



07

AUSTAL LIMITED  
CONCISE REPORT





## 2007/2008 CALENDAR OF EVENTS

### Annual General Meeting

The Annual General Meeting of shareholders will be held at 3.00pm on 22 October 2007 at the Fremantle Sailing Club, "Success Harbour", Marine Terrace, Fremantle, Western Australia.

### Dividend Payment

The final dividend will be paid to shareholders on 11 October 2007 to those registered at 5pm on 27 September 2007.

The 2007 Concise Report has been derived from Austal Limited's 2007 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 provided by the 2007 Annual Report.



A copy of the Austal Limited's 2007 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.

### Front cover picture

88 metre "Osman Gazi-1" built for Istanbul Metropolitan Municipality, leaving the shed in December 06. Sister vessel "Orhan Gazi-1" under construction



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107 metre "Alakai" for Hawaii Superferry docked at the Austal USA shipyard in Mobile, Alabama

# CHAIRMAN'S REPORT

I am pleased to report a continuation of the strong financial performance of previous years largely as a result of growth across Austal's market sectors. That growth, particularly in the USA, has placed an increased emphasis on the recruitment and training of personnel to meet the current and forecast future demand for our products. The purchase of an existing aluminium shipyard in Tasmania during the year provided another important asset in Austal's efforts to increase ship construction capacity.

With our order book extending into 2010, we have been successful during the year in winning new business across the commercial and defence sectors, whilst also delivering five Armidale Class Patrol Boats to the Royal Australian Navy, a Police Boat to the Bermuda Water Police and two large vehicle-passenger ferries for operators in Turkey and Hawaii. The latter was delivered from our Alabama shipyard, the largest aluminium ship built to date in the USA.

Of the new orders, it was most pleasing to see the return of large volume ferry orders from one of Austal's traditional markets in the Hong Kong region, as well as the confirmation of the second Littoral Combat Ship (LCS). The LCS programme has been the subject of critical US Navy and Government review during the year, ultimately leading to the temporary delay of anticipated new orders. However, the US Navy remains strongly committed to the programme and recognises the critical need for these new vessels, as well as the unique capabilities for its fleet. As our first LCS approaches completion in the new calendar year, we are confident that our trimaran seaframe will deliver the leading solution as the US Navy prepares to select a single source supplier.

In light of this confidence, we continue to develop our US capacity led by an expanding workforce currently numbering in excess of 1,000 employees. Following our purchase of the minority interest in Austal USA, we have also been fortunate to secure the full time management skills and expertise of Bob Browning, who is now in place as Austal USA Chief Executive Officer to drive future growth in this strategic business unit.

Austal continues to transform its construction processes. Visitors to our Australian shipyards would have noticed a substantial change in the arrangement of our workshops and assembly halls. When fully implemented, our Advanced Ship Building (ASB) project, in conjunction with new automated machinery, will improve and simplify how our vessels are built. Based on ongoing measurement and assessment, these changes are being replicated in our US shipyard where the benefit can be maximised over multiple repeat orders.

It is a proud achievement that we continue to successfully add to our order book, which as of June this year was the largest in the company's history both in terms of value and quantity.

On behalf of the Board and Management, I thank our staff and shareholders who together can look forward to an exciting future.



JOHN ROTHWELL AO  
EXECUTIVE CHAIRMAN





► LCS-2 "USS Independence" under construction at Austal USA, July 2007

▼ Secretary of the US Navy Dr. Donald Winter addresses the Austal USA shipyard. Seated: Austal USA Chief Executive Officer Bob Browning and Chief Operating Officer Dan Spiegel



*"The Littoral Combat Ship program remains of critical importance to our Navy providing mine warfare, anti-submarine and anti-surface warfare capabilities."*

Admiral Michael G. Mullen, US Chief of Naval Operations. Statement before the Senate Armed Services Sub Committee on Seapower, 03 May 2007

◀ Turkish Welcoming Ceremony for "Osman Gazi-1" hosted by Turkish Prime Minister Tayyip Erdogan and attended by Austal Executive Chairman John Rothwell

# OPERATING AND FINANCIAL OVERVIEW

The Group operating profit after tax for the year was \$45.8 million compared with the previous year of \$44.2 million.

Revenue has increased by 40% over the previous year whilst net operating profit before tax has increased by 28%. Production efficiency in the USA has been affected by the rapid expansion of the workforce.

In September 2006, the minority interest in Austal USA LLC was purchased for \$20.6 million.

Progress payments on a significant contract were received shortly before the year end, which substantially increased the cash holdings at year end.

In March 2007, the additional production facilities were secured in Tasmania, Australia.

## FINANCIAL SUMMARY

YEAR ENDED 30 JUNE	2007	2006
	\$M	\$M
Revenue	543.6	389.0
EBITDA	63.9	50.8
Depreciation & Amortisation	(5.4)	(4.3)
EBIT	58.5	46.5
Net Interest Received	5.2	3.1
Operating Profit Before Tax	63.7	49.6
Tax Expense	(17.9)	(5.4)
Operating Profit After Tax	45.8	44.2
% EBIT/Revenue	10.8	12.0
Basic Earnings Per Share (cps)	24.4	22.4
Net Assets	209.5	188.2
Return on Equity (%)	21.5	21.6

A dividend of 12 cents per share fully franked is to be paid on 11 October 2007. A dividend of 11 cents per share fully franked was paid on 12 October 2006.

## AUSTRALIAN OPERATIONS

During the year, Austal completed an 88 metre vehicle-passenger ferry for the Istanbul Metropolitan Municipality, a further five 57 metre Armidale Class Patrol Boats for the Royal Australian Navy, a 59 metre private cruise vessel and a 16 metre Police Boat for the Bermuda Water Police.

A further two Armidale Class Patrol Boats remain to be delivered to the Royal Australian Navy in addition to the remaining 88 metre ferry for Turkey and the two 65 metre Oman high speed ferries still under construction.

New orders were received for a 36 metre private charter vessel, twelve 48 metre fast passenger ferries as well as two 69 metre and two 88 metre vehicle-passenger ferries.

In February, Austal purchased an existing aluminium shipyard in Margate, Tasmania. This yard has facilities to construct vessels up to 70m and sufficient land for expansion. At the year end, two 48 metre vessels were under construction in the Tasmanian yard.

## USA OPERATIONS

In December, an order was received for the second 127 metre Littoral Combat Ship (LCS) trimaran for the United States Navy. The first vessel remains under construction and is scheduled for launch and final fitout in 2008.

The first 107 metre Hawaii Superferry vehicle-passenger ferry was also handed over during the year, with the second ferry scheduled for completion in 2009.

During the year, land was purchased in the USA to facilitate future expansion of the USA operations.

## ENVIRONMENTAL PERFORMANCE

Improvements to construction efficiency have also yielded a reduction in energy consumption, following the implementation of new plate cutting machinery and welding machines. Improved natural lighting has also reduced the dependency for incandescent lighting in the summer months.

The Western Australian yard energy supplies originate from natural gas fired cogeneration units and wind farm sources.

Austal plays a leading role in achieving energy efficient solutions both at its shipyards and in the vessels it designs. Commercial and defence operators continue to recognise the multiple roles for Austal's lightweight vessel designs and the role they can play in reducing energy consumption and improving transport efficiency.

▼ An artist's impression of the 47.5 metre passenger catamarans currently under construction for Venetian Marketing Services Limited





## PEOPLE

Austal continues to strive to improve the risk awareness and working environment for its employees. This has resulted in a continuation of the previously achieved safety performance far in excess of industry standards.

In Western Australia, where the domestic employment market continues to be restricted by the strong resources sector, Austal has been able to increase its workforce, partly via the Australian Government's Skilled Migration programme. Austal continues to recruit both locally and nationally, and has maintained its leading presence in the training and development of apprentices. This includes the Fast Track and Mature Age Apprenticeship Programmes, which provides experienced older workers with the opportunity to receive formal qualifications.

Austal USA has further increased its staff from 600 to more than 1,000. Training and development initiatives continue to assist in the development of key skills to support growth targets for the workforce.

## OUTLOOK

As of 30 June 2007, contracts on hand to be completed across the 2008 to 2010 financial years amounted to \$765 million.

With our broad product range, there are a number of prospects for vessels in the international commercial and defence sectors to fill the capacity of Austal's Australian operations as current orders are completed.

The US Defense Force's requirements for high speed vessels remains high and proposals for additional LCS vessels are expected to continue in the 2008 year. The Joint High Speed Vessel (JHSV) requirement for non-combat high speed ferry-like vessels is also expected to be announced in the first half of the new financial year.

JOHN ROTHWELL AO  
CHIEF EXECUTIVE OFFICER

▼ Construction continues on ten 47.5 metre passenger catamarans for Venetian Marketing Services Limited at Austal's Henderson shipyard, May 2007



# PROFILE OF DIRECTORS



## EXECUTIVE DIRECTORS

**JOHN ROTHWELL AO**  
Executive Chairman - Executive Director  
Director since 9 October 1987  
Last elected: 22 October 2004

With in excess of 30 years experience in boat and shipbuilding, John Rothwell 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 Rothwell 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 Rothwell was named the Ernst & Young "Australian Entrepreneur of the Year".

**MICHAEL ATKINSON CA (ZIM), CA (SA)**  
Executive Director, Finance & Company Secretary  
Director since 14 September 1994  
Last elected: 14 October 2005

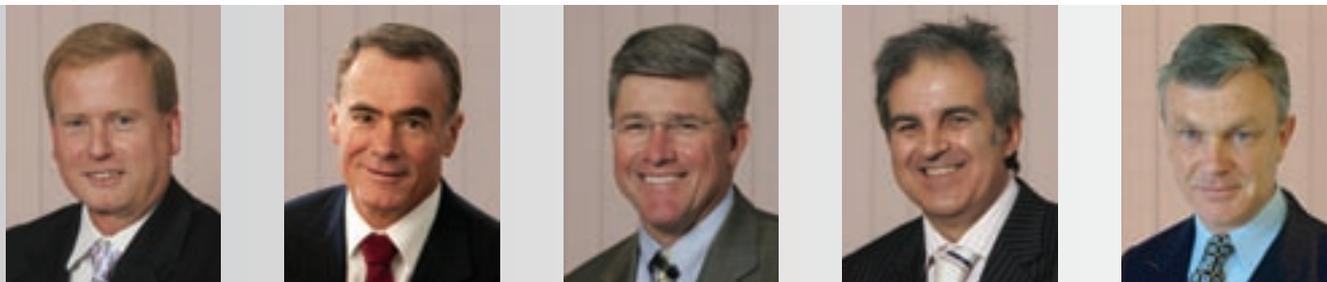
Michael Atkinson joined Austal in 1990 as Financial Controller and was appointed to the Board in 1994. He is a qualified Chartered Accountant with 10 years experience in the accounting profession. On leaving the profession, he entered the railway and construction industry where he served in a senior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

## 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*
John Rothwell	33,724,685	-
Michael Atkinson	1,415,737	285,062
Christopher Norman	26,595,621	-
John Poynton	200,000	-
Dario Amara	50,000	-
Ian Campbell	-	-

\* This represents the number of shares (in substance options) held in the Austal Group Management Share Plan (AGMSP) (refer to note 28 of the 2007 Annual Report). The terms and conditions of the AGMSP are set out in note 29 of the 2007 Annual Report.



## NON EXECUTIVE DIRECTORS

**CHRISTOPHER NORMAN (B.Eng Hons)**  
Non Executive Director  
Director since 9 October 1987  
Last elected: 16 October 2006

Chris Norman 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. Mr Norman 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. He is a member of both the Royal Institution of Naval Architects and the Germanischer Lloyd Asean Committee.

**JOHN POYNTON B.Com, SF Fin, FAIM, FAICD**  
Independent Director  
Director since 24 August 1998  
Last elected: 16 October 2006

John is a co-founder and Executive Chairman of Azure Capital.

John is a Non-Executive Director of Burswood Ltd, Multiplex Ltd and is a member of the Payments System Board of the Reserve Bank of Australia. He is Chairman of the West Australian Museum Foundation and a member of the Board of the Business School at the University of Western Australia, where he also serves as Adjunct Professor of Financial Services. He has previously served as a Chairman of the ASX and Alinta. He is a Member in the General Division of the Order of Australia.

**ROBERT BROWNING MSc, MBA, FAIM**  
Independent Director  
Director since 2 September 2003  
Last elected: 16 October 2006

Robert Browning was Chief Executive Officer of Alinta Limited from March 2001 to 8 April 2007.

Prior to joining Alinta, Mr Browning was with global energy and services company, Aquila Inc, in a variety of vice president roles involved in strategic planning, operational and human resources management.

Mr Browning holds a Bachelor of Science degree from San Diego State University, an MBA from the University of Phoenix and a Master of Science from Massachusetts Institute of Technology, Sloan School of Management.

Mr Browning resigned as a Director on 31 July 2007 to take up the position of Chief Executive Officer with Austal USA LLC.

**DARIO AMARA, BE, FIEAust, CPEng**  
Independent Director  
Director since 16 August 2005  
Last elected: 14 October 2005

Dario Amara is co founder and Chief Executive of Emerson Stewart Limited, a project delivery, mining services and technologies group based in Perth.

He has 28 years of Australian and International experience covering both the engineering and construction sectors, and has been involved in a number of senior leadership roles. Most recently, he successfully led a major Australian engineering group as Chief Executive Officer. He has a record of accomplishment in rejuvenating and growing businesses in new markets. He is a graduate from the Curtin University of Technology.

He is currently Non Executive Chairman of Mission Biofuels Limited, Chairman of the City of Perth Heritage Appeal and a board member of the Perth International Art Festival. He has also served as Chairman of the West Australian Opera Company and the Art Gallery of Western Australia.

**IAN CAMPBELL**  
Independent Director  
Appointed 1 August 2007

Mr Campbell recently concluded 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, Mr Campbell initiated the Corporate Law Economic Reform Program including legislating to move Australia to International Financial Reporting Standards and reform of Accounting and Audit oversight institutional arrangements.

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

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*Unless otherwise indicated all Directors held their position as a Director throughout the entire financial year and up to the date of this report.*

*The maximum term of office for a Director on the Austal Board is three years, with the exception of the Managing Director who is exempted from retirement by rotation. Each year the longest serving one third of the Board must retire from office. A retiring Director is eligible for re-election.*

# DIRECTORS' 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 \$45.8 million after income tax.

## 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 \$22.679m (12 cents per share) (2006: \$20.789m being 11 cents per share) has been declared for the year ended 30 June 2007 to be paid on 11 October 2007.

## 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 1 and 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 2007.

## TOTAL NUMBER OF EMPLOYEES

As at 30 June 2007, the consolidated entity employed a total of 2,353 full-time equivalents (2006: 1,817 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.

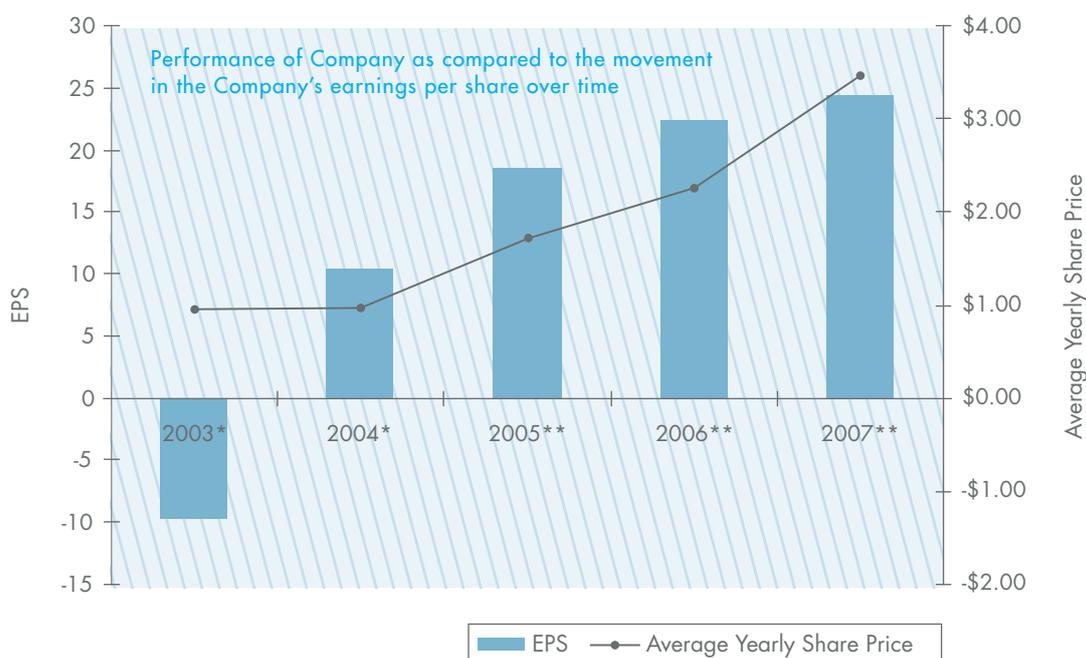
During the financial year, the parent entity has paid premiums in respect of a contract insuring the directors and officers of the consolidated entity in respect of liability resulting from these indemnities. The terms of the insurance arrangements and premiums payable are subject to a confidentiality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

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of Austal Limited (the Company).

### 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 share option plan, the remuneration policy is not linked to company performance.



\* based on the Australian Accounting Standards applicable for financial years commencing before 1 January 2005 ('AGAAP').

\*\* based on the Australian Equivalents to International Financial Reporting Standards applicable for financial years commencing after 1 January 2005 ('AIFRS').



### Share Option Plan Objective

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 toward the growth and profitability objectives of the Company; and reward key employees for sustained contributions to business success.

### Group Performance

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

### Remuneration Structure

There is no scheme to provide retirement benefits to any Director, other than statutory superannuation contributions.

Participation in the Austal Group Management Share Plan provides an incentive to the Directors and Executives which are aligned with increased returns to shareholders. Other than ex gratia bonuses and share options, no element of remuneration is linked to performance conditions of the Company. No performance related bonuses were paid.

To encourage the retention of employees, non-director employees of the Australian companies participate in a non-performance related annual bonus which takes into account length of service and profits earned by the Australian enterprises. The bonus vest 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.

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

### Share Option Plan

#### 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.

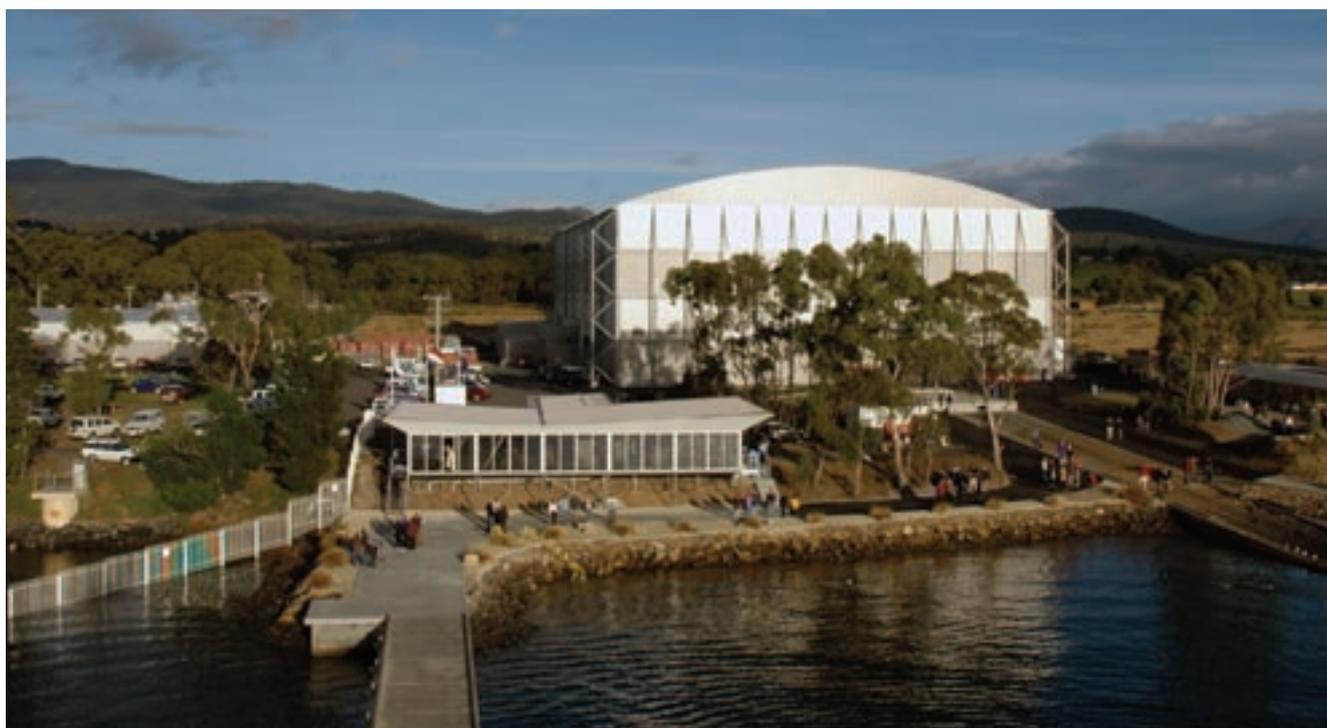
The Company's performance against the hurdle is determined by comparing the TSR against the return of the Small Industrials Accumulation Index (or another appropriate index) for the three year period commencing on the 1 July prior to the grant date. If the TSR does not exceed the return of the Small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

#### 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.

#### Director remuneration for the year ended 30 June 2007

Mr John Rothwell	Chairman & Chief Executive Officer
Mr Michael Atkinson	Executive Director, Finance & Company Secretary
Mr Christopher Norman	Director (Non Executive)
Mr John Poynton	Director (Non Executive)
Mr Robert Browning	Director (Non Executive)
Mr Dario Amara	Director (Non Executive)



▲ Austal shipyard, Margate, Tasmania

# DIRECTORS' REPORT CONTINUED

Table 1: Directors' remuneration for the year ended 30 June 2007

		SHORT-TERM	POST EMPLOYMENT	TOTAL	% PERFORMANCE RELATED	CONTRACT TERMS NOTE
		SALARY & FEES	SUPERANNUATION			
		\$	\$	\$		
John Rothwell	2007	485,577	-	485,577	-	2
	2006	498,100	-	498,100	-	
Michael Atkinson	2007	309,000	-	309,000	-	2
	2006	300,000	-	300,000	-	
Christopher Norman	2007	85,000	-	85,000	-	1
	2006	80,750	-	80,750	-	
John Poynton	2007	90,000	-	90,000	-	1
	2006	90,000	-	90,000	-	
Robert Browning	2007	90,000	-	90,000	-	1
	2006	90,000	-	90,000	-	
Dario Amara*	2007	93,000	-	93,000	-	1
	2006	91,000	-	91,000	-	

\* Director for part of the year of 2006





**Table 2: Remuneration of the 5 named Group Executives who received the highest remuneration for the year ended 30 June 2007**

Mr Stephen Murdoch Chief Operating Officer  
 Mr Dan Spiegel Chief Operating Officer Austal USA  
 Mr William Rotteveel General Manager  
 Mr Mark Dummett Executive Manager - Operations  
 Mr Stephen Lupi Executive Manager - Sales, Marketing & Strategy

		SHORT-TERM			POST	SHARE-BASED	TOTAL	%	CONTRACT
		SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	EMPLOYMENT	PAYMENT	PERFORMANCE RELATED	TERMS NOTE	
		\$	\$	\$	SUPER-ANNUATION	OPTIONS	\$		
Stephen Murdoch	2007	331,948	59,633	-	34,885	23,100***	449,566	18.40	3
	2006	278,912	22,936	-	24,790	-	326,638	7.02	
Dan Spiegel *	2007	308,161	-	21,162	-	-	329,323	-	4
	2006	-	-	-	-	-	-	-	
William Rotteveel	2007	230,029	-	-	20,703	-	250,732	-	3
	2006	195,860	19,179	-	19,067	-	234,106	-	
Mark Dummett	2007	175,600	8,802	-	16,443	-	200,845	-	3
	2006	164,210	13,974	-	15,696	-	193,880	-	
Stephen Lupi **	2007	203,562	4,089	5,626	18,321	-	231,598	-	3
	2006	2,322	-	65	209	-	2,596	-	

\* Key management personnel for part of year of 2007

\*\* Key management personnel for part of year of 2006

\*\*\* Percentage of total remuneration in options share-based payment 5.14%

**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 - three months notice period. No non-statutory termination entitlements.



▲ An artist's impression of the 127 metre trimaran LCS operating in heavy weather

# DIRECTORS' REPORT CONTINUED

Table 3: Compensation options: Granted and vested during the year (Consolidated) ^

30 JUNE 2007	GRANTED		TERMS & CONDITIONS FOR EACH GRANT					VESTED
	NO.	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	NO.
<b>Executive</b>				\$	\$			
Stephen Murdoch	140,000	17 July 2006	0.66	2.85	17 July 2013	17 July 2009	17 July 2013	-
<b>Total</b>	140,000							-

There were no options granted and vested during the year ended 30 June 2006.

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 LAPSED DURING THE YEAR	TOTAL VALUE OF OPTIONS GRANTED, EXERCISED AND LAPSED DURING THE YEAR
	\$	\$	\$	\$
Stephen Murdoch	92,400	-	-	-

^ For details on the valuation of the options, including models and assumptions used, please refer to Note 29 of the 2007 Annual Report.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period. The maximum grant, which will be payable assuming that all service and performance are met, is equal to the number of options or rights granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service and performance criteria are not met is zero.

## 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 were as follows:

	DIRECTORS' MEETINGS	MEETINGS OF AUDIT COMMITTEE	MEETINGS OF NOMINATION & REMUNERATION COMMITTEE
Number of meetings held	6	3	2

### Number of meetings attended

John Rothwell	6	-	2
Michael Atkinson	6	-	-
Christopher Norman	6	3	-
John Poynton	6	-	2
Robert Browning	6	3	2
Dario Amara	6	3	-



### 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

D Amara \*  
C Norman  
R Browning \*\*  
D Parkin

#### Nomination and Remuneration

R Browning \*, \*\*  
J Rothwell  
J Poynton

#### Notes

\* Designates the Chairman of the committee.  
\*\* Resigned 31 July 2007

### 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.



■ The Ernst & Young Building  
11 Mount Bay Road  
Perth WA 6000  
Australia  
CPO Box 16935  
Perth WA 6848

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

#### 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 2007, 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  
  
Robert Kirkby  
Partner  
Perth  
27 August 2007

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

### 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  
DIRECTOR



M J ATKINSON  
DIRECTOR

Dated at Henderson this 27th day of August 2007

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED		PARENT	
	NOTE	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Continuing operations</b>					
Revenue	(2a)	543,608	389,009	154,285	2,541
Other income	(2b)	2,343	3,414	6,086	-
Expenses (excluding finance costs)		(479,519)	(341,386)	(1,545)	22,093
Finance costs		(2,676)	(1,413)	-	(53)
<b>Profit before income tax</b>		63,756	49,624	158,826	24,581
Income tax expense		(17,965)	(5,449)	(275)	(577)
<b>Profit after tax from continuing operations</b>		45,791	44,175	158,551	24,004
Attributable to:					
Minority interest		692	3,539	-	-
Members of the Parent		45,099	40,636	158,551	24,004
		45,791	44,175	158,551	24,004
Earnings per share (cents per share)					
- basic for profit for the year attributable to ordinary equity holders of the parent	3	24.4	22.4	-	-
- diluted for profit for the year attributable to ordinary equity holders of the parent	3	24.1	22.1	-	-
Dividends per share (cents per share)		12.0	11.0	-	-



# BALANCE SHEET

AS AT 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	240,531	91,742	347	1,541
Trade and other receivables	24,424	61,069	-	-
Inventories	88,680	65,846	-	-
Prepayments	2,171	7,293	-	-
Derivatives	26,421	6,563	674	-
<b>Total Current Assets</b>	<b>382,227</b>	<b>232,513</b>	<b>1,021</b>	<b>1,541</b>
<b>Non-current Assets</b>				
Cash and cash equivalents	6,169	6,741	-	-
Trade and other receivables	14,838	11,269	188,618	65,947
Property, plant and equipment	99,014	87,139	33,009	16,689
Other financial assets	-	-	1,402	1,406
Derivatives	687	28	-	-
Intangible assets	476	671	-	-
Prepayments	965	-	-	-
Deferred tax assets	77	4,762	-	-
<b>Total Non-current Assets</b>	<b>122,226</b>	<b>110,610</b>	<b>223,029</b>	<b>84,042</b>
<b>Total Assets</b>	<b>504,453</b>	<b>343,123</b>	<b>224,050</b>	<b>85,583</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	37,434	34,587	53	101
Derivatives	172	767	-	-
Interest-bearing loans and borrowings	8,478	8,484	-	-
Provisions	22,901	21,561	-	-
Income tax payable	-	3,660	245	3,660
Other	164,193	33,454	-	-
<b>Total Current Liabilities</b>	<b>233,178</b>	<b>102,513</b>	<b>298</b>	<b>3,761</b>
<b>Non-current Liabilities</b>				
Derivatives	10	834	-	-
Interest-bearing loans and borrowings	24,478	32,171	-	-
Government grants	11,322	13,483	-	-
Deferred tax liabilities	22,613	4,817	202	-
Provisions	3,318	1,074	-	-
<b>Total Non-current Liabilities</b>	<b>61,741</b>	<b>52,379</b>	<b>202</b>	<b>-</b>
<b>Total Liabilities</b>	<b>294,919</b>	<b>154,892</b>	<b>500</b>	<b>3,761</b>
<b>NET ASSETS</b>	<b>209,534</b>	<b>188,231</b>	<b>223,550</b>	<b>81,822</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the parent</b>				
Contributed equity	37,309	33,858	36,633	33,182
Reserves	(298)	2,376	692	177
Retained earnings	172,523	148,213	186,225	48,463
<b>Parent interests</b>	<b>209,534</b>	<b>184,447</b>	<b>223,550</b>	<b>81,822</b>
Minority interests	-	3,784	-	-
<b>TOTAL EQUITY</b>	<b>209,534</b>	<b>188,231</b>	<b>223,550</b>	<b>81,822</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers	515,055	399,518	2,445	1,703
Payments to/(from) suppliers and employees	(283,378)	(367,363)	10,846	9,960
Interest received	7,895	4,512	211	71
Borrowing costs paid	(2,676)	(1,413)	-	(53)
Income tax paid	(9,078)	(7,323)	(8,918)	(7,295)
GST refunded/(paid)	315	(1,927)	39	45
Dividends received	-	-	152,006	838
Receipts of government grants	1,170	9,092	-	-
Net cash from operating activities	229,303	35,096	156,629	5,269
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	681	374	-	-
Purchase of property, plant and equipment	(23,634)	(15,765)	(830)	-
Purchase of intangible assets	(326)	(367)	-	-
Purchase of minority interest in controlled entity	(20,627)	-	-	-
Loan from controlled entities	-	-	(139,655)	11,441
Net cash (used in)/from investing activities	(43,906)	(15,758)	(140,485)	11,441
<b>Cash flows from financing activities</b>				
Costs of share buy-back	-	(615)	-	(615)
Loan advanced - others	1,206	2,278	3,451	2,278
Repayment of borrowings	(14,187)	(10,650)	-	-
Proceeds from borrowings	-	18,548	-	-
Equity dividends paid	(20,789)	(17,009)	(20,789)	(17,009)
Net cash used in financing activities	(33,770)	(7,448)	(17,338)	(15,346)
Net increase/(decrease) in cash and cash equivalents	151,627	11,890	(1,194)	1,364
Net foreign exchange differences	(2,838)	350	-	-
Cash and cash equivalents at beginning of period	91,742	79,502	1,541	177
<b>Cash and cash equivalents at end of period</b>	<b>240,531</b>	<b>91,742</b>	<b>347</b>	<b>1,541</b>



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					MINORITY INTEREST	TOTAL EQUITY
	ISSUED CAPITAL \$'000	REVERSED SHARES* \$'000	RETAINED EARNINGS \$'000	OTHER RESERVES \$'000	TOTAL \$'000	\$'000	\$'000
<b>As at 1 July 2005</b>	40,649	(8,491)	124,586	371	157,115	201	157,316
Application of AASB 132 and 139	-	-	-	5,070	5,070	44	5,114
Currency translation differences	-	-	-	108	108	-	108
Net gains/(losses) on cash flow hedges	-	-	-	(4,955)	(4,955)	-	(4,955)
Transfer from cash flow hedge reserve	-	-	-	1,750	1,750	-	1,750
<b>Total income and expense for the period recognised directly in equity</b>	-	-	-	1,973	1,973	44	2,017
Profit for the period	-	-	40,636	-	40,636	3,539	44,175
<b>Total income and expense for the period</b>	-	-	40,636	1,973	42,609	3,583	46,192
<b>Equity Transactions:</b>							
Share buy-back	(615)	-	-	-	(615)	-	(615)
Options exercised	-	2,315	-	-	2,315	-	2,315
Cost of share-based payment	-	-	-	32	32	-	32
Equity dividends	-	-	(17,009)	-	(17,009)	-	(17,009)
<b>As at 30 June 2006</b>	40,034	(6,176)	148,213	2,376	184,447	3,784	188,231
<b>As at 1 July 2006</b>	40,034	(6,176)	148,213	2,376	184,447	3,784	188,231
Currency translation differences	-	-	-	(3,085)	(3,085)	(75)	(3,160)
Net gains/(losses) on cash flow hedges	-	-	-	38,849	38,849	301	39,150
Transfer from cash flow hedge reserve	-	-	-	(22,556)	(22,556)	-	(22,556)
Premium on acquisition of minority interest in controlled equity	-	-	-	(15,925)	(15,925)	(4,702)	(20,627)
<b>Total income and expense for the period recognised directly in equity</b>	-	-	-	(2,717)	(2,717)	(4,476)	(7,193)
Profit for the period	-	-	45,099	-	45,099	692	45,791
<b>Total income and expense for the period</b>	-	-	45,099	(2,717)	42,382	(3,784)	38,598
<b>Equity Transactions</b>							
Options exercised	-	3,451	-	-	3,451	-	3,451
Cost of share-based payment	-	-	-	43	43	-	43
Equity dividends	-	-	(20,789)	-	(20,789)	-	(20,789)
<b>As at 30 June 2007</b>	40,034	(2,725)	172,523	(298)	209,534	-	209,534

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

# STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 30 JUNE 2007

PARENT	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					MINORITY INTEREST	TOTAL EQUITY
	ISSUED CAPITAL \$'000	RESERVED SHARES* \$'000	RETAINED EARNINGS \$'000	OTHER RESERVES \$'000	TOTAL \$'000	\$'000	\$'000
<b>As at 1 July 2005</b>	39,973	(8,491)	41,468	145	73,095	-	73,095
<b>Total income and expense for the period recognised directly in equity</b>	-	-	-	-	-	-	-
Profit for the period	-	-	24,004	-	24,004	-	24,004
<b>Total income and expense for the period</b>	-	-	24,004	-	24,004	-	24,004
<b>Equity Transactions:</b>							
Share buy-back	(615)	-	-	-	(615)	-	(615)
Options exercised	-	2,315	-	-	2,315	-	2,315
Cost of share-based payment	-	-	-	32	32	-	32
Equity dividends	-	-	(17,009)	-	(17,009)	-	(17,009)
<b>As at 30 June 2006</b>	39,358	(6,176)	48,463	177	81,822	-	81,822
<b>As at 1 July 2006</b>	39,358	(6,176)	48,463	177	81,822	-	81,822
Net gains/(losses) on cash flow hedges	-	-	-	587	587	-	587
Transfer from cash flow hedge reserve	-	-	-	(115)	(115)	-	(115)
<b>Total income and expense for the period recognised directly in equity</b>	-	-	-	472	472	-	472
Profit for the period	-	-	158,551	-	158,551	-	158,551
<b>Total income and expense for the period</b>	-	-	158,551	472	159,023	-	159,023
<b>Equity Transactions</b>							
Options exercised	-	3,451	-	-	3,451	-	3,451
Cost of share-based payment	-	-	-	43	43	-	43
Equity dividends	-	-	(20,789)	-	(20,789)	-	(20,789)
<b>As at 30 June 2007</b>	39,358	(2,725)	186,225	692	223,550	-	223,550

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



# NOTES TO THE CONCISE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## Note 1. Basis of Preparation of the Concise Financial Report

This concise financial report has been derived from the full 2007 Financial Report as presented in the Austal Limited Annual Report, which complies with the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views. 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 2007 Financial Report.

	CONSOLIDATED		PARENT	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

## Note 2. Revenue and Expenses

Revenue and Expenses from Continuing Operations

### (a) Revenue

Construction contract revenue	514,651	363,759	-	-
Charter revenue	17,645	18,672	-	-
Rental revenue	24	17	2,068	1,632
Sale of scrap	2,604	1,442	-	-

### Dividends:

Related parties	-	-	152,006	838
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### Finance revenue:

Interest from other unrelated parties	7,895	4,512	211	71
Discount adjustment on loans and receivables	789	607	-	-
	543,608	389,009	154,285	2,541

### (b) Other income

Government grants	1,170	2,071	-	-
Profit on sale of investment	-	-	5,909	-
Other income	1,173	1,343	177	-
	2,343	3,414	6,086	-

# NOTES TO THE CONCISE FINANCIAL STATEMENTS

## CONTINUED

	CONSOLIDATED		CONSOLIDATED	
	2007 \$'000	2006 \$'000	2007 NUMBER	2006 NUMBER
<b>Note 3. Earnings per share</b>				
Net profit attributable to ordinary equity holders of the parent from continuing operations	45,099	40,636	-	-
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share			184,861,885	181,751,890
Effect of dilution - share options			2,381,474	2,289,184
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution			187,243,359	184,041,074
Earnings per share (cents per share)	24.4	22.4		
Diluted earnings per share (cents per share)	24.1	22.1		

*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.*

### Note 4. Dividends

A fully franked dividend of \$22.679m of 12 cents per share has been declared for the year ended 30 June 2007 to be paid on 11 October 2007. A dividend of \$20.789m of 11 cents per share was paid on 12 October 2006.

### Note 5. Subsequent Events

There were no material subsequent events occurring after year end.



▲ Precise modules under construction prior to being attached to the main vessel



## DIRECTORS' DECLARATION

The Directors of Austal Limited declare that the accompanying Concise Financial Report is presented fairly in accordance with applicable Australian Accounting Standards and is consistent with the consolidated entity's 30 June 2007 financial report.

With regard to the 30 June 2007 financial report of Austal Limited, the Directors declared that:

- a) The financial statements and associated notes comply with the Accounting Standards and Urgent Issues Group consensus views;
- b) The financial statements and notes give a true and fair view of the financial position and performance as at 30 June 2007 and performance of the Company and consolidated entity for the year then ended; and
- c) In the Directors' opinion:
  - (i) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (ii) The financial statements and notes are in accordance with the Corporations Act 2001, including sections 296 and 297.

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

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

J ROTHWELL AO  
DIRECTOR

Dated at Henderson this 27th day of August 2007



# INDEPENDENT AUDIT REPORT



■ The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000  
Australia

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

GPO Box M939  
Perth WA 6843

## Independent auditor's report to the members of Austal Limited

The accompanying concise financial report of Austal Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Austal Limited for the year ended 30 June 2007. 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 and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. 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 2007. Our audit report on the financial report for the year was signed on 27 August 2007 and was not subject to any modification. 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.

Our procedures in respect of the concise financial report 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 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 Accounting Standard AASB 1039 *Concise Financial Reports*.

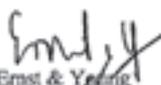
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Austal Limited on 27 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

### *Auditor's Opinion*

In our opinion, the concise financial report and the directors' declaration of Austal Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



Ernst & Young



Robert Kirkby  
Partner  
Perth  
27 August 2007

Liability limited by a scheme approved under  
Professional Standards Legislation



# SHAREHOLDER INFORMATION

THE FOLLOWING INFORMATION WAS EXTRACTED FROM THE COMPANY'S REGISTER AS AT 22 AUGUST 2007.

## Distribution of Shares

	NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED CAPITAL
1 – 1,000	1,491	896,808	0.48
1,001 – 5,000	2,919	8,419,017	4.45
5,001 – 10,000	946	7,306,576	3.87
10,001 – 100,000	635	14,768,755	7.81
100,001 and over	62	157,599,797	83.39
<b>Total</b>	<b>6,053</b>	<b>188,990,953</b>	<b>100.00</b>

## Twenty Largest Shareholders

RANK	SHAREHOLDER	TOTAL UNITS	% ISSUED CAPITAL
1	Austro Pty Ltd	31,950,745	16.906
2	Longreach (WA) Pty Ltd	26,595,621	14.072
3	HSBC Custody Nominees	16,449,367	8.704
4	J P Morgan Nominees Australia Limited	16,383,666	8.669
5	Onyx (WA) Pty Ltd	10,108,212	5.349
6	National Nominees Limited	9,122,761	4.827
7	Mr Vincent Michael O'Sullivan	7,344,627	3.886
8	ANZ Nominees Limited	4,577,012	2.422
9	Citicorp Nominees Pty Limited	4,505,093	2.384
10	Austal Group Management Share Plan Pty Ltd	3,568,749	1.888
11	Garry Heys & Dorothy Heys	2,844,670	1.505
12	Lavinia Shipping Ltd	1,999,887	1.058
13	Citicorp Nominees Pty Limited	1,834,494	0.971
14	Zilon Pty Ltd	1,773,940	0.939
15	Mossisberg Pty Ltd	1,500,000	0.794
16	Bond Street Custodians Limited	1,426,491	0.755
17	Pepperwood Holdings Pty Ltd	1,415,737	0.749
18	Cogent Nominees Pty Limited	1,369,965	0.725
19	Argo Investments Limited	1,200,000	0.635
20	Australian Reward Investment Alliance	1,168,767	0.618
<b>Total</b>		<b>147,139,804</b>	<b>77.856</b>

## Substantial Shareholders

	NO. OF ORDINARY SHARES
1 Austro Pty Ltd (J Rothwell)	31,950,745
2 Longreach (WA) Pty Ltd (C Norman)	26,595,621
3 HSBC Custody Nominees	16,449,367
4 J P Morgan Nominees Australia Limited	16,383,666
5 Onyx (WA) Pty Ltd (G Heys)	10,108,212

## Voting Rights

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

# CORPORATE DIRECTORY

## DIRECTORS

### Executive Directors

John Rothwell  
Michael Atkinson

### Non Executive Directors

John Poynton  
Christopher Norman  
Robert Browning  
Dario Amara  
Ian Campbell

## AUDITORS

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth 6000  
Western Australia

## COMPANY SECRETARY

Michael Atkinson

## REGISTERED OFFICE

100 Clarence Beach Rd  
Henderson 6166  
Western Australia  
Telephone: +61 8 9410 1111  
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



▲ The introduction of large routers in Austal's Australian and USA shipyards allows aluminium plate to be cut into precise pieces

*Back cover picture*

Austal staff celebrate the completion of the 14th and final Armidale Class Patrol Boat built for the Royal Australian Navy



Email: [sales@austal.com](mailto:sales@austal.com) Telephone: +61 8 9410 1111

[WWW.AUSTAL.COM](http://WWW.AUSTAL.COM)