AUSTAL LIMITED | 2012 | CONCISE REPORT

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The Directors' Report, Concise Financial Report and Independent Audit Report contained within this document represent a Concise Report.

The 2012 Concise Report has been derived from Austal Limited's 2012 Annual Report. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of Austal Limited's financial performance, financial position and financing and investing activities as that provided by the 2012 Annual Report.

2012 Annual Report

A copy of Austal Limited's 2012 Annual Report, together with the Independent Audit Report and Corporate Governance Statement, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by telephone on +61 8 9410 1111.

This year's results reflect some of the challenges Austal faces. Rapid growth and the difficulties of producing a new ship type undermined efficient program delivery at Austal's busy US shipyard. In contrast, the Australian shipbuilding operation was unprofitable due to low activity levels. This stemmed from sustained economic downturn in key markets and a strong local currency. Importantly, Austal has made good progress towards implementing strategies to position it better for the future.

Austal's success in securing two major US Navy prime contracts brings with it the dual challenges of expanding operations to deliver on those commitments while overcoming the issues producing revolutionary, first in class ships inevitably bring. While the US operation was profitable, those factors certainly influenced the results. Improvements will come as workforce experience grows, as new facilities come online, and as the programs move into the series production of follow on ships. There are clear signs of this recovery in the second half performance.

The strength of the Australian dollar, and weakness in core markets such as Europe, continued to adversely impact the Australian operation's ability to profit from the commercial vessel markets it has traditionally served. This absolutely necessitated a change in strategy, and Austal implemented the core aspects of that change during the year.

The company improved its competitive position by acquiring a shipyard in the Philippines. Combining this with the Austal's world-leading technology has already proved instrumental in securing commercial vessel contracts that the company could not otherwise have executed profitably. The progress made at the shipyard is very pleasing, thanks in great part to the skilled local staff. Austal is pleased to have welcomed them into its global family, just as Austal has felt welcomed into their community.

Success in the United States has seen Austal emerge as an international prime contractor for defence programs, and the company leveraged off that to help secure an important Australian Government contract for the supply and in-service support of eight new Cape Class patrol boats. The Australian operation is using the project to help restructure itself to concentrate on defence contracting.

Importantly Austal signed new shipbuilding contracts worth approximately $1.3 billion during the year. This new work helps to underpin a predictable revenue stream for a number of years to come.

In line with expectations, the US Navy confirmed additional contracts for two Littoral Combat Ships (LCSs) and two Joint High Speed Vessels (JHSVs) as part of existing awards for 10 ships in each class. Austal anticipates the already substantial volume of work these programs provide will be bolstered and extended through award of two additional LCSs and one additional JHSV during the coming year.

Including the eight Cape Class patrol boats, Austal's non-US operations signed contracts for 13 vessels worth approximately $340 million. This represented a vast improvement on the $22 million in the previous financial year.

The Cape Class program's $50 million in-service support component provides work through to at least 2019. This, and the prospect of supporting Austal-built US Navy ships as they enter the fleet, provides a clear means to further grow Austal's vessel support business. That business performed well during the year.

As with the support business, the systems division will enable Austal to be a more effective prime contractor. The company is starting to see the benefits of this relatively recently acquired and still evolving division. New strategic agreements have been secured, and Austal's culture of innovation has helped foster the development and sale of a new command and control system.

Reshaping and improving the business has not always been easy, and challenges and change still lie ahead. However, recovery within the US operation, the US Navy's ongoing commitment to the LCS program, successful sales of new vessel types built at our new regional shipyard, a significant defence contract for our Australian operation, and growth in our service and systems business, point the way to a brighter long-term future for our staff and shareholders.

JOHN ROTHWELL AO
CHAIRMAN

The Group operating profit after tax for the year was $11.043 million compared with the previous year of $21.890 million. Revenue has increased by $149.140 million over the previous year while operating profit before tax has decreased by $7.235 million.

Compared to 2011, revenue from Austal's United States operations increased by almost 65.9% to $570.300 million. EBIT fell from $26.053 million to $15.795 million. Operating results continued to be impacted by the start up challenges of producing the first Joint High Speed Vessel (JHSV 1) while also undertaking significant workforce and facilities development. The first-in-class issues with JHSV 1 derive from the need for unforeseen engineering effort and additional structure to meet ship classification standards; issues affecting the supply of suitable materials increasing labour requirements; and higher than anticipated effort relating to tests and trials planning and execution.

There were strong signs of recovery in the second half, with revenue and EBIT increasing by 49% and 136% respectively compared to the first half. This reflects the efficiency benefits of increased throughput and the successful application of lessons learned on the first JHSV to subsequent ships. As production of the second and third JHSVs has been concurrent with JHSV 1, some of the first-in-class issues will also affect Austal's performance on those ships, albeit to a lesser extent.

The US operation's importance is underlined by it generating 87.3% of Austal's total revenue, a share that continues to grow as its United States Navy (USN) programs approach steady state production. Austal currently has confirmed orders to build nine JHSVs under a 10-ship, USD$1.6 billion prime contract and five Independence-variant Littoral Combat Ships (LCSs), four of which are a part of a 10-ship, USD$3.5 billion prime contract awarded in December 2010. These orders provide work through to 2016.

The company has continued to invest in the development of its US facilities and workforce to enable this substantial pipeline of work to be delivered efficiently. As a result of work during the year, construction of all the necessary facilities is now complete. Significant recruitment and training programs resulted in the workforce expanding to 2,764 employees by year end, a 22.8% increase in 12 months.

Revenue from Austal's Australian operation decreased by 63.4% to $48.993 million as it transitioned away from manufacturing commercial vessels to focus on defence contracting. The Cape Class Patrol Boat (CCPB) program's scheduled low rate initial production, and the completion of legacy commercial vessels, meant activity levels were insufficient to fully recover overheads. EBIT was negative $13.653 million compared to negative $10.134 million in 2011. The Australian operation's results were also affected by its key role in supporting group activities such as design and marketing. A restructure into strategic business units undertaken late in the year will improve the transparency of future results.

Austal has successfully implemented a transformational strategy to enhance its long-term competitiveness and profitability in the commercial vessel shipbuilding market. Manufacturing of those vessels has transferred to a shipyard in the Philippines that Austal acquired in November 2011. Operations commenced in February, with an aggressive ramp up enabling two vessels to be in production by year end. These projects generated revenue of $1.942 million. EBIT of negative $0.798 million reflects the non-recurring set-up costs of commencing operations at the previously dormant facility.

The Service and Systems business performed well, with revenue of $19.361 million compared to $16.308 million in 2011 with an EBIT of $1.628 million from core operations, which excludes the legacy "WestPac Express" charter contract, compared to the previous year's negative $0.914 million result. Improved revenue and profitability in the core vessel support business was particularly pleasing.

FINANCIAL SUMMARY

Year ended 30 June	2012	2011
	$'000	$'000
Revenue*	652,996	503,856
Depreciation ,Amortisation & Impairment	(18,869)	(15,505)
EBIT	16,577	22,102
Net Interest (Paid)/Received	(4,020)	(2,310)
Operating Profit Before Tax	12,557	19,792
Tax (Expense)/Benefit	1,514	2,098
Operating Profit After Tax	11,043	21,890
% EBIT/Revenue	2.5	4.4
Basic Earnings Per Share (cps)	6.01	11.9
Net Assets	277,047	274,169
Return on Equity (%)	3.9	8.0

*Excludes interest and other income

USA OPERATIONS

Austal's focus in the US is on delivering its existing prime contracts with the USN for the delivery of LCSs and JHSVs.

In line with expectations, the USN exercised contract options worth in excess of US$1 billion during the year. These included options for the construction of two further ships in each class, taking the order book to nine JHSVs and five LCSs.

Austal's second LCS (LCS 4) was launched and christened, as USS "Coronado", during the year. Austal expects to deliver it by the second quarter of 2013. Austal also commenced construction of the third and fourth ships (LCS 6 and LCS 8) during the year. This followed the completion of USN Detail Design and Production Readiness Reviews. LCS 10 and LCS 12 are under contract.

The first JHSV, USNS "Spearhead", was substantially completed and underwent successful builder's sea trials in April 2012 in preparation for final inspection by the Navy before delivery. Austal anticipates this will be completed by the second quarter of the 2012-13 financial year.

Construction of the second, third and fourth JHSVs began during the year. Following construction of individual ship modules in Austal's Module Manufacturing Facility (MMF), JHSV 2 transitioned to the final assembly stage. This was commemorated with a keel laying ceremony in November 2011 at which point the ship was over 50 per cent complete. The ship's main propulsion engines were landed in December 2011.

JHSV 3 commenced construction September 2011 and final assembly in April 2012. A keel laying ceremony was held in May 2012. At year end JHSV 2 was more than three-quarters complete, and JHSV 3 over half complete.

Austal has now completed construction of the majority of its US facilities development program, creating one of the world's most advanced shipyards. Phase 2 of the MMF, Assembly Bay 5 and the Office Complex were completed under budget and ahead of schedule. Modules for JHSV 2, 3 and 4 and LCS 6 and 8 were all being manufactured in the MMF at year end

The US shipyard can now undertake full production of both ship classes with assembly line efficiency that results in significant cost savings. Austal continued to develop and expand its US workforce towards a goal of 4,000 employees by the end of 2013.

NON-US OPERATIONS

A core focus for the year was implementing strategies to address the findings of an operational review completed in July 2011. The review considered how Austal could refocus the significant capabilities of its operations in Henderson, Western Australia towards the manufacture and support of defence vessels. The review's principal findings were:

- Demand in specific segments of the international commercial vessel market (such as fast crew transfer boats, work boats and medium sized ferries) remains strong and new markets are emerging.
- To be successful in these markets, Austal would need to apply its market leading intellectual property to develop products for these markets and regionalise its manufacturing base to enhance competitiveness.
- The market for defence systems opportunities is attractive and has the potential to deliver significant recurrent income. Austal would leverage its existing systems integration capabilities to pursue new opportunities.
- The outlook for commercial and defence vessel service and maintenance is strong and Austal would continue to pursue contracts in this space.

Australian Shipyard Operations

Key to the repositioning of the Australian operations towards defence needs was the securing, in August 2011, of a $330 million contract to design, manufacture and support eight new CCPBs for the Australian Customs and Border Protection Service. The project progressed on schedule and on budget during the year, with an extensive design phase preceding the first boat's keel laying in June 2012.

Development and marketing of new offshore wind farm support vessel designs resulted in Austal entering the market with a three boat contract in July 2011. These vessels, and four fast ferries ordered in the previous year, were completed during the year as commercial vessel construction was moved to the Philippines.

Philippines Shipyard Operations

The Philippines shipyard acquisition was followed by a facilities improvement program and workforce recruitment to enable production to commence.

Austal secured shipbuilding contracts for two new designs following the shipyard's acquisition. Construction of a 27 metre wind farm vessel began in February 2012, with an 80 metre vehicle-passenger ferry commencing near year end. These projects demonstrate the value of combining Austal's intellectual property with regionalised manufacturing. The shipyard, which is now operating at capacity, presently employees 200 people and expects to add a further 170 personnel in coming months to deliver its orders.

Service and Systems

The award of the CCPB program was significant for the service and systems business. The contract's in-service support component is worth approximately $50 million, runs through to 2019, and provides a basis for further growth. The program also provided the catalyst for the development of what will be the world's first operational minor warfare combatant command and control system when it enters service on the first CCPB.

All regional service centres expanded during the year, and one of the Western Australian shipbuilding facilities was transitioned to become Austal's first dedicated Marine Support Base. In line with its strategy to leverage its USN programs, Austal provided support to ships owned by the US Office of Naval Research in both Australia and the United States.

The United States Navy's Military Sealift Command extended the charter of the Austal designed, built and supported high speed vessel "WestPac Express" into its eleventh year. The contract will last up to 24 months.

Austal also diversified into the Australian resources sector, building modular accommodation units for use in the mining industry.

During the year Austal demonstrated its ability to leverage the company's in-house systems capabilities and market position by signing new systems-related strategic agreements with mission systems integrator General Dynamics Advanced Information Systems and leading electronics provider Kelvin Hughes.

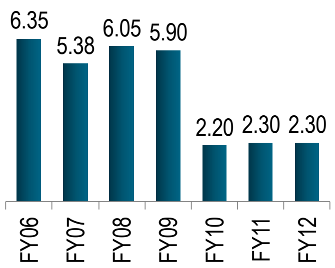
ENVIRONMENTAL PERFORMANCE

Austal's operations continue to assess and implement methods to improve sustainability and reduce waste. Rates of aluminium utilisation and waste recycling continue at historically high levels. Energy use continued to reduce and water usage is also declining. No environmental incidents of any note were reported.

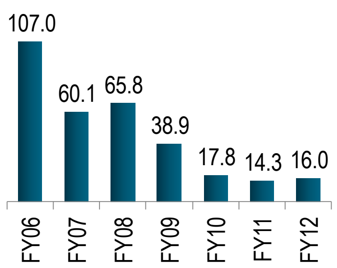
Austal continued to devote significant resources to the development of more efficient vessels with a smaller environmental footprint.

SAFETY PERFORMANCE

For the third year Austal has achieved both Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) at low levels compared to previous years. While the MTIFR was not as good as last year the safety performance continues to be very encouraging. This is especially true given the rapid growth of the US workforce, which brings with it the challenges of new people who are inexperienced in Austal's systems and processes; and the hazards of the shipbuilding environment.



Lost Time Injury Frequency
(per million hours worked)



Medical Treatment Injury Frequency
(per million hours worked)

Occupational Health and Safety Policy

Austal's Occupational Safety and Health (OSH) Policy was reviewed and our focus remains on safe people, safe practices and safe work environments and promotes a workplace culture that raises awareness of individual responsibility for safety and health. Austal's safety culture is achieved as these components become accepted workplace practice and are supported by strong leadership.

Safe People

The US Operations received two significant safety awards during the year: the American Longshore Mutual Association's Safest Large Shipyard Award and the Shipbuilders Council of America Award for Excellence in Safety. The latter is awarded to member shipyards with the lowest rate of recordable workplace injuries. This is the third year in a row that Austal USA has received both awards.

Austal's Australian manufacturing facility earned a Gold Certificate of Achievement under the Western Australian Government's WorkSafe assessment scheme.

At Austal the safety of our people is at the forefront of everything we do. Our goal is Zero Harm and we work hard in an effort to achieve this every day.

OUTLOOK

As at 30 June 2012, the order book backlog totalled $2.572 billion and extends through to calendar 2016 for shipbuilding and 2019 for support contracts. The work primarily involves serial production of stable vessel designs, which enables the operations to focus on increasingly efficient and profitable project delivery.

With confirmed orders for 14 USN ships in place, Austal's US operation accounts for the vast majority of the backlog. Its orders provide work through to 2016.

The improvements seen in the second half of the year are expected to continue as the US operation transitions from developing the necessary people, plant and processes to applying and optimising them to enable efficient series production of both ship classes. This includes applying the significant lessons learned from projects undertaken to date. Although there will still be challenges associated with continuing workforce expansion, the operation will increasingly benefit from higher levels of workforce experience.

Austal anticipates contracts to build two LCSs and the tenth JHSV in US Fiscal Year (FY) 2013 (commencing October 1, 2012). This will complete Austal's existing JHSV award in line with expectations.

The upcoming US Presidential elections and the potential implications of sequestration under the Budget Control Act of 2011 create uncertainty about further contracts in the medium term, however the USN's current long range ship construction plan shows the ongoing importance of the LCS program, for which Austal is one of two prime contractors.

Submitted to Congress in March 2012, the plan includes acquisition of a further 43 LCSs between FY2013 and FY2026 resulting in continuous production of each contractor's LCS variant through to FY2029. This includes contracting a total of four LCSs per year between FY2013 and FY2015 (in line with awards already made to Austal and the other prime contractor); two ships per year in FY2016 and FY2017; and three ships per year from FY2018 to FY2026 inclusive.

The CCPB project underwrites activity for the Australian shipyard through to September 2015, with the support contract extending until at least August 2019. Customs and Border Protection has options to extend that support contract for the fleet's anticipated 20 year service life.

Although the program schedule means levels of activity will remain relatively low in the coming year, Austal anticipates improved financial results for the Australian operation in 2012/13. This improvement will continue in the following year as manufacturing activity ramps up significantly.

Other defence shipbuilding projects of various sizes and durations are being actively pursued to build on this base level of activity.

With its two current contracts ensuring a high level of utilisation throughout 2012-13, Austal expects the Philippines shipyard to be profitable in its first full year of operation. Austal anticipates that demand for large fast ferries will remain subdued and is therefore placing additional emphasis on other commercial vessel types where higher levels of activity are anticipated. Planning is well progressed for further development of the Philippines manufacturing capability to capitalise on potential additional contracts.

The investment in the Henderson Marine Support Base, and plans to expand Austal vessel support presence in other areas including Europe and South East Asia, reflect Austal's belief that there are further opportunities for growth in the vessel support business across a broad range of clients. Part of that strategy is expand regional capabilities to support deployed LCS, JHSV and CCPB fleets. The company's role as prime contractor for these programs, and its existing support capabilities in the anticipated theatres of operation, positions Austal well to secure meaningful ongoing revenue streams as the ships deploy.

Austal expects the command and control system developed for the CCPB will be of interest to maritime law enforcement agencies worldwide. That and the Kelvin Hughes agreement provide immediate new potential revenue streams within the systems arena. The agreement with General Dynamics Advanced Information Systems is an important strategic step for large defence projects.

ANDREW BELLAMY
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Board of Directors of Austal Limited submit their report for the year ended 30 June 2012.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

JOHN ROTHWELL AO – Non-Executive Chairman

With 40 years' experience in boat and shipbuilding, John has played a major role in the development of the Australian aluminium shipbuilding industry and is a Founding Director of Austal.

In June 2004, John was appointed a Council member of the Australian National Maritime Museum and became Chairman of the Capital Works Committee of that organisation in November 2005. In January 2004, John was appointed an Officer of the Order of Australia for services to the Australian shipbuilding industry through the development of trade links and for significant contributions to vocational education and training. In October 2002, John was named the Ernst & Young "Australian Entrepreneur of the Year".

John stepped down as Executive Chairman and Chief Executive Officer on 22 August 2008 to continue as Non Executive Chairman.

MICHAEL ATKINSON CA (ZIM), CA (SA) – Executive Director

Michael joined Austal in 1990 as Financial Controller and was appointed to the Board in 1994. He is a qualified Chartered Accountant with 10 years' experience in the accounting profession. On leaving the profession, he entered the railway and construction industry where he served in a senior financial capacity and as a Board member.

CHRISTOPHER NORMAN B.Eng. (Hons) – Non-Executive Director

Chris is one of the Founding Directors of Austal. He graduated from the University of New South Wales in 1986 with first class honours in Naval Architecture and has previously been Austal's Technical Director. He has been a driving force in the technical and marketing success of the company and, with extensive experience in international marketing and sales, held the position of Sales Director between 1993 and 2002.

In May 2000, Chris was awarded the prestigious A.G.M. Michell Award in recognition of outstanding service in the profession of Mechanical Engineering.

Chris resigned from the Board of Directors of Austal Limited on 16 December 2011.

JOHN POYNTON B.Com, FS Fin, FIAM, FAICD, AM, CitWA – Independent Director

John is a Co-Founder and Executive Chairman of Azure Capital. John is the deputy Chairman of Austal Limited and is a Non-Executive Director of Burswood Ltd. In the not-for-profit arena, he chairs Giving West and the Board of Celebrate WA. John is a member of Social Ventures Australia and the Curtin Foundation.

Previously, John was a Chairman of ASX Perth, Fleetwood, Alinta and the West Australian Museum Foundation – Director of Multiplex; Member of the Higher Education Endowment Fund Advisory Board, Payments System Board of the Reserve Bank of Australia, EFIC and of the Business School at the University of Western Australia.

John is a Life Member and Senior Fellow of the Financial Services Institute of Australasia (FINSIA), a Fellow of the Australian Institute of Company Directors (AICD) and of the Australian Institute of Management (AIM).

John is a Member in the General Division of the Order of Australia and is a past recipient of a WA Citizen of the Year award in the industry and commerce category.

John holds a Bachelor of Commerce and an honorary Doctor of Commerce from the University of Western Australia.

DARIO AMARA B.Eng. (Distn), FIEAust, CPEng – Independent Director

Dario is an engineer and experienced Chief Executive with business experience and networks gained over 30 plus years in the Australian and International Markets; spanning the engineering and construction sectors.

He has a record of achievement in establishing, growing and rejuvenating businesses and strategic leadership. Dario is a graduate from the Curtin University of Technology.

Dario is currently Non-Executive Chairman of Mission New Energy Limited, and a Non-Executive Director of OTOC Limited. He has also served as Chairman of the West Australian Opera Company, the Art Gallery of Western Australia and of Heritage Perth and as a board member of the Perth International Arts Festival.

DIRECTORS (Continued)

IAN CAMPBELL – Independent Director

Ian has had a distinguished 17 year career as a Senator for Western Australia in the Australian Federal Parliament.

As Parliamentary Secretary to the Treasurer for 4 years, Ian initiated the Corporate Law Economic Reform Program including legislating to move Australia to International Financial Reporting Standards, reform of Accounting and Audit oversight institutional arrangements, takeovers and fundraising provisions.

Ian is a former Member of Federal Cabinet where he held the portfolios of Environment and Heritage and Human Services. He also served as Minister for Local Government, Territories and Roads.

He is a Non-Executive Chairman of Enerji Limited and a Director of Solco Ltd, ASG Group Ltd and Proto Resources and Investments Ltd. Ian is also Chairman of Princess Margaret Hospital Foundation and WA 2011 Pty Ltd, the organiser of the ISAF World Sailing Championships in Fremantle in 2011.

Ian resigned from the Board of Directors of Austal Limited effective 30 June 2012.

DAVID SINGLETON – Independent Director

David brings to Austal a wealth of highly relevant business expertise and experience in both the defence and resources sector. David has held numerous senior roles with BAE Systems (formerly British Aerospace), which is one of the world's largest defence companies. He served as Group Head of Strategy and Mergers & Acquisitions in London from 1997 to 1998 and again in 2003. In the intervening years, David was BAE's Managing Director of Asset Management before spending three years in Rome as the Chief Executive Officer of Alenia Marconi Systems (AMS). AMS was a European leader of naval warfare and air defence systems, C4I, ground and naval radars, command and control training systems and naval support.

David started his career with the UK Ministry of Defence and worked in research, development and manufacturing as well as senior management roles in Royal Ordnance which by then was part of BAE. He has also served as a member of the National Defence Industries Council in the UK, and as a board member and Vice President (Defence) of Intellect, a leading trade association for the UK technology industry.

David is the CEO and Managing Director of Perth-based mineral exploration company Poseidon Nickel Limited. Prior to this role, he served as CEO and Managing Director of Clough Limited between 2003 and 2007.

He is the Managing Director of Poseidon Nickel Limited and a Non-Executive Director of Quickstep Holdings, both ASX listed entities.

David was appointed to the Board of Directors of Austal Limited on 21 December 2011.

ANDREW BELLAMY BSc (Hons) Material Science, MA (Marketing) – Chief Executive Officer

Andrew Bellamy joined Austal Limited in September 2008, bringing with him proven experience in establishing sales excellence and business simplification programs. In 2010, Mr Bellamy was appointed Chief Operating Officer of Austal's Australian businesses and has overseen the growth and expansion of Austal's international network of locations at a time of significant turbulence in global markets. Mr Bellamy was appointed Chief Executive Officer of Austal in February 2011.

Prior to assuming his role at Austal Limited, Mr Bellamy held senior positions within the Refining and Petrochemical industry with Honeywell and ICI. He is also the former Sales and Marketing Director of Henkel ANZ.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares of Austal Limited were:

	Number of Ordinary Shares		Number of Shares held in AGMSP *
	Direct	Indirect	
John Rothwell	32,200,745	-	-
Michael Atkinson	1,415,737	-	285,062
Christopher Norman	26,595,621	6,600	-
John Poynton	10,000	-	-
Dario Amara	50,000	-	-
Ian Campbell	-	-	-
David Singleton	-	-	-
Andrew Bellamy	123,369	-	-

*This represents the number of shares (in substance options) held in the Austal Group Management Share Plan (AGMSP) (refer to note 28 of the financial statements). The terms and conditions of the AGMSP are set out in note 28 of the financial statements. There were no additional ordinary shares issued or options granted and exercised between the balance date and the date of this report.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were the design, manufacture and support of high performance aluminium vessels. These activities are unchanged from the previous year.

RESULTS

The profit of the consolidated entity for the financial year was $11,043 million after income tax (2011: $21.890 million).

OPERATING AND FINANCIAL REVIEW

A review of the operations and financial position of the consolidated entity is outlined in the Operating and Financial Overview on page 3.

DIVIDENDS

No dividend has been declared the year ended 30 June 2012 (2011: $11.284 million being 6 cents per share).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events occurring after year end requiring disclosure.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

A general discussion of the group outlook is included in the Chairman's Report on page 2 and the Operating and Financial Overview on page 3.

SIGNIFICANT CHANGES IN THE STATE OF THE AFFAIRS

A review of the significant changes in the state of affairs of the consolidated entity is outlined in the Operating and Financial Overview on page 3.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity has a policy of at least complying with, but in most cases exceeding, environmental performance requirements. No environmental breaches have been notified by any Government Agency during the year ended 30 June 2012.

SHARE OPTIONS

As at the date of this report, there were 8,273,611 un-issued ordinary shares under options. Refer to Note 28 for further details of the options outstanding. There were no options exercised during the year.

TOTAL NUMBER OF EMPLOYEES

As at 30 June 2012, the consolidated entity employed a total of 3,237 full-time equivalents (2011: 2,404 full-time equivalents).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

An indemnity agreement has been entered into between the parent entity and each of the directors named in this report. Under the agreement, the company has agreed to indemnify those directors against any claim to the extent allowed by the law, for any expenses or costs which may arise as a result of work performed in their respective capacities.

During the financial year, the parent entity has paid premiums in respect of a contract insuring the directors and officers of the consolidated entity in respect of liability resulting from these indemnities. The terms of the insurance arrangements and premiums payable are subject to a confidentiality clause.

REMUNERATION REPORT (Audited)

This Remuneration report outlines the remuneration arrangements in place for Directors and Executives of Austal Limited (the Company) and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives and general managers of the Parent and the Group.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors reviews the remuneration of all Directors and makes recommendations to the Board.

REMUNERATION POLICY

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and Key Executives fairly and appropriately with reference to relevant employment market conditions. Other than the variable component and the share option plan, the remuneration policy is not linked to company performance.

The Company aims to reward executives and senior managers with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- attract and retain exceptional employees ('key employees') that have the capacity to significantly impact the growth and profitability of the Company; and
- align key employees' behaviour towards the growth and profitability objectives of the Company; and reward key employees for sustained contributions to business success.

Structure

The non-executive directors receive fixed remuneration, in the form of salary and fees. However, they do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration for the executives consists of fixed remuneration, being base salary, superannuation and non-monetary benefits and variable remuneration as listed below. No element of fixed remuneration is linked to performance conditions.

To encourage the retention of employees, KMP who are not directors of the Australian companies participate in an annual bonus scheme which takes into account length of service and profits earned by the Australian enterprises. The bonus vests and is paid dependent on the employees being employed at the end of December of each year. The bonus is paid at the discretion of the Nomination and Remuneration Committee. $263,373 (2011: $298,414) of cash bonuses vested with the executives, based on the prior period's performance, and was paid during this financial year.

Similarly, Austal KMP who are not directors of Austal USA participate in an annual bonus programme which takes into account length of service and profits earned by Austal USA. Australian employees are not part of this scheme. Two forms of bonus opportunities exist; one form for the production workforce and one form for administration and management. Bonuses to the production workforce are tied to achievement of the performance objectives of Austal USA, reduction of waste, and safety and attendance measures. Bonuses to administration and management are tied to achievement of the financial objectives of Austal USA, specific growth initiatives, productivity improvement initiatives, customer satisfaction measures and employee satisfaction measures. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

REMUNERATION REPORT (Audited) (Continued)

Goals for each of the preceding categories are established at the beginning of each financial year for each participant and bonuses are paid at the conclusion of that year dependent upon the level of achievement of these goals. Such bonuses are reviewed and approved by the Nomination and Remuneration Committee. 100% of the cash bonuses vested with the executives and was paid during the financial year.

Ex gratia bonuses are paid to executives in certain circumstances for exceptional performance as determined by the CEO. These bonuses vest immediately.

SHARE OPTION PLAN

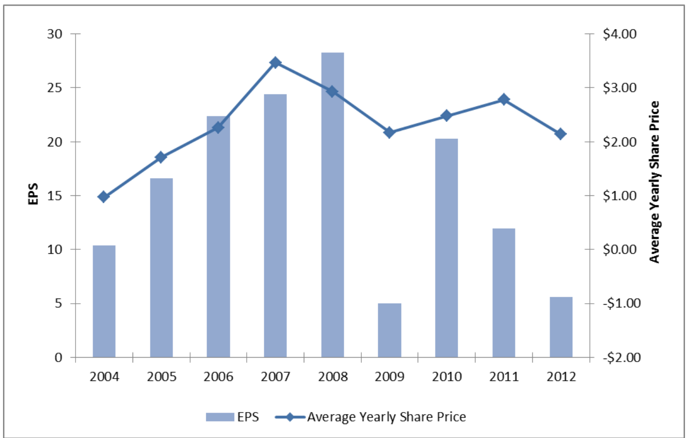
The Share Option Plan aims to reward executives and senior managers with the issue of share options commensurate with their position and responsibilities within the Company so as to:

- attract and retain exceptional employees ('key employees') that have the capacity to significantly impact the growth and profitability of the Company;
- align key employees' behaviour towards the growth and profitability objectives of the Company; and reward key employees for sustained contributions to business success.

The Group does not have a policy prohibiting executives from hedging of equity awards.

Group performance

The graph below shows the performance of the Company as compared to the movement in the Company's earnings per share over time.



Structure

The share options are granted to executives and senior managers based on the eligibility criteria set by the Remuneration Committee. Eligibility for the plan will be linked to employee performance. The exercise of the options will vest after 3 years subject to meeting the company performance criteria.

Performance hurdle

The Company uses a relative Total Shareholder Return (TSR) as the performance hurdle for the share option plan. Relative TSR was selected as the share option plan performance hurdle as it ensures an alignment between comparative shareholder return and reward for executives.

The Company's performance against the hurdle is determined by comparing the TSR against the return of the Small Industrials Accumulation Index (or another appropriate index) for the three year period commencing on 1 July prior to the grant date. If the TSR does not exceed the return of the Small Industrials Accumulation Index for a particular three year period, the series of options issued at that grant date would lapse.

In relation to the options issued after 3 November 2009, the options vest if the TSR of Austal Limited exceeds 25% for each three year period after issuance. The percentage vesting reduces on a sliding scale if the TSR is below 25%, until no options vest if the TSR is below 5%.

DETAILS OF KEY MANAGEMENT PERSONNEL FOR THE YEARS ENDED 30 JUNE 2012 AND 2011

(i) **DIRECTORS**

Mr John Rothwell	Non-Executive Chairman
Mr Michael Atkinson	Executive Director
Mr Christopher Norman	Non-Executive Director
	- Resigned 16 December 2011
Mr John Poynton	Independent Director
Mr Dario Amara	Independent Director
Mr Ian Campbell	Independent Director
Mr David Singleton	Independent Director
	- Appointed: 21 December 2011
Mr Andrew Bellamy	Chief Executive Officer

(ii) **EXECUTIVES**

Mr Joseph Rella	Chief Operating Officer Austal USA
	- Resigned: 22 June 2012
Mr Richard Simons	Chief Financial Officer & Company Secretary
Mr Charles McGill	Chief Operating Officer Austal Service & Systems
	- Appointed: 24 February 2012
Mr Greg Jason	Chief Operating Officer Austal Asia - Appointed: 1st September 2012
Mr Brian Leathers	Interim Chief Operating Officer Austal USA.
	- Appointed: 25 June 2012

REMUNERATION REPORT (Audited) (Continued)

REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2012.

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2012

	Short-Term									
	Salary & Fees $	Cash Bonus $	Other-Monetary Benefits $	Non-Monetary Benefits $	Post-Employment Superannuation $	Termination Payments	Share-based Payment Options $	Total $	% performance related	Contract Terms Note
Non-executive directors										
John Rothwell	366,667	-	-		-	-	-	366,667	-	2
Christopher Norman*	42,500	-	-		-	-	-	42,500	-	1
John Poynton	90,000	-	-		-	-	-	90,000	-	1
Dario Amara	93,000	-	-		-	-	-	93,000	-	1
David Singleton*	45,076	-	-		-	-	-	45,076	-	1
Ian Campbell	90,000	-	-		-	-	-	90,000	-	1
Sub-total non-executive directors	**727,243**	**-**	**-**		**-**	**-**	**-**	**727,243**		
Executive directors										
Michael Atkinson	392,192	37,962	-	-	-	-	44,524	474,678	17.4	2
Andrew Bellamy	755,217	92,656	-	-	25,000	-	345,165	1,218,038	35.9	4
Other key management personnel										
Joseph Rella*	407,216	59,983	-	-	-	-	(144,830)	322,369	(26.3)	5
Richard Simons	438,221	56,025	-	-	25,689	-	66,809	586,744	11.4	4
Greg Jason*	178,446	16,166	2,044	-	13,146	-	52,053	261,855	21.0	6
Charles McGill*	49,051	-	18,911	-	6,221	-	2,672	76,855	3.5	6
Brian Leathers*	2,933	581	-	-	-	-	428	3,942	25.6	5
Sub-total executive KMP	**2,223,276**	**263,373**	**20,955**	**-**	**70,056**	**-**	**366,821**	**2,944,481**		
Total	**2,950,519**	**263,373**	**20,955**	**-**	**70,056**	**-**	**366,821**	**3,671,724**		

* Key management personnel for part of year of 2012.

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

	Short-Term								
	Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Post-Employment Superannuation $	Termination Payments	Share-based Payment Options $	Total $	% performance related	Contract Terms Note
Non-executive directors									
John Rothwell	440,000	-	-	-	-	-	440,000	-	2
Christopher Norman	85,000	-	-	-	-	-	85,000	-	1
John Poynton	90,000	-	-	-	-	-	90,000	-	1
Dario Amara	93,000	-	-	-	-	-	93,000	-	1
Ian Campbell	90,000	-	-	-	-	-	90,000	-	1
Sub-total non-executive directors	**798,000**	**-**	**-**	**-**	**-**	**-**	**798,000**		
Executive directors									
Robert Browning*	301,077	104,452	6,760	-	-	(1,322,171)	(909,882)	133.8	5
Michael Atkinson	380,000	-	-	-	-	33,519	413,519	8.1	2
Andrew Bellamy	486,759	45,555	-	26,241	-	44,660	603,215	15.0	4
Other key management personnel									
Joseph Rella	338,237	102,314	-	-	-	54,147	494,698	31.6	5
Richard Simons	369,708	17,202	-	34,404	-	48,703	470,017	14.0	4
William Rotteveel*	48,987	-	-	-	130,700	(36,520)	143,167	(25.5)	3
Mark Dummett**	316,333	28,891	-	15,188	-	33,599	394,011	15.9	3
Sub-total executive KMP	**2,241,101**	**298,414**	**6,760**	**75,833**	**130,700**	**(1,144,063)**	**1,608,745**		
Total	**3,039,101**	**298,414**	**6,760**	**75,833**	**130,700**	**(1,144,063)**	**2,406,745**		

* Key management personnel for part of year of 2011.
** No longer a Key management personnel for 2012.

REMUNERATION REPORT (Audited) (Continued)

CONTRACT TERMS NOTES

1. Directors fees only.
2. Subcontract – no fixed notice period or duration. No termination entitlements.
3. Employment contract – one week notice period or duration. No non-statutory termination entitlements.
4. Employment contract – nine months' notice period. No non-statutory termination entitlements.
5. Employment contract – upon involuntary termination of employment without cause, a severance of six months' salary will be paid.
6. Employment contract – three months' notice period. No non-statutory termination entitlements.

TABLE 3: COMPENSATION OPTIONS: GRANTED AND VESTED DURING THE YEAR ^

	Granted	Terms & Conditions for each Grant					
	No.	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date
30 June 2012							
Michael Atkinson	140,000	21 Oct 2011	0.667	2.15	20 Dec 2018	20 Dec 2014	20 Dec 2018
Joseph Rella**	140,000	20 Dec 2011	0.618	2.15	**	**	**
Richard Simons	140,000	20 Dec 2011	0.618	2.15	20 Dec 2018	20 Dec 2014	20 Dec 2018
Greg Jason*	140,000	20 Dec 2011	0.618	2.15	20 Dec 2018	20 Dec 2014	20 Dec 2018
Charles McGill*	70,000	20 Dec 2011	0.618	2.15	20 Dec 2018	20 Dec 2014	20 Dec 2018
Brian Leathers*	70,000	20 Dec 2011	0.618	2.15	20 Dec 2018	20 Dec 2014	20 Dec 2018
Total	**700,000**						
30 June 2011							
Michael Atkinson	140,000	28 Sep 2010	0.840	2.34	29 Sep 2017	29 Sep 2013	29 Sep 2017
Joseph Rella	140,000	28 Sep 2010	0.840	2.34	29 Sep 2017	29 Sep 2013	29 Sep 2017
Richard Simons	140,000	28 Sep 2010	0.840	2.34	29 Sep 2017	29 Sep 2013	29 Sep 2017
Mark Dummett	70,000	28 Sep 2010	0.840	2.34	29 Sep 2017	29 Sep 2013	29 Sep 2017
Andrew Bellamy	140,000	28 Sep 2010	0.840	2.34	29 Sep 2017	29 Sep 2013	29 Sep 2017
Total	**630,000**						

* Key management personnel for part of year of 2012
** 140,000 options were forfeited on cessation of employment.
*** No longer a Key Management Personnel.
Of existing option holdings only 140,000 of Michael Atkinson options had vested during the year and no options we exercised (2011: 140,000 of Michael Atkinson and 67,500 of Mark Dummett's options had vested during the prior year and no options we exercised). These shares were forfeited in 2011.

TABLE 4: OPTIONS GRANTED AS PART OF REMUNERATION ^

	Value of options granted during the year $	Value of options exercised during the year $	Value of options forfeited during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
30 June 2012					
Michael Atkinson	93,380	-	-	-	9.4
Joseph Rella**	86,520	-	-	-	-
Richard Simons	86,520	-	-	-	11.4
Greg Jason*	86,520	-	-	-	20.0
Charles McGill*	43,260	-	-	-	3.5
Brian Leathers*	43,260	-	-	-	10.8
30 June 2011					
Michael Atkinson	117,600	-	-	-	8.1
Joseph Rella	117,600	-	-	-	10.9
Richard Simons	117,600	-	-	-	10.4
Mark Dummett	58,800	-	-	-	8.5
Andrew Bellamy	117,600	-	-	-	7.4

REMUNERATION REPORT (Audited) (Continued)

TABLE 5: SHARES HELD IN AGMSP (IN SUBSTANCE OPTIONS) GRANTED AS PART OF REMUNERATION ^

	Value of shares held in AGMSP (in substance options) granted during the year $	Value of shares held in AGMSP (in substance options) exercised during the year $	Total value of options granted, and exercised during the year $	Remuneration consisting of in substance options for the year %
30 June 2012				
None				
30 June 2011				
Robert Browning*	-	-	-	-

^ For details on the valuation of the options, including models and assumptions used, please refer to Note 28 to the financial statements.
* Robert Browning was granted 3,000,000 in substance options on 22 October 2007 at an average fair value and exercise price of $0.96 and $3.51 respectively. The first exercise date for these in substance options was 22 October 2008. These shares were forfeited in 2011.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. The maximum cost assuming that all service and performance conditions are met, is equal to the number of options or rights granted multiplied by the fair value at the grant date. The minimum cost assuming that service and performance criteria are not met is zero. During the year Nil (2011: Nil) in substance options vested and Nil (2011: Nil) were exercised by KMP. See note 28(b).

END OF REMUNERATION REPORT (Audited)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings	Meetings of Audit Committee	Meetings of Nomination and Remuneration Committee
Number of meetings held	7	4	2
Number of meetings attended:			
John Rothwell	7	-	2
Michael Atkinson	5	-	-
Christopher Norman*	3	-	-
John Poynton	7	-	2
David Singleton*	4	2	1
Dario Amara	7	4	-
Ian Campbell	6	3	2
Andrew Bellamy	7	-	2

* Director for part of year of 2012.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee and a Nomination and Remuneration Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

AUDIT	NOMINATION AND REMUNERATION
D Amara *	I Campbell
C Norman^	J Rothwell
I Campbell	J Poynton
D Singleton^	A Bellamy
	D Singleton^*

* Designates the Chairman of the committee

^ Members for part of year 2012.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Austal Limited.

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Austal Limited

In relation to our audit of the financial report of Austal Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin A Buckingham

Gavin A Buckingham
Partner
Perth
28 August 2012

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young, during the year.

Signed in accordance with a resolution of directors.

J ROTHWELL AO	A BELLAMY
Chairman	Executive Director and Chief Executive Officer

Dated at Henderson this 28th day of August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Continuing operations			
Revenue	2(a)	652,996	503,856
Other income	2(b)	27,818	10,401
Expenses (excluding finance costs)		(666,161)	(492,403)
Impairment of land and buildings		(2,545)	-
Unrealised gain/(loss) on deferred premium options		5,114	677
Finance costs		(4,665)	(2,739)
Profit before income tax		**12,557**	**19,792**
Income tax benefit/(expense)		(1,514)	2,098
Profit after tax from continuing operations		**11,043**	**21,890**
Attributable to Members of the Parent		**11,043**	**21,890**
Other comprehensive income			
Cash flow hedges:			
Gain taken to equity		(28,207)	52,483
Transferred to the statement of comprehensive income		(7,326)	(51,076)
Revaluation of land and buildings		42,152	
Foreign currency translations		(1,703)	(7,180)
Income tax expense on items of other comprehensive income		(3,987)	(422)
Other comprehensive income for the period, net of tax		**929**	**(6,195)**
Total comprehensive income for the year		11,972	15,695
Attributable to members of the parent		**11,972**	**15,695**
Earnings per share (cents per share)			
- basic for profit for the year attributable to ordinary equity holders of the parent	3	6.01	11.9
- diluted for profit for the year attributable to ordinary equity holders of the parent	3	5.99	11.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	2012 $'000	2011 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	51,811	42,265
Restricted cash	52,940	128,837
Trade and other receivables	96,172	21,986
Inventories	193,529	177,922
Prepayments	6,538	5,792
Derivatives	36,041	37,805
Total Current Assets	437,031	414,607
Assets classified as held for sale	1,561	-
Total Current Assets	**438,592**	**414,607**
Non-current Assets		
Other financial assets	944	903
Trade and other receivables	18	15
Derivatives	10,625	37,233
Property, plant and equipment	370,383	208,275
Intangible assets	5,045	5,063
Deferred tax assets	380	8,524
Total Non-current Assets	**387,395**	**260,013**
Total Assets	**825,987**	**674,620**
LIABILITIES		
Current Liabilities		
Trade and other payables	128,626	52,837
Derivatives	2,186	153
Interest-bearing loans and borrowings	18,973	8,554
Provisions	18,250	26,409
Government grants	3,561	3,567
Income tax payable	27,394	20,724
Other	27,288	2,679
Total Current Liabilities	**226,278**	**114,923**
Non-current Liabilities		
Derivatives	5,757	274
Interest-bearing loans and borrowings	246,444	217,985
Provisions	2,060	2,138
Government grants	48,753	41,899
Deferred tax liabilities	19,648	23,235
Total Non-current Liabilities	**322,662**	**285,531**
Total Liabilities	**548,940**	**400,454**
Net Assets	**277,047**	**274,166**
EQUITY		
Contributed equity	31,762	31,175
Reserves	22,595	20,063
Retained earnings	222,690	222,928
Total Equity	**277,047**	**274,166**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

	2012 $'000	2011 $'000
Cash flows from operating activities		
Receipts from customers	555,639	573,626
Payments to suppliers and employees	(521,472)	(506,755)
Interest received	644	429
Interest paid	(4,665)	(2,739)
Income tax received/(paid)	4,860	(8,200)
GST refunds	(1,870)	5,638
Net cash inflow/(outflow) from operating activities	33,136	61,999
Cash flows from investing activities		
Receipts/(repayment) of government grants	8,698	2,284
Proceeds from sale of property, plant and equipment	-	3,607
Purchase of property, plant and equipment	(131,459)	(44,755)
Purchase of intangible assets	(1,849)	(1,442)
Net cash used in investing activities	(124,610)	(40,306)
Cash flows from financing activities		
Repayment of loan – in substance options	289	305
Repayment of borrowings	(40,557)	(253,115)
Loans received	69,743	383,496
Equity dividends paid	(11,284)	(11,284)
Net cash from/(used) in financing activities	18,191	119,402
Net increase/(decrease) in cash and cash equivalents	(73,283)	141,095
Net foreign exchange differences	6,932	977
Cash and cash equivalents at beginning of period	171,102	29,030
Cash and cash equivalents at end of period	**104,751**	**171,102**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Attributable to equity holders of the parent						
	Issued capital $'000	Reserved shares* $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Other Reserves** $'000	Total Equity $'000
As at 1 July 2010	**41,075**	**(10,205)**	**212,325**	**(1,685)**	**40,523**	**(12,665)**	**269,368**
Currency translation differences	-	-	-	(7,180)	-	-	(7,180)
Net gains on cash flow hedges	-	-	-	-	36,739	-	36,739
Transfer from cash flow hedge reserve	-	-	-	-	(35,754)	-	(35,754)
Total other comprehensive income for the year	-	-	-	(7,180)	985	-	(6,195)
Profit for the year	-	-	21,890	-	-	-	21,890
Total comprehensive income for the year	-	-	21,890	(7,180)	985	-	15,695
Equity Transactions:							
Options exercised	-	305	-	-	-	-	305
Cost of share-based payments	-	-	-	-	-	85	85
Equity dividends	-	-	(11,284)			-	(11,284)
As at 30 June 2011	**41,075**	**(9,900)**	**222,931**	**(8,865)**	**41,508**	**(12,580)**	**274,169**
As at 1 July 2011	**41,075**	**(9,900)**	**222,931**	**(8,865)**	**41,508**	**(12,580)**	**274,169**
Currency translation differences	-	-	-	(1,703)	-	-	(1,703)
Asset revaluation net of tax	-	-	-	-	-	27,491	27,491
Net gains on cash flow hedges	-	-	-	-	(19,745)	-	(19,745)
Transfer from cash flow hedge reserve	-	-	-	-	(5,114)	-	(5,114)
Total other comprehensive income for the year	-	-	-	(1,703)	(24,859)	27,491	929
Profit for the year	-	-	11,043	-	-	-	11,043
Total comprehensive income for the year	-	-	11,043	(1,703)	(24,859)	27,491	11,972
Equity Transactions:							
Shares issued	298	-	-	-	-	-	298
Options exercised	-	289	-	-	-	-	289
Cost of share-based payments	-	-	-	-	-	1,603	1,603
Equity dividends	-	-	(11,284)	-	-	-	(11,284)
As at 30 June 2012	**41,373**	**(9,611)**	**222,690**	**(10,568)**	**16,649**	**16,514**	**277,047**

*Reserved shares are in relation to the Austal Group Management Share Plan.

NOTE 1. BASIS OF PREPARATION OF THE CONCISE REPORT

This concise financial report has been derived from the full 2012 Financial Report as presented in the Austal Limited Annual Report, which complies with the *Corporations Act 2001* and Australian Accounting Standards. This concise financial report has been prepared in accordance with Accounting Standard AASB 1039 – "Concise Financial Reports", and the relevant provisions of the *Corporations Act 2001*. During the year ended 30 June 2012, the Group changed its accounting policy from the cost model to the revaluation model for land and buildings.

A full description of the accounting policies adopted by Austal Limited is provided in the full 2012 Financial Report. The presentation currency used in this concise financial report is Australian Dollar.

NOTE 2. REVENUE AND EXPENSES

	2012 $'000	2011 $'000
Revenue and Expenses from Continuing Operations		
(a) Revenue		
Construction contract revenue	617,847	469,161
Charter revenue	11,298	9,968
Service revenue	20,007	21,591
Rental revenue	680	543
Sale of scrap	2,519	2,164
Interest from other unrelated parties	645	429
	652,996	503,856
(b) Other income		
Government grants	4,550	6,056
Training reimbursement	8,822	4,167
Gain on disposal of property, plant and equipment	4,269	39
Net foreign exchange gain	9,037	-
Other income	1,140	139
	27,818	10,401

NOTE 3. EARNINGS PER SHARE

	2012 $'000	2011 $'000	2012 Number	2011 Number
Net profit attributable to ordinary equity holders of the parent from continuing operations	11,043	21,890		
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share			183,766,205	183,559,322
Effect of dilution – share options			462,579	767,611
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution			184,228,784	184,326,933
Earnings per share (cents per share)	6.01	11.9		
Diluted earnings per share (cents per share)	5.99	11.9		

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. 11,273,611 (2011: 9,664,402) potential ordinary shares have been excluded from the earnings per share calculation as they were not considered dilutive.

NOTE 4. OPERATING SEGMENTS

Identification of reportable segments:

For management purposes the group is organised into four business segments based on the location of the production facilities, related sales regions and types of activity.

The Chief Executive Officer monitors the performance of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss. Finance costs, finance income and income tax are managed on a group basis.

The Group's reportable segments are as follows:

Henderson Shipyard Operations ("HSO")

The HSO business manufactures high performance defence vessels for navys and border protection agencies for markets worldwide, excluding the USA.

USA

The USA manufactures high performance defence vessels for the U.S. Navy.

Service & Systems

The Service business provides training and on-going support and maintenance for high performance vessels and includes the chartering of a vessel to the U.S. Navy's Military Sealift Command.

Philippines Shipyard Operations ("PSO")

The PSO business manufactures high performance commercial vessels for markets worldwide, excluding the USA.

Other/Unallocated

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cost of group services
- Corporate overheads
- Revenue from property leased to other group segments
- Finance revenue and costs
- Taxation
- Assets held for sale
- Derivatives
- Commercial vessel charter contracts

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts.

Inter-entity sales are recognised based on an arm's length pricing structure.

NOTE 4. OPERATING SEGMENTS (continued)

	HSO $'000	USA $'000	PSO $'000	Service & Systems $'000	Other/ Unallocated $'000	Eliminations/ Adjustments $'000	Total $'000
Year Ended 30 June 2012							
Revenues							
External customers	48,993	570,300	1,942	30,238	878	-	652,351
Inter-segment	14,740	-	-	2,600	2,010	(19,350)	-
Total revenues (i)	**63,733**	**570,300**	**1,942**	**32,838**	**2,888**	**(19,350)**	**652,351**
Segment result (ii)	**(13,653)**	**15,796**	**(798)**	**405**	**31,064**	**(16,237)**	**16,577**
Depreciation and amortisation	(1,597)	(12,256)	(142)	(841)	(1,488)	-	(16,324)
Gain on deferred premium	5,114	-	-	-	-	-	5,114
Segment assets	**130,294**	**480,586**	**(1,036)^**	**331**	**328,582**	**(112,770)**	**825,987**
Additions to non-current assets	**10,010**	**107,952**	**569**	**427**	**12,501**	**-**	**131,459**
Year Ended 30 June 2011							
Revenues							
External customers	133,915	343,915	-	28,834	(3,237)	-	503,427
Inter-segment	14,970	-	-	1,076	436	(16,482)	-
Total revenues (i)	**148,885**	**343,915**	**-**	**29,910**	**(2,801)**	**(16,482)**	**503,427**
Segment result (ii)	**(10,134)**	**26,053**	**-**	**(1,765)**	**(5,994)**	**13,942**	**22,102**
Depreciation and amortisation	(2,367)	(9,246)	-	(1,370)	(2,522)	-	(15,505)
Gain on deferred premium	677	-	-	-	-	-	677
Segment assets	**146,061**	**346,338**	**-**	**8,531**	**235,782**	**(62,092)**	**674,620**
Additions to non-current assets	**2,653**	**41,683**	**-**	**333**	**-**	**-**	**44,669**

^ Due to funding from related entities liabilities exceed assets in these segments.

i) Segment revenue does not include finance revenue of $0.645 million (30 June 2011: $0.429 million).

ii) Segment result does not include finance revenue of $0.645 million (30 June 2011: $0.429 million) and finance costs of $4.665 million (30 June 2011: $2.739 million).

Reconciliation of segment profit	2012 $'000	2011 $'000
Segment profit	16,577	22,102
Finance income	645	429
Finance expenses	(4,665)	(2,739)
Group profit	**12,557**	**19,792**

Reconciliation of segment revenue	2012 $'000	2011 $'000
Segment revenue	652,351	503,427
Finance income	645	429
Group revenue	**652,996**	**503,856**

NOTE 5. DIVIDENDS

No dividend has been proposed for the year ended 30 June 2012. A fully franked dividend of $11.284m of 6 cents per share was paid on 6 October 2011 relating to 30 June 2011.

NOTE 6. EVENTS AFTER THE BALANCE DATE

There were no material events occurring after year end requiring disclosure.

DIRECTORS' DECLARATION

The directors of Austal Limited declare that the accompanying Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Report and is consistent with the consolidated entity's 30 June 2012 financial report.

With regard to the 30 June 2012 financial report of Austal Limited, the directors declared that:

1. In the opinion of the directors:
   (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
      (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
2. The financial Statements and notes also comply with International Financial Reporting Standards.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
4. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial period ending 30 June 2012.

This statement has been made in accordance with a resolution of directors.

On behalf of the Board

J ROTHWELL AO

Chairman

Dated at Henderson this 28th day of August 2012

ERNST & YOUNG

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Perth WA 6000 Australia
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Independent auditor's report to the members of Austal Limited

Report on the Concise Financial Report

We have audited the accompanying concise financial report of Austal Limited which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and related notes, derived from the audited financial report of Austal Limited for the year ended 30 June 2012. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Austal Limited for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial report in our report dated 28 August 2012. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion, the concise financial report, including the directors' declaration of Austal Limited for the year ended 30 June 2012 complies with Accounting Standard AASB 1039 Concise Financial Reports.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2012.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Austal Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin A Buckingham

Gavin A Buckingham
Partner
Perth
28 August 2012

SHAREHOLDER INFORMATION

The following information was extracted from the Company's register as at 27 August 2012.

DISTRIBUTION OF SHARES

	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	1,607	847,910	0.45
1,001 – 5,000	2,195	6,148,979	3.27
5,001 – 10,000	651	5,006,869	2.66
10,001 – 100,000	459	10,681,873	5.67
100,001 and over	35	165,507,376	87.95
TOTAL	**4,947**	**188,193,007**	**100.00**

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder	Total Units	% Issued Capital
1	Austro Pty Ltd	32,200,745	17.11
2	Longreach (WA) Pty Ltd	26,595,621	14.13
3	J P Morgan Nominees Australia Limited	23,515,840	12.50
4	HSBC Custody Nominees	22,133,235	11.76
5	National Nominees Limited	13,349,565	7.09
6	Citicorp Nominees Pty Ltd	10,247,793	5.45
7	Onyx (WA) Pty Ltd (G Heys	9,916,628	5.27
8	Mr Vincent Michael O'Sullivan	9,582,000	5.09
9	Austal Group Management Share Plan Pty Ltd	4,350,811	2.31
10	Garry Heys & Dorothy Heys	2,844,670	1.51
11	Lavinia Shipping Ltd	2,302,625	1.22
12	Zilon Pty Ltd	1,773,940	0.94
13	Mossisberg Pty Ltd	1,556,945	0.83
14	Pepperwood Holdings Pty Ltd	1,415,737	0.75
15	BNP Paribas Noms Pty Ltd	1,265,277	0.67
16	Mr James Nicholas Andrew	417,569	0.22
17	BNP Paribas Noms Pty Ltd	272,415	0.14
18	Peninsula Audiological Services Pty Ltd	235,000	0.12
19	UBS Wealth Management Australia Nominees	222,450	0.12
20	Navigator Australia Ltd	215,718	0.11
		164,414,584	**87.36**

SUBSTANTIAL SHAREHOLDERS

Rank	Shareholder	No. of Ordinary Shares
1	Austro Pty Ltd (J Rothwell)	32,200,745
2	Longreach (WA) Pty Ltd (C Norman)	26,595,621
3	J P Morgan Nominees Australia Limited	23,515,840
4	HSBC Custody Nominees	22,133,235
5	National Nominees Limited	13,349,565
6	Citicorp Nominees Pty Ltd	10,247,793

Voting Rights

All ordinary shares issued by Austal Limited carry one vote per share without restriction.

CORPORATE DIRECTORY

DIRECTORS

Executive Directors

Andrew Bellamy

Michael Atkinson

Non-Executive Directors

John Rothwell

John Poynton

Dario Amara

David Singleton

AUDITORS

Ernst & Young

The Ernst & Young Building

11 Mounts Bay Road

Perth 6000

Western Australia

COMPANY SECRETARY

Richard Simons

REGISTERED OFFICE

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SHARE REGISTRY

Advanced Share Registry Services

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Western Australia

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Facsimile: +61 8 9389 7871