



Half-Year Report 2012

Contents

Directors' Report	2
Consolidated Statement of Comprehensive Income.....	5
Consolidated Statement of Financial Position.....	6
Consolidated Statement of Cash Flows.....	7
Consolidated Statement of Changes in Equity.....	8
Notes to the Consolidated Half-Year Financial Statements.....	9
1. Corporate information.....	9
2. Summary of significant accounting policies.....	9
3. Revenue and expenses.....	10
4. Dividends paid.....	10
5. Segment reporting.....	11
6. Financial instruments.....	13
7. Share capital.....	13
8. Business combinations.....	14
9. Income tax	14
10. Commitments and contingencies.....	15
11. Events after the balance sheet date.....	15
12. Cash and cash equivalents.....	15
Directors' Declaration.....	17
Independent Review Report to the members of Austal Limited.....	18

Directors' Report

The Board of Directors of Austal Limited submit their report for the half-year ended 31 December 2012.

Directors

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

J Rothwell (Chairman)

J H Poynton

A Bellamy

D Amara

D Singleton

M J Atkinson

Principal Activities

The principal activities of the consolidated entity during the financial half-year are the design, manufacture and support of high speed aluminium ships and systems for the defence, paramilitary and civil markets. These activities are unchanged from the previous year.

Results

The profit of the consolidated entity for the half-year was \$5.390 million after income tax.

Review of Operations

The Group operating profit before tax for the first half period was \$7.829 million compared with the result for the corresponding prior half period loss of \$6.325 million. Revenue increased by \$116.936 million over the corresponding prior half year period to \$384.367 million. EBITDA for the period to 31 December 2012 was \$24.002 million compared to the previous corresponding half year of \$2.708 million.

Revenue in the USA operations increased by \$96.472 million compared with the corresponding prior half year period to \$323.378 million. The growth is attributable to increased activity in Austal's USA operations, which has three Joint High Speed Vessels (JHSV) and three Littoral Combat Ships (LCS) under construction. This includes USNS "Spearhead" (JHSV 1) which was delivered in December 2013. As is common with new, complex naval vessel designs, first of class effects adversely impacted productivity resulting in the vessel being substantially over budget. With the design now mature and lessons learned from the first vessel being successfully applied, productivity on subsequent hulls has improved, resulting in improved profitability. The segment profit before interest and tax as a percentage of revenue for the period was 5.16% compared with 1.15% for the corresponding period the previous year. During the period, the US Navy exercised their option for the last vessel under the JHSV contract and Austal USA now has confirmed orders for ten JHSVs and five LCSs. Contract options for six LCSs are still to be exercised.

Revenue in the Henderson Shipyard operations increased by 43% over the corresponding prior half year period to \$46.532 million, but revenue levels are low reflecting continued softness in the market for large commercial vessels as a result of challenging global economic conditions and the sustained strength of the Australian dollar. Work was mainly on the \$330 million contract for the design, construction and through-life support of eight Cape Class patrol boats for the Australian Customs and Border Protection Service. The Cape Class project provides construction work through to the second half of 2015, and support work through to August 2019. It is a key first step in the repositioning of Austal's Henderson facilities as a defence focused operation.

During the period, property at Henderson was sold generating profit on sale of \$4.830 million.

The Philippines Shipyard completed its first vessel in December 2012 for delivery in January 2013. Construction is in progress for an 80 metre vehicle ferry for delivery in September 2013 and three windfarm vessels for delivery in 2014. The operation generated a profit before interest and tax for the period of \$0.725 million.

In the Service sector, Austal continued to provide its support offerings worldwide from Service Centres in Australia; Oman; Spain; Trinidad and Tobago and the United States. The charter of high speed vessel "WestPac Express" chartered with the United States Navy's Military Sealift Command was extended for a further 6 months to August 2013. During the period the company acquired an engineering business in Darwin to expand its operation in the region.

In December 2012, the motor yacht built in 2009 was sold at a discounted price due to depressed market conditions. The net after tax impact was a loss of \$3.08 million.

Additional capital raised during the period of \$75.846 million was applied to reduce borrowings and to restricted cash deposits to securitize the Go Zone borrowings in the USA. \$3.499 million equity was issued as part of the payment for the Darwin engineering business.

Directors' Report *(continued)*

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 4 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 21st day of February 2013

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 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby'.

Robert A Kirkby
Partner
Perth

21 February 2013

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	CONSOLIDATED	
		31 December 2012 \$'000	31 December 2011 \$'000
Continuing operations			
Revenue	3	389,410	267,431
Other income	3	6,995	2,807
Expenses	3	(385,737)	(275,313)
Unrealised (loss)/gain on deferred premium options	3	2,977	1,474
Finance costs	3	(5,816)	(2,724)
Profit/(loss) from continuing operations before income tax		7,829	(6,325)
Income tax (expense)/benefit	9	(2,439)	3,327
Profit/(loss) from continuing operations after income tax		5,390	(2,998)
Net Profit/(loss) for the period		5,390	(2,998)
Profit/(loss) for the period is attributable to:			
Owners of the parent		5,404	(2,998)
Non-Controlling interest		(14)	-
		5,390	-
Other comprehensive income			
Items that maybe subsequently reclassified to profit and loss:			
Cash flow hedges			
Loss taken to equity		(2,013)	(12,421)
Transferred to income statement		(2,093)	(10,063)
Foreign currency translation		138	297
Income tax benefit on items of other comprehensive income	9	1,232	6,745
Other comprehensive (expense)/ income for the period, net of tax		(2,736)	(15,442)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		2,654	(18,440)
Total comprehensive income /(expense) for the period is attributable to:			
Owners of the parent		2,668	(18,440)
Non-Controlling interest		(14)	-
		2,654	(18,440)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent:			
- basic earnings/(loss) per share	7	2.14	(1.26)
- diluted earnings/(loss) per share	7	2.14	(1.26)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	Note	CONSOLIDATED	
		As at 31 December 2012 \$'000	As at 30 June 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	12	78,417	51,811
Restricted cash	12	84,319	52,940
Trade and other receivables		64,222	96,172
Inventories		198,070	193,529
Prepayments		6,495	6,538
Derivative financial instruments		7,876	36,041
Assets classified as held for sale		-	1,561
Total Current Assets		439,399	438,592
Non-Current Assets			
Restricted cash	12	147	944
Trade and other receivables		17	18
Property, plant and equipment		376,547	370,383
Derivative financial instruments		6,248	10,625
Intangible assets and goodwill		13,799	5,045
Deferred tax assets		2,830	380
Total Non-Current Assets		399,588	387,395
TOTAL ASSETS		838,987	825,987
LIABILITIES			
Current Liabilities			
Trade and other payables		87,805	128,626
Interest-bearing loans and borrowings		49,174	18,973
Income tax payable		33,850	27,394
Provisions		16,838	18,250
Government grants		3,822	3,561
Derivative financial instruments		464	2,186
Progress payments in advance		8,572	27,288
Total Current Liabilities		200,525	226,278
Non-Current Liabilities			
Derivative financial instruments		722	5,757
Interest-bearing loans and borrowings		215,023	246,444
Provisions		1,925	2,060
Government grants		48,875	48,753
Deferred tax liabilities		12,194	19,648
Total Non-Current Liabilities		278,739	322,662
TOTAL LIABILITIES		479,264	548,940
NET ASSETS		359,723	277,047
EQUITY			
Contributed equity		111,331	31,762
Retained earnings		228,094	222,690
Reserves		20,178	22,595
Parents Interests		359,603	277,047
Non – Controlling Interests		120	-
TOTAL EQUITY		359,723	277,047

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	CONSOLIDATED	
		31 December 2012 \$'000	31 December 2011 \$'000
Cash flows from operating activities			
Receipts from customers		405,457	254,339
Payments to suppliers and employees		(423,825)	(267,179)
Receipt of government grants		2,335	8,906
Interest received		1,040	440
Borrowing costs paid		(5,817)	(2,725)
GST refunded/(paid)		1,926	1,263
Income tax refunded/(paid)		(2,038)	2,061
Net cash flows (used in) operating activities	12	(20,922)	(2,895)
Cash flows from investing activities			
Acquisition of subsidiary		(2,914)	-
Proceeds from the sale of held for sale asset		6,898	-
Proceeds from sale of property, plant and equipment		9,302	21
Purchase of property, plant and equipment		(16,090)	(78,897)
Purchase of intangible assets		(3,761)	(487)
Net cash flows used in) investing activities		(6,565)	(79,363)
Cash flows from financing activities			
Repayment of loan – in substance options		-	(243)
Proceeds from derivative instruments		10,246	-
Proceeds from issue of shares net of transaction costs		75,064	-
Repayment of borrowings		(30,879)	(1,802)
Equity dividends paid		-	(11,284)
Proceeds from borrowings		32,097	31,007
Net cash flows from financing activities		86,528	17,678
Net increase/ (decrease) in cash and cash equivalents		59,041	(64,580)
Net foreign exchange difference		(1,056)	5,357
Cash and cash equivalents at beginning of period		104,751	171,102
Cash and cash equivalents at end of period	12	162,736	111,879

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED

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

	Ordinary shares \$'000	Reserved shares * \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Employee equity benefits reserve \$'000	Asset revaluation Reserve \$'000	Cash flow hedge reserve \$'000	Equity reserve \$'000	Total \$'000	Controlling Interest \$'000	Total Equity \$'000
As at 1 July 2011	41,075	(9,900)	222,928	(8,865)	3,345	-	41,508	(15,925)	274,166	-	274,166
Profit for the period	-	-	(2,998)	-	-	-	-	-	(2,998)	-	(2,998)
Other comprehensive income	-	-	-	297	-	-	(15,739)	-	(15,442)	-	(15,442)
Total comprehensive income for the half-year	-	-	(2,998)	297	-	-	(15,739)	-	(18,440)	-	(18,440)
Transactions with owners in their capacity as owners:											
Options exercised	-	243	-	-	-	-	-	-	243	-	243
Share-based payments	-	-	-	-	1,307	-	-	-	1,307	-	1,307
Dividends	-	-	(11,284)	-	-	-	-	-	(11,284)	-	(11,284)
As at 31 December 2011	41,075	(9,657)	208,646	(8,568)	4,652	-	25,769	(15,925)	245,992	-	245,992
As at 1 July 2012	41,373	(9,611)	222,690	(10,568)	4,948	27,491	16,649	(15,925)	277,047	-	277,047
Profit for the period	-	-	5,404	-	-	-	-	-	5,404	(14)	5,390
Other comprehensive income/(expense)	-	-	-	138	-	-	(2,874)	-	(2,736)	-	(2,736)
Total comprehensive income/(expense) for the half-year	-	-	5,404	138	-	-	(2,874)	-	2,668	(14)	2,654
Transactions with owners in their capacity as owners:											
Shares issued	77,891	-	-	-	-	-	-	-	77,891	-	77,891
Transaction costs	(1,821)	-	-	-	-	-	-	-	(1,821)	-	(1,821)
Options exercised	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary	3,499	-	-	-	-	-	-	-	3,499	134	3,633
Share-based payments	-	-	-	-	319	-	-	-	319	-	319
As at 31 December 2012	120,942	(9,611)	228,094	(10,430)	5,267	27,491	13,775	(15,925)	359,603	120	359,723

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1 CORPORATE INFORMATION

The half-year financial report of Austal Limited (the Company) for the period ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 21 February 2013.

Austal Limited is a company limited by shares incorporated and domiciled 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 condensed 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 2012.

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 2012 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 2012.

Since 1 July 2012 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group. The Group has not elected to early adopt any new standards or interpretations that are not mandatorily effective.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED	
		31 December 2012	31 December 2011
		\$'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	365,798	252,481
	Charter revenue	7,560	4,386
	Service revenue	13,452	8,741
	Rental revenue	148	358
	Sale of scrap	1,412	1,025
	Finance income	1,040	440
	Total revenue	389,410	267,431
	(ii) Other income		
	Net foreign exchange (losses)/gains	(336)	634
	Government grants	2,340	2,073
	Other income	4,991	100
	Total other income	6,995	2,807
	(iii) Expenses		
	Cost of sales – construction contract	337,390	236,377
	Cost of sales – service	12,678	8,459
	Chartering expenses	4,553	3,495
	Marketing expenses	5,188	6,557
	Administrative expenses	25,928	20,420
	Net loss on disposal of property, plant and equipment	-	5
	Total expenses (excluding finance costs)	385,737	275,313
	The above expenses include:		
	Depreciation of non-current assets	9,926	5,883
	Amortisation of intangible assets	1,471	866
	(iv) Unrealised gain/(loss) on deferred premium options		
	Unrealised gain/(loss) on forward currency options	3,405	1,854
	Foreign exchange (loss)/gain on deferred premium	(428)	(380)
		2,977	1,474
	(v) Finance costs		
	Interest paid to unrelated parties	5,816	2,724
4.	DIVIDENDS PAID		
	Equity dividends on ordinary shares:		
	Dividends paid during the half-year on ordinary shares:		
	Final franked dividend for the year ended 30 June 2011		
	paid during the half-year ended 31 December 2011:	-	11,284
	6 cents (2010: 6 cents)		

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. SEGMENT REPORTING

Identification of reportable segments

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

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

The Group's reportable segments are as follows:

USA

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

Henderson Ship Yard Operations ("HSO")

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

Service & Systems

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

Philippines Shipyard Operations ("PSO")

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

Other/Unallocated

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

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

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.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. SEGMENT REPORTING (continued)

Half Year Ended 31 December 2012	USA \$'000	HSO \$'000	Service & Systems \$'000	PSO \$'000	Other/ Unallocated \$'000	Eliminations and Adjustments \$'000	Total \$'000
Revenues							
External customers	323,378	24,750	20,184	9,780	10,278	-	388,370
Inter-segment	-	21,782	3,703	2,872	1,094	(29,451)	-
Total revenues	323,378	46,532	23,887	12,652	11,372	(29,451)	388,370
Segment Profit/(Loss) before tax (i)	16,695	(1,340)	292	725	(4,067)	300	12,605

Half Year Ended 31 December 2011	USA \$'000	HSO \$'000	Service & Systems \$'000	PSO \$'000	Other/ Unallocated \$'000	Eliminations and Adjustments \$'000	Total \$'000
Revenues							
External customers	226,906	26,601	13,128	-	356	-	226,991
Inter-segment	-	5,907	1,076	-	965	(7,948)	-
Total revenues	226,906	32,508	14,204	-	1,321	(7,948)	226,991
Segment Profit/(Loss) before tax (i)	2,630	(7,826)	(1,603)	-	2,092	666	(4,041)

The following table presents segment assets of the Group's operating segments as at 31 December 2012 and 30 June 2012:

Segment Assets							
31 December 2012	543,642	155,131	19,886	22,464	346,069	(248,205)	838,987
30 June 2012	570,777	197,491	13,664	10,697	272,990	(239,632)	825,987

- i) The profit before tax for each reportable segment does not include finance revenue of \$0.723 million (31 December 2011: \$0.440 million) and finance costs of \$5.816 million (31 December 2011: \$2.724 million).

Reconciliation of segment result	31 December 2012	31 December 2011
Segment profit	12,605	(4,041)
Finance income	1,040	440
Finance expenses	(5,816)	(2,724)
Consolidated profit/(loss) before income tax	7,829	(6,325)

Reconciliation of segment revenue	31 December 2012	31 December 2011
Segment revenue	388,370	226,991
Finance income	1,040	440
Consolidated Revenue	389,410	227,430

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6. FINANCIAL INSTRUMENTS

The Group's derivatives are categorised in level 2 of the valuation hierarchy, as their fair value has been calculated using valuation techniques where the inputs have a significant effect on the valuation and are directly or indirectly based on market observable data. This classification has not changed from 30 June 2012.

There were no changes in the business or economic circumstances that affect the fair value of the Group financial assets and liabilities.

The fair value of the Groups financial instruments are exposed to market movements in interest and foreign exchange rates.

7. SHARE CAPITAL

	CONSOLIDATED			
	31 December 2012		30 June 2012	
	Number	\$'000	Number	\$'000
Ordinary Shares				
Issued and fully paid	346,173,171	120,160	188,193,007	41,373
Movements in shares on issue				
Balance at the beginning of the financial year	188,193,007	41,373	188,069,638	41,075
Executive compensation(iv)	165,556	224	123,369	298
Shares issued on acquisition of subsidiary (iii)	2,481,566	3,499	-	-
Capital raising (i)	155,333,042	77,667	-	-
Transaction costs (ii)	-	(1,821)	-	-
Balance at end of financial year	346,173,171	120,942	188,193,007	41,373

- (i) On 22 November 2012, Austal Limited undertook a 9 for 10 equity offering to raise up to \$86.0 million at \$0.50 per share to institutional and retail investors. The Entitlement offer was completed 31 December 2012 and raised 129,202,421 ordinary shares and 26,130,621 at \$0.50 respectively.
- (ii) The transaction costs represent the cost of issuing shares from capital raising. The tax effected cost of issuing these shares was \$1.821 million.
- (iii) Issued on 4th October 2012 in exchange for 80% of the share capital in Austal Service Darwin Pty Ltd refer to Note 8.
- (iv) 165,556 shares were issued to Mr Andrew Bellamy on 30 November 2012 as part of his contract of employment.

During the period, the Group issued the following options which are accounted for as share based payments.

Tranche A – 709,018 options at an exercise price of nil.
 Tranche B – 709,018 options at an exercise price of \$2.15
 Tranche C – 709,018 options at an exercise price of \$2.15

Earnings per share

Prior period earnings per share have been restated with an adjustment factor of 1.30 as a result of the equity issue announced in November 2012, which included a 9 for 10 accelerated pro-rata non renounceable entitlement offer at an offer price of \$0.50 per share which included a fully underwritten institutional component.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

8. BUSINESS COMBINATION

On 4 October 2012, Austal Service Darwin Pty Ltd acquired 100% of the ordinary shares in KM Engineering (NT) Pty Ltd ("KME") and Hydraulink (NT) Pty Ltd ("Hydraulink") and the sellers of KME and Hydraulink obtained a 20% share of Austal Service Darwin Pty Ltd.

KME & Hydraulink are private companies operating in the Northern Territory and provide engineering and hydraulic services to the Royal Australian Navy (RAN) and Australian Customs and Border Protection Service.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of KME & Hydraulink based on the best information available as of the reporting date. The transaction is not considered material.

9. INCOME TAX

The major components of income tax expense in the interim consolidated income statement are:

	CONSOLIDATED	
	31 December 2012	31 December 2011
	\$'000	\$'000
Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax charge	1,845	-
Adjustments in respect of current income tax of previous years	-	(1,865)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	594	(1,462)
Income tax expense/(benefit) reported in the statement of comprehensive income	2,439	(3,327)
Statement of changes in equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Deferred gains and losses on foreign currency contracts	1,232	(6,745)

A reconciliation between tax expense and the product of accounting profit/ (loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit/(loss) before income tax	7,829	(6,325)
At the Group's statutory income tax rate of 30% (2011: 30%)	2,349	(1,898)
Adjustment for Austal USA statutory income tax rate of 36.9% (2011: 36.9%)	327	239
International tax rate differential for other foreign jurisdiction activities	(92)	-
Share based payments (equity settled)	42	164
Recognition of Austal USA employment tax credits	-	(1,865)
Other	(187)	33
Income tax expense/(benefit) reported in the statement of comprehensive income	2,439	(3,327)

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

10. COMMITMENTS AND CONTINGENCIES

There have been no material changes in commitments and contingencies since the last annual reporting date.

11. EVENTS AFTER THE BALANCE SHEET DATE

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

12. 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 2012	30 June 2012
	\$'000	\$'000
Current		
Cash at bank and in hand	78,417	51,811
Restricted cash (i)	44,919	52,940
Cash Security deposit (ii)	39,400	-
Non-Current		
Restricted cash (iii)	147	944
	162,883	104,751

Cash at bank earns interest at floating rates on daily bank deposit rates.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

Cash at bank and in hand	162,883	105,695
Less: restricted cash held as a guarantee		
- non-current	(147)	(944)
	162,736	104,751

- (i) Current restricted cash represents the unspent proceeds of the Go Zone Bonds issuance which occurred in May 2011. The funds may only be spent on those capital works projects that were specifically identified in the documentation issued to investors. It is expected that the restricted cash will be utilised in the course of the next year in funding the approved capital works or surplus funds returned to reduce the amount of Go Zone Bonds on issue.

The restricted cash is invested in capital protected interest bearing US government securities.

- (ii) The cash security deposit forms part of the securitisation requirements for the Go Zone Bond facility.

- (iii) Non-current restricted cash represents a security deposit held for worker's compensation insurance.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

12. CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of net profit/ (loss) after tax to net cash flows from operations

	CONSOLIDATED	
	31 December 2012	31 December 2011
	\$'000	\$'000
Net Profit/(loss)	5,390	(2,998)
Adjustments for:		
Depreciation and impairment	9,926	5,883
Amortisation	1,471	866
Net (gain) loss on disposal of property, plant and equipment	(503)	5
Share based payment	319	1,307
Deferred grant income	(3,748)	(1,949)
(Gain)/loss on deferred premium options and other derivatives	(2,977)	-
Changes in assets and liabilities:		
(Decrease)/increase in provisions for:		
Income tax (current and deferred)	(2,424)	(8,011)
Workers compensation insurance	(941)	528
Warranty	(489)	(3,961)
Employee benefits	(97)	(2,793)
Other	(20)	1,863
(Increase)/decrease in trade and other debtors	31,951	(28,885)
(Increase)/decrease in inventories	(4,540)	(5,426)
(Increase)/decrease in prepayments	-	1,421
(Increase)/decrease in other financial assets	840	15,138
(Decrease)/increase in trade creditors	(37,055)	(12,258)
(Decrease)/increase in progress payments in advance	(18,715)	25,863
(Decrease)/increase in government grants	381	6,833
(Decrease)/increase in other financial liabilities	309	3,679
Net cashflows used in operating activities	(20,922)	(2,895)

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 2012 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
21st February 2013

Independent review report to members of Austal Limited

To the members of Austal Limited

Report on the 31 December 2012 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 2012, 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 31 December 2012 Half-Year Financial Report

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

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 a Financial Report 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 2012 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.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby'.

Robert A Kirkby
Partner
Perth
21 February 2013