)

Principal activities

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

Dividends

There were no interim and final dividends paid or declared for the financial year ended 30 June 2019.

Review of operations and results

The profit for the Group after providing for income tax amounted to $1.548 million (2018: $1.960 million loss 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 8 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

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or Company subsequent to 30 June 2019.

Likely developments and expected results of operations

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within the financial report and on pages 8 to 15.

Environmental regulation

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

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

Directors' report

Information on directors

Jim Walker

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

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

Qualifications
– GAICD
– FAIM

Directorships held in other listed entities
– Australian Potash Limited from 15 August 2018

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

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

Interest in shares, options and performance rights
– 166,000 ordinary shares

Peter Forsyth

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

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

Qualifications
– Bachelor of Engineering (Bachelor of Mechanical and Production Engineering), RMIT University

Directorships held in other listed entities
– None

Former directorships in last 3 years
– None

Special responsibilities
– None

Interest in shares, options and performance rights
– 800,000 ordinary shares
– 2,145,923 performance rights

Chris Indermaur

Non-Executive Director
from 8 July 2016

Experience and Expertise
Chris Indermaur has over 30 years of experience in large Australian companies in engineering and commercial roles. He is currently a non-executive Director of Centrex Metals Limited and 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 Nickle Limited and Medibio 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
– Centrex Metals Limited from 1 July 2017
– Austal Limited from 19 October 2018

Former directorships in last 3 years
– Poseidon Nickel Limited from 2 July 2007 to 1 October 2018
– Medibio Limited from 2 April 2015 to 31 December 2018

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

Interest in shares, options and performance rights
– None

Sy van Dyk

Non-Executive Director
from 19 February 2018

Experience and Expertise
Sy van Dyk is the Chief Executive Officer (CEO) of DDH1 Drilling Pty Limited. Sy is a Chartered Accountant by profession with more than 25 years' sales, operational and financial experience primarily within the resource sector. He has previously held roles as CEO and Managing Director at Macmahon Holdings Limited and a number of senior operational roles at the WesTrac Group. Prior to WesTrac, Sy's career included a number of senior positions within Kimberly-Clark South Africa.

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

Directorships held in other listed entities
- None

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

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

Interest in shares, options and performance rights
- 128,500 ordinary shares

David Singleton

Non-Executive Director
from 15 April 2019

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

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

Directorships held in other listed entities
- Managing Director of Austal Limited (Austal) from 4 April 2016

Former directorships in last 3 years
- Managing Director of Poseidon Nickel Limited from 1 February 2008 to 31 January 2016

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

Interest in shares, options and performance rights
- None

Directors' report

Information on company secretaries

Rochelle Oberholzer

Global Governance and IT Manager and
Joint Company Secretary since 4 December 2018

Rochelle Oberholzer (B. Commerce (Risk Management), B. Science (Mathematics) and MBA, Strategy and Change Management). Rochelle commenced as Austin's Group Risk Manager in March 2017, appointed interim Company Secretary on 4 December 2018 and appointed as Joint Company Secretary on 1 February 2019. Rochelle has extensive experience internationally within the mining and manufacturing industry, working with Boards of high profile listed companies in the areas of corporate governance and company secretarial practice.

Sophie Raven

Joint Company Secretary since 1 February 2019

Sophie Raven (B. Laws (LLB) and member of the Australian Institute of Company Directors). Sophie was appointed Joint Company Secretary on 1 February 2019. Sophie is a corporate lawyer and company secretary, with extensive experience both in Australia and internationally, including as a corporate lawyer in Santiago, Chile advising Australian and Canadian resources and drilling companies.

Corporate governance statement

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

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

The 2019 Corporate Governance Statement, which is available at www.austineng.com, reflects the corporate governance practices in place throughout the 2019 financial year and was approved by the Board on 27 August 2019.

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 2019, and the numbers of meetings attended by each Director were:

	Jim Walker		Peter Forsyth		Chris Indermaur		Sy van Dyk		David Singleton	
	Eligible to Attend	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Board of Directors	13	13	13	13	13	13	13	12	4	4
Risk Committee	1	1	–	–	1	1	1	1	–	–
Audit Committee	2	2	–	–	2	2	2	2	–	–
Audit and Risk Committee	2	2	–	–	2	2	2	2	1	1
Safety Committee	1	1	–	–	1	1	1	1	1	1
Nomination and Remuneration Committee	2	2	–	–	2	2	2	2	1	1

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 2019 and forms part of the Directors' Report for the year ended 30 June 2019. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1. Executive remuneration

Key management personnel

The key management personnel during the 30 June 2019 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 15 April 2019)	Non–Executive Director
Peter Forsyth	Chief Executive Officer & Managing Director
Sam Cruickshank (appointed 4 December 2018)	Chief Financial Officer
Christine Hayward (resigned 4 December 2018)	Chief Financial Officer and Company Secretary

Principles used to determine the nature and amount of remuneration

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

The major features are:

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

Base pay and benefits:

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

Short-term performance incentives:

Short-term incentive plan (STI Plan) arrangements in place for senior executives as at 30 June 2019 are set out below as a proportion of Total Fixed Remuneration (TFR):

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

Directors' report

Senior Executives

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

In July 2018 the Board determined an STI payment of 40% of TFR be paid to the Managing Director, and 30% of TFR to the former Chief Financial Officer and Company Secretary following the lodgement of the audited 2018 Annual Report. The STI payments were granted at the Board's discretion based on the execution of Austin's strategy. As these payments were discretionary and agreed subsequent to 30 June 2018, they were recognised as an expense in the 30 June 2019 financial year.

The structure of the short-term incentive plan for bonuses relating to performance in the year ended 30 June 2019 is set out below:

Performance Condition 30 June 2019 Budget	Total Fixed Remuneration Percentage Allocation Peter Forsyth CEO & Managing Director	 Sam Cruickshank CFO
90% achievement of budgeted NPAT	40%	30%
100% achievement of budgeted NPAT	55%	45%
110% or greater achievement of budgeted NPAT	70%	60%

No short term incentive payments were made to key management personnel in respect to performance for the year ended 30 June 2019.

Long-term incentives

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 Limited (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.

The maximum number of Performance Rights to be granted to the Managing Director and Senior Executives are 2,145,923 and 6,111,845 Performance Rights respectively. The proposed 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 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 30 June 2018 to 30 June 2021. The remaining 1,716,740 Performance Rights will vest if Senior Executives meet tenure requirements (Tenure Performance Rights). 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 & TSR	30 Jun 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,370	17 Dec 2023
Total				**8,257,768**	

Performance Conditions EPS and TSR Performance Rights

For each tranche of EPS and TSR Performance Rights:

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

TSR Performance Criteria

50% of the TSR and EPS performance rights granted to Peter Forsyth and Senior Executives are subject to TSR performance conditions over the period 30 June 2018 to 30 June 2021. TSR performance criteria are determined based on the compound annual growth in TSR over the performance period. These Performance Rights will vest as follows:

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

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

EPS Performance Criteria

50% of the TSR & EPS performance rights granted to Peter Forsyth and Senior Executives are subject to EPS performance conditions over the period 30 June 2018 to 30 June 2021. EPS performance criteria are determined based on the compound annual growth in EPS over the performance period. These Performance Rights will vest as follows:

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

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

Performance Indicators

The table below sets out summary information about the Group's earnings and movements in shareholder wealth since 2015 and forms the background against which short and long term incentives over the relevant periods has been considered:

Consolidated entity	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000
Continuing and discontinued operations					
Revenue	242,595	293,362	234,344	209,764	210,426
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9,218	(522)	(7,730)	(30,052)	(32,790)
Normalised EBITDA	18,698	23,191	14,263	9,167	15,024
Net profit/(loss) after tax	(4,590)	(11,939)	(27,633)	(40,455)	(49,332)
Basic earnings/(loss) per share (cents)	(0.79)	(2.06)	(4.94)	(20.07)	(58.67)
Diluted earnings/(loss) per share (cents)	(0.79)	(2.06)	(4.94)	(20.07)	(58.67)
Shareholder returns					
Interim dividend - fully franked (cents)	–	–	–	–	–
Final dividend - fully franked (cents)	–	–	–	–	–
Share price at start of year ($)	0.23	0.22	0.08	0.48	1.61
Share price at end of year ($)	0.18	0.23	0.22	0.08	0.48

Directors' report

Service agreements

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

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

Total Fixed Remuneration (TFR)	STI % of TFR	LTI % of TFR	Total Remuneration % of TFR	Notice periods to terminate	Termination payments
Managing Director – Peter Forsyth					
$520,000 (including superannuation)	Up to 70%	Up to 100%	Up to 270%	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements.
Chief Financial Officer – Sam Cruickshank					
$325,000 (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.

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 2019 are set out below:

	30 June 2019 $
Chairman	116,725
Non-Executive Director	86,275
Additional Committee Chairman fee	9,135

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

3. Remuneration governance

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

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

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

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

Long-term incentive plan

During the previous financial year PWC Australia provided background information to management and the committee to assist in the development of a long-term incentive plan for executive and senior managers. The committee considered the information provided and determined the LTI Plan details to be implemented by way of a Performance Rights Plan in which the first grants were made on 17 December 2018. The Performance Rights Plan has been developed to provide closer alignment between our executive and senior managers across the Group and Austin shareholders, as we continue to build sustainable growth in our operations with profitable results to ensure shareholder returns.

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

Directors' report

4. Value provided to key management personnel

The following tables show details of the remuneration received by Austin Engineering Limited's Non-Executive Directors, Executive Directors and other key management personnel of the Group for the current and previous financial year. Amounts paid or payable (in round dollars) or otherwise made available to Directors and senior executives as at the date of this report were:

		Fixed Remuneration				**Variable Remuneration**			
Name	**Year**	**Cash salary & fees**	**Super-annuation**	**Long service leave**	**Other benefits[7]**	**Cash bonus**	**Perform-ance Rights**	**Total**	**Perform-ance Related %**
Non-Executive Directors									
Jim Walker	2019	106,598	10,127	–	–	–	–	**116,725**	–%
	2018	105,023	9,977	–	–	–	–	**115,000**	–%
Chris Indemaur	2019	95,410	–	–	–	–	–	**95,410**	–%
	2018	96,088	–	–	–	–	–	**96,088**	–%
Sy van Dyk[1]	2019	87,132	8,278	–	–	–	–	**95,410**	–%
	2018	31,004	2,945	–	–	–	–	**33,949**	–%
David Singleton[2]	2019	17,004	1,615	–	–	–	–	**18,619**	–%
	2018	–	–	–	–	–	–	**–**	–%
Charlie Sartain[3]	2019	–	–	–	–	–	–	**–**	–%
	2018	64,714	6,148	–	–	–	–	**70,862**	–%
Peter Pursey[4]	2019	–	–	–	–	–	–	**–**	–%
	2018	29,055	2,760	–	–	–	–	**31,815**	–%
Total compensation for Non-Executive Directors	2019	306,144	20,020	–	–	–	–	**326,164**	–%
	2018	325,884	21,830	–	–	–	–	**347,714**	–%
Senior Executives									
Peter Forsyth	2019	490,000	25,000	–	–	200,000	59,650	**774,650**	33.5%
	2018	475,000	25,000	–	–	–	–	**500,000**	–%
Sam Cruickshank[5]	2019	169,896	11,876	–	–	–	10,673	**192,445**	5.5%
	2018	–	–	–	–	–	–	**–**	–%
Christine Hayward[6]	2019	223,508	10,266	–	108,375	127,500	–	**469,649**	27.1%
	2018	404,951	20,049	–	–	–	–	**425,000**	–%
Total compensation for Senior Executives	2019	883,404	47,142	–	108,375	327,500	70,323	**1,436,744**	27.7%
	2018	879,951	45,049	–	–	–	–	**925,000**	–%
Total key management personnel remuneration	**2019**	**1,189,548**	**67,162**	**–**	**108,375**	**327,500**	**70,323**	**1,762,908**	22.6%
	2018	**1,205,835**	**66,879**	**–**	**–**	**–**	**–**	**1,272,714**	–%

1 Sy van Dyk was appointed as a Non-Executive Director on 19 February 2018.
2 David Singleton was appointed as Non-Executive Director on 15 April 2019.
3 Charlie Sartain retired as Non-Executive Director on 1 April 2018.
4 Peter Pursey retired as Non-Executive Director on 1 November 2017.
5 Sam Cruickshank was appointed as Chief Financial Officer on 4 December 2018.
6 Christine Hayward resigned as Chief Financial Officer on 4 December 2018.
7 Other benefits include termination benefits paid to Christine Hayward.

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

Bonus payments made to Peter Forsyth and Christine Hayward during the year ended 30 June 2019 were made at the Board's discretion, as disclosed on page 30.

Other transactions with related parties

There were no transactions with related parties during the year (2018: Nil) and no amounts outstanding to related parties at 30 June 2019 (2018: Nil).

There were no other transactions with related parties during the year to 30 June 2019.

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 2019 and 30 June 2018.

Performance Rights held by key management personnel

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

Name	Performance Conditions	Number of rights granted during the year 30 June 2019	Number of rights vested during the year 30 June 2019
Managing Director/CEO – Peter Forsyth	EPS and TSR	2,145,923	–
Chief Financial Officer – Sam Cruickshank	Tenure	429,185*	–

* Tenure rights were granted to Sam Cruickshank prior to his permanent appointment as Chief Financial Officer whilst occupying the role of Group Financial Controller.

Values of Performance Rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

	Fair value of rights at grant date $	Value of rights vested during the year $	Value of rights lapsed during the year $	Total percentage of performance rights vested during the year
Managing Director/CEO – Peter Forsyth	283,262	–	–	–
Chief Financial Officer – Sam Cruickshank	78,541	–	–	–

There were no performance rights granted in the 2018 financial year.

Shares held by key management personnel

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

Name	Balance at the start of the year No.	Options exercised during the year No.	Bought during the year No.	Granted during the year No.	Sold during the year and other changes No.	Former key manage-ment personnel No.	Balance at the end of the year No.
Current and former key management personnel							
Jim Walker	80,000	–	86,000	–	–	–	166,000
Peter Forsyth	200,000	–	600,000		–	–	800,000
Sy van Dyk	–	–	128,500	–	–	–	128,500
Total	**280,000**	**–**	**814,500**	**–**	**–**	**–**	**1,094,500**

No other key management personnel held shares at 30 June 2019 and 30 June 2018.

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

This concludes the audited remuneration report.

Directors' report

Shares under option

There were no unissued ordinary shares of Austin Engineering Limited under option as at 30 June 2019.

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

Shares under performance rights

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

Grant date	Expiry date	Type	Exercise price	Number of shares under right
17 December 2018	17 December 2023	Tenure	$0.00	1,716,740
17 December 2018	17 December 2023	EPS and TSR	$0.00	6,111,843

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 37.

Rounding of amounts

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

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

J B Walker

Jim Walker
Non-Executive Chairman

27 August 2019
Brisbane

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

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

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

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

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

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 August 2019

Annual Financial Report

For the year ended 30 June 2019

Consolidated financial statements

Notes to the consolidated financial statements

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

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

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

Its registered office and principal place of business is:

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

The financial statements were authorised for issue by the Directors on 27 August 2019. The Directors have the power to amend and reissue the financial statements.

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Revenue from continuing operations	2	235,738	275,181
Expenses			
Raw materials and consumables used		(71,449)	(90,287)
Changes in inventories and work in progress		(9,890)	5,528
Employment expenses		(86,122)	(107,948)
Subcontractor expenses		(17,642)	(23,685)
Occupancy and utility expenses		(6,632)	(7,710)
Depreciation expense		(6,286)	(7,043)
Amortisation expense	15	(59)	(432)
Production operational expenses		(7,659)	(11,396)
Other expenses		(18,477)	(25,029)
Finance costs		(3,166)	(5,216)
Impairment expense	3	(3,707)	(5,707)
Profit/(loss) before income tax		**4,649**	**(3,744)**
Income tax (expense)/benefit	5	(3,101)	1,784
Profit/(loss) for the year from continuing operations		**1,548**	**(1,960)**
Loss from discontinued operation	4	(6,138)	(9,979)
Loss for the year		**(4,590)**	**(11,939)**
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	18	1,567	3,976
Other comprehensive income for the year		**1,567**	**3,976**
Total comprehensive income for the year		**(3,023)**	**(7,963)**
Loss for the year is attributable to:			
Owners of Austin Engineering Limited		(4,590)	(11,939)
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		(3,023)	(7,963)

	Note	Cents	Cents
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic profit/(loss) per share (cents per share)	6	0.27	(0.34)
Diluted profit/(loss) per share (cents per share)	6	0.27	(0.34)
Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited:			
Basic loss per share (cents per share)	6	(0.79)	(2.06)
Diluted loss per share (cents per share)	6	(0.79)	(2.06)

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 2019

	Note	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current assets			
Cash and cash equivalents	8	6,858	5,580
Trade and other receivables	9	39,042	58,475
Inventories	10	26,690	37,071
Current tax assets	5	1,458	914
Other receivables and other assets	11	12,997	9,748
		87,045	**111,788**
Assets classified as held for sale	4	5,549	18,713
Total current assets		**92,594**	**130,501**
Non-current assets			
Property, plant and equipment	14	60,616	66,681
Intangible assets	15	10,567	10,831
Deferred tax assets	5	10,939	13,256
Other non-current assets	11	2,639	2,564
Total non-current assets		**84,761**	**93,332**
Total assets		**177,355**	**223,833**
Current liabilities			
Trade and other payables	12	40,123	58,012
Financial liabilities	16	16,690	23,939
Current tax liabilities	5	1,754	1,329
Provisions	13	6,427	7,688
		64,994	**90,968**
Financial liabilities directly associated with assets classified as held for sale	4	5,409	15,210
Total current liabilities		**70,403**	**106,178**
Non-current liabilities			
Financial liabilities	16	4,577	12,335
Deferred tax liabilities		381	565
Provisions	13	596	547
Total non-current liabilities		**5,554**	**13,447**
Total liabilities		**75,957**	**119,625**
Net assets		**101,398**	**104,208**
Equity			
Share capital	17	153,927	153,927
Retained earnings		(45,536)	(42,226)
Reserves	18	(6,993)	(7,493)
Total equity		**101,398**	**104,208**

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 2019

Consolidated Entity	Contributed equity $'000	Other reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2017	**153,927**	**1,500**	**(12,749)**	**(30,500)**	**112,178**
Total comprehensive income for the year:					
Loss for the year	–	–	–	(11,939)	(11,939)
Other comprehensive income, net of tax:					
Currency translation differences	–	–	3,976	–	3,976
Total comprehensive income for the year	–	–	3,976	(11,939)	(7,963)
Transactions with owners in their capacity as owners:					
Share-based payments	–	(7)	–	–	(7)
Transfers	–	(213)	–	213	–
	–	**(220)**	**–**	**213**	**(7)**
Balance at 30 June 2018	**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**
Balance at 1 July 2018	**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**
Total comprehensive income for the year:					
Loss for the year	–	–	–	(4,590)	(4,590)
Other comprehensive income, net of tax:					
Currency translation differences	–	–	1,567	–	1,567
Total comprehensive income for the year	–	–	1,567	(4,590)	(3,023)
Transactions with owners in their capacity as owners:					
Share-based payments	–	213	–	–	213
Transfers	–	(1,280)	–	1,280	–
	–	**(1,067)**	**–**	**1,280**	**213**
Balance at 30 June 2019	**153,927**	**213**	**(7,206)**	**(45,536)**	**101,398**

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 2019

	Note	Consolidated Entity 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		264,614	295,570
Payments to suppliers and employees		(245,499)	(287,498)
Interest received		418	280
Finance costs		(4,261)	(5,744)
Income tax refund		2,171	1,075
Income tax paid		(3,645)	(2,479)
Net cash provided by operating activities	**27**	**13,798**	**1,204**
Cash flows from investing activities			
Payments for property, plant and equipment	14	(7,743)	(3,034)
Payments for intangibles	15	(80)	(87)
Proceeds from sale of property, plant and equipment		20,155	3,173
Net cash provided by investing activities		**12,332**	**52**
Cash flows from financing activities			
Proceeds from borrowings		85,290	114,017
Repayment of borrowings		(110,139)	(113,623)
Net cash (used)/provided by financing activities		**(24,849)**	**394**
Net increase in cash and cash equivalents		**1,281**	**1,650**
Cash and cash equivalents at the beginning of the financial year		5,580	3,923
Effects of exchange rate changes on cash and cash equivalents		(3)	7
Cash and cash equivalents at end of the year	**8**	**6,858**	**5,580**

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

Notes to the consolidated financial statements

Results notes

1 Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services and corporate activities), Americas (for mining equipment, other products and repair and maintenance services comprising of North America and South America) and Asia (currently Indonesia for mining equipment and other products). These reporting segments also provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies, production facilities and processes, the cost of key inputs such as labour and steel, the existence of competition and differing customer requirements that may affect product pricing.

Executive management monitors segment performance based on EBITDA. Segment information for the years ended 30 June 2019 and 30 June 2018 is as follows:

	Australia		Americas		Asia		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Continuing operations								
Total segment revenue from continuing operations – from external customers	96,925	124,043	122,797	136,171	33,886	22,417	253,608	282,631
Less:								
Inter-segment revenue	–	–	–	–	(17,870)	(7,450)	(17,870)	(7,450)
Total segment revenue	96,925	124,043	122,797	136,171	16,016	14,967	235,738	275,181
Normalised EBITDA from continuing operations	4,408	7,908	12,317	8,147	4,288	4,336	21,013	20,391
Profit/(loss) before tax	(1,066)	(2,800)	2,415	(1,931)	3,300	987	4,649	(3,744)
Other segment information								
Depreciation and amortisation	2,389	2,648	3,041	3,941	915	886	6,345	7,475
Impairment	475	5,707	3,232	–	–	–	3,707	5,707
Continuing and discontinued operations								
Total segment assets	43,607	70,770	108,921	128,535	24,827	24,528	177,355	223,833
Total assets includes:								
Additions to non–current assets (other than financial assets and deferred tax)	2,665	1,295	4,879	1,659	279	80	7,823	3,034
Total segment liabilities	28,069	54,330	41,025	54,183	6,863	11,112	75,957	119,625

Inter-segment transfers

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

1 Segment information (continued)

Segment revenue and non-current assets

	Consolidated Entity	
	2019 $'000	2018 $'000
Total revenues from continuing operations from external customers attributed to:		
– Australia	95,569	121,236
– Chile	31,859	33,836
– USA & Canada	63,943	35,816
– all foreign countries	44,367	84,293
Revenues derived from a single external customer were attributable to Australia	38,647	48,281
Non-current assets, excluding financial instruments and deferred tax assets, located:		
– in Australia	16,789	19,871
– in Chile	24,825	25,581
– in foreign countries	29,569	32,060

Corporate expenses

Corporate expenses are included in the Australian reporting segment for decision-making purposes as this represents the area within which they are mostly incurred.

Segment assets and liabilities

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

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

	Continuing and discontinued operations		Continuing operations	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Normalised EBITDA used for segment reporting	**18,698**	**23,191**	**21,013**	**20,391**
Non–impairment one–off items*	(5,483)	(6,033)	(3,146)	(5,738)
Impairment expense	(3,997)	(17,680)	(3,707)	(5,707)
Reported EBITDA	**9,218**	**(522)**	**14,160**	**8,946**
Depreciation expense	(6,419)	(10,406)	(6,286)	(7,043)
Amortisation expense	(59)	(432)	(59)	(432)
Interest revenue	417	165	417	166
Finance costs	(4,260)	(5,745)	(3,583)	(5,381)
Profit before income tax	**(1,103)**	**(16,940)**	**4,649**	**(3,744)**

* Non-impairment one-off items relate to restructuring costs.

Notes to the consolidated financial statements

2 Revenue

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

	Consolidated Entity 2019 $'000	2018 $'000
Revenue from contracts with customers	235,206	274,901
Other income	532	280
Total revenue from continuing operations	**235,738**	**275,181**

(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:

	Australia		Americas		Asia		Total	
Revenue from contracts with customers	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Sale of Goods								
Truck Bodies	54,671	61,036	81,048	68,374	2,769	3,397	138,488	132,807
Buckets	6,387	6,404	2,269	4,563	–	1,299	8,656	12,266
Other Goods	10,709	5,124	8,199	14,886	11,793	9,620	30,621	29,630
Total Sale of Goods	**71,767**	**72,564**	**91,436**	**87,823**	**14,562**	**14,316**	**177,765**	**174,703**
Services								
On–Site Services	5,908	23,279	18,475	25,590	–	–	24,383	48,869
Off–Site Services	18,319	28,170	10,781	15,873	–	–	29,100	44,043
Other Services	822	–	1,683	6,635	1,453	651	3,958	7,286
Total Services	**25,049**	**51,449**	**30,939**	**48,098**	**1,453**	**651**	**57,441**	**100,198**
Revenue from contracts with customers	**96,816**	**124,013**	**122,375**	**135,921**	**16,015**	**14,967**	**235,206**	**274,901**
Timing of Revenue Recognition								
At a point in time	71,767	72,564	91,436	87,823	14,562	14,316	177,765	174,703
Over time	25,049	51,449	30,938	48,099	1,453	651	57,440	100,198
Revenue from contracts with customers	**96,816**	**124,013**	**122,375**	**135,921**	**16,015**	**14,967**	**235,206**	**274,901**

(b) Accounting policies

(i) Sale of goods

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

The Group derives a portion of sale of goods revenue from the sale of truck bodies under finance lease arrangements in the capacity as lessor. The Group is considered to be a manufacturer lessor under AASB 117 Leases and therefore recognises selling profit or loss in the period in accordance with the policy for outright sale of goods. Revenue from these sales is recognised at the fair value of the asset disposed or, if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest.

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

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

(ii) Services

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

(c) Contract assets and liabilities

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

		Consolidated Entity	
	Note	2019 $'000	2018 $'000
Contract assets	9	3,478	8,096
Contract liabilities	12	(3,276)	(8,827)

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

	Contract Assets		Contract Liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 July	**8,096**	**7,715**	**(8,827)**	**(7,058)**
Invoices issued in advance of performance	–	–	(49,445)	(54,198)
Transfers to trade receivables	(19,620)	(33,931)	–	–
Amounts recognised in revenue during the year	15,302	33,888	55,073	52,374
Excess of revenue recognised over cash	–	–	–	–
Effect of foreign exchange	(300)	424	(77)	55
At 30 June	**3,478**	**8,096**	**(3,276)**	**(8,827)**

(i) Contract assets and liabilities

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

3 Expenses

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Cost of goods sold	175,876	207,663
Rental expense on operating leases	2,243	2,516
Defined contribution superannuation costs	2,731	3,372
Net foreign currency exchange (gains)/losses	(853)	5

(b) Impairment charge

Impairment charges from continuing operations of $3.707m have been allocated against Property, Plant and Equipment of $3.249m and Other Intangibles of $0.458m, refer to Notes 14 and 15. In 2018, Impairment charges from continuing operations of $5.707m have been allocated against customer relationship intangibles of $4.707m associated with the acquisition of Pilbara Hire Group Pty Ltd and goodwill of Aust Bore Pty Ltd $1.000m, refer to Note 15.

Results

Notes to the consolidated financial statements

4 Discontinued operation

(a) Discontinued operation

The Group has been actively seeking to dispose of the assets of its crane business in Chile with the majority of these assets being sold in the 30 June 2019 financial year. The remaining assets of the Chilean crane business have been classified as held for sale at 30 June 2019 and are expected to be disposed of in the next 12 months. The results of the cranes business in Chile have been disclosed as a discontinued operation. The comparative profit and cash flows from discontinued operations for the period are set out below.

	Consolidated Entity	
	2019 $'000	2018 $'000
Revenue	6,857	18,181
Expenses	(12,609)	(31,377)
Income tax (expense)/benefit	(386)	3,217
Loss from discontinued operation	**(6,138)**	**(9,979)**
Net cash (outflow)/inflow from operating activities	(2,451)	1,360
Net cash inflow from investing activities	11,946	1,219
Net cash (outflow) from financing activities	(9,801)	(2,374)
Net (decrease)/increase in cash generated by discontinued operation	**(306)**	**205**

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

(b) Assets and liabilities classified as held for sale

The Group intends to dispose properties and equipment that it no longer requires in the next twelve months. The properties and equipment are located in Chile, Australia and Peru. The properties available for sale in Chile are related to the discontinued operations in Chile, a contract for sale of the Chile property has been agreed however, Austin's Chile crane business is subject to a disputed tax liability that prevents the sale of land and building assets. The full amount of the tax liability is provided for at 30 June 2019.

	Consolidated Entity	
	2019 $'000	2018 $'000
Plant and equipment	1,105	13,068
Land and buildings	1,984	1,960
Discontinued cranes business operation in Chile	**3,089**	**15,028**
Land and buildings in Hunter Valley	1,543	1,571
Land and buildings in Peru	917	1,829
Plant and equipment in Peru	–	285
Other properties held for sale	**2,460**	**3,685**
Total assets classified as held for sale	**5,549**	**18,713**
Financial liabilities associated with discontinued cranes business operation in Chile	**5,409**	**15,210**

Assets are classified as held for sale when its carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

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

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Opening assets classified as held for sale	**18,713**	**–**
Net transfers from Property, Plant and Equipment (refer note 14)	1,886	18,713
Disposals	(15,239)	–
Exchange differences	189	–
Closing assets classified as held for sale	**5,549**	**18,713**

5 Tax

(a) Income tax expense/(benefit)

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Components of income tax expense/(benefit):		
Current tax – current period	1,204	1,302
(Over)/under provision in respect of prior years	134	(716)
Deferred tax – origination and reversal of temporary differences	2,149	(5,587)
	3,487	**(5,001)**
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	3,101	(1,784)
Profit/(loss) from discontinued operation	386	(3,217)
	3,487	**(5,001)**
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) from continuing operations before income tax expense	4,649	(3,744)
Loss from discontinuing operation before income tax expense	(5,752)	(13,196)
	(1,103)	**(16,940)**
Tax at the Australian tax rate of 30.0% (2018 – 30.0%)	(331)	(5,082)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	472	719
Under/(over) provision for tax in prior years	134	(716)
Share options expensed in the year	64	(2)
Differences in overseas tax rates	(39)	676
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	940	(596)
De-recognition of previously recognised deferred tax assets	2,247	–
Income tax expense/(benefit)	**3,487**	**(5,001)**

(b) Current tax asset and liability

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current tax assets	1,458	914
Current tax liabilities	(1,754)	(1,329)
	(296)	**(415)**

(c) Deferred tax

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Deferred tax assets – non-current:		
Employee leave entitlements	1,398	1,215
Warranty and other provisions	274	352
Transaction costs on equity issue	676	1,268
Tax losses	7,158	9,834
Other	1,433	587
Total deferred tax assets	**10,939**	**13,256**

Notes to the consolidated financial statements

5 Tax (continued)

(c) Deferred tax (continued)

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements: 2019				
Deferred tax assets				
Employee leave entitlements	1,215	209	(26)	1,398
Warranty and other provisions	352	(75)	(3)	274
Transaction costs on equity issue	1,268	(592)	–	676
Tax losses	9,834	(2,760)	84	7,158
Other	587	857	(11)	1,433
Total deferred tax assets	**13,256**	**(2,361)**	**44**	**10,939**
Movements: 2018				
Deferred tax assets				
Employee leave entitlements	1,581	(352)	(14)	1,215
Warranty and other provisions	206	147	(1)	352
Transaction costs on equity issue	967	301	–	1,268
Tax losses	9,503	358	(27)	9,834
Other	985	(360)	(38)	587
Total deferred tax assets	**13,242**	**94**	**(80)**	**13,256**

Income tax

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

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

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

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

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

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

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

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

6 Earnings per share

	Consolidated Entity	
	2019 Cents	2018 Cents
Basic earnings per share		
From continuing operations	0.27	(0.34)
From discontinued operations	(1.06)	(1.72)
Total basic earnings per share	**(0.79)**	**(2.06)**
Diluted earnings per share		
From continuing operations	0.27	(0.34)
From discontinued operations	(1.06)	(1.72)
Total diluted earnings per share	**(0.79)**	**(2.06)**

	Consolidated Entity	
	2019 $'000	2018 $'000
Reconciliation of earnings to Profit/(Loss) after tax:		
From continuing operations	1,548	(1,960)
From discontinued operation	(6,138)	(9,979)
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(4,590)**	**(11,939)**

	Consolidated Entity	
	2019 Number	2018 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	578,833,756	578,833,756
Weighted average effect of dilutive securities – share based performance rights	2,825,837	–
Used to calculate diluted earnings per share	581,659,593	578,833,756

(a) Performance Rights

Performance rights granted to employees under the performance rights plan are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the performance rights is provided in note 31.

Notes to the consolidated financial statements

7 Dividends

Recognised amounts

There were no interim or final dividends paid during the year ended 30 June 2019 and 30 June 2018.

Dividends not recognised at the end of the reporting period

Since the end of financial year the Directors have not declared a final dividend for the financial year ended 30 June 2019 (2018: Nil cents per share).

	Consolidated Entity	
	2019 $'000	**2018 $'000**
Franking credits		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 - 30.0%)	26,627	26,627

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

8 Cash and cash equivalents

	Consolidated Entity	
	2019 $'000	2018 $'000
Cash and cash equivalents	6,858	5,580
	6,858	**5,580**

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

Restricted cash

At 30 June 2019, there were no restricted cash balances (2018: Nil).

9 Trade and other receivables

	Consolidated Entity	
	2019 $'000	2018 $'000
Trade receivables	35,584	50,487
Allowance for expected credit losses	(20)	(108)
Trade receivables net of expected credit losses	**35,564**	**50,379**
Contract assets	3,478	8,096
	39,042	**58,475**

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Australian dollars	10,620	21,518
US dollars (Australian dollar equivalent)	15,643	19,695
Chilean pesos (Australian dollar equivalent)	4,786	6,063
Colombian pesos (Australian dollar equivalent)	2,688	2,485
Peruvian nuevo soles (Australian dollar equivalent)	1,380	319
Indonesian rupiah (Australian dollar equivalent)	447	299
	35,564	**50,379**

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

	Consolidated Entity	
	2019 $'000	2018 $'000
1-30 days	6,239	6,323
31-60 days	1,052	1,492
61-90 days	1,342	197
	8,633	**8,012**

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 receivables

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

Notes to the consolidated financial statements

9 Trade and other receivables (continued)

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

The Group's historical losses are very low as a proportion of the groups 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 19 for more information on the consolidated entity's risk management policy, the credit quality and risk of trade receivables.

10 Inventories

	Consolidated Entity	
	2019 $'000	**2018 $'000**
At cost		
Raw materials and consumables	14,115	14,860
Work in progress	11,406	19,859
Finished goods	1,169	2,352
	26,690	**37,071**

Raw materials, consumables and work in progress

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

11 Other assets

	Consolidated Entity	
	2019 $'000	**2018 $'000**
Current		
Prepayments	2,430	4,442
Other receivables	3,745	3,937
Current finance lease receivable	6,822	1,369
	12,997	**9,748**

The Group entered into lessor finance lease arrangements with certain customers for the sale of truck bodies manufactured by the Group. The average term of finance leases entered into is 5 years. There are no unguaranteed residual values of assets under finance lease at the end of reporting period. The average effective interest rate contracted is approximately 8% per annum. The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Finance lease receivable	**Current 2019 $'000**	**Non-current 2019 $'000**	**Current 2018 $'000**	**Non-current 2018 $'000**
Finance lease receivable				
Not later than one year	6,894	–	1,609	–
Later than one year and not later than five years	–	2,825	–	2,851
Later than five years	–	–	–	–
	6,894	2,825	1,609	2,851
Less: unearned finance income	(72)	(186)	(240)	(287)
Present value of minimum lease payments receivable	6,822	2,639	1,369	2,564
Allowance for uncollectible lease payments	–	–	–	–
	6,822	**2,639**	**1,369**	**2,564**

12 Trade and other payables

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current unsecured liabilities		
Trade payables	26,908	35,234
Accrued and other payables	9,939	13,951
Contract liabilities	3,276	8,827
	40,123	**58,012**

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

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Australian dollars	21,694	30,043
US dollars (Australian dollar equivalent)	11,202	11,138
Chilean pesos (Australian dollar equivalent)	3,447	7,343
Colombian pesos (Australian dollar equivalent)	685	2,687
Peruvian nuevo soles (Australian dollar equivalent)	773	856
Indonesian rupiah (Australian dollar equivalent)	1,788	4,869
Singaporean dollars (Australian dollar equivalent)	534	1,076
	40,123	**58,012**

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

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 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.

Notes to the consolidated financial statements

13 Provisions

	Consolidated Entity	
	2019 $'000	2018 $'000
Current		
Employee leave entitlements	5,096	5,618
Warranty provisions	595	1,089
Other	736	981
	6,427	**7,688**
Non-current		
Employee leave entitlements	596	547
	596	**547**

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

Employee benefits - short-term obligations

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

Other long-term employee benefit obligations

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

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

Warranties

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

14 Property, plant and equipment

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Freehold land		
Cost	23,132	24,109
	23,132	**24,109**
Freehold buildings		
Cost	34,631	35,456
Accumulated depreciation	(10,364)	(8,569)
	24,267	**26,887**
Plant and equipment		
Cost	54,602	61,173
Accumulated depreciation	(42,965)	(45,592)
	11,637	**15,581**
Capital work in progress		
Cost	1,580	104
	1,580	**104**
Closing net book amount	**60,616**	**66,681**

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

Consolidated entity	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2018					
Opening net book amount	25,479	30,247	49,092	509	105,327
Additions	–	408	2,154	472	3,034
Reallocation of capital work in progress	–	60	787	(847)	–
Disposals	(138)	(223)	(3,283)	(30)	(3,674)
Exchange differences	933	924	2,380	–	4,237
Transfers to inventory	–	–	(1,151)	–	(1,151)
Depreciation charge	–	(1,334)	(9,072)	–	(10,406)
Impairment loss	–	–	(11,973)	–	(11,973)
Transfers to/from assets classified as held for sale	(2,165)	(3,195)	(13,353)	–	(18,713)
Closing net book amount	**24,109**	**26,887**	**15,581**	**104**	**66,681**

Notes to the consolidated financial statements

14 Property, plant and equipment (continued)

(i) Non-current assets pledged as security

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

(ii) Leased assets

	2019 $'000	2018 $'000
Assets under finance lease arrangements included in the totals noted above are as follows:		
Opening balance	1,179	12,721
Additions	2,055	651
Assets no longer under finance lease arrangements	(577)	(1,496)
Foreign currency exchange movements	(37)	624
Depreciation expense	(355)	(867)
Assets classified as held for sale	–	(10,454)
Net book amount	**2,265**	**1,179**

(iii) Impairment

Impairment losses of $3.539 million mainly relate to individual assets located in South America that were assessed as having a carrying value exceeding their recoverable amount. This included a loss of $1.947 million on the buildings and fixed plant in Austin's Calama, Chile based property, which was written down to a recent independent valuation amount. The impairment loss in the year ended 30 June 2018 related to discontinued operations.

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%-3%
Plant and equipment	5%-40%

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

Impairment

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

15 Intangible assets

	Goodwill $'000	Brands $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Year ended 30 June 2019					
Opening net book amount	10,215	–	–	616	10,831
Additions	–	–	–	80	80
Exchange differences	173	–	–	–	173
Amortisation charge	–	–	–	(59)	(59)
Impairment charge	–	–	–	(458)	(458)
Closing net book amount	**10,388**	**–**	**–**	**179**	**10,567**
At 30 June 2019					
Cost	66,587	50	15,253	241	82,131
Accumulated amortisation and impairment	(56,199)	(50)	(15,253)	(62)	(71,564)
Net book amount	**10,388**	**–**	**–**	**179**	**10,567**
Year ended 30 June 2018					
Opening net book amount	11,105	–	5,099	564	16,768
Additions	–	–	–	87	87
Exchange differences	110	–	–	5	115
Amortisation charge	–	–	(392)	(40)	(432)
Impairment charge	(1,000)	–	(4,707)	–	(5,707)
Closing net book amount	**10,215**	**–**	**–**	**616**	**10,831**
At 30 June 2018					
Cost	65,794	50	15,192	877	81,913
Accumulated amortisation and impairment	(55,579)	(50)	(15,192)	(261)	(71,082)
Net book amount	**10,215**	**–**	**–**	**616**	**10,831**

Goodwill

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

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Cash generating unit		
Aust Bore Pty Ltd	5,310	5,310
Austin Engineering USA Inc.	3,889	3,716
Austin Mackay	1,189	1,189
Net carrying value	**10,388**	**10,215**

Notes to the consolidated financial statements

15 Intangible assets (continued)

Impairment charge

The impairment during the current period was the result of the Group assessing the recoverable values of individual intangible assets. The impairment in the prior year was the result of the Company reassessing the recoverable values of its CGU in light of the anticipated risks and opportunities that exist in each CGU.

During the year, a net impairment charge of $0.458m (2018: $5.707m) has been allocated to the following intangible assets and cash generating units (CGUs):

	Other intangibles $'000	Consolidated Entity $'000
Impairment charges – 2019		
Austin Engineering Limited	458	458
Total impairment	**458**	**458**

	Goodwill $'000	Customer relationships $'000	Consolidated Entity $'000
Impairment charges – 2018			
Pilbara Hire Group Pty Ltd	–	4,707	4,707
Aust Bore Pty Ltd	1,000	–	1,000
Total impairment	**1,000**	**4,707**	**5,707**

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

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

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

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

15 Intangible assets (continued)

Key assumptions used for value in use calculations

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

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

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

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

Pre-tax WACC

Region	2019 %	2018 %
Australia	13.32	14.48
USA	12.42	13.00
Chile	13.35	13.87
Colombia	18.07	18.70
Peru	16.21	16.73
Indonesia	14.72	14.76

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 3% (2018: 3%) based on the long-term growth rates experienced in the Group's end-markets and external forecasts.

Impact of reasonably possible changes in key assumptions

The impairments recorded during the year were based on management determination on the CGU's recoverable amount, after taking into consideration any possible change in key assumptions of value-in-use calculation of the CGU's. At 30 June 2019, after the impairment charges, and applying reasonable sensitivity analysis, the recoverable amount of each CGU exceeds its carrying value.

Notes to the consolidated financial statements

16 Financial liabilities

	Current 2019 $'000	Non-current 2019 $'000	Current 2018 $'000	Non-current 2018 $'000
Secured liabilities				
Facilities associated with continuing operations				
Bank facilities	2,510	1,787	4,056	1,397
Non-bank core debt	14,180	2,790	19,883	10,938
	16,690	**4,577**	**23,939**	**12,335**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale in cranes business	5,409	–	15,210	–
	22,099	**4,577**	**39,149**	**12,335**

Financial liabilities associated with assets held for sale

Financial liabilities due from Austin Arrendamientos Chile Ltda are expected to be settled in conjunction with asset sales to which the liabilities are secured against. On the basis that the Group intends to dispose of the secured assets within 12 months, the financial liabilities have been classified as current. Upon sale of these assets, Austin will likely refinance a portion of this liability into its continuing operations in Chile.

Assets pledged as security – fixed/floating charge

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current		
Floating charge		
Cash and cash equivalents	5,099	5,580
Receivables	30,245	50,379
Inventories	21,192	37,071
Fixed charge		
Assets held for sale	4,633	18,713
Total current assets pledged as security	**61,169**	**111,743**
Non-current		
Fixed charge		
Property, plant and equipment	53,239	66,681
Total assets pledged as security	**114,408**	**178,424**

16 Financial liabilities (continued)

Financing facilities

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

	Consolidated Entity	
	2019 $'000	**2018 $'000**
Total facilities		
Bank facilities	6,160	10,957
Non-bank core debt	18,701	37,112
Finance liabilities associated with assets held for sale in cranes business	5,409	18,484
	30,270	**66,553**
Utilised facilities		
Bank facilities	4,297	5,453
Non-bank core debt	16,970	30,821
Finance liabilities associated with assets held for sale in cranes business	5,409	15,210
	26,676	**51,484**
Unused		
Bank facilities	1,863	5,504
Non-bank core debt	1,731	6,291
Finance liabilities associated with assets held for sale in cranes business	–	3,274
	3,594	**15,069**

Banking facilities

The banking facilities relate to leases and bank loans in various jurisdictions within the group.

At 31 December 2018, the crane business in Chile did not meet its Debt:EBITDA covenant on a bank facility. The lender agreed to waive this non-compliance in December 2018. There are no reportable facility covenants that the subsidiaries have to meet as at 30 June 2019. The facility bears an interest rate of 8.4% per annum and is expiring 2 December 2024.

This facility is secured against assets held for sale at 30 June 2019. Consequently, the loan has been classified as current.

Non-bank core debt

The Group currently has financing facilities provided by Australian-based financier Assetsecure Pty Limited (Assetsecure) in Australia and Bibby Financial Services Inc (Bibby) in the United States of America. The facilities comprise of a $12.500m term loan and a trade receivable facility of up to $17.000m trade receivables in Australia and up to US$8.000m trade receivables in the United States of America. The facilities are secured by Austin's Australian, USA and Indonesian assets.

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

Notes to the consolidated financial statements

17 Equity – share capital

	2019 No.	2019 $'000	2018 No.	2018 $'000
Ordinary shares				
Opening balance	578,833,756	153,927	578,833,756	153,927
Balance at end of year	**578,833,756**	**153,927**	**578,833,756**	**153,927**

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

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 $121.216m at 30 June 2019 (30 June 2018: $150.112m). 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 2019 and 30 June 2018 are as follows:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Total borrowings	26,676	51,484
Less cash and cash equivalents	(6,858)	(5,580)
Net debt	**19,818**	**45,904**
Total equity	101,398	104,208
Total capital	**121,216**	**150,112**
Net gearing ratio	16%	31%

18 Equity – reserves

Share-based payments

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

Foreign currency translation

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

19 Financial risk management

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The Group 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 2019, 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 2018, 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 2019				
US dollar	(2,122)	(292)	2,122	292
Chilean peso	(2,692)	1,000	2,692	(1,000)
Indonesian rupiah	(1,642)	(78)	1,642	78
Colombian peso	(879)	297	879	(297)
Peruvian nuevo soles	(470)	50	470	(50)
Total	**(7,805)**	**977**	**7,805**	**(977)**
30 June 2018				
US dollar	(1,715)	(35)	1,715	35
Chilean peso	(3,042)	1,111	3,042	(1,111)
Indonesian rupiah	(1,228)	(75)	1,228	75
Colombian peso	(1,482)	(221)	1,482	221
Peruvian nuevo soles	(519)	146	519	(146)
Total	**(7,986)**	**926**	**7,986**	**(926)**

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

Notes to the consolidated financial statements

19 Financial risk management (continued)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

	Consolidated Entity			
	Weighted Average Interest Rate %	2019 $'000	Weighted Average Interest Rate %	2018 $'000
Cash	0.3	6,858	0.3	5,580
Financial liabilities	7.1	(26,676)	7.8	(51,484)
Net exposure to cash flow interest rate risk	–	(19,818)	–	(45,904)

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

Sensitivity

Based on the simulations performed, the annual impact on profit and loss of a one per cent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $0.198m (2018: $0.459m). The simulation is performed on a bi-annual basis to estimate the maximum loss potential.

Credit risk

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

Definition of default

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

Credit-impaired financial assets

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

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

Write-off policy

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

Trade and other receivables:

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

19 Financial risk management (continued)

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

At 30 June 2019, included in trade receivables is one significant customer accounting for approximately 13% (2018: 21%) of the total trade receivables. Details of trade and other receivables past due but not impaired are provided in note 9.

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

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

Cash and cash equivalents:

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

Liquidity risk

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

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

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

The Group maintains backup liquidity for its operations and currently maturing debts through a combination of revolving finance facilities, of which $3.594m were undrawn at 30 June 2019 (2018: $15.069m). The principal terms of repayment are detailed in note 16.

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

	No later than one years $'000	Between one and five years $'000	Greater than five years $'000	Contractual Cash flows $'000	Carrying Value $'000
At 30 June 2019					
Trade and other payables	36,847	–	–	36,847	36,847
Financial liabilities	19,095	9,282	912	29,289	26,676
Total	**55,942**	**9,282**	**912**	**66,136**	**63,523**
At 30 June 2018					
Trade and other payables	49,186	–	–	49,186	49,186
Financial liabilities	34,630	19,824	1,614	56,068	51,484
Total	**83,816**	**19,824**	**1,614**	**105,254**	**100,670**

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.

Notes to the consolidated financial statements

20 Fair value measurements

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

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

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

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

At 30 June 2019 the Group did not have any financial instruments that were measured and recorded at fair value. The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents and other receivables

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

Receivables and other assets

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

Short-term borrowings and other payables

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

Long-term borrowings

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

The carrying value of fixed rate borrowings not repriced within twelve months is $5.915m (2018: $12.500m). This borrowing has a fair value of: $5.853m (2018: $12.362m).

21 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 bank guarantees that are issued to third parties arising out of dealings in the normal course of business, there are no contingent liabilities.

22 Capital and leasing commitments

	Consolidated Entity	
	2019 $'000	2018 $'000
Finance and hire purchase lease commitments:		
Not later than one year	1,301	7,693
Between one year and five years	2,088	360
Greater than five years	375	–
	3,764	**8,053**
Minimum lease payments		
Less: future finance charges	(741)	(456)
	3,023	**7,597**

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Operating leases commitments:		
Not later than one year	3,038	1,903
Between one year and five years	9,222	6,478
Greater than five years	3,869	3,339
	16,129	**11,720**

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

Refer to Note 33(b) for the impact to Group of the new leasing standard commencing 1 July 2019, AASB 16: Leases.

Capital commitments

There was no significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities (30 June 2018: $1.727m).

23 Events occurring after the reporting period

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

Notes to the consolidated financial statements

24 Interests in other entities

	Place of business/ country of incorporation	Percentage owned 2019	Percentage owned 2018
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Austin Engineering USA Holding, Inc. (previously Austin Engineering USA Inc.)	USA	100%	100%
Austin Engineering South America (No.1) Pty Ltd	Australia	100%	100%
Austin Engineering South America (No.2) Pty Ltd	Australia	100%	100%
Austin Engineering Singapore Pte Ltd	Singapore	100%	100%
PHG Services Pty Ltd	Australia	100%	100%
Pilbara Hire Group Pty Ltd	Australia	100%	100%
Austin Ingenieros Colombia S.A.S	Colombia	1%	1%
Subsidiaries of Austin Engineering USA Holding, Inc. (previously Austin Engineering USA Inc.)			
Austin Engineering USA Services, Inc. (previously Western Technology Services International Inc.)	USA	100%	100%
Subsidiaries of Austin Engineering South America (No.1) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	99%	99%
Austin Ingenieros Chile Ltda	Chile	1%	1%
Austin Engineering Peru S.A.C	Peru	99%	99%
Austin Arrendamientos Chile Ltda	Chile	0.01%	0.01%
Subsidiaries of Austin Engineering South America (No.2) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	1%	1%
Subsidiaries of Austin Engineering Singapore Pte Ltd			
Austin Engineering Offshore Pte Ltd	Singapore	100%	100%
Austin Engineering Batam Pte Ltd	Singapore	100%	100%
Subsidiaries of Austin Engineering USA Services, Inc. (previously Western Technology Services International Inc.)			
Austin Engineering USA, Inc. (previously WOTCO Inc.)	USA	100%	100%
Subsidiaries of Austin Inversiones Chile Ltda			
Austin Ingenieros Chile Ltda	Chile	99%	99%
Austin Arrendamientos Chile Ltda	Chile	99.99%	99.99%
Subsidiaries of Austin Ingenieros Chile Ltda			
Austin Ingenieros Colombia S.A.S	Colombia	99%	99%
Austin Engineering Peru S.A.C	Peru	1%	1%
Subsidiaries of Austin Engineering Offshore Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	1%	1%
Subsidiaries of Austin Engineering Batam Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	99%	99%

Cash and short-term deposits held in 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 $0.868m (2018: $0.268m). 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 2019 and 30 June 2018 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 show the following aggregate amounts:

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	87,702	111,008
Non-current assets	44,807	40,507
Total assets	**132,509**	**151,515**
Current liabilities	27,410	44,297
Non-current liabilities	2,790	10,938
Total liabilities	**30,200**	**55,235**
Net assets	**102,309**	**96,280**
Equity		
Contributed equity	153,927	153,927
Options reserve	213	1,280
Retained earnings	(51,831)	(58,927)
	102,309	**96,280**
Profit/(loss) for the year	5,816	(20,195)
Other comprehensive income	–	–
Total comprehensive income	**5,816**	**(20,195)**

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 (2018: $0.824m).

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

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.

Notes to the consolidated financial statements

27 Cash flow information

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

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Loss for the year	(4,590)	(11,939)
Adjustment for		
Depreciation and amortisation	6,478	10,838
Impairment expense	3,997	17,681
Loss/(Profit) on disposal of property, plant and equipment	(1,536)	500
Share based payments	213	(8)
Interest capitalised	–	466
Change in operating assets and liabilities		
(Increase)/decrease in receivables	18,695	(4,742)
(Increase)/decrease in other assets	(3,323)	(4,416)
(Increase)/decrease in inventories	10,382	(4,518)
Increase/(decrease) in payables	(17,284)	2,108
Increase/(decrease) in income taxes payable and deferred	2,012	(6,407)
Increase/(decrease) in other provisions	(1,246)	1,641
Net cash inflow from operating activities	**13,798**	**1,204**

(b) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases	2,055	651

(c) Net debt reconciliation

Cash and cash equivalents	6,858	5,580
Financial liabilities – repayable within one year	(22,099)	(39,149)
Financial liabilities – repayable after one year	(4,577)	(12,335)
Net debt	**(19,818)**	**(45,904)**

	Cash and cash equivalents $'000	Financial liabilities – repayable within one year $'000	Financial liabilities – repayable after one year $'000	Total $'000
Net debt as at 30 June 2018	**5,580**	**(39,149)**	**(12,335)**	**(45,904)**
Cash flows	1,281	21,389	3,460	26,130
Acquisitions on finance lease	–	(459)	(1,596)	(2,055)
Foreign exchange movements	(3)	1,635	379	2,011
Transfer in maturity category	–	(5,515)	5,515	–
Net debt at 30 June 2019	**6,858**	**(22,099)**	**(4,577)**	**(19,818)**

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

28 Remuneration of auditors

	Consolidated Entity 2019 $	2018 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the Group	246,500	243,855
Entities related to BDO Audit Pty Ltd:		
Taxation services	–	20,270
	–	**20,270**
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	170,536	171,970
Taxation services	77,523	27,515
Corporate advisory services	68,850	36,116
	316,909	**235,601**
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	100,079	92,903
Taxation services	30,817	30,560
Other services	2,732	2,316
	133,628	**125,779**
Total auditors' remuneration	**697,037**	**625,505**

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 2019 or 30 June 2018 financial years.

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding amounts in respect to related parties (2018: nil).

30 Key management personnel compensation

	Consolidated Entity 2019 $	2018$
Short–term employee benefits	1,625,423	1,205,835
Post–employment benefits	67,162	66,879
Long–term benefits	70,323	–
	1,762,908	**1,272,714**

Detailed remuneration disclosures are provided in the remuneration report on pages 29 to 35.

Notes to the consolidated financial statements

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
– Options

The net expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $0.213m (2018: $0.007m credit).

Performance rights

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

On 17 December 2018 the Managing Director, Executives and other Key Employees were granted 2,145,923 and 6,111,845 Performance Rights respectively. The performance rights are exercisable into one ordinary share in Austin and have a nil exercise price. 6,541,028 Performance Rights will vest if Earnings Per Share (EPS) & Total Shareholder Return (TSR) performance conditions are met (EPS & TSR Performance Rights). The remaining 1,716,740 Performance Rights will vest if the recipients meet tenure requirements (Tenure Performance Rights). The Performance Rights were granted on the terms and conditions of the Company's Performance Rights Plan, vesting details are set out below:

Grant Date	Performance Conditions	Performance Period	Test Date	Number of Rights	Expiry Date
17 Dec 2018	EPS & TSR	30 Jun 2018 to 30 Jun 2021	30 Jun 2021	6,541,028	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2019	30 Sep 2019	343,348	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2020	30 Sep 2020	515,022	17 Dec 2023
17 Dec 2018	Tenure	17 Dec 2018 to 30 Sep 2021	30 Sep 2021	858,370	17 Dec 2023
Total				**8,257,768**	

The performance rights issued on 27 November 2015 to the former Chief Executive Officer and executives for the performance period 1 July 2015 to 30 June 2018 lapsed during the 30 June 2019 period as the performance conditions for these rights were not satisfied. Performance rights outstanding and exercisable at the reporting date are as follows:

	2019		2018	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Outstanding at beginning of year	519,353	–	1,213,893	–
Granted	8,257,768	–	–	–
Expired	–	–	–	–
Exercised	–	–	–	–
Forfeited/lapsed	(948,538)	–	(694,540)	–
Outstanding at end of year	**7,828,583**	**–**	**519,353**	**–**
Total exercisable at end of year	**–**	**–**	**–**	**–**

Other information

31 Share-based payments (continued)

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

Grant date	Performance rights	Expiry date	Exercise price	Share price Grant date	Est. volatility	Risk free interest rate	Weighted average fair value rights granted	Fair value of rights TSR	Fair value of rights EPS	Fair value of rights Tenure
17/12/18	EPS & TSR	17/12/23	–	$0.195	60%	1.98%	$0.132	$0.081	$0.183	N/A
17/12/18	Tenure	17/12/23	–	$0.195	60%	1.98%	$0.183	N/A	N/A	$0.183

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

Options

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

32 Critical accounting estimates and judgements

Key estimates

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

Impairment of intangibles

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

Taxation – Carried forward tax losses

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

Fair value of assets held for sale

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

Notes to the consolidated financial statements

33 Summary of significant accounting policies

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

(a) Application of new and revised accounting standards

The Group has applied the following standards for the first time for the annual reporting period commencing 1 July 2018:

- AASB 15 - Revenue from Contracts with Customers
- AASB 9 - Financial Instruments

The impact of the application of these standards has been assessed below.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") from 1 July 2018, which supersedes AASB 118 Revenue ("AASB 118"). AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group adopted AASB 15 using the modified retrospective method of adoption. The Group's revised accounting policies have been disclosed in Note 2. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of AASB 15 has not had a material impact on the Group.

Impact of adoption:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources:

- Sale of Goods
- Services

(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 the total transaction price is allocated across each product based on stand-alone selling prices net of any discounts provided.

The Group derives a portion of sale of goods revenue from the sale of truck bodies under finance lease arrangements in the capacity of lessor. The Group is considered to be a manufacturer lessor under AASB 117 and therefore recognises selling profit or loss in the period in accordance with the policy for outright sale of goods. Revenue from these sales is recognised at the fair value of the asset disposed, or if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest.

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

Sales-related warranties are not purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group will continue to account for the warranty in accordance with AASB137 Provisions, Contingent Liabilities and Contingent Assets consistent with prior year accounting treatment.

(ii) Services

The Group also 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.

(iii) 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'. On adoption of AASB 15, the Group has reclassified its accrued income and payments received in advance balances to contract assets and contract liabilities respectively for the current and prior periods. 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.

The above policies are materially consistent with AASB 118 and as such there will be no material change from the adoption of AASB 15.

AASB 9 Financial Instruments

AASB 9 Financial Instruments ("AASB 9") replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139") for annual period beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments;

- Classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- Hedge accounting

33 Summary of significant accounting policies (continued)

(a) Application of new and revised accounting standards (continued)

The Group has elected to adopt AASB 9 prospectively and therefore there will be no impact on comparative information. The adoption of AASB 9 from 1 July 2018 resulted in minimal changes in accounting policies. The new accounting policy for impairment of trade receivables is set out in Note 9. The impact on the financial report is set out below.

Impact of adoption:

The Group has Trade and other receivables that are subject to AASB 9's new expected credit loss model. The Group was required to revise its impairment methodology under AASB 9 for these assets. The impact of the change in impairment methodology on the Group's accounting policies has been disclosed in Note 9. Prior to the adoption of AASB 9, the Group applied an incurred credit loss model. Upon adoption of AASB 9, the Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On this basis, the impact of the expected loss allowance under AASB 9 against the loss incurred model under AASB 139 is not considered material to the Group.

As the Group does not have any available-for-sale financial assets or financial liabilities designated at fair value through profit and loss there is no impact to the Group from AASB 9's change in the classification and measurement of financial instruments.

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

The new rules for hedge accounting make it easier to apply hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group did not have any hedging arrangements during the 30 June 2019 financial year and therefore there is no impact from the adoption of AASB 9.

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

New accounting standards and interpretations have been published that are not compulsory for the 30 June 2019 reporting period. The consolidated entity's assessment of the impact of the new standards and interpretations that may affect the financial report are set out below.

AASB 16 Leases

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

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

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

As at the reporting date, the Group has non-cancellable operating leases of $16.129 million (2018: $11.720 million). AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments in note 22.

The Group has chosen the partial retrospective application of AASB 16 in accordance with AASB 16 and consequently, for leases previously classified as operating leases under AASB 117, at transition date, the Group:

- will adjust only the current year as though AASB 16 had always been applied;
- will not restate comparative financial information;
- will restate opening retained earnings for the cumulative effect of applying AASB 16 up to 1 July 2019

The implementation project assessment indicates that at 1 July 2019, the lease arrangements disclosed in note 22 will meet the definition of a lease under AASB 16, hence the Group will recognise a right-of-use asset of $9.132m, a corresponding liability of $9.690m and an adjustment to opening retained earnings of $0.558m in respect of these leases.

The adoption to the new standard will also have an impact to the alternative performance measures of the Group from 1 July 2019 such as EBITDA, depreciation and finance costs. The impact on continuing operations for the 30 June 2019 period if the new standard was applied from 1 July 2018 is set out in the following table:

Occupancy and utility expenses (Decrease)	EBITDA Increase	Depreciation Increase	Finance costs
($2.111m)	$2.111m	$1.714m	$0.745m

Other information

Notes to the consolidated financial statements

33 Summary of significant accounting policies (continued)

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

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

(c) Basis of preparation

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

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the 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 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.

33 Summary of significant accounting policies (continued)

(f) Leases

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

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

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

Refer to note 33 (b) for details on the impact of applying AASB 16 Leases from 1 July 2019.

(g) 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.

(h) Rounding of amounts

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

(i) Comparative figures

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 39 to 79 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

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

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

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

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

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

J R Walker

Jim Walker
Non-Executive Chairman

27 August 2019
Brisbane

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Austin Engineering Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 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 2019 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

Revenue recognition

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

Accounting for the disposal of property, plant and equipment and assets held for sale

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 4 and 14 of the financial report. A significant amount of non-performing assets within the Group, in particular the Chilean crane assets, were disposed of during the year. Given the significance of these disposals and the extent of audit procedures undertaken, we considered this area to be a key audit matter.	Our audit procedures included but were not limited to the following: • Reviewing a sample of sale and purchase agreement and other documents related to the disposals to obtain an understanding of the transaction and to confirm the consideration • Recalculating the gain or loss on disposal of assets • Reviewing the adequacy of the Group's disclosures around disposal of property, plant and equipment and assets held for sale within the financial statements

Impairment assessment

Key audit matter	*How the matter was addressed in our audit*
Refer to note 14 and 15 of the financial report. Impairment charges amounting to $3,997,000 relating to property, plant and equipment and intangible assets have been recognised as at 30 June 2019. 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, we considered this area to be significant for our audit.	For assets supported by a value in use calculation, our audit procedures included, but were not limited to the following: • Obtaining an understanding of the 'Value in Use' model and evaluating management's methodologies and their key assumptions • Assessing management's allocation of goodwill and assets and liabilities, including corporate assets to CGU's • Evaluating the inputs used in the value in use calculation including the growth rates, discount rates and the underlying cash flows by comparing them to historical results, current contracts, economic and industry forecasts For assets supported by valuations at fair value less costs to sell our procedures included, but were not limited to the following: • Agreeing the fair value less costs of disposal of particular items of Property, Plant & Equipment to a valuation obtained by the Group from valuation experts and assessing the extent to which we could use the work of the valuation experts by considering their competence and objectivity • Assessing the independent valuation assumptions and judgements used to determine they were reasonable We reviewed the adequacy of the disclosures related to the Intangible Assets, Property, Plant and Equipment and Assets Held for Sale and the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

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 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 35 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

P A Gallagher

Brisbane, 27 August 2019

Shareholder information

As at 16 August 2019

A. Distribution of equity securities

	Number of shareholders	Number of shares
1 - 1000	762	228,968
1,001 - 5,000	707	1,964,540
5,001 - 10,000	407	3,222,390
10,001 - 100,000	954	36,565,742
100,001 and over	286	536,852,116
	3,116	**578,833,756**

B. Substantial holders at 16 August 2019

	Number held	Percentage
Thorney Investments	140,585,550	24.3%
Perennial Value Management Ltd	86,739,207	15.0%
Spheria Asset Management Pty Ltd	64,923,545	11.2%
LIM Advisors Ltd	46,097,711	8.0%

C. Voting rights

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

D. Twenty largest shareholder at 16 August 2019

	Number of ordinary shares held	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	202,447,740	35.0%
UBS Nominees Pty Ltd	51,977,412	9.0%
J P Morgan Nominees Australia Pty Limited	40,384,087	7.0%
National Nominees Limited	33,207,522	5.7%
Citicorp Nominees Pty Limited	29,242,140	5.1%
Transfield Finance Pty Ltd	22,222,222	3.8%
S J Quinlivan Pty Ltd	17,982,453	3.1%
BNP Paribas Noms Pty Ltd <DRP>	17,572,153	3.0%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	7,772,541	1.3%
Mr Peter Howells	5,431,197	0.9%
Nighbeach Pty Ltd <Teskantas Super Fund A/C>	3,200,000	0.6%
Washington H Soul Pattinson & Company Limited	2,880,000	0.5%
Neweconomy Com AU Nominees PTY Limited <900 Account>	2,635,808	0.5%
ACE Property Holdings Pty Ltd	2,300,000	0.4%
Depofo Pty Ltd <Super A/C>	2,150,000	0.4%
Mr Peter Louis Pursey + Mrs Helen Elizabeth Pursey <The Pursey Super Fund A/C>	2,075,232	0.4%
Depofo Pty Ltd <Ordinary A/C>	2,003,942	0.4%
Sartain Enterprises Pty Ltd <Sartain Family A/C>	1,974,035	0.3%
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	1,858,034	0.3%
Mr Stanley James Quinlivan + Mrs Frances Marie Quinvilan <Frankston Super Fund A/C>	1,815,000	0.3%
	451,131,518	**78.0%**

E. Additional information

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

Company information

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

Principal Australian Operations

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

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

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

Pilbara Hire Group Pty Ltd
2 Draper Place
Kewdale, WA 6105
P: +61 8 9359 1800
F: +61 8 9359 1655

International Operations

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

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

Austin Ingenieros Chile Ltda
Camino a Chiu-Chiu No 121,
Manzana 3 Sitio 9
Calama, Chile
P: +56 55 2 417870

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

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

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

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

Lawyers
Coors Chambers Westgarth
111 Eagle Street
Brisbane, QLD 4000

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

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

Company Secretaries
Rochelle Oberholzer
Sophie Raven

Stock Exchange
Australian Securities Exchange

ASX Code
ANG

Website
www.austineng.com

ABN
60 078 480 136

Designed and produced by FIRST Advisers
www.firstadvisers.com.au

www.austineng.com