APPENDIX 4D
HALF-YEAR REPORT

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

FOR THE PERIOD ENDED 31 DECEMBER 2007

1. The reporting period is 1 July 2007 to 31 December 2007. The previous corresponding period is 1 July 2006 to 31 December 2006. 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 33.2%	to 332,938
2.2	Profit (loss) from ordinary activities after tax attributable to members	up 53.6%	to 29,861
2.3	Net profit (loss) for the period attributable to members	up 53.6%	to 29,861

2.4 Dividend distributions

No dividend will be payable with respect to the interim period to 31 December 2007.

2.5	Record date for determining entitlements to the dividends	N/A

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

The revenue from the Australian operations increased by 38% and the US operations by 24%, giving an overall increase in revenue of 33% compared with the same period the previous year.

The Group profit before tax of $42.2 million has increased by 63% over the corresponding prior half year period. In addition to the impact of the increased revenue, the profit was improved by increased finance income generated by higher levels of progress payments received in advance.

3. Net tangible assets per ordinary security

Current period (cents/share)	108.4
Previous corresponding period (cents/share)	94.3

4. Control gained or lost over entities during the period — N/A

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

AUSTAL

LIMITED

Half-Year Report 2008

Contents

Directors' Report

The Board of Directors of Austal Limited submit their report for the half-year ended 31 December 2007.

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

J Rothwell (Chairman)
M J Atkinson
C J Norman
J H Poynton
I Campbell (appointed on 1 August 2007)
D Amara

Unless indicated otherwise, all directors held their position as a director throughout the entire half-year and up to the date of this report.

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 $29.9 million after income tax.

Review of Operations
The revenue from the Australian operations increased by 38% and the US operations by 24%, giving an overall increase in revenue of 33% compared with the same period the previous year.

The Group profit before tax of $42.2 million has increased by 63% over the corresponding prior half year period. In addition to the impact of the increased revenue, the profit was improved by increased finance income generated by higher levels of progress payments received in advance. The US Navy decision to cancel the second Littoral Combat Ship during the period is expected to result in reduced revenue and decreased profits in the second half of the year.

Significant Events After Half-Year End
There were no significant events occurring after period end.

Rounding of Amounts
The parent 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

M J ATKINSON
Director

Dated at Henderson this 22nd day of FEBRUARY 2008

ERNST & YOUNG

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Australia

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■ Tel 61 8 9429 2222
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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 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

Ernst & Young

Gavin Buckingham

Gavin A. Buckingham
Partner
Perth
22 February 2008

GAB:KT:AUSTAL:006

Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	*CONSOLIDATED* 31 December 2007 $'000	31 December 2006 $'000
Continuing operations			
Revenue	3	332,938	249,954
Other income	3	878	554
Expenses (excluding finance costs)	3	(290,432)	(223,429)
Finance costs	3	(1,227)	(1,259)
Profit before income tax		42,157	25,820
Income tax expense		(12,296)	(5,924)
Profit after income tax from continuing operations		29,861	19,896
Attributable to:			
Minority interest		-	462
Members of the Parent		29,861	19,434
		29,861	19,896
Earnings per share (cents per share)			
- basic for profit for the half-year attributable to ordinary equity holders of the parent		15.96	10.48
- diluted for profit for the half-year attributable to ordinary equity holders of the parent		15.79	10.34

Balance Sheet
AS AT 31 DECEMBER 2007

	Note	CONSOLIDATED	
		As at 31 December 2007 $'000	As at 30 June 2007 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		304,245	240,531
Trade and other receivables		10,514	24,424
Inventories		24,583	88,680
Prepayments		2,000	2,171
Derivatives		19,892	26,421
Total Current Assets		361,234	382,227
Non-Current Assets			
Cash and cash equivalents		5,957	6,169
Trade and other receivables		17,935	14,838
Property, plant and equipment		103,450	99,014
Derivatives		299	687
Intangible assets		491	476
Prepayments		819	965
Deferred tax asset		201	77
Total Non-Current Assets		129,152	122,226
TOTAL ASSETS		490,386	504,453
LIABILITIES			
Current Liabilities			
Trade and other payables		44,103	37,434
Interest bearing loans and borrowings		6,859	8,478
Income tax payable		18,195	-
Provisions		24,951	22,901
Government grants		284	-
Derivatives		271	172
Other – progress payments in advance		141,617	164,193
Total Current Liabilities		236,280	233,178
Non-Current Liabilities			
Interest-bearing loans and borrowings		21,172	24,478
Deferred tax liabilities		12,359	22,613
Provisions		3,493	3,318
Government grants		10,507	11,322
Derivatives		-	10
Total Non-Current Liabilities		47,531	61,741
TOTAL LIABILITIES		283,811	294,919
NET ASSETS		206,575	209,534
EQUITY			
Contributed equity	5	32,679	37,309
Retained earnings		179,345	172,523
Other reserves		(5,449)	(298)
TOTAL EQUITY		206,575	209,534

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	*CONSOLIDATED* 31 December 2007 $'000	31 December 2006 $'000
Cash Flows from operating activities			
Receipts from customers		383,411	272,420
Payments to suppliers and employees		(291,175)	(239,092)
Receipts of government grants		138	331
Interest received		10,261	3,983
Borrowing costs paid		(1,227)	(1,258)
GST refunded/(paid)		7,245	(1,705)
Income tax refunded		137	-
Net cash flows from operating activities		108,790	34,679
Cash Flows from investing activities			
Proceeds from sale of property, plant and equipment		379	129
Purchase of property, plant and equipment		(9,383)	(6,813)
Purchase of intangible assets		(340)	(53)
Purchase of minority interest in controlled entity		-	(20,627)
Net cash flows used in investing activities		(9,344)	(27,364)
Cash Flows from financing activities			
Share buy-back		(5,394)	-
Proceeds from borrowings		-	1,019
Repayment of borrowings		(4,249)	(7,256)
Equity dividends paid		(23,039)	(20,789)
Loan advanced - others		(2,533)	3,275
Net cash flows from/(used in) financing activities		(35,215)	(23,751)
Net increase/(decrease) in cash and cash equivalents		64,231	(16,436)
Net foreign exchange difference		(517)	(1,285)
Cash and cash equivalents at beginning of period		240,531	101,088
Cash and cash equivalents at end of period	9	304,245	83,367

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent					*Minority interest*	*Total equity*
CONSOLIDATED	*Issued capital $'000*	*Reserved shares * $'000*	*Retained earnings $'000*	*Other Reserves $'000*	*Total $'000*	*$'000*	*$'000*
As at 1 July 2006	40,034	(6,176)	148,213	2,376	184,447	3,784	188,231
Currency translation differences	-	-	-	(786)	(786)	(75)	(861)
Net gains on cash flow hedges	-	-	-	14,027	14,027	301	14,328
Transfer from cash flow hedge reserve	-	-	-	(4,727)	(4,727)	-	(4,727)
Premium on acquisition of minority interest in controlled entity	-	-	-	(16,155)	(16,155)	(4,472)	(20,627)
Total income and expense for the period recognised directly in equity	-	-	-	(7,641)	(7,641)	(4,246)	(11,887)
Profit for the period	-	-	19,434	-	19,434	462	19,896
Total income and expense for the period	-	-	19,434	(7,641)	11,793	(3,784)	8,009
Equity Transactions:							
Options exercised	-	3,275	-	-	3,275	-	3,275
Cost of share-based payment	-	-	-	23	23	-	23
Equity dividends	-	-	(20,789)	-	(20,789)	-	(20,789)
As at 31 December 2006	40,034	(2,901)	146,858	(5,242)	178,749	-	178,749

Statement of Changes in Equity (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent				*Total equity*
CONSOLIDATED	*Issued capital $'000*	*Reserved shares * $'000*	*Retained earnings $'000*	*Other Reserves $'000*	*$'000*
As at 1 July 2007	40,034	(2,725)	172,523	(298)	209,534
Currency translation differences	-	-	-	(749)	(749)
Net gains on cash flow hedges	-	-	-	17,978	17,978
Transfer from cash flow hedge reserve	-	-	-	(22,719)	(22,719)
Total income and expense for the period recognised directly in equity	-	-	-	(5,490)	(5,490)
Profit for the period	-	-	29,861	-	29,861
Total income and expense for the period	-	-	29,861	(5,490)	24,371
Equity Transactions:					
Shares issued	10,530	-	-	-	10,530
Options exercised	-	764	-	-	764
Options granted	-	(10,530)	-	-	(10,530)
Cost of share-based payment	-	-	-	339	339
Share buy-back	(5,394)	-	-	-	(5,394)
Equity dividends	-	-	(23,039)	-	(23,039)
As at 31 December 2007	45,170	(12,491)	179,345	(5,449)	206,575

*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 2007

1 CORPORATE INFORMATION

The half-year financial report of Austal Limited (the Company) for the period ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 22 February 2008.

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

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 2007.

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 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

(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 has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(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 2007, except for the adoption of amending standards and UIG Interpretations effective for annual reporting periods beginning on or after 1 July 2007.

Since 1 July 2007, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 101 (revised October 2006) *Presentation of Financial Statements*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from Interpretation 11 (AASB 2)*
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and other amendments*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128)*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Austal Limited and its subsidiaries ('the Group').

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED 31 December 2007 $'000	CONSOLIDATED 31 December 2006 $'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:

	31 December 2007 $'000	31 December 2006 $'000
(i) Revenue		
Construction contract revenue	314,288	236,033
Charter revenue	7,152	8,761
Sale of scrap	1,237	1,177
Finance income	10,261	3,983
Total revenue	332,938	249,954
(ii) Other income		
Government grants	138	331
Other income	740	223
Total other income	878	554
(iii) Expenses		
Cost of sales -- construction contract	269,853	203,585
Marketing expenses	3,787	2,999
Administrative expenses	8,665	7,028
Chartering expenses	8,127	9,817
Total expenses	290,432	223,429
(iv) Finance costs		
Interest paid to unrelated parties	1,227	1,242
Other borrowing costs	-	17
	1,227	1,259
The above expenses include:		
Depreciation of non-current assets	2,797	2,329
Amortisation of intangible assets	312	234
Loss/(profit) on disposal of property, plant and equipment	-	(57)
Net foreign exchange losses/(gains)	232	550

(v) Seasonality of Operations
There were no seasonal or cyclical factors.

4. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

	31 December 2007 $'000	31 December 2006 $'000
Dividends paid during the half-year		
Final franked dividend for the financial year ended 30 June 2007: 12 cents [2006: 11 cents]	23,039	20,789

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED 31 December 2007 $'000	CONSOLIDATED 30 June 2007 $'000
5. CONTRIBUTED EQUITY		
Ordinary shares (i)	45,170	40,034
Reserved shares (ii)	(12,491)	(2,725)
	32,679	37,309
(i) Ordinary shares		
Issued and fully paid	45,170	40,034

	Number in Thousands	*$'000*
Movements in ordinary shares on issue		
At 1 July 2007	188,991	40,034
Shares issued	3,000	10,530
Share buy-back	(1,967)	(5,384)
Transaction costs	-	(10)
At 31 December 2007	190,024	45,170
(ii) Reserved shares		
At 1 July 2007	(3,741)	(2,725)
Options granted	(3,000)	(10,530)
Options exercised	480	764
At 31 December 2007	(6,261)	(12,491)

During the year, a total of 1,967,040 shares have been bought back on-market by the company for $5.4 million at an average price of $2.72 per share.

6. SEGMENT REPORTING

The consolidated entity's primary basis of segment reporting is by business segment. The Group operates primarily in one business segment being the manufacture of high performance vessels.

7. CONTINGENT ASSETS AND LIABILITIES

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

8. EVENTS AFTER THE BALANCE SHEET DATE

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

9. ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents, net of cash held as a guarantee, comprise the following at 31 December:

	CONSOLIDATED 31 December 2007 $'000	CONSOLIDATED 30 June 2007 $'000
Cash at bank and in hand	310,202	246,700
Less: restricted cash held as a guarantee - non-current	(5,957)	(6,169)
	304,245	240,531

Director's Declaration

The directors declare that in their opinion:

(a) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(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.

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

On behalf of the Board.

J ROTHWELL AO
Director

M J ATKINSON
Director

Dated at Henderson this 22nd day of February 2008

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To the members of Austal Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Austal Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes 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 an Interim 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 2007 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* and other mandatory financial reporting requirements in Australia. As the auditor of Austal Limited and the entities it controlled during the half-year ended 31 December 2007, 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.

ERNST & YOUNG

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 2007 and of its performance for the half-year period ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A. Buckingham
Partner
Perth
22 February 2008

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