

**APPENDIX 4D
HALF-YEAR REPORT**

**AUSTAL LIMITED
A.B.N. 73 009 250 266**

FOR THE PERIOD ENDED 31 DECEMBER 2010

1. The reporting period is 1 July 2010 to 31 December 2010. The previous corresponding period is 1 July 2009 to 31 December 2009. Both of these periods comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS').

2. Results for announcement to the market \$A'000

2.1	Revenue from ordinary activities	up 14.6%	to 251,163
2.2	Profit (loss) from ordinary activities after tax attributable to members	down 9.1%	to 14,085
2.3	Net profit (loss) for the period attributable to members	down 9.1%	to 14,085
2.4	Dividend distributions		N/A
2.5	Record date for determining entitlements to the dividends		

No dividend will be payable with respect to the interim period to 31 December 2010.

- 2.6 Explanation of figures in 2.1 to 2.4 that may be required

Refer to attached half year report page 2.

3. Net tangible assets per ordinary security

Current period (cents/share)	142.8
Previous corresponding period (cents/share)	130.3

4. Control gained or lost over entities during the period

Control was gained over private company Australian Technology Information Pty Ltd; refer note 9 of attached half year report.

5. Details of dividends or distributions N/A
6. Details of dividend or distribution reinvestment plans N/A
7. Details of associates and joint venture entities N/A
8. Accounting standards used by foreign entities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company according to Australian equivalents to International Reporting Standards, using consistent accounting policies.

9. Qualifications of audit/review

No qualifications.



Half-Year Report 2010

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Directors' Report

The Board of Directors of Austal Limited submit their report for the half-year ended 31 December 2010.

Directors

The names of the directors in office during the half-year and until the date of this report are:

J Rothwell (Chairman)

R Browning (resigned 15 November 2010)

M J Atkinson

C J Norman

J H Poynton

D Amara

I Campbell

Principal Activities

The principal activities of the consolidated entity during the financial half-year are 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 half-year was \$14.1 million after income tax.

Review of Operations

The Group operating profit before tax for the first half period was \$19.4 million compared with the result for the corresponding prior half period of \$20.3 million. Revenue has increased by \$32.0 million over the corresponding prior half year period to \$251.2 million.

The revenue growth is attributable to the growing order book in Austal's USA operations. Revenue in the USA operations grew by 62% compared with the corresponding prior half year period to \$154.1 million. During the period, Austal USA was awarded 2 additional Joint High Speed ("JHSV") contracts, taking the total number of committed orders to 5 vessels. In addition, the United States Navy awarded Austal USA a 10 ship block buy contract for Austal's Independence class Littoral Combat Ship ("LCS") and committed to an order for the first vessel under this block buy. The LCS contract, whilst strategically important to the future growth of the business did not materially impact the financial result for this period.

Revenue in Austal's Australian operations decreased by 12% over the corresponding prior half year period to \$87.4 million, reflecting the continued softness in the commercial vessel market. During the period the Australian operations delivered a 106 metre catamaran for Virtu Ferries of Malta, and continued work on the 112 metre catamaran for Danske Færger A/S and the 2 L'Express des Iles 47 metre catamarans.

Rounding of Amounts

The entity is a company of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young which is on page 3 and forms part of the Directors' Report.

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



J ROTHWELL AO

Director – Chairman

Dated at Henderson this 24th day of February 2011



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Auditor's Independence Declaration to the Directors of Austal Limited

In relation to our review of the financial report of Austal Limited for the half-year ended 31 December 2010, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
24 February 2011

Liability limited by a scheme
approved under Professional
Standards Legislation

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED	
		31 December 2010 \$'000	31 December 2009 \$'000
Continuing operations			
Revenue	3	251,163	219,187
Other income	3	4,997	1,816
Expenses	3	(235,568)	(197,930)
Unrealised gain/(loss) on deferred premium options	3	146	(1,135)
Finance costs	3	(1,314)	(1,655)
Profit from continuing operations before income tax		19,424	20,283
Income tax expense		(5,339)	(4,785)
Profit from continuing operations after income tax		14,085	15,498
Net profit for the period		14,085	15,498
Profit for the period is attributable to:			
Owners of the parent		14,085	15,498
Other comprehensive income			
Cash flow hedges			
Gain/(loss) taken to equity		34,691	20,228
Transferred to income statement		(20,446)	(4,283)
Foreign currency translation		(8,108)	(2,985)
Income tax expense on items of other comprehensive income		(4,274)	(4,783)
Other comprehensive income/(loss) for the period, net of tax		1,863	8,177
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,948	23,675
Total comprehensive income for the period is attributable to:			
Owners of the parent		15,948	23,675
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
- basic earnings per share		7.68	8.46
- diluted earnings per share		7.65	8.42

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	Note	CONSOLIDATED	
		As at 31 December 2010 \$'000	As at 30 June 2010 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	22,773	29,030
Trade and other receivables		24,761	31,060
Inventories		232,472	275,288
Prepayments		934	2,206
Derivative financial instruments		75,634	60,273
Total Current Assets		356,574	397,857
Non-Current Assets			
Cash and cash equivalents		954	1,138
Property, plant and equipment		185,915	217,734
Derivative financial instruments		20,034	16,394
Intangible assets		4,764	3,786
Prepayments		155	309
Deferred tax assets		7,196	10,900
Total Non-Current Assets		219,018	250,261
TOTAL ASSETS		575,592	648,118
LIABILITIES			
Current Liabilities			
Trade and other payables		34,726	87,488
Interest-bearing loans and borrowings		98,783	46,567
Income tax payable		15,081	19,755
Provisions		32,474	25,187
Government grants		3,962	4,840
Derivative financial instruments		2,497	2,690
Progress payments in advance		15,152	11,816
Total Current Liabilities		202,675	198,343
Non-Current Liabilities			
Derivative financial instruments		573	6,320
Interest-bearing loans and borrowings		7,958	79,335
Provisions		2,568	2,829
Government grants		44,940	55,045
Deferred tax liabilities		43,569	36,881
Total Non-Current Liabilities		99,608	180,410
TOTAL LIABILITIES		302,283	378,753
NET ASSETS		273,309	269,365
EQUITY			
Contributed equity		31,043	30,870
Retained earnings		215,123	212,322
Reserves		27,143	26,173
TOTAL EQUITY		273,309	269,365

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED	
		31 December 2010 \$'000	31 December 2009 \$'000
Cash flows from operating activities			
Receipts from customers		298,355	253,630
Payments to suppliers and employees		(306,613)	(296,190)
Receipt of government grants		3,954	9,973
Interest received		187	861
Borrowing costs paid		(3,286)	(3,008)
GST refunded/(paid)		3,587	5,899
Income tax refunded/(paid)		(5,642)	3,002
Net cash flows from/(used in) operating activities		(9,458)	(25,833)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5,336	86
Purchase of property, plant and equipment		(6,333)	(32,293)
Purchase of intangible assets		(341)	(1,645)
Net cash flows from/(used in) investing activities		(1,338)	(33,852)
Cash flows from financing activities			
Repayment of loan – in substance options		173	568
Repayment of borrowings		(32,281)	(16,246)
Equity dividends paid		(11,284)	(11,284)
Proceeds from borrowings		50,015	67,616
Net cash flows from/(used in) financing activities		6,623	40,654
Net increase/(decrease) in cash and cash equivalents		(4,173)	(19,031)
Net foreign exchange difference		(2,084)	(1,589)
Cash and cash equivalents at beginning of period		29,030	93,028
Cash and cash equivalents at end of period	8	22,773	72,408

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED	Ordinary shares \$'000	Reserved shares * \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Employee equity benefits reserve \$'000	Cash flow hedge reserve \$'000	Equity reserve \$'000	Total equity \$'000
As at 1 July 2009	41,075	(10,979)	186,474	(269)	2,438	32,921	(15,925)	235,735
Profit for the period	-	-	15,498	-	-	-	-	15,498
Other comprehensive income	-	-	-	(2,985)	-	11,162	-	8,177
Total comprehensive income for the half-year	-	-	15,498	(2,985)	-	11,162	-	23,675
Transactions with owners in their capacity as owners:								
Options exercised	-	568	-	-	-	-	-	568
Share-based payments	-	-	-	-	379	-	-	379
Dividends	-	-	(11,284)	-	-	-	-	(11,284)
As at 31 December 2009	41,075	(10,411)	190,688	(3,254)	2,817	44,083	(15,925)	249,073
As at 1 July 2010	41,075	(10,205)	212,322	(1,685)	3,260	40,523	(15,925)	269,365
Profit for the period	-	-	14,085	-	-	-	-	14,085
Other comprehensive income	-	-	-	(8,108)	-	9,971	-	1,863
Total comprehensive income for the half-year	-	-	14,085	(8,108)	-	9,971	-	15,948
Transactions with owners in their capacity as owners:								
Options exercised	-	173	-	-	-	-	-	173
Share-based payments	-	-	-	-	(893)	-	-	(893)
Dividends	-	-	(11,284)	-	-	-	-	(11,284)
As at 31 December 2010	41,075	(10,032)	215,123	(9,793)	2,367	50,494	(15,925)	273,309

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

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1 CORPORATE INFORMATION

The half-year financial report of Austal Limited (the Company) for the period ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 24 February 2011.

Austal Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Austal Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Austal Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010, except for the adoption of amending standards and Interpretations effective for annual reporting periods beginning on or after 1 July 2010. In addition, as of 31 December 2010 the Group now presents all items of recognised income and expense in one single statement and the comparative information has been presented accordingly.

From 1 July 2010, the Group has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010, including:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognized assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

		CONSOLIDATED	
		31 December 2010	31 December 2009
		\$'000	\$'000
3.	REVENUE AND EXPENSES		
	Specific Items		
	Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
	(i) Revenue		
	Construction contract revenue	236,540	192,163
	Charter revenue	5,646	5,814
	Service revenue	7,506	19,544
	Rental revenue	153	28
	Sale of scrap	1,128	777
	Finance income	190	861
	Total revenue	251,163	219,187
	(ii) Other income		
	Net foreign exchange gains	393	-
	Government grants	3,608	1,605
	Other income	996	211
	Total other income	4,997	1,816
	(iii) Expenses		
	Cost of sales – construction contract	201,773	156,058
	Cost of sales – service	5,945	15,650
	Marketing expenses	5,538	3,876
	Administrative expenses	17,274	15,257
	Net foreign exchange losses	-	1,076
	Chartering expenses	3,969	6,013
	Net loss on disposal of property, plant and equipment	1,069	-
	Total expenses (excluding finance costs)	235,568	197,930
	The above expenses include:		
	Depreciation of non-current assets	6,057	4,267
	Amortisation of intangible assets	518	681
	(iv) Unrealised gain/(loss) on deferred premium options		
	Unrealised loss on forward currency options	(2,213)	(2,989)
	Foreign exchange gain on deferred premium	2,359	1,854
		146	(1,135)
	(v) Finance costs		
	Interest paid to unrelated parties	1,314	1,655
4.	DIVIDENDS PAID AND PROPOSED		
	Equity dividends on ordinary shares:		
	Dividends declared and paid during the half-year on ordinary shares:		
	Final franked dividend for the half-year ended 31 December 2010: 6 cents (2009: 6 cents)	11,284	11,284

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5. SEGMENT REPORTING

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:

USA

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

Australia

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

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those in the prior period.

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

	USA	Australia	Service	Other/ Unallocated	Eliminations and Adjustments	Total
Half Year Ended 31 December 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues (including other income)						
External customers	154,138	87,379	11,985	2,658	-	256,160
Inter-segment	-	5,652	1,169	1,165	(7,986)	-
Total revenues	154,138	93,031	13,154	3,823	(7,986)	256,160
Profit before tax	14,411	6,807	1,271	(3,066)	1	19,424
Segment assets	236,750	343,591	10,835	107,288	(122,872)	575,592
Half Year Ended 31 December 2009						
Revenues (including other income)						
External customers	94,865	99,920	25,358	-	-	220,143
Inter-segment	-	6,828	1,269	1,349	(9,446)	-
Total revenues	94,865	106,748	26,627	1,349	(9,446)	220,143
Profit before tax	7,629	12,656	2,053	(1,788)	527	21,077
Segment assets	352,676	300,077	18,102	89,290	(112,027)	648,118

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5. SEGMENT REPORTING (continued)

- i) The profit before tax for each reportable segment does not include finance revenue of \$0.190 million (31 December 2009: \$0.861 million) and finance costs of \$1.314 million (31 December 2009: \$1.655 million).
- ii) The assets of the Australian segment at 31 December 2010 amount to \$343.6 million, compared with \$300.1 million at 30 June 2010 mainly due to changes in derivative assets at 31 December 2010. The assets of the Service segment at 31 December 2010 amount to \$10.8 million, compared with \$18.1 million at 30 June 2010.

6. COMMITMENTS AND CONTINGENCIES

Previously a customer had taken legal action for an unspecified amount over the construction and warranty of a vessel delivered in 2004. During the reporting period this claim was discontinued by the customer for no material cost to Austal Limited.

There were no other material changes in commitments and contingencies since the last annual reporting date.

7. EVENTS AFTER THE BALANCE SHEET DATE

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

8. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents, net of cash held as a guarantee, comprise the following at 31 December:

	CONSOLIDATED	
	31 December 2010	30 June 2010
	\$'000	\$'000
Cash at bank and in hand	23,727	30,168
Less: restricted cash held as a guarantee		
- non-current	(954)	(1,138)
	22,773	29,030

9. BUSINESS COMBINATION

On 4 November 2010, Austal Limited acquired 100% of the voting shares of Australian Technology Information Pty Ltd, a private company based in Canberra providing specialised services to the Australian Defence Forces including systems engineering and integration, information technology, verification and validation systems and deployable tactical command centres.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Australian Technology Information Pty Ltd based on the best information available as of the reporting date. In accordance with Accounting Standard AASB 3 *Business Combinations*, full disclosure of the acquisition is not required as the transaction is not considered material.

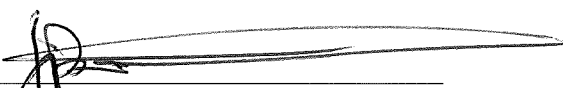
Director's Declaration

In accordance with a resolution of the directors of Austal Limited, I state that:

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 financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



J ROTHWELL AO
Director
24th February 2011

To the members of Austal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austal Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austal Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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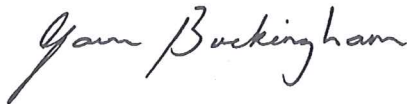
Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
24 February 2011