AUSTAL LIMITED | 2011 | Concise Report

AUSTRALIA'S PRIME DEFENCE CONTRACTOR

2011

AUSTAL

CONTENTS

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

The 2011 Concise Report is an extract of Austal Limited's 2011 Annual Report. The financial statements and specific disclosures included in the Concise Report have been derived from Austal Limited's 2011 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 2011 Annual Report.

2011 Annual Report

A copy of Austal Limited's 2011 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 was an exciting, transformational one for Austal which, with the award of a 10 vessel Littoral Combat Ship (LCS) program and the exercising of further options under its Joint High Speed (JHSV) contract, saw Austal emerge as an international prime contractor for defence programs.

The high Australian dollar and adverse international market conditions, particularly in the important European market, continued to impede Austal's ability to export its commercial products during this period, reflecting in this year's result. We are confident however that Austal's underlying business strategy and the heavy emphasis on defence will continue to deliver growth and long term financial stability.

Our continuing involvement in two major multi-vessel US defence programmes is the best example of the benefits of such a strategy. The company's success in being selected by the US Navy for an additional 10 vessel LCS programme is a major boost both for Austal's Alabama shipyard and the company as a whole. USS Independence, the first Austal LCS delivered under the initial contract, continues to perform well while USS Coronado, the second vessel, is due for delivery in 2012. The third Austal LCS, and the first under the new multi-vessel contract, USS Jackson, is currently under construction, and the US Navy has confirmed the order for the fourth LCS, USS Montgomery. As the total programme is for more than 50 vessels, Austal is well placed for further multiple vessel orders.

At the same time Austal continues to build Joint High Speed Vessels (JHSVs) under a 10 ship programme with the US Department of Defence. Confirmed contracts are in place for 7 JHSVs with the first, Spearhead, due to deliver in December 2011.

The LCS contract award will see a doubling in size of Austal's US operations with a second 34,000m^2 Modular Manufacturing Facility (MMF) currently under construction, while Austal's US-based workforce is planned to expand to approximately 4,000 people by 2013.

Consistent with its ongoing strategy to target the long-term, predictable income streams offered by defence contracts, Austal has refocussed its Australian activities completing the rationalisation of its shipbuilding facilities and strengthening its capabilities as a prime contractor for defence projects. In late 2010, Austal acquired Australian Technology Information (ATI), a Canberra-based company specialising in and possessing intellectual property in systems engineering and integration. By merging ATI into a new division, Austal Systems, which combines systems engineering with Austal's existing in-service support capability, the company is well placed to compete as a prime contractor in the defence sector both in Australia and internationally.

The success of this strategy was reinforced by the award, after year end, of the contract for the supply and in-service support of eight 58 metre Cape Class Patrol Boats (CCPB) for the Australian Customs and Border Protection Service.

Although the commercial ferry market has not fully emerged from the global financial crisis, there are some signs of recovery. Austal secured orders for two passenger ferries during the year, one a 35 metre monohull for repeat customer, Mary D Enterprises, and the other a 41 metre catamaran for Vale. These contracts underline the company's ongoing commitment to the commercial market which, was further bolstered by securing an order for three 21 metre wind farm support vessels just after year end.

Whilst the current economic conditions continue to present challenges across Austal's markets, the company remains focussed on delivering growth opportunities through its focus on the defence sector, international expansion and product diversification.

With Austal emerging as a global defence prime contractor, we look forward to continuing to deliver consistent and predictable growth and I again wish to thank our staff and shareholders for their ongoing support.

JOHN ROTHWELL AO
CHAIRMAN

The Group operating profit after tax for the year was $21.890 million compared with the previous year of $37.132 million. Revenue has decreased by $17.558 million over the previous year while operating profit before tax has decreased by $31.365 million.

Revenue from Austal's US operations increased by 23% over 2011, to $328.709 million. The EBIT contribution from the US operations decreased, from $23.722 million in 2010, to $19.386 million in 2011. This reduction in contribution resulted from an under recovery of overheads due to the delay in the award of the LCS contract and cost overruns on the first JHSV. Cost overruns on a first class vessel are not uncommon and, with the application of lessons learned, follow on vessel projects are performing at or very close to budget. Further the near 30% appreciation of the Australian dollar against the US Dollar over the year adversely impacted the translation of the results of Austal's US operations.

The revenue from Austal's Australian operations decreased by $75.447 million compared to 2010 due to the continued impact of global economic conditions, resulting in less work volume awarded and completed in 2011. Further contributing to this result was that the stock vessels were not sold during the year as previously expected. The EBIT contribution from the Australian operations decreased, from $27.601 million in 2010, to a negative EBIT of $8.573 million in 2011.

Importantly Austal's USA business is now providing the Group with a level of diversification in its earnings which is in part offsetting the impact of global economic conditions.

FINANCIAL SUMMARY

Year ended 30 June	2011 $'000	2010 $'000
Revenue*	503,427	520,150
EBITDA	37,568	67,159
Depreciation ,Amortisation & Impairment	(15,466)	(14,428)
EBIT	22,102	52,731
Net Interest (Paid)/Received	(2,310)	(1,574)
Operating Profit Before Tax	19,792	51,157
Tax (Expense)/Benefit	2,098	(14,025)
Operating Profit After Tax	21,890	37,132
% EBIT/Revenue	4.4	10.1
Basic Earnings Per Share (cps)	11.9	20.3
Net Assets	274,166	269,365
Return on Equity (%)	8.0	13.8

*Excludes interest and other income

AUSTRALIAN OPERATIONS

Although challenging economic conditions continued to hold back sales at our Australian facilities, we were pleased to secure two new contracts during the year. In February, we were awarded a contract to build a 35 metre passenger monohull ferry for Mary D Enterprises, the second vessel we have built for this customer, and in June, Austal secured a contract to build a 41 metre passenger catamaran ferry for Vale in New Caledonia. Just after year end, Austal was awarded a further contract to build three 21 metre support vessels for the fast growing European offshore turbine wind farm industry.

A review of the Australian operations was conducted during the year to consider how the significant capabilities of our Australian operations could be refocused towards the manufacture and support of defence vessels. Several trends were identified that have significant potential for Austal's future growth.

There is continuing strong demand in specific segments of the international commercial vessel market (such as fast crew transfer boats, work boats and 30 metre to 50 metre ferries) and new markets (such as offshore turbine wind farms) are emerging for which new products can be developed using Austal's considerable intellectual property. To be successful in these markets, apart from applying its market leading intellectual property, Austal will need to regionalise its manufacturing base to enhance competitiveness.

In the defence sector, systems engineering and integration present attractive opportunities that have the potential to deliver significant recurrent income. In November 2010, Austal acquired Canberra-based Australian Technology Information Pty Ltd (ATI), an Australian company that provides specialised services to the Australian Defence Forces including systems engineering and integration, information technology, verification and validation systems and deployable tactical command centres.

These capabilities have been merged with our existing in-service support enabling the delivery, as prime contractor, of an integrated ship construction, systems integration and in-service support capability for defence programs. The success of this strategy was demonstrated in August 2011, when Austal was awarded the contract for the construction and in-service support of eight 58 metre Cape Class Patrol Boats (CCPB) for the Australian Customs and Border Protection Service.

Recently completed at our Western Australian facility during the year has been the 113 metre vehicle ferry Leonora Christina for Danske Færger A/S (formerly Nordic Ferry Services). As the largest catamaran built by Austal, and the largest ever built in Australia, *Leonora Christina* was delivered in May, and is currently in service in Denmark, linking Ronne on the Danish island of Bornholm with the southern Swedish city of Ystad. Construction also continued on the two 47 metre catamaran ferries for L'Express des Iles which are due for completion in August 2011.

USA OPERATIONS

In December 2010 the US Navy obtained budgetary approval to proceed with contracts for two LCS variants, with the result that Austal's US facility was awarded a contract for up to ten 127 metre Austal-designed and built Independence Class Littoral Combat Ships (LCS). The initial contract was for one vessel with the US Navy having options to build nine more over the following five years. In March 2011 the US Navy exercised its option for the second vessel.

The first Austal LCS, *USS Independence,* has been in service since January 2010 and continues to perform well. The second, USS Coronado, is nearing completion and is due for delivery in 2012. The third Austal LCS, and the first under the new contract, *USS Jackson,* is currently under construction, and the US Navy has confirmed the order for the fourth LCS, *USS Montgomery.*

Austal's US facility is also constructing the first of the US Department of Defence's high speed support vessels – the Joint High Speed Vessel (JHSV). As the sole supplier of a vessel that may expand into a 40-ship class, Austal currently has contracts in hand to build seven of these 103 metre JHSVs with the first, *Spearhead*, due for delivery in December 2011.

In order to fulfil these US military programmes, Austal USA recently commenced a further upgrade to its production capacity with the construction of a second 34,000m^2 Modular Manufacturing Facility (MMF), a new Assembly Bay and a new office complex. When complete, the state-of-the-art facility will be capable of constructing two LCSs and two JHSVs per year. The new three-story office complex will be placed just north of the MMF, will house 450 employees and will include a reconfigurable multi-purpose room capable of seating 400 people. It will be five times the size of the existing two-story office building on Dunlap Drive.

Concurrent with physical expansion of the facility, the workforce will be expanded to about 4,000 by 2013.

ENVIRONMENTAL PERFORMANCE

Whilst the international debate on greenhouse gas emissions progressed, we continued to devote significant resources to the development of more efficient vessels with a smaller environmental footprint. Initiatives that are currently being pursued include medium speed ferries that combine Austal's lightweight aluminium technology with highly fuel efficient engines, the use of LNG and CNG fuels, reduction in on board electrical load through power saving and power substituting technologies, and the use of more hydro dynamically efficient hull forms.

SAFETY PERFORMANCE

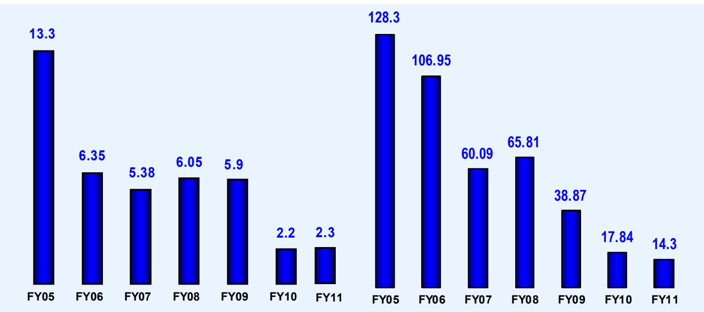
For the second year running Austal achieve both Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) at record low levels in contrast to the frequency rates in the previous years. LTIFR for Austal over the last 5 years has typically been at levels between 5 and 6.5. We have continued our safety journey improving on performance while continuing to develop new processes. While maintaining a focus on the workplace culture and ramping up behavioural programs, we have embarked on a more systematic approach. The results continue to be very encouraging, especially given the rapidly expanding workforce in the US Operations which brings with it the challenges of new people, inexperienced in Austal's systems and processes, and the hazards of the marine manufacturing environment. While our Lost Time Injury Performance remained steady a substantial improvement was seen in the number of medical treatments.

OCCUPATIONAL SAFETY AND HEALTH POLICY

Austal's Occupational Safety and Health (OSH) Policy focuses 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 practice in the workplace and are supported by strong leadership.

SAFE PEOPLE

This year has seen the nomination of employees in various Safe Work Awards for their safety innovations and the implementation of monthly recognition awards for safety. Austal Ships, the Australian manufacturing facility, last year achieved a Silver Certificate of Achievement under the WorkSafe Plan Assessment and has been recommended to WorkSafe Western Australia for a Gold Certificate of Achievement, a 3rd party assessment process, this year. The US Operations received two significant safety awards during the year. The first award was from the Ship Builders Council of America for Excellence in Safety and our ongoing Improvement in Safety Performance. The second award was from the American Longshore Mutual Association (ALMA) for the Safest Large Shipyard. This is the second consecutive year that Austal USA has received both of these awards. Austal USA's current safety performance places Austal USA to again receive both of these awards for the upcoming year.



LOST TIME INJURY FREQUENCY RATEPER MILLION HOURS WORKED

MEDICAL TREATMENT INJURY FREQUENCY RATEPER MILLION HOURS WORKED

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

Sustained adverse international market conditions have had a significant impact on the result for this year. Austal believes that the current market conditions – a high Australian dollar, weak European and US economies and increasing competition for labour in Australia – will be the norm for some years to come. Austal has reviewed its strategy against this macro backdrop and has drawn the following conclusions:

- The prospect of significant cuts to the US defense budget over coming years is inevitable. Whilst all US defence procurement programmes face some level of risk, Austal considers that the risk of cuts to the JHSV and LCS programmes is very low, particularly in comparison to the risk of cuts to other higher profile and more costly procurement programmes undertaken by the US Department of Defence. Accordingly, the focus of Austal's US business unit needs to remain on the "on time, on budget, to quality" delivery of Austal's U.S. Navy vessels out to 2018/19.
- Demand in specific segments of the international commercial vessel market (e.g. fast crew transfer boats, works boats and 30 metre to 50 metre ferries) remains strong and new markets are emerging. Austal needs to apply its considerable intellectual property towards developing products specifically for these markets.
- Apart from deploying superior intellectual property, success in these markets will require Austal to regionalise its manufacturing base to enhance its international competitiveness.
- The market for defence systems opportunities is attractive and has the potential to deliver significant recurrent income. Austal will leverage its existing systems integration capabilities and look to strategically grow its capabilities to access these new opportunities.
- The outlook for the commercial and defence vessel service and maintenance markets remains strong and Austal will therefore continue to pursue contracts in this space.

Austal is now focusing its Australian manufacturing and support facilities on the defence sector and the award of the 8 vessel Cape Class Patrol Boat Contract by the Australian Customs and Border Protection Service just after year end was an important first step in the implementation of that strategy. In conjunction with the position that has been carved out in the US defence sector, Austal has now become a global defence prime contractor – a significant achievement given that the Company listed on the Australian Stock Exchange only 12 years ago.

Austal's US business has now become a key supplier to the U.S. Navy. Of the 50 vessels that the U.S. Navy intends to procure over the next 5 years, 17 of them will be built by Austal (9 JHSV and 8 LCS). This gives Austal a level of visibility and predictability of future revenues that is unparalleled in the Company's history. Austal now has 7 JHSVs under contract, with options remaining for a further 3 ships, and 2 LCSs under contract with options remaining for a further 8 vessels. As the remaining options for all vessels are exercised, the revenues from Austal's US business alone will rise to approximately US$1 billion over the course of the next 2 years.

As at 30 June 2011, the order book backlog totalled $1.49 billion.

This gives the Group a tremendous platform for growth and further allows Austal to reposition its mature Australian business for the next phase of its evolution. The challenges of the macro environment have caused Austal to think about its inherent skills, intellectual property and competitive advantages in new ways and we believe that the Group is well positioned for future growth.

Andrew Bellamy

ANDREW BELLAMY
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Board of Directors of Austal Limited submit their report for the year ended 30 June 2011.

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

Within excess of 30 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".

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, Christopher was awarded the prestigious A.G.M. Michell Award in recognition of outstanding service in the profession of Mechanical Engineering.

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 Council of Celebrate WA. John is a member of Social Ventures Australia and Curtin Foundation.

Previously, John was a Chairman of ASX Perth, Fleetwood, Alinta and 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 and of the Business School at the University of Western Australia.

John is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA), and a Fellow of the Australian Institute of Company Directors (AICD) and 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 cofounder and Chief Executive Officer of Emerson Stewart Group Limited, an engineering, spatial, project implementation and consultancy group based in Perth.

He has over 30 years of Australian and International experience covering both the engineering and construction sectors, and has been involved in a number of senior leadership roles. He has a record of achievement in establishing, growing and rejuvenating businesses and strategic leadership. He is a graduate from the Curtin University of Technology.

He is currently Non-Executive Chairman of Mission New Energy 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.

He 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. He 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.

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	33,974,685	-	-
Michael Atkinson	1,415,737	-	285,062
Christopher Norman	26,595,621	6,600	-
John Poynton	10,000	-	-
Dario Amara	50,000	-	-
Ian Campbell	-	-	-
Andrew Bellamy	-	-	-

*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 29 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 and manufacture of high performance vessels. These activities are unchanged from the previous year.

RESULTS

The profit of the consolidated entity for the financial year was $21.890 million after income tax (2010: $37.132 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

A fully franked final dividend of $11.284 million (6 cents per share) (2010: $11.284 million being 6 cents per share) has been declared for the year ended 30 June 2011 to be paid on 6 October 2011.

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 2011.

SHARE OPTIONS

As at the date of this report, there were 6,664,402 un-issued ordinary shares under options. Refer to Note 29 for further details of the options outstanding. There were no options exercised during the year.

TOTAL NUMBER OF EMPLOYEES

As at 30 June 2011, the consolidated entity employed a total of 2,404 full-time equivalents (2010: 2,452 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 Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five executives of the Company and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives and general managers and secretaries 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 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. $218,414 (2010: $157,689) of the cash bonuses vested with the executives and was paid during this financial year.

Similarly, Austal KMP who are not directors of Austal USA participate in an annual bonus programme. 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

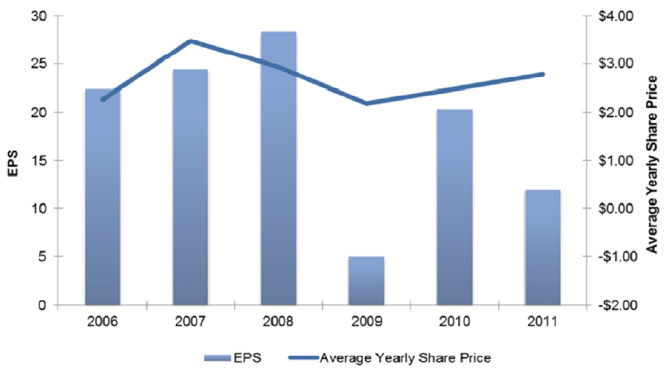
The Share Option Plan aims to reward executives and senior managers with the issue of share options commensurate with their position and responsibilities within the Company so as to:

- 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 INCLUDING GROUP AND COMPANY EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION FOR THE YEARS ENDED 30 JUNE 2011 AND 2010

(i) **DIRECTORS**

Mr John Rothwell	Non-Executive Chairman
Mr Michael Atkinson	Executive Director*
Mr Christopher Norman	Non-Executive Director
Mr John Poynton	Independent Director
Mr Robert Browning	Managing Director & Chief Executive Officer - resigned 15 November 2010
Mr Dario Amara	Independent Director
Mr Ian Campbell	Independent Director
Mr Andrew Bellamy	Chief Executive Officer – appointed 24 February 2011

(ii) **EXECUTIVES**

Mr Joseph Rella	Chief Operating Officer Austal USA
Mr Greg Metcalf	Chief Financial Officer – resigned 18 September 2009
Mr Richard Simons	Chief Financial Officer & Company Secretary* – appointed 1 February 2010
Mr William Rotteveel	General Manager Austal Image – resigned 6 July 2010
Mr Mark Dummett	Executive Manager Australian Operations
Mr Peter Hogan	Chief Operating Officer Australia – resigned 10 December 2009

* On 21 January 2011, Michael Atkinson resigned as Company Secretary and Richard Simons was appointed.

REMUNERATION REPORT (Audited) (Continued)

REMUNERATION OF KEY MANAGEMENT PERSONNEL INCLUDING GROUP AND COMPANY EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011.

TABLE 1: 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.

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

	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	416,666	-	-	-	-	-	416,666	-	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	**774,666**	**-**	**-**	**-**	**-**	**-**	**774,666**		
Executive directors									
Robert Browning	623,986	-	28,008	-	-	478,754	1,130,748	42.3	5
Michael Atkinson	364,105	-	-	-	-	15,346	379,451	4.0	2
Other key management personnel									
Joseph Rella	374,065	84,527	35,646	-	-	21,330	515,568	4.1	5
Greg Metcalf*	131,353	-	-	5,812	212,994	11,290	361,449	3.1	3
Richard Simons*	125,960	-	-	11,274	-	9,397	146,631	6.4	4
William Rotteveel	231,682	9,050	-	18,847	-	15,615	275,194	5.7	3
Mark Dummett	254,285	9,760	-	23,377	-	21,648	309,070	7.0	3
Andrew Bellamy	324,507	32,110	-	28,321	-	12,537	397,475	3.2	4
Peter Hogan*	155,790	22,242	-	21,946	83,479	(1,641)	281,816	7.3	4
Sub-total executive KMP	**2,585,733**	**157,689**	**63,654**	**109,577**	**296,473**	**584,276**	**3,797,402**		
Total	**3,360,399**	**157,689**	**63,654**	**109,577**	**296,473**	**584,276**	**4,572,068**		

* Key management personnel for part of year of 2010.

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.

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	Vested No.
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**							**-**
30 June 2010								
Joseph Rella	140,000	3 Nov 2009	0.522	2.95	30 Oct 2016	30 Oct 2012	30 Oct 2016	-
Richard Simons*	140,000	16 Feb 2010	0.561	2.45	27 Feb 2017	27 Feb 2013	27 Feb 2017	-
William Rotteveel***	70,000	3 Nov 2009	0.522	2.95	30 Oct 2016	30 Oct 2012	30 Oct 2016	-
Mark Dummett	70,000	3 Nov 2009	0.522	2.95	30 Oct 2016	30 Oct 2012	30 Oct 2016	-
Andrew Bellamy	140,000	3 Nov 2009	0.522	2.95	30 Oct 2016	30 Oct 2012	30 Oct 2016	-
Peter Hogan*	140,000	3 Nov 2009	0.522	2.95	**	**	**	-
	100,000	16 Feb 2010	0.690	1.81	27 Feb 2016	27 Feb 2012	27 Feb 2016	-
Total	**800,000**							**-**

* Key management personnel for part of year of 2010.
** 140,000 options were forfeited on cessation of employment.
*** Forfeited in 2011.
Of existing option holdings only 140,000 of Michael Atkinson and 67,500 of Mark Dummett's options had vested during the year and no options we exercised (2010: No options vested or were exercised during the year or prior year).

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 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
30 June 2010					
Joseph Rella	73,080	-	-	-	4.1
Richard Simons*	78,540	-	-	-	6.4
William Rotteveel	36,540	-	-	-	5.7
Mark Dummett	36,540	-	-	-	7.0
Andrew Bellamy	73,080	-	-	-	3.2
Peter Hogan*	73,080	-	73,080	-	-
	69,000	-	-	-	3.7

* Key management personnel for part of year of 2010.

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 2011				
Robert Browning*	-	-	-	-
30 June 2010				
Robert Browning*	-	-	-	42.3

^ For details on the valuation of the options, including models and assumptions used, please refer to Note 29 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.

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 (2010: 600,000) in substance options vested and Nil (2010: 285,000) were exercised by KMP. See note 28(d).

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	6	4	2
Number of meetings attended:			
John Rothwell	6	-	2
Michael Atkinson	4	-	-
Christopher Norman	6	3	-
John Poynton	5	-	1
Robert Browning *	2	-	1
Dario Amara	6	4	-
Ian Campbell	6	4	2
Andrew Bellamy *	2	-	-

* Director for part of year of 2011.

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

* Designates the Chairman of the committee

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 2011, 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 Buckingham

Gavin Buckingham
Partner
Perth
18 August 2011

GB:MB:AUSTAL:090

Liability limited by a scheme approved under Professional Standards Legislation

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.

Andrew Bellamy

J ROTHWELL AO
Chairman

A BELLAMY
Executive Director and Chief Executive Officer

Dated at Henderson this 18th day of August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Continuing operations			
Revenue	2(a)	503,856	521,414
Other income	2(b)	10,401	9,242
Expenses (excluding finance costs)		(492,403)	(474,817)
Impairment of land and buildings		-	(2,462)
Unrealised gain/(loss) on deferred premium options		677	618
Finance costs		(2,739)	(2,838)
Profit before income tax		**19,792**	**51,157**
Income tax benefit/(expense)		2,098	(14,025)
Profit after tax from continuing operations		**21,890**	**37,132**
Attributable to Members of the Parent		**21,890**	**37,132**
Other comprehensive income			
Cash flow hedges:			
Gain taken to equity		52,483	12,554
Transferred to the statement of comprehensive income		(51,076)	(1,684)
Foreign currency translations		(7,180)	(1,416)
Income tax expense on items of other comprehensive income		(422)	(3,268)
Other comprehensive income for the period, net of tax		**(6,195)**	**6,186**
Total comprehensive income for the year		15,695	43,318
Attributable to members of the parent		**15,695**	**43,318**
Earnings per share (cents per share)			
- basic for profit for the year attributable to ordinary equity holders of the parent	3	11.9	20.3
- diluted for profit for the year attributable to ordinary equity holders of the parent	3	11.9	20.2
Dividends per share (cents per share)	**5**	**6.0**	**6.0**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	2011 $'000	2010 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	42,265	29,030
Restricted cash	128,837	-
Trade and other receivables	21,986	31,060
Inventories	177,922	275,288
Prepayments	5,792	2,206
Derivatives	37,805	60,273
Total Current Assets	**414,607**	**397,857**
Non-current Assets		
Other financial assets	903	1,138
Trade and other receivables	15	-
Prepayments	-	309
Derivatives	37,233	16,394
Property, plant and equipment	208,275	217,734
Intangible assets	5,063	3,786
Deferred tax assets	8,524	10,900
Total Non-current Assets	**260,013**	**250,261**
Total Assets	**674,620**	**648,118**
LIABILITIES		
Current Liabilities		
Trade and other payables	52,837	87,488
Derivatives	153	2,690
Interest-bearing loans and borrowings	8,554	46,567
Provisions	26,409	25,187
Government grants	3,567	4,840
Income tax payable	20,724	19,755
Other	2,679	11,816
Total Current Liabilities	**114,923**	**198,343**
Non-current Liabilities		
Derivatives	274	6,320
Interest-bearing loans and borrowings	217,985	79,335
Provisions	2,138	2,829
Government grants	41,899	55,045
Deferred tax liabilities	23,235	36,881
Total Non-current Liabilities	**285,531**	**180,410**
Total Liabilities	**400,454**	**378,753**
Net Assets	**274,166**	**269,365**
EQUITY		
Contributed equity	31,175	30,870
Reserves	20,063	26,173
Retained earnings	222,928	212,322
Total Equity	**274,166**	**269,365**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	2011 $'000	2010 $'000
Cash flows from operating activities		
Receipts from customers	573,626	549,683
Payments to suppliers and employees	(506,755)	(664,945)
Interest received	429	1,264
Interest paid	(2,739)	(2,838)
Income tax received/(paid)	(8,200)	798
GST refunds	5,638	9,024
Receipts/(repayment) of government grants	2,284	11,725
Net cash inflow/(outflow) from operating activities	64,283	(95,289)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3,607	10
Purchase of property, plant and equipment	(44,755)	(46,503)
Purchase of intangible assets	(1,442)	(1,922)
Net cash used in investing activities	(42,590)	(48,415)
Cash flows from financing activities		
Repayment of loan – in substance options	305	774
Repayment of borrowings	(253,115)	(16,887)
Loans received	383,496	107,566
Equity dividends paid	(11,284)	(11,284)
Net cash from/(used) in financing activities	119,402	80,169
Net increase/(decrease) in cash and cash equivalents	141,095	(63,535)
Net foreign exchange differences	977	(463)
Cash and cash equivalents at beginning of period	29,030	93,028
Cash and cash equivalents at end of period	**171,102**	**29,030**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	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
			Attributable to equity holders of the parent				
As at 1 July 2009	**41,075**	**(10,979)**	**186,474**	**(269)**	**32,921**	**(13,487)**	**235,735**
Currency translation differences	-	-	-	(1,416)	-	-	(1,416)
Net gains on cash flow hedges	-	-	-	-	8,791	-	8,791
Transfer from cash flow hedge reserve	-	-	-	-	(1,189)	-	(1,189)
Total other comprehensive income for the year	-	-	-	(1,416)	7,602	-	6,186
Profit for the year	-	-	37,132	-	-	-	37,132
Total comprehensive income for the year	-	-	37,132	(1,416)	7,602	-	43,318
Equity Transactions:							
Options exercised	-	774	-	-	-	-	774
Cost of share-based payments	-	-	-	-	-	822	822
Equity dividends	-	-	(11,284)			-	(11,284)
As at 30 June 2010	**41,075**	**(10,205)**	**212,322**	**(1,685)**	**40,523**	**(12,665)**	**269,365**
As at 1 July 2010	**41,075**	**(10,205)**	**212,322**	**(1,685)**	**40,523**	**(12,665)**	**269,365**
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)**	**222,928**	**(8,865)**	**41,508**	**(12,580)**	**274,166**

*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 2011 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*. A full description of the accounting policies adopted by Austal Limited is provided in the full 2011 Financial Report. The presentation currency used in this concise financial report is Australian Dollar.

NOTE 2. REVENUE AND EXPENSES

	2011 $'000	2010 $'000
Revenue and Expenses from Continuing Operations		
(a) Revenue		
Construction contract revenue	469,161	476,611
Charter revenue	9,968	12,300
Service revenue	21,591	29,279
Rental revenue	543	28
Sale of scrap	2,164	1,932
Interest from other unrelated parties	429	1,264
	503,856	521,414
(b) Other income		
Government grants	6,056	8,934
Other income	4,345	308
	10,401	9,242

NOTE 3. EARNINGS PER SHARE

	2011 $'000	2010 $'000	2011 Number	2010 Number
Net profit attributable to ordinary equity holders of the parent from continuing operations	21,890	37,132		
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share			183,559,322	183,311,350
Effect of dilution – share options			767,611	782,824
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution			184,326,933	184,094,174
Earnings per share (cents per share)	11.9	20.3		
Diluted earnings per share (cents per share)	11.9	20.2		

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. 9,664,402 (2010: 6,874,402) 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 three business segments based on the location of the production facilities, related sales regions and types of activity.

The Board 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:

Australia

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

USA

The USA manufactures high performance vessels for markets within the USA.

Service

The Service business provides training and on-going support and maintenance for high performance vessels and includes the chartering of vessels.

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

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

NOTE 4. OPERATING SEGMENTS (continued)

	Australia $'000	USA $'000	Service $'000	Other/ Unallocated $'000	Eliminations/ Adjustments $'000	Total $'000
Year Ended 30 June 2011						
Revenues						
External customers	144,250	328,709	15,736	14,732	-	503,427
Inter-segment	21,111	16,340	-	2,466	(39,917)	-
Total revenues	**165,361**	**345,049**	**15,736**	**17,198**	**(39,917)**	**503,427**
Net profit/(loss) before tax	**(8,573)**	**19,386**	**1,816**	**9,729**	**(256)**	**22,102**
Depreciation and amortisation	(2,367)	(9,246)	(1,370)	(2,522)	-	(15,505)
Gain on deferred premium	677	-	-	-	-	677
Segment assets	**406,988**	**280,187**	**4,851**	**318,819**	**(336,225)**	**674,620**
Additions to non-current assets	**2,653**	**41,683**	**333**	**-**	**-**	**44,669**
Year Ended 30 June 2010						
Revenues						
External customers	219,697	267,016	41,595	1,702	-	530,010
Inter-segment	14,799	279	3,316	22,188	(40,582)	-
Total revenues	**234,496**	**267,295**	**44,911**	**23,890**	**(40,582)**	**530,010**
Net profit/(loss) before tax	**27,601**	**23,722**	**2,757**	**(1,562)**	**213**	**52,731**
Depreciation and amortisation	(2,373)	(8,190)	(30)	(1,373)	-	(11,966)
Impairment of land and buildings	(2,462)	-	-	-	-	(2,462)
Gain on deferred premium	618	-	-	-	-	618
Segment assets	**352,676**	**300,077**	**18,102**	**338,421**	**(361,158)**	**648,118**
Additions to non-current assets	**2,638**	**45,260**	**140**	**57**	**-**	**48,095**

i) Segment revenue does not include finance revenue of $0.429 million (30 June 2010: $1.264 million).

ii) Segment profit before tax does not include finance revenue of $0.429 million (30 June 2010: $1.264 million) and finance costs of $2.739 million (30 June 2010: $2.838 million).

NOTE 5. DIVIDENDS

A fully franked dividend of $11.284 million of 6 cents per share has been declared for the year ended 30 June 2011 to be paid on 6 October 2011. A fully franked dividend of $11.284m of 6 cents per share was paid on 7 October 2010.

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 2011 financial report.

With regard to the 30 June 2011 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 2011 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 2011.

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 18th day of August 2011

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11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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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 2011, 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 2011. 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 2011. We expressed an unmodified audit opinion on the financial report in our report dated 18 August 2011. 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.

GB:MB:AUSTAL:091

ERNST & YOUNG

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 2011 complies with Accounting Standard AASB 1039 Concise Financial Reports.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
18 August 2011

GB:MB:AUSTAL:091

SHAREHOLDER INFORMATION

The following information was extracted from the Company's register as at 16 August 2011.

DISTRIBUTION OF SHARES

	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	1,717	910,850	0.48
1,001 – 5,000	2,377	6,675,510	3.55
5,001 – 10,000	708	5,475,523	2.91
10,001 – 100,000	491	11,525,961	6.13
100,001 and over	33	163,481,794	86.93
TOTAL	**5,326**	**188,069,638**	**100.00**

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder	Total Units	% Issued Capital
1	Austro Pty Ltd	32,200,745	17.12
2	Longreach (WA) Pty Ltd	26,595,621	14.14
3	HSBC Custody Nominees	25,655,483	13.64
4	J P Morgan Nominees Australia Limited	22,314,009	11.87
5	National Nominees Limited	11,692,180	6.22
6	Onyx (WA) Pty Ltd	9,932,592	5.28
7	Mr Vincent Michael O'Sullivan	9,305,301	4.95
8	Citicorp Nominees Pty Ltd	8,192,500	4.36
9	Austal Group Management Share Plan Pty Ltd	4,390,767	2.34
10	Garry Heys & Dorothy Heys	2,844,670	1.51
11	Lavinia Shipping Ltd	2,267,625	1.21
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	Cogent Nominees Pty Limited	798,011	0.42
16	Citicorp Nominees Pty Ltd	533,396	0.28
17	Mr James Nicholas Andrew	417,569	0.22
18	RBC Dexia Investor Services	416,320	0.22
19	Bond Street Custodians Limited	264,598	0.14
20	Peninsula Audiological Services Pty Ltd	235,000	0.13
		162,803,009	**86.57**

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	HSBC Custody Nominees	25,655,483
4	J P Morgan Nominees Australia Limited	22,314,009
5	National Nominees Limited	11,692,180
6	Onyx (WA) Pty Ltd (G Heys)	9,932,592

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

Christopher Norman

Dario Amara

Ian Campbell

AUDITORS

Ernst & Young

The Ernst & Young Building

11 Mounts Bay Road

Perth 6000

Western Australia

COMPANY SECRETARY

Richard Simons

REGISTERED OFFICE

100 Clarence Beach Rd

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Facsimile: +61 8 9410 2564

SHARE REGISTRY

Advanced Share Registry Services

110 Stirling Highway

Nedlands 6009

Western Australia

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871