



01

AUSTAL LIMITED

Concise Annual Report 2001



**Austal Limited Concise Annual Report 2001**  
ABN 73 009 250 266



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The 2001 Concise Report has been derived from Austal Limited's 2001 Annual Report. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of Austal Limited's performance, financial position and financing and investing activities as provided by the 2001 Annual Report.

### **2001 Annual Report**

A copy of the Austal Limited's 2001 Annual Report, together with the Independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by telephone on (08) 9410 1111.

### **2001/2002 Calendar of Events**

#### **Annual General Meeting**

The Annual General Meeting of shareholders will be held at 3.00 pm on 17th October 2001 at the Fremantle Sailing Club, "Success Harbour", Marine Terrace, Fremantle.

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**BOB MCKINNON**  
Managing Director

**JOHN ROTHWELL**  
Executive Chairman

This year has been a difficult year and one of consolidation. With the decline in traditional markets, particularly for large vehicle/passenger ferries, we have broadened our **product base** and introduced new designs. There has been extensive focus on targeting new markets and improving production efficiencies.

A major factor in our ability to cope with the downturn in orders for vehicle/passenger ferries has been our diversification strategy. The Austal Group continues to expand its range of customised products through its four subsidiaries.

Since the acquisition of Oceanfast, substantial capital expenditure has been incurred for a new building on the waterfront site. As a result we now have world class facilities that will provide for the construction of yachts up to 120 metres in length. The luxury 57 metre motor yacht, "Sagitta", is the first vessel completed since the acquisition of Oceanfast. Under construction are three super yachts, including a 69.5 metre vessel for golfer Greg Norman.

Image Marine continues to perform and has delivered several medium sized cruise vessels to a growing market.

The slipway has been upgraded to facilitate the launching of the Auto Express 101 series of ferries.

Austal Ships had a major breakthrough with its charter of a 101 metre, high speed vehicle/passenger ferry to the US Marine Corps. The vessel is being evaluated by US Defence through military operations in the Western Pacific and has the potential to be used not only by the Marines but also Army, Navy and Special Operations.

Austal USA will play a pivotal role in developing the relationship with the US Defence forces and is a key part of the diversification strategy. With new production facilities in Mobile Alabama, and a strong recruitment drive, Austal USA is well positioned to capitalise on future US Military needs in the next 2-5 years. There are currently three vessels for the commercial market under construction in Austal USA's shipyard.

The coming year already shows signs of early growth and development and we are now positioned to move forward with confidence. There will be opportunities to capitalise on the enormous potential presented in several growth markets, namely the military and patrol boat sector and the emergence of a market for boutique cruise ships.

On behalf of the Board of Directors, I would like to thank all employees in the Austal Group for their dedication and ongoing commitment to the Company.

**JOHN ROTHWELL**  
Executive Chairman  
Austal Limited



## MANAGEMENT DISCUSSION AND ANALYSIS

The general slow-down in the global market for large vehicle/passenger ferries has resulted in reduced sales revenue and earnings compared to the previous year. However, recent contract signings and a world-first charter to the United States Marine Corps of a 101 metre stock boat signal an improved outlook.

The profit performance was further reduced by a foreign exchange loss of \$9.5 million mainly arising from a forward contract taken out in the previous year as a hedge for the stock vessel.

A favourable outcome of the Australian Taxation Office audit on Research and Development expenditure has resulted in a \$9.8 million write back of the tax provision.

## FINANCIAL SUMMARY

	2001	2000
YEAR ENDING 30 JUNE	\$M	\$M
REVENUE	194.5	357.7
EBITDA	6.2	32.2
DEPRECIATION & AMORTISATION	(4.2)	(4.4)
EBIT	2.0	27.8
INTEREST RECEIVED/(PAID)	1.1	(0.7)
OPERATING PROFIT BEFORE TAX	3.1	27.1
TAX BENEFIT/(EXPENSE)	10.7	2.7
OPERATING PROFIT AFTER TAX	13.8	29.8
OUTSIDE EQUITY INTERESTS	0.7	0.1
NET PROFIT AFTER TAX AND OEI	14.5	29.9
% EBIT/SALES	1.1	7.8
EARNINGS PER SHARE (CPS)	9.1	19.3
NET ASSETS	83.6	58.5
RETURN ON EQUITY	17.3%	51.1%

During the year the management share plan was extended to include Managers engaged after 1998. As a result, 5,829,000 shares were issued at market price (\$8.88 million) and are partially funded by loans from Austal (\$8.3 million).

Major capital projects undertaken during the year included new production facilities for Oceanfast, new production facilities for Austal USA and upgrade of the slipway at Austal Ships.

The long term receivables have increased with the delivery of the last three vessels under the contract with the Australian Customs Service. This is funded by a long term bill facility.

## AUSTAL SHIPS

During the year Austal delivered three Auto Express high speed vehicle/passenger catamarans. Minoan Flying Dolphins of Greece took delivery of two catamarans at the beginning of the financial year. This follows delivery of a 72 metre catamaran to Minoan the previous year.

"Euroferrys Pacifica" was delivered to Spain in April 2001 and, as the first Auto Express 101 metre vessel, has the distinction of not only being the largest of Austal's flagship Auto Express car ferries but also the largest high speed catamaran in the world with diesel propulsion.

Austal has invested in the development of the company's Henderson based shipyard facilities, upgrading the slipway to cater for larger vessels. The upgraded slipway was a key component in the successful launching of "Euroferrys Pacifica".

During the year a second Auto Express 101 metre vessel was constructed and subsequent to the year end was placed on charter to the United States Marine Corps for operations in Japan. The 101 metre high speed vehicle/passenger catamaran is the first Theatre Logistics Vessel to be used by United States Defence forces. Recent reports from the Marines that the vessel is exceeding its operational requirements for troop and equipment transport are very encouraging. Previously, the Marines have relied on airlifts to move battalions from one island to another in the Western Pacific in a process that can take up to two weeks.

The vessel is on a two month charter and negotiations are now underway to extend this to a long term charter. This development has positioned Austal to capitalise on growth opportunities in the military and defence markets, particularly in the United States.





**Major capital projects** undertaken during the year included new production facilities for Oceanfast, new production facilities for Austal USA and upgrade of the slipway at Austal Ships.



### IMAGE

Image continues to focus on the marine tourism market and delivered two live-aboard catamarans. The 36 metre luxury cruise catamaran "White Rabbit" was delivered to a private owner in Singapore last November. Delivery of the second vessel established a benchmark for the Austal Group as it was the first sale to the US market. "Aqua Cat", a 31 metre dive charter catamaran, was delivered to Florida based Blackbeard's Cruises for operation in the Bahamas.

Image has concentrated its efforts on broadening its profile in the tourism/leisure markets. These efforts were successful in securing a contract for a 34 metre dinner cruise catamaran. "Magistic Two" was delivered to Blue Line Cruises just after year end and will operate in Sydney Harbour.

In May, Image announced a contract to construct a 39 metre boutique cruise catamaran. Designed as a 'floating hotel' for Hotel Properties Limited, the vessel will operate in the Maldives and is due for delivery in mid 2002. Since year end Image has secured a contract to build two low wash River Cat ferries for a Portuguese client.

### OCEANFAST

The luxury motor yacht market has remained buoyant during the last financial year and there are signs that this market will remain robust.

A highlight of the year was the completion of the 57 metre "Sagitta" for the Mediterranean. The vessel set three new records – the largest luxury motor yacht ever built in Australia as well as the most expensive. It was also completed in record time for the large motor yacht industry.

Oceanfast secured two new contracts during the year - a 54 metre full displacement steel hull motor yacht and a 56.6 metre full displacement steel hull motor yacht. Both vessels are due for delivery in 2003.

Greg Norman's 69.5 metre expedition yacht, "Aussie Rules", is taking shape in Oceanfast's new world class waterfront facility. The purpose built yard was officially opened in January 2001 and will facilitate the construction of super yachts up to 120 metres (394ft) in length.

The growth in luxury motor yacht orders has more than doubled the workforce at Oceanfast. This has resulted in lower production efficiencies and additional training costs during the year. The benefits of the training are expected to be realised in future years.

### AUSTAL USA

Austal USA celebrated the official opening of the first stage of its new shipyard in Mobile, Alabama on 16 February 2001. Since commencing operations in February, there has been substantial interest in Austal USA and we predict that Austal's extensive experience as a leader in the worldwide fast ferry market will provide significant opportunities in the protected US market.

There are currently two aluminium crew supply vessels under construction both of which measure 45.7 metres (150ft) in length. A 25 metre high speed passenger catamaran has been commenced as a stock vessel to ensure we capitalise on market demand.

Recruitment activities have increased and several training programmes have been established. In the past eight months, Austal USA has introduced over 50 employees into aluminium welding training programmes. Austal USA is also developing a two year apprenticeship programme in conjunction with a local community college to ensure constant supply of a highly skilled workforce.

We will continue to grow the workforce and enhance facilities to take advantage of opportunities, particularly large ferries, as they arise. Austal USA will provide an important strategic platform to meet anticipated demands for vessels within our product range from US Defence and Coast Guard.



### OCEANFAST

The luxury motor yacht market has remained buoyant during the last financial year and there are signs that this market will remain robust.

Purpose built yard facilities were officially opened in January 2001 enabling the construction of super yachts up to 120 metres (394ft) in length.





Many of the Group's employees were involved in Value Added Management and **Quality Improvement activities** during the year, boosting productivity and further reducing operating costs.





#### IMAGE MARINE

Delivery of the second vessel established a benchmark for the Austal Group as it was the first sale to the US market.

"Aqua Cat", a 31 metre dive charter catamaran, was delivered to Florida based Blackbeard's Cruises for operation in the Bahamas.

#### SEASTATE

Seastate has continued its development of control systems for improving ship motion. The Research and Development programme has resulted in extensive upgrades on the existing fleet of vessels fitted with Seastate motion control. These improvements have resulted in sales of the latest generation control system to seven existing ships and an upgrade to another.

This year marks Seastate's largest installation to date. Seastate integrated the motive power for the deck hydraulics and ramps into the motion control systems for Austal Ships' vessels "Euroferrys Pacifica" and "WestPac Express". The integration of hydraulics was also a feature of Seastate's highly successful first luxury motor yacht installation. At this stage Seastate has not successfully broken into the third party market and options to rectify this are being evaluated. Seastate is continuing to explore exciting technology based solutions for motion control and vessel systems generally.

#### ENVIRONMENTAL PERFORMANCE

Environmental management is an increasingly important issue to clients, the community, governments and regulatory authorities. Austal has directed research and development activities towards ensuring that the impact of wash and wake from ferries on sea shore habitats is minimised through continually improving hull design and operating procedures.

We have also developed engineering solutions to control noise and air pollution. The 86 metre vehicle/passenger ferry "Villum Clausen" delivered to Denmark in 2000, has proved to be the cleanest and quietest fast ferry in the world, meeting the stringent environmental regulations of Denmark.

Other environmental initiatives include the reduction of greenhouse gas emissions by using zero polluting refrigerants in air conditioning systems as well as the use of low toxicity and environmentally responsible paints and anti-foulings. Our research and development effort will continue to develop and integrate environmentally friendly technologies into our range of vessels.

#### PEOPLE

Regrettably towards the end of the year, we were forced to retrench a number of employees because of the slow-down in the ferry market. However the Group employee numbers were still in excess of 1200 at the end of the year. Therefore a significant skilled workforce has been retained to ensure we can meet the production demands of the anticipated upturn in orders. There was no reduction in the number of apprentices and trainees during this retrenchment process and we remain committed to these training programmes as a way of ensuring future growth.

The wellbeing of employees is fundamental to the achievement of the Group's strategies for growth. The lost time injury frequency rate continued to improve during the year and the subsequent cost of injuries decreased by over 60% compared to the previous year. Many of the Group's employees were involved in Value Added Management and Quality Improvement activities during the year, boosting productivity and further reducing operating costs.

#### OUTLOOK

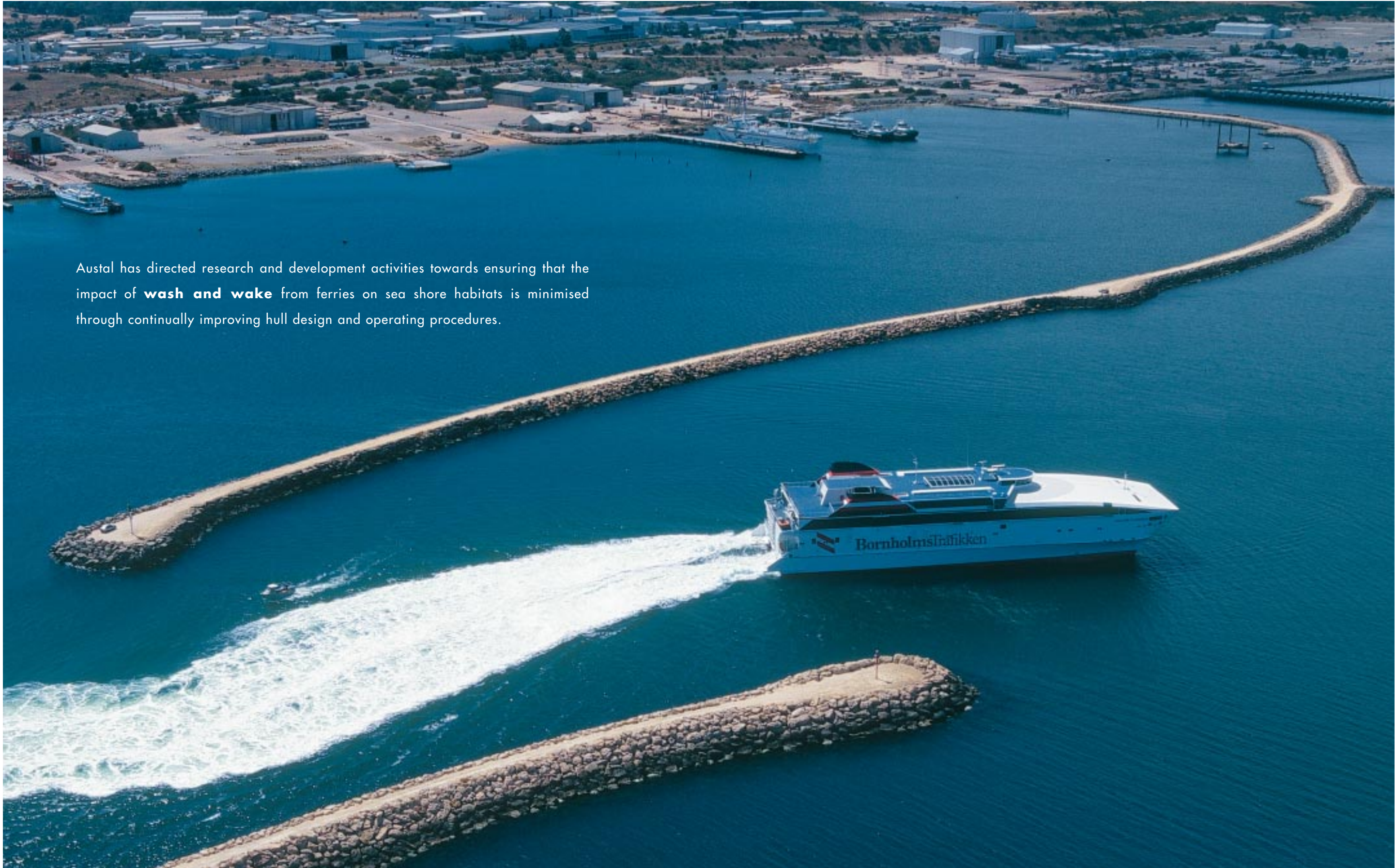
There has been a noticeable improvement in the sales enquiry rate, auguring well for future orders. This is evidenced by two contracts signed in August 2001, involving the construction of three smaller fast ferries for delivery during 2002.

We are confident that the existing US Marine Corps charter will be extended into a longer term agreement and we are well placed to participate in the military market in the future. The luxury yacht market should continue to provide exciting, high value contracts and our association with Greg Norman and the expedition motor yacht series will provide exceptional marketing opportunities.

Through diversifying our products, securing new market commitments and effective utilisation of a skilled and motivated workforce, the Group's focus is dedicated to enhancing shareholder value.

BOB MCKINNON  
Managing Director  
Austal Limited





Austal has directed research and development activities towards ensuring that the impact of **wash and wake** from ferries on sea shore habitats is minimised through continually improving hull design and operating procedures.





(L -R) John Rothwell, Bob McKinnon, Chris Norman, Michael Atkinson, Kevin Stanley, Achim Drescher, John Poynton, William Ferris.

#### **JOHN ROTHWELL - EXECUTIVE CHAIRMAN**

With in excess of 25 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. He is a member of Det Norske Veritas Australia and the Bureau Veritas Asia & Australia Committees, which are two classification societies used by Austal. In June 1999, Mr Rothwell was awarded the Western Australian Citizen of the Year in the category of "Commerce and Industry" for his contribution to this field.

During 2000, Mr Rothwell was awarded the International Business Award by the International Business Council of Western Australia. Mr Rothwell is the current Chairman of the State Training Board of WA which is a nomination put forward by the Minister for Planning, Employment & Training; Heritage and sanctioned by State Cabinet.

#### **BOB MCKINNON CPA, FCIS - MANAGING DIRECTOR**

Bob McKinnon joined Austal in early 1999 as General Manager after a long career with Capral Aluminium during which he held senior positions in finance, distribution and manufacturing operations. Mr McKinnon was appointed to the Board of Directors in July 1999 and assumed the position of Managing Director in February 2000. He is responsible for the day to day operations of Austal and its subsidiaries. In November 2000, Mr McKinnon was appointed Chairman of the Australian Shipbuilders Association.

#### **CHRIS NORMAN (BE HONS) - EXECUTIVE DIRECTOR, SALES**

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, has held the position of Sales Director since 1993.

In May 2000, Mr Norman 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.

#### **MICHAEL ATKINSON CA (ZIM) CA (SA) - EXECUTIVE DIRECTOR, FINANCE**

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 in Zimbabwe and South Africa. On leaving the profession he went into the railway and construction industry where he served in a senior financial capacity and as a Board member. On coming to Australia in 1986 he worked in the electronics manufacturing and boat building industry prior to joining Austal.

#### **KEVIN STANLEY - EXECUTIVE DIRECTOR, PRODUCTION DEVELOPMENT AND ADVANCED ENGINEERING**

Kevin Stanley is a founding Director of Austal and has been involved in the boat and shipbuilding industry for over 17 years. As Austal's Shipyard Manager, he was responsible for all matters relating to vessel production, design, sea trialing, delivery and after sales service. In November 1999, Kevin relinquished this position to become Director of Production Development and Advanced Engineering. This role has included the establishment of the Austal USA production facility as well as development of existing operations. His role also includes directing Austal's research and development activities.

#### **JOHN POYNTON B.COM, FSIA, FAIM, FAICD — NON EXECUTIVE DIRECTOR**

John Poynton is the founding Chairman of Poynton and Partners Pty Ltd. Mr Poynton is a Director of AlintaGas Limited and is a member of the Payments Systems Board of the Reserve Bank of Australia. He is also a member of the Board of Trustees of the Western Australian Museum Foundation. He was appointed to the Austal Board in August 1998. Between 1988 and 1990 he served as the Chairman of the Australian Stock Exchange (Perth) Ltd and as a Director of the ASX Ltd.

#### **WILLIAM FERRIS AO, B.EC (HONS), MBA (HARVARD) — NON EXECUTIVE DIRECTOR**

William Ferris is Executive Chairman and a founding principal of Castle Harlan Australian Mezzanine Partners Pty Limited. He is also a Director of Tucker Seabrook (Aust) Pty Limited, the RAMS Home Loans Group, the Australian Institute of Management, Chairman of Macquarie University Asia Pacific Council and Chairman of The Garvan Institute of Medical Research. He has been on the Austal board since 1994.

He was appointed Deputy Chairman of the Australian Trade Commission in 1986 and was Chairman from 1988 to 1993. In 1990 Mr Ferris was made an Officer in the Order of Australia for service to international trade and industry. He served as Chairman of the Australian Venture Capital Association in 1997.

#### **ACHIM DRESCHER, B.EC — NON EXECUTIVE DIRECTOR**

Achim Drescher is the Managing Director of Columbus Line Australia Pty Limited, a Director of Shipping Australia Limited and a Member of the Councils of the Australian Chamber of Shipping and Liner Shipping Services. He is also a non-executive Director of Leighton Holdings Limited and the Chairman of Otto Plastics Pty Limited. He was appointed to the Austal Board in September 1998. He was a founding Director of the German Australian Chamber of Industry and Commerce in 1977 and the Chamber's Chairman from 1986-1993. In 1997 Mr Drescher was awarded the "Cross of the Order of Merit" by the Federal Republic of Germany.

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





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The Board of Directors of Austal Limited has pleasure in submitting its report in respect of the financial year ended 30 June 2001.

The following persons were Directors at the date of this report and held the following direct and indirect shareholdings in the Company. Unless indicated otherwise, Directors held their position throughout the entire financial year:

	DIRECT	INDIRECT	TOTAL
JOHN ROTHWELL	36,627,685	15,000	36,642,685
ROBERT MCKINNON	-	-	-
CHRIS NORMAN	31,772,594	6,000	31,778,594
KEVIN STANLEY	10,709,609	8,000	10,717,609
MICHAEL ATKINSON	1,715,737	-	1,715,737
JOHN POYNTON	355,000	-	355,000
WILLIAM FERRIS	-	-	-
ACHIM DRESCHER	-	-	-

The following Directors also participate in the Austal Group Management Share Plan and are subject to the rules of the Plan.

DIRECTOR	LOAN (\$)	NUMBER OF SHARES
ROBERT MCKINNON	742,500	855,186
MICHAEL ATKINSON	225,000	285,062
WILLIAM FERRIS	225,000	285,062
JOHN POYNTON	225,000	285,062
ACHIM DRESCHER	225,000	285,062

Directors have no other equity interest in either the parent entity or its subsidiaries.

**PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity are the design and manufacture of high performance aluminium and composite vessels. These activities were unchanged from the previous year.

**RESULTS**

The profit of the consolidated entity for the financial year was \$14.5 million after income tax and outside equity interests.

**REVIEW OF OPERATIONS**

A review of the operations of the consolidated entity is outlined in the Management Discussion and Analysis section.

**DIVIDENDS**

The following dividends of the consolidated entity have been paid during the financial year (\$000's):

Final unfranked dividend paid on 23 October 2000 - \$12,795



**SIGNIFICANT EVENTS AFTER YEAR END**

Subsequent to the year end an underwritten renounceable rights issue of one share for every ten existing shares was made to shareholders at an issue price of \$1.00 per share and 16 million shares placed with institutional investors to raise a total amount of equity of \$32,965,800.

**LIKELY DEVELOPMENTS AND FUTURE RESULTS**

A general discussion of the group outlook is included in the Chairman's Report and Management Discussion and Analysis.

**ENVIRONMENTAL PERFORMANCE**

The consolidated entity has a policy of at least complying, but in most cases exceeding, environmental performance requirements. No environmental breaches have been notified by any government agency during the year ended 30 June 2001.

**DIRECTORS' REMUNERATION**

Details of the remuneration paid directly or indirectly to Directors of the Company during the year to 30 June 2001 is as follows:

DIRECTORS	DIRECTORS FEES	CONSULTANCY FEES	BASE SALARY	SUPER- ANNUATION	TOTAL
	\$	\$	\$	\$	\$
JOHN ROTHWELL	-	280,325	85,906	-	366,231
ROBERT MCKINNON	-	-	261,175	20,726	281,901
CHRIS NORMAN	-	225,015	-	-	225,015
KEVIN STANLEY	-	185,161	-	-	185,161
MICHAEL ATKINSON	-	168,697	-	-	168,697
JOHN POYNTON	40,000	-	-	-	40,000
WILLIAM FERRIS	40,000	-	-	-	40,000
ACHIM DRESCHER	40,000	-	-	-	40,000

**EXECUTIVE OFFICERS' REMUNERATION**

The five most highly remunerated executive officers (excluding Directors of the Company) are shown below. The parent entity does not employ any person.

	CONSULTANCY FEES	BASE SALARY	SUPER- ANNUATION	TOTAL
	\$	\$	\$	\$
BOB BULLEN	-	141,392	11,213	152,605
WILLIAM ROTTEVEEL	-	108,531	30,367	138,898
TONY ELMS	131,190	-	-	131,190
BRAD DRAPER*	-	87,353	5,980	93,333
STEWART HILL*	-	72,621	14,734	87,355

\* EMPLOYED AS EXECUTIVES FOR PART OF THE YEAR

**DIRECTORS' MEETINGS**

The number of Directors' meetings (including meetings of committees of Directors) held during the year and the number attended by each of the Directors is as follows:

	MEETINGS OF DIRECTORS	MEETINGS OF AUDIT COMMITTEE	MEETING OF REMUNERATION COMMITTEE
NUMBER OF MEETINGS HELD	6	3	1
NUMBER OF MEETINGS ATTENDED BY:			
JOHN ROTHWELL	6	-	-
ROBERT MCKINNON	6	-	-
CHRIS NORMAN	4	-	-
KEVIN STANLEY	4	-	-
MICHAEL ATKINSON	6	3	-
JOHN POYNTON	6	3	-
WILLIAM FERRIS	4	-	1
ACHIM DRESCHER	6	-	1

**INDEMNIFICATION OF DIRECTORS**

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 or for any expenses or costs which may arise as a result of work performed in their respective capacities.

Insurance arrangements established in the previous year concerning Directors of the consolidated entity were renewed or continued during fiscal 2001. The terms of the insurance arrangements and premiums payable are subject to a confidentiality clause.

**TOTAL NUMBER OF EMPLOYEES**

As at 30 June 2001 the consolidated entity employed a total of 1,199 full-time equivalents.

**ROUNDING OF AMOUNTS**

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

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

Dated at Henderson this 21st day of August 2001



Bob McKinnon  
Managing Director



Michael Atkinson  
Director



## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2001

	CONSOLIDATED		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>CURRENT ASSETS</b>				
CASH ASSETS	6,057	34,939	204	2,968
RECEIVABLES	15,869	10,991	44,843	38,322
INVENTORIES	62,278	34,216	-	12,505
<b>TOTAL CURRENT ASSETS</b>	<b>84,204</b>	<b>80,146</b>	<b>45,047</b>	<b>53,795</b>
<b>NON-CURRENT ASSETS</b>				
RECEIVABLES	42,847	10,402	32,851	6,343
OTHER FINANCIAL ASSETS	-	-	897	897
PROPERTY, PLANT AND EQUIPMENT	61,890	45,519	15,918	18,568
INTANGIBLES	1,420	2,130	-	-
DEFERRED TAX ASSETS	-	698	-	698
<b>TOTAL NON-CURRENT ASSETS</b>	<b>106,157</b>	<b>58,749</b>	<b>49,666</b>	<b>26,506</b>
<b>TOTAL ASSETS</b>	<b>190,361</b>	<b>138,895</b>	<b>94,713</b>	<b>80,301</b>
<b>CURRENT LIABILITIES</b>				
PAYABLES	34,831	26,089	2,954	543
INTEREST BEARING LIABILITIES	15,729	3,135	4,300	2,993
TAX LIABILITIES	8,834	18,106	8,483	17,985
OTHER PROVISIONS	18,373	22,469	-	14,155
OTHER	15,297	9,638	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>93,064</b>	<b>79,437</b>	<b>15,737</b>	<b>35,676</b>
<b>NON-CURRENT LIABILITIES</b>				
INTEREST BEARING LIABILITIES	13,668	998	13,200	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>13,668</b>	<b>998</b>	<b>13,200</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>106,732</b>	<b>80,435</b>	<b>28,937</b>	<b>35,676</b>
<b>NET ASSETS</b>	<b>83,629</b>	<b>58,460</b>	<b>65,776</b>	<b>44,625</b>
<b>EQUITY</b>				
CONTRIBUTED EQUITY	14,068	5,191	14,068	5,191
RESERVES	911	93	93	93
RETAINED PROFITS	66,203	52,157	51,615	39,341
PARENT ENTITY INTEREST (a)	81,182	57,441	65,776	44,625
OUTSIDE EQUITY INTEREST (a)	2,447	1,019	-	-
<b>TOTAL EQUITY</b>	<b>83,629</b>	<b>58,460</b>	<b>65,776</b>	<b>44,625</b>

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2001 (CONTINUED)

	MEMBERS OF THE PARENT		OUTSIDE EQUITY INTERESTS	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>(a) INTEREST IN THE EQUITY OF THE CONSOLIDATED ENTITY:</b>				
CONTRIBUTED EQUITY	14,068	5,191	2,810	1,072
RESERVES	911	93	288	-
RETAINED PROFITS	66,203	52,157	(651)	(53)
<b>TOTAL INTEREST IN EQUITY</b>	<b>81,182</b>	<b>57,441</b>	<b>2,447</b>	<b>1,019</b>

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2001

	NOTE	CONSOLIDATED		PARENT	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
REVENUES FROM ORDINARY ACTIVITIES	2	194,543	357,675	14,888	52,862
EXPENSES FROM ORDINARY ACTIVITIES		(189,491)	(328,253)	(9,974)	(32,760)
BORROWING COSTS		(1,917)	(2,303)	(30)	(158)
PROFIT FROM ORDINARY ACTIVITIES					
BEFORE INCOME TAX EXPENSE		3,135	27,119	4,884	19,944
INCOME TAX BENEFIT/(EXPENSE) RELATING TO ORDINARY ACTIVITIES		10,708	2,725	7,785	(31)
NET PROFIT		13,843	29,844	12,669	19,913
NET/(LOSS) PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTERESTS		(649)	(53)	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		14,492	29,897	12,669	19,913
NET EXCHANGE DIFFERENCE ON TRANSLATION OF FINANCIAL REPORT OF SELF-SUSTAINING FOREIGN OPERATIONS		818	-	-	-
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY		818	-	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		15,310	29,897	12,669	19,913
BASIC EARNINGS PER SHARE (CENTS PER SHARE)		9.1	19.3	-	-
DILUTED EARNINGS PER SHARE (CENTS PER SHARE)		9.1	19.3	-	-

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2001

	CONSOLIDATED		PARENT	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
RECEIPTS FROM CUSTOMERS	181,703	374,152	1,776	54,670
PAYMENTS TO SUPPLIERS AND EMPLOYEES	(208,237)	(287,417)	(10,573)	(12,844)
INTEREST RECEIVED	3,058	1,642	1,548	741
INTEREST PAID	(1,913)	(2,303)	(30)	(158)
GST REFUNDED / (PAID)	10,330	-	(89)	-
TAX REFUNDED / (PAID)	2,998	(3,757)	2,998	(3,757)
NET CASH FROM (TO) OPERATING ACTIVITIES	(12,061)	82,317	(4,370)	38,652
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
PAYMENTS FOR PLANT AND EQUIPMENT	(8,451)	(4,203)	-	-
PAYMENTS FOR LAND	-	(2,905)	-	-
PAYMENTS FOR BUILDING ADDITIONS	(13,958)	(5,149)	(92)	(231)
PROCEEDS FROM SALE OF PLANT AND EQUIPMENT	-	668	3,675	-
PURCHASE OF CONTROLLED ENTITIES	-	-	-	(373)
LOAN TO CONTROLLED ENTITIES	-	-	(4,410)	4,323
LOANS ADVANCED - OTHERS	-	(4,056)	-	4
NET CASH USED IN INVESTING ACTIVITIES	(22,409)	(15,645)	(827)	3,723
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
PROCEEDS OF SHARE ISSUES	8,877	1,136	8,877	-
REPAYMENT OF BORROWINGS	-	(32,900)	-	(32,900)
PROCEEDS FROM BORROWINGS	18,055	600	14,900	2,600
TRUST DISTRIBUTIONS RECEIVED	141	-	141	-
DIVIDENDS PAID	(12,795)	(12,400)	(12,795)	(12,400)
AUSTAL GROUP MANAGEMENT SHARE PLAN	(8,297)	-	(8,297)	-
MINORITY SHAREHOLDERS	-	142	-	-
ITES LOAN	(393)	(373)	(393)	(373)
NET CASH FROM (TO) FINANCING ACTIVITIES	5,588	(43,795)	2,433	(43,073)
NET INCREASE/(DECREASE) IN CASH HELD	(28,882)	22,877	(2,764)	(698)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	34,939	12,062	2,968	3,666
CASH AT THE END OF THE FINANCIAL YEAR	6,057	34,939	204	2,968



**NOTE 1. ACCOUNTING POLICIES:**

This concise financial report has been derived from the full 2001 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 2001 Financial Report. The accounting policies are consistent with those of the previous financial year except for the change described below.

In accordance with the requirements of AASB 1041 – "Revaluation on Non-Current Assets", land and buildings previously carried at valuation were reverted to a cost basis of measurement. For the purposes of transitioning to a cost basis, the existing revalued carrying amounts at 1 July 2001 were deemed to be their cost. This change in policy had no impact on the financial position or financial performance of the consolidated entity as presented in this financial report.

	CONSOLIDATED		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000

**NOTE 2. PROFIT AND LOSS ITEMS:**

Profit from ordinary activities after crediting the following revenues:

	2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>SALES REVENUES:</b>				
CONSTRUCTION CONTRACT REVENUE AND BOUNTY INCOME	187,921	352,895	11,794	30,786
<b>OTHER REVENUES:</b>				
<b>DIVIDENDS FROM:</b>				
- WHOLLY OWNED GROUP	-	-	-	20,000
- OTHER UNRELATED PARTIES	141	98	141	98
<b>INTEREST FROM:</b>				
- OTHER UNRELATED PARTIES	3,058	1,843	1,548	741
NET FOREIGN EXCHANGE GAINS	-	-	-	-
PROCEEDS ON SALE OF FIXED ASSETS (a)	-	668	-	-
RENT RECEIVED	173	223	1,406	1,146
SCRAP SALES	1,348	1,110	-	-
CAPITAL DEVELOPMENT GRANT	530	-	-	-
OTHER REVENUE ITEMS IN TOTAL	1,372	838	-	91
<b>TOTAL OTHER REVENUE</b>	<b>6,622</b>	<b>4,780</b>	<b>3,095</b>	<b>22,076</b>
<b>TOTAL REVENUES</b>	<b>194,543</b>	<b>357,675</b>	<b>14,889</b>	<b>52,862</b>
(a) PROFIT ON SALE OF NON-CURRENT ASSETS	1,548	-	1,548	-

**NOTE 3. EARNINGS PER SHARE:**

BASIC EARNINGS PER SHARE (CENTS PER SHARE)	9.1	19.3	-	-
DILUTED EARNINGS PER SHARE (CENTS PER SHARE)	9.1	19.3	-	-
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN THE CALCULATION OF ASIC EARNINGS PER SHARE	159,216,255	155,000,000	-	-

**NOTE 4. DIVIDENDS:**

FINAL UNFRANKED DIVIDEND PAID 23 OCTOBER 2000	-	12,795	-	-
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**NOTE 5. SEGMENT INFORMATION:**

The consolidated entity operates in one industry - the manufacture of high performance aluminium and composite vessels in Australia and the United States of America. (2000: Australia only)

GEOGRAPHICAL SEGMENTS 2001	UNRELATED REVENUES \$000	INTERSEGMENT REVENUE \$000	TOTAL REVENUE \$000	SEGMENT RESULT \$000	SEGMENT ASSETS \$000
AUSTRALIA	191,241	549	191,790	5,094	173,729
UNITED STATES OF AMERICA	3,302	-	3,302	(1,839)	16,632
ELIMINATIONS	-	(549)	(549)	(120)	-
<b>CONSOLIDATED</b>	<b>194,543</b>	<b>-</b>	<b>194,543</b>	<b>3,135</b>	<b>190,361</b>

**NOTE 6. SUBSEQUENT EVENTS:**

Subsequent to the year end an underwritten renounceable rights issue of one share for every ten existing shares was made to shareholders at an issue price of \$1.00 per share and 16 million shares placed with institutional investors to raise a total amount of equity of \$32,965,800.

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 2001 financial report.

In respect to the 30 June 2001 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 2001 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.
  - (ii) The financial statements and notes are in accordance with the Corporations Act (2001), including sections 296 and 297.

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



Bob McKinnon  
Managing Director



Michael Atkinson  
Director

Dated at Henderson this 21st day of August 2001

The Board of Directors of Austal Limited has adopted the following Corporate Governance Policy:

#### 1. RELATIONSHIP BETWEEN THE BOARD AND MANAGEMENT

The relationship between Management and the Board is a partnership that is crucial to the Company's long-term success. The broad separation of responsibilities between Management and the Board as hereunder defined should be respected and clearly understood. The Board gives direction and exercises judgement in setting the Company's objectives and overseeing their implementation. The Managing Director is responsible to the Board for the day-to-day management of the Company.

#### 2. THE BOARD'S FUNCTIONS

The Board's functions include:

- (a) Adopting a Strategic Plan for the Company, including general and specific goals and comparing actual results with the Plan.
- (b) Selecting the Managing Director and, if necessary, replacing him/her, setting an appropriate remuneration package and ensuring adequate succession.
- (c) Adopting clearly defined delegations of authority from the Board to the Managing Director.
- (d) Agreeing performance indicators with Management.
- (e) Taking steps designed to protect the Company's financial position and its ability to meet its debts and other obligations as they fall due.
- (f) Establishing and monitoring policies directed to ensuring that the Company complies with the law and conforms with the highest standards of financial and ethical behaviour.
- (g) Determining that the Company has instituted adequate reporting systems and internal controls (both operations and financial) together with appropriate monitoring of compliance activities.
- (h) Determining that the Company accounts are true and fair and are in conformity with Australian Accounting Standards.

#### 3. COMPOSITION OF THE BOARD

The Board shall comprise of Directors with a range of backgrounds and experience. The selection of the Board members shall always be for the purpose of their ability to add value to the Company. Its function is to provide a good return for shareholders. For the purpose of efficient working, the preferred number of Directors in office at any one time is between 3 and 10.



#### 4. COMMITTEES OF THE BOARD

The Board shall appoint the following Committees:

**AUDIT COMMITTEE**, which shall comprise of one Non-Executive and one Executive Director to be elected by the Board. The Board shall also elect the Chairman of the Audit Committee. The Chairman of the Board of the Company shall be ineligible for election to the Audit Committee. The function of the Audit Committee is to:

- (a) Ensure compliance with statutory reporting responsibilities.
- (b) Liaise with, assess the quality, and review the scope of work of the external auditors.
- (c) Enable the auditors to communicate any concerns to the Board.
- (d) Advise the Board on the appointment of the external auditors and the results of their work.
- (e) Assess the adequacy of accounting, financial and operating controls.
- (f) Assess the effectiveness of the management of business risk and reliability of management reporting.
- (g) Report to the Board any significant deficiencies identified above.

**REMUNERATION COMMITTEE**, which shall comprise of two Non-Executive Directors. The committee reviews the remuneration of all Directors and makes recommendations to the Board.

#### 5. OUTSIDE DIRECTORSHIPS

Specific guidelines apply for acceptance of outside directorships by Executive and Non-Executive Directors.

#### 6. DEALING IN SECURITIES OF THE COMPANY

A Director shall comply with the Company's share trading rules and like rules, which may from time to time be added thereto or substituted therefore by the Directors. The rules as at the date of adoption of this Policy are:

- (a) Notwithstanding the requirements of the legislation concerning insider trading, Directors are obliged to restrict their trading in securities of Austal Limited shares to a period of four months following the release by Austal Limited of half yearly and preliminary final reports. Directors shall also be restricted from trading in Austal Limited shares for 24 hours following any announcement by the Company to the Australian Stock Exchange.
- (b) Any Director intending to buy or sell shares in the Company and in any company in which the Company has an interest, is required to notify the Chairman of his/her intentions before proceeding with the transactions.

#### 7. ETHICAL STANDARDS AND PERFORMANCE

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees of the Austal Group. A Code of Ethics has been adopted.

A fundamental theme is that all business affairs are conducted legally, ethically and with the strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity. This concerns the propriety of decision making in conflict of interest situations and quality of decision making for the benefit of shareholders.

To the Members of Austal Limited:

#### SCOPE

We have audited the concise financial report of Austal Limited for the financial year ended 30 June 2001 as set out on pages 3 to 10 and 19 to 25, in order to express an opinion on it to the members of the company. The company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Austal Limited for the year ended 30 June 2001. Our audit on the full financial report was signed on 21st August 2001 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB1039 "Concise Financial Reports".

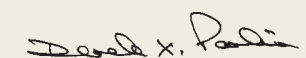
The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the concise financial report of Austal Limited complies with Accounting Standard AASB1039 "Concise Financial Reports".



Arthur Andersen  
Chartered Accountants



Derek X. Parkin  
Partner  
Perth  
21st August 2001

The following information was extracted from the Company's register as at 3 August 2001.

#### DISTRIBUTION OF SHARES

SPREAD OF HOLDINGS		NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED CAPITAL
1	- 1,000	331	255,922	0.16
1,001	- 5,000	954	2,961,987	1.84
5,001	- 10,000	270	2,237,999	1.39
10,001	- 100,000	187	4,719,784	2.93
100,001	AND OVER	45	150,653,333	93.68
			160,829,025	100.00

#### TWENTY LARGEST SHAREHOLDERS

RANK	SHAREHOLDER	TOTAL UNITS	% ISSUED CAPITAL
1	AUSTRO PTY LTD	32,814,745	20.40
2	LONGREACH (WA) PTY LTD	28,595,621	17.78
3	CHASE MANHATTAN NOMINEES LTD	14,778,919	9.19
4	AUSTAL GROUP MANAGEMENT SHARE PLAN PTY LTD	13,023,124	8.10
5	ONYX (WA) PTY LTD	12,188,521	7.58
6	PEARCE HOLDINGS PTY LTD	9,438,248	5.87
7	CITICORP NOMINEES PTY LTD	5,062,652	3.15
8	NATIONAL NOMINEES LIMITED	3,982,979	2.48
9	ZILON PTY LTD	3,812,940	2.37
10	WESTPAC CUSTODIAN NOMINEES LIMITED	3,300,755	2.05
11	CHRISTOPHER JOHN NORMAN & BEVERLEY ANNE NORMAN	3,176,973	1.97
12	GARRY HEYS & DOROTHY HEYS	3,176,973	1.97
13	PERPETUAL TRUSTEES NOMINEES LIMITED	2,386,036	1.48
14	PERMANENT TRUSTEE AUSTRALIA LIMITED	2,259,304	1.40
15	PEPPERWOOD HOLDINGS PTY LTD	1,715,737	1.07
16	COMMONWEALTH CUSTODIAL SERVICES LIMITED	1,417,660	0.88
17	LAVINIA SHIPPING	1,414,316	0.88
18	KEVIN STANLEY & JULIE STANLEY	1,271,361	0.79
19	BOND STREET CUSTODIANS LIMITED	1,036,727	0.64
20	ARGO INVESTMENTS LIMITED	850,000	0.53
		145,703,591	90.58

#### SUBSTANTIAL SHAREHOLDERS

NAME	NUMBER OF ORDINARY SHARES
AUSTRO PTY LTD (J ROTHWELL)	36,642,685
LONGREACH (WA) PTY LTD (C NORMAN)	31,778,594
ONYX (WA) PTY LTD (G HEYS)	15,365,494
PEARCE HOLDINGS PTY LTD (K STANLEY)	10,717,609

#### VOTING RIGHTS

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

#### DIRECTORS

##### EXECUTIVE DIRECTORS

John Rothwell  
Bob McKinnon  
Chris Norman  
Kevin Stanley  
Michael Atkinson

##### NON-EXECUTIVE DIRECTORS

William Ferris  
Achim Drescher  
John Poynton

#### AUDITORS

Arthur Andersen  
Level 18, 225 St George's Terrace  
Perth WA 6000

#### COMPANY SECRETARY

Michael Atkinson

#### REGISTERED OFFICE

100 Clarence Beach Rd  
Henderson WA 6166  
Telephone: (61 8) 9410 1111  
Facsimile: (61 8) 9410 2564

#### SHARE REGISTRY

Advanced Share Registry  
Level 6  
200 Adelaide Terrace  
Perth WA 6000  
Telephone: (61 8) 9221 7288  
Facsimile: (61 8) 9221 7869



**AUSTAL SHIPS PTY LTD**

100 CLARENCE BEACH RD HENDERSON WESTERN AUSTRALIA 6166  
TEL: +61 8 9410 1111 FAX: +61 8 9410 2564  
WWW.AUSTAL.COM

**AUSTAL USA LLC**

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TEL: +1 251 434 8000 FAX: +1 251 434 8080

**IMAGE MARINE PTY LTD**

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