2024
Austal Limited
Annual Report

AUSTAL

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Company **Overview**

Celebrating 35 years of shipbuilding in FY2024, Austal has continued to grow into a position of strength, expertise and capability in the global maritime industry; delivering multiple defence and commercial shipbuilding programs, in-service support and sustainment programs, and cutting-edge technologies for customers around the world.

Austal's demonstrated success in naval shipbuilding, and collaboration with industry partners and stakeholders here in Australia has seen the company selected to become the Commonwealth of Australia's Strategic Shipbuilder, under a formal Agreement anticipated to be finalised in the final quarter of CY2024.

The Commonwealth's Strategic Shipbuilding Agreement (SSA), announced in November 2023, will enable continuous naval shipbuilding to be achieved through the more efficient awarding of naval vessel contracts, and the more effective engagement of industry partners to help deliver multiple, new naval shipbuilding projects announced under the Commonwealth's Defence Strategic Review - with Austal as the Strategic Shipbuilder. Pilot projects announced under the SSA include the Landing Craft (Medium) and Landing Craft (Heavy) vessels for the Australian Army, with subsequent projects to include General Purpose Frigates and Large Optionally Crewed Vessels for the Royal Australian Navy.

The SSA is a transformational development for Austal and Australia's defence industry, with decades of naval shipbuilding work scheduled to be completed in the Henderson, Western Australia shipyard precinct – engaging Austal employees, contractors and supply chain partners, industry partners and stakeholders.

Austal Australia's existing naval shipbuilding programs continued with industry-leading efficiency over FY2024, with four Guardian-class Patrol Boats and one Evolved Cape-class Patrol Boat delivered during the financial year. Austal is contracted for a further four Guardians (24 in total) and four Evolved Capes (10 in total) as at 30 June 2024.

Worldwide, the company delivered a total of 7 ships, and was awarded contracts for 12 new ships during the reporting period.

In the United States, Austal USA delivered the penultimate (18th) Independence-variant Littoral Combat Ship, the USS Kingsville (LCS 36) while also continuing construction of the future USS Pierre (LCS 38). The shipyard also delivered the 14th Spearhead-class Expeditionary Fast Transport, USNS Cody to the United States Navy, while continuing construction of EPF's 15 and 16.

Austal USA also made significant progress on multiple steel shipbuilding programs for the United States Navy, including the Towing, Salvage and Rescue Ships, T-ATS 11, 12 and 13 and the Auxiliary Floating Dock (Medium), and also launched Overlord Unmanned Surface Vessel – Vanguard (OUSV 3). Construction commenced on the first of five (awarded to date) Landing Craft Utility 1700-class vessels and the team continued fabrication of five command modules for Virginia and Columbia-class submarines and six aircraft elevators for two Gerald R. Ford-class aircraft carriers for the United States Navy.

Austal USA also received construction contracts for three Expeditionary Medical Ships (EMS) and the first of up to seven Ocean Surveillance (T-AGOS) ships in FY2024; and broke ground on new final assembly facilities (including ship lift capability) at the Mobile, Alabama shipyard. This new facility will enable larger steel ships, including the United States Coast Guard Offshore Patrol Cutters, to be assembled and serviced.

In the Philippines, Austal completed a number of commercial vessel service repair contracts before starting construction on a 32-metre passenger ferry for Rottnest Fast Ferries, of Hillarys, Western Australia in March 2024. The Balamban, Cebu based team are now preparing for an exciting new project, a 66-metre sailing cargo trimaran, for the Vela Transport Group of France.

Austal Vietnam commenced construction of an all-new Austal vessel design in FY2024; a 71-metre steel hull RoPax Cargo Vessel for a valued, repeat customer, the Degage Group of French Polynesia. The customised ferry solution, designed by Austal Australia offers great cargo and passenger capacity for oceangoing journeys and is first of class.

From a technology, research and development perspective, a highlight of the year has been the success of the Patrol Boat Autonomy Trial (PBAT), completed for the Royal Australian Navy. Led by Austal in collaboration with Greenroom Robotics and Trusted Autonomous Systems, the trial included a series of tests on remote and autonomous operations, over an extended period of time on 'Sentinel', a decommissioned Armidale-class Patrol Boat, off the coast of Western Australia. Designed to test the reliability of, and build trust in the vessel's autonomous systems, an endurance trial included a number of collision avoidance events that demonstrated the capabilities of the platform and navigation programs that may help deliver optionally crewed vessels for the Royal Australian Navy in the future.

Highlights 2024

$1.469B
Revenue

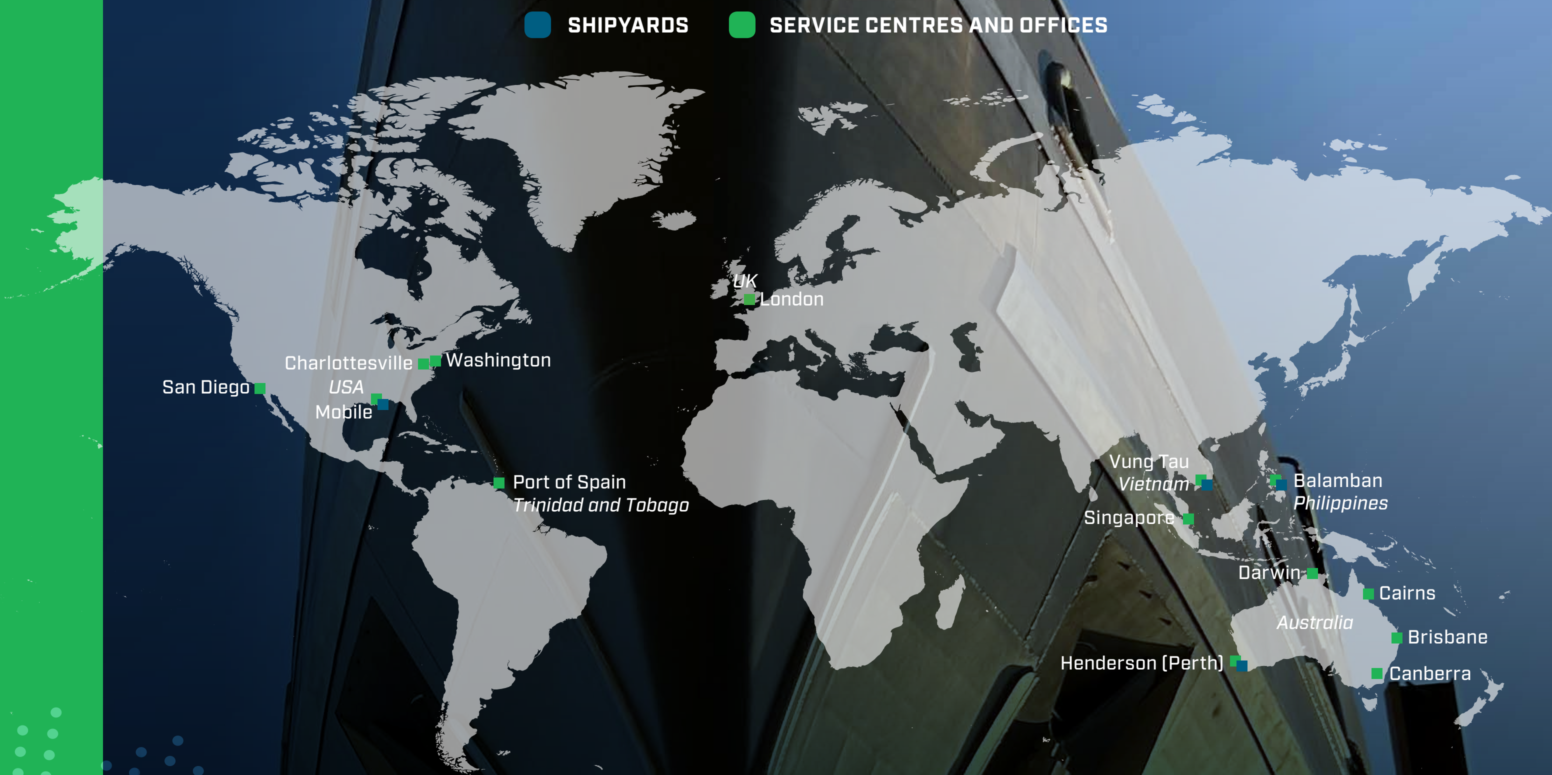
$12.7B
Order Book
(including options)

45
Ships scheduled or under construction

7
Ships delivered

67
Vessels under sustainment

4,258
Employees



AUSTAL

Patrol Boat Autonomy Trial
Western Australia

Austal Australia, in collaboration with Greenroom Robotics and Trusted Autonomous Systems (Defence Cooperative Research Centre) successfully completed the Patrol Boat Autonomy Trial (PBAT) for the Royal Australian Navy in FY2024.

Funded by the Commonwealth of Australia, the PBAT's objectives were to establish robotic, automated and autonomous elements on a former Navy patrol boat, as a proof-of-concept demonstrator for optionally crewed, autonomous and/or remote operations. The trial also explored the legal, regulatory pathways and requirements of operating an autonomous vessel.

PBAT included a series of trials involving remote and autonomous navigation events, conducted off the Western Australian coastline during March and April 2024.

Commodore Michael Turner, Navy's Director General Warfare Innovation Navy said "PBAT stands out not only for its demonstration of autonomous technology and its practical application to operational vessels, but also for the spirit of collaboration that underpinned its success".

PBAT Sentinel navigating autonomously through the Abrólhos Islands


PBAT Sentinel during endurance trials

PBAT team in the Remote Command Centre during sea acceptance trials

Evolved Cape-class Patrol Boats

Austal Australia delivered the 6th Evolved Cape-class Patrol Boat (ECCPB), ADV Cape Pillar, to the Royal Australian Navy in October 2023.

The 7th ECCPB, ADV Cape Solander, was delivered in August 2024, leaving three more vessels to be delivered under the current contract.

In August 2023, local supply chain partners contributing to both the Evolved Cape and Guardian-class Patrol Boat Projects joined the Austal team at the Henderson, Western Australia shipyard for a celebration of both shipbuilding projects' continued productivity, efficiency and success.

ADV Cape Pillar (ECCPB 6)

Some of the local supply chain partners at the Austal Australia shipyard in Henderson, Western Australia

Guardian-class Patrol Boats

Austal Australia delivered four Guardian-class Patrol Boats (GCPB's) to the Commonwealth of Australia under the Pacific Patrol Boat Replacement Project in FY2024; each one gifted to the Pacific Island nations of the Federated States of Micronesia, Papua New Guinea, Samoa and Fiji respectively.

The 20th Guardian-class was delivered to the Commonwealth of Australia in July 2024 and gifted to the Republic of Kiribati.

Following a contract extension awarded in June 2024, Austal Australia is now contracted to deliver a total of 24 Guardian-class Patrol Boats.

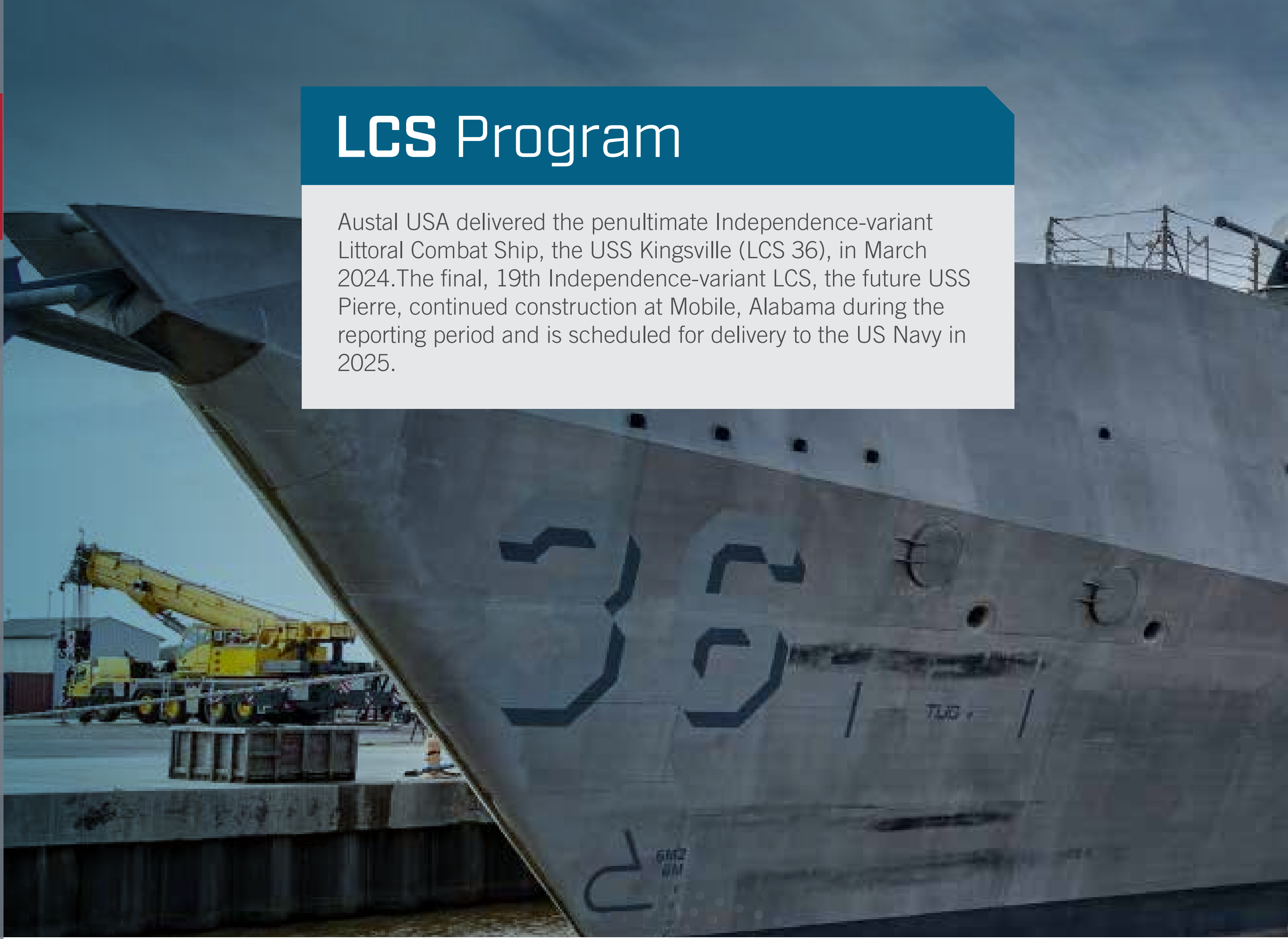
Guardian-class Patrol Boats alongisde at Austal, Henderson, Western Australia

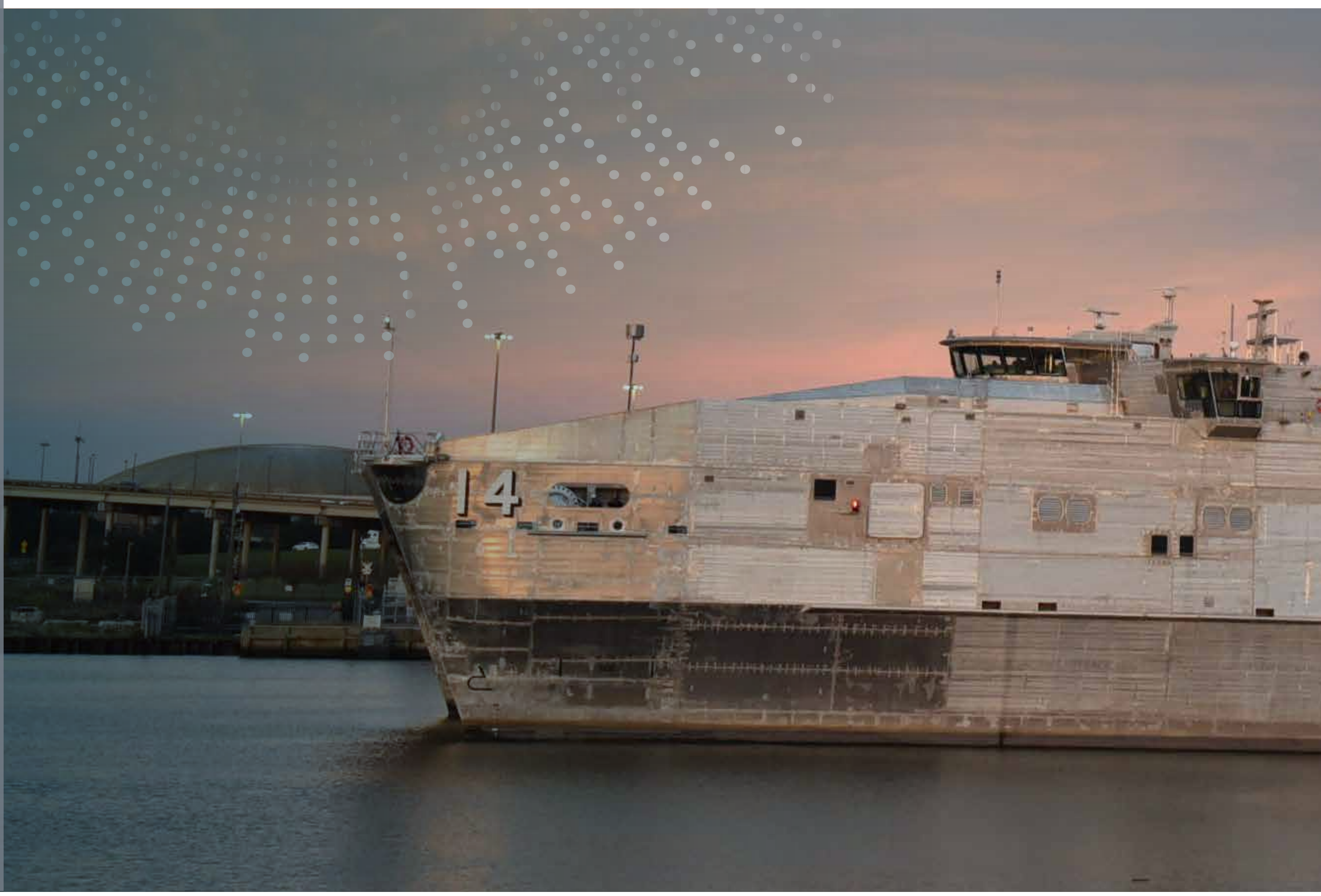
HMPNGS Gilbert Toropo, the 4th GCPB for Papua New Guinea, was handed over in October 2023

Austal **USA**

LCS Program

Austal USA delivered the penultimate Independence-variant Littoral Combat Ship, the USS Kingsville (LCS 36), in March 2024.The final, 19th Independence-variant LCS, the future USS Pierre, continued construction at Mobile, Alabama during the reporting period and is scheduled for delivery to the US Navy in 2025.



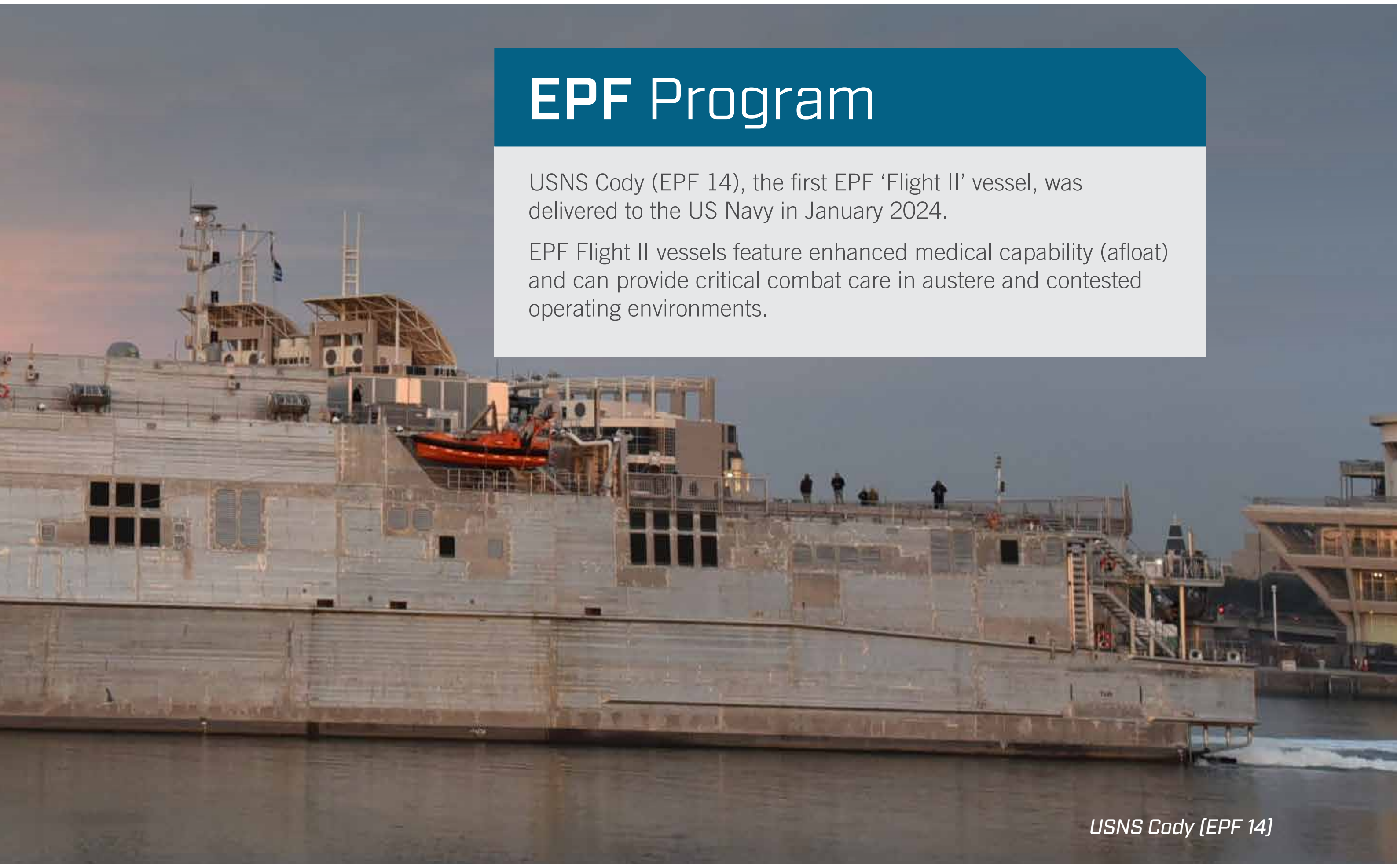


USS Kingsville (LCS 36)

EPF Program

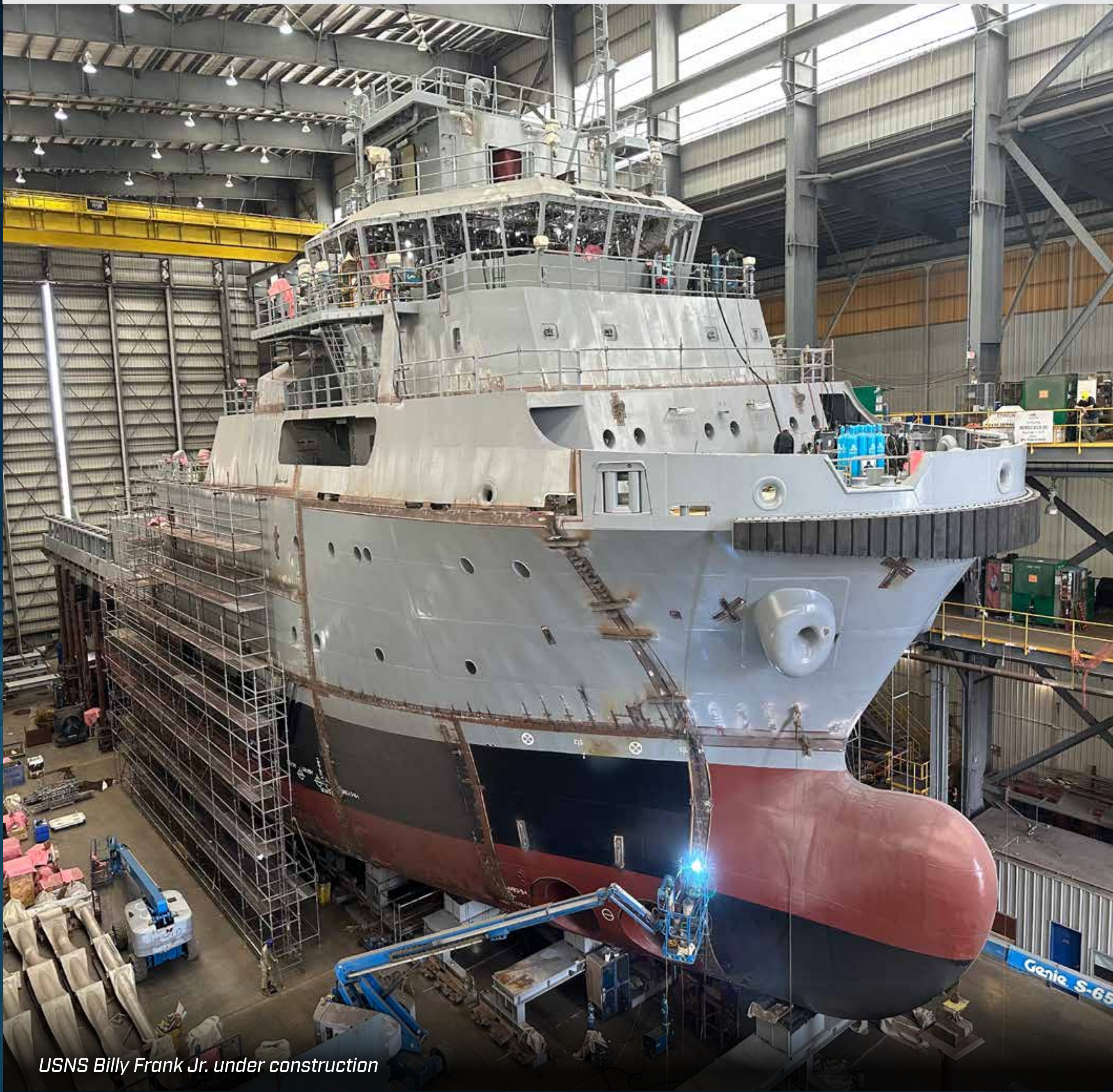
USNS Cody (EPF 14), the first EPF ‘Flight II’ vessel, was delivered to the US Navy in January 2024.

EPF Flight II vessels feature enhanced medical capability (afloat) and can provide critical combat care in austere and contested operating environments.



USNS Cody (EPF 14)

Towing, Salvage and Rescue (T-ATS)



USNS Billy Frank Jr. under construction

Solid progress has been made on the Towing, Salvage and Rescue Ship (T-ATS) Program for the US Navy during FY2024, with construction continuing on the first three of five vessels contracted.

The keel laying for the first ship USNS Billy Frank Jr. (T-ATS 11), was held at the Mobile, Alabama shipyard in November 2023.

The Navajo-class T-ATS ships provide ocean-going tug, salvage, and rescue capabilities to support US fleet operations.

Missions including oil spill response, humanitarian assistance, and wide area search and surveillance.

Landing Craft Utility (LCU) 1700-Class

Render of the Landing Craft Utility (LCU) 1700-class

Construction on the first Landing Craft Utility (LCU) 1700-class vessel commenced in April 2024.

Austal USA has been awarded contracts for five LCU vessels, with options for up to 12 vessels in total, valued at US$379.7 million.

LCU are carried aboard the US Navy's amphibious assault ships to the objective area and used across a range of military operations to deliver vehicles, personnel and cargo from sea-to-shore and back.

United States Marine Corps Lieutenant General Karsten S. Heckl joined the Austal USA team to mark the start of construction of the first LCU, in April 2024

Mobile, Alabama Shipyard Expansion

Austal USA announced the design and subsequent 'breaking ground' on a new final assembly facility at the Mobile, Alabama shipyard in FY2024.

The infrastructure expansion includes a new assembly building, waterfront improvements, and a new ship lift system. The project is scheduled to be completed and fully operational by summer of 2026.

The new assembly bay will enable the erection of large steel modules for United States Navy and Coast Guard ships, including the Offshore Patrol Cutter (OPC) and TAGOS-25 programs.

The expansion includes a ship lift that will provide a safe and reliable system to launch ships as they are completed in the assembly buildings.

The articulated ship lift will enable large ships, such as the new Constellation-class Frigates, Littoral Combat Ships and Offshore Patrol Cutters to be docked at the land-side facility, for repairs and maintenance.

The new final assembly building, comprising three bays, will occupy four and a half acres, approximately 120 metres long by 150 metres wide and provide nearly 18,000 square metres of new covered manufacturing space.

When this expansion is complete, Austal USA' s Mobile, Alabama facility will include a steel panel line of approximately 11,000 square metres, two module manufacturing facilities totaling over 92,000 square metres of covered manufacturing space optimised for serial production, and seven assembly bays providing over 37,000 square metres of covered space.

In total, the expanded Mobile facility will cover 180 acres and, when this project is complete, nearly 140,000 square metres of covered manufacturing space.

Renders of the new Final Assembly Building and Ship Lift, under construction

Sailing towards a cleaner future

Render of Gotland Horizon X

Austal and Gotlandsbolaget of Sweden signed a Memorandum of Understanding (MOU) in February 2024 to negotiate to develop a construction contract for the 'Gotland Horizon X' catamaran concept, first announced in April 2023.

'Gotland Horizon X' is intended to be a high-speed aluminium catamaran that will utilise gas turbines in a combined cycle to transport up to 1,450 passengers, cargo and vehicles between the Swedish mainland and the island of Gotland.

Under the terms of the MOU, Austal and Gotlandsbolaget will work towards a contract for the design and construction of a high-speed catamaran to be built at the Austal Philippines shipyard.

In July 2024 Vela Transport of France awarded Austal a contract (in the range of A$40-45 million) to design and construct a new 66.8 metre sailing cargo trimaran.

The first-of-class high-value cargo vessel, based on a concept by VPLP of Paris and featuring a sailing system by MerConcept, will be constructed by Austal Philippines, and is scheduled for delivery in mid CY2026.

Meanwhile, construction of a 32 metre aluminium passenger ferry for Rottnest Fast Ferries of Hillarys in Western Australia commenced at the Balamban, Cebu shipyard in January 2024 and is due for delivery by the end of the calendar year.

VELA Transport's sailing cargo trimaran

Rottnest Fast Ferries 32 metre catamaran under construction

Austal Vietnam starts construction on a new 71 metre steel monohull RoPax ferry

In March 2024, Austal Vietnam was awarded a contract to design and construct a 71-metre roll-on-roll-off passenger (ROPAX) cargo vessel for repeat customer, The Degage Group of French Polynesia.

The new, steel monohull ferry design from the Austal Australia team includes an aluminium superstructure accommodating up to 140 seated passengers and 17 crew, and features a main cargo deck area of 494 sqm - capable of transporting a combination of 10' and 20' containers, palletised cargo and vehicles.

With a cruising speed of 12 knots and a range of 1,000Nm, the new ship is designed to operate sustainable inter-island transport services between Papeete and the Palliser Islands in French Polynesia.

Austal has previously designed and built six vessels for The Degage Group.

Austal Vietnam and The Degage Group celebrated the plate cutting for 'Dory 2' in June 2024


Austal Vietnam's CNC machine at the Vung Tau shipyard

Delivering In-Service Support for our customers around the world

Austal Australia opened a new, dedicated maintenance facility at the Trinidad and Tobago Coast Guard (TTCG) base in Hart's Cut, Chaguaramas, on the island of Trinidad in October 2023.

The new maintenance facility, constructed and operated by Austal under an In-Service Support agreement signed by the Government of the Republic of Trinidad and Tobago in April 2022, enhances the local team's capability to provide ongoing support to the Coast Guard's Cape-class Patrol Boats, constructed by Austal in Australia and delivered in 2021.

Austal has delivered a total of 13 vessels to Trinidad and Tobago, including six 30 metre 'Fast Patrol Craft' and four 41 metre 'Passenger Express' catamaran ferries delivered in 2010, and two Cape-class Patrol Boats and a 94 metre 'Auto Express' catamaran ferry, A.P.T. James, delivered in 2021.

TTS Scarborough (CG42) and TTS Port of Spain (CG41)

TTCG Base, Trinidad

Austal's new maintenance facility, Trinidad

Austal Giving and Austal supply chain partners supporting Veterans Transition Centre, Jarrahdale

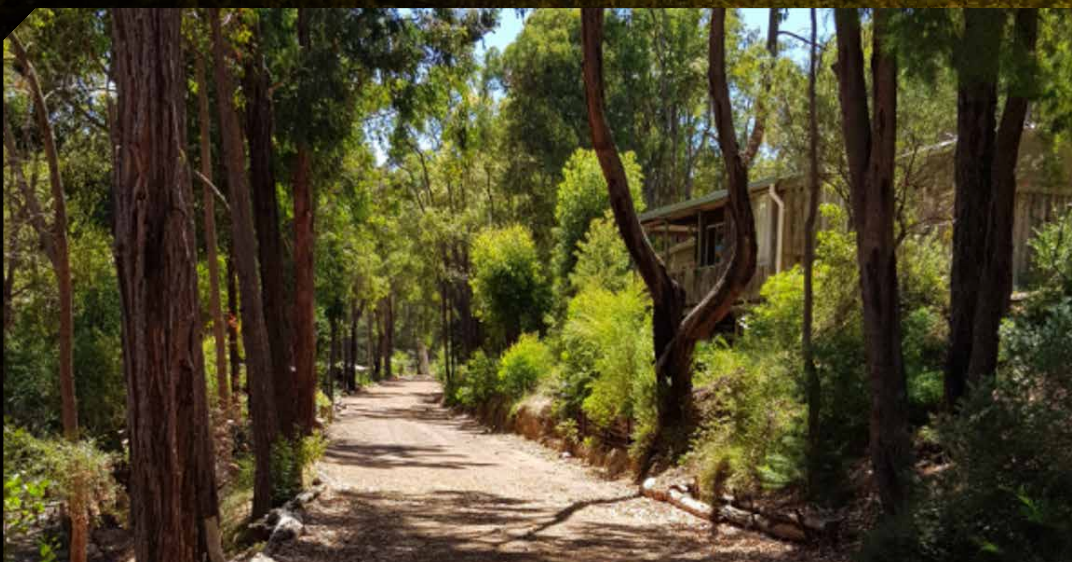
Austal Giving and many of Austal's local supply chain partners are proudly supporting the refurbishment of the Veterans Transition Centre (VTC) in Jarrahdale, Western Australia.

The VTC is a not-for-profit registered charity that offers accommodation and respite, and associated services (such as counselling) in collaboration with local industry partners, for local Australian Defence Force (ADF) veterans and their families.

Located in a natural bush setting on approximately 42 acres in the Darling Ranges, 45 minutes drive from Perth, the VTC is an ideally situated and effective support facility for ADF veterans.

Austal employees and our supply chain partners have been generously volunteering their time and various surplus materials to help refurbish the facility's main galley and two dormitories since 2021.

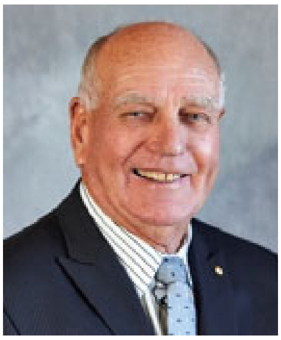
Learn more at;
www.veteranstc.org.au/how-to-help.



VTC dormitories, Jarrahdale

Austal team volunteers at the VTC

Chairman's report



Financial Year Highlights

- The Group's order book has grown to $12.7 billion, on the basis that all contract option agreements are exercised.
- The Strategic Shipbuilding Agreement with the Commonwealth should provide opportunity for further substantial increases to the order book.
- The diversification we previously added to the US portfolio produced orders in autonomy, submarine modules and additive manufacturing.
- Continued the transition from the LCS program and secured a very significant forward order book to deliver long-term value to investors.
- Cash generation was impacted by the loss-making T-ATS and AFDM contracts. Good underlying business performance delivered a solid EBIT despite tough commercial market.
- Resolution of the legacy Department of Justice (DoJ) investigation allows us to focus on a bright future.
- The appointment of a new Chairman and my transition.

I am pleased to present the FY2024 Annual Report to shareholders on behalf of the Board of Austal Limited, my last as Chairman of the Company.

Austal had an excellent year in terms of its business strategy to secure its long-term future.

The growth in order book to $12.7 billion, the diversification of build programs, and the announcement of the Strategic Shipbuilding Agreement in Western Australia all positioned Austal for future success.

At the same time, we are addressing the initial build issues with the Towing, Salvage, and Rescue ships (T-ATS) and Auxiliary Floating Dock Medium (AFDM) programs. They remain loss-making and we are in discussions with US Navy about how we resolve the T-ATS situation. As expected, the build program has had an effect on our short-term cashflow. The unique circumstances of these programs are different to the contracting and cost models of our other build programs, so the learnings gained provide a tremendous opportunity for the business. The volume and diversity of contracts we have in the US, soon to be followed in Australia, means we will have continuous naval shipbuilding in our facilities into the 2030s and 2040s.

Again, our shipyards in the USA and Australia produced great results with their vessel deliveries this year. Austal has always maintained a strong customer relationship focus, and our customers have worked constructively with us to progress construction programs and the delivery of vessels. The global transition towards zero emissions continues to impact the current volume of ferry orders, as can be seen in the financial results for Australasia. I am however pleased that there is light at the end of the tunnel and we have recently won 3 commercial orders with more opportunities in the pipeline.

The pinnacle of the year, perhaps my career, was attending the commissioning of the Austal-built Littoral Combat Ship USS Canberra in Sydney in July 2023. This was the first time the US Navy has ever commissioned a warship outside of the United States and is a testament to the enduring relationship between the US and Australia, and indeed the important part that Austal plays in it.

Strategic initiatives

Austal continues to progress its strategy towards our 2050 vision. Our focus remains on long-term, sustainable and profitable growth. This will be across shipbuilding, support and systems. In Australia, we aspire to become the Sovereign Defence Prime Shipbuilder, through organic and inorganic growth. In the US, we also aim to grow our shipbuilding position, as we efficiently deliver the programs we have won, in tandem with continuing to invest in, and expand, our shipyard as we win more work.

The pivot to steel is already yielding significant future opportunities through program wins in the USA, beyond the initial T-ATS contract. We will continue to invest in our facilities so we are ready for the future and all types of ships that we may build. Our capital investment plans are firming, and I expect the Company will be able to release more detail in advance of our AGM in November.

The future opportunity for Austal with submarine modules is substantial. We have commenced work on both Virginia-class and Colombia-class modules and will continue to grow this opportunity as submarine prime contractors look to utilise the existing defence industrial landscape to meet their construction deadlines.

The new floating dock, "Independence", has been delivered to San Diego. This is taking longer to commission than anticipated due to government environment studies and approvals, but once it is online it will enable further growth in our support business.

Our investment in systems continues to yield some small, but strategically important wins, with our Lifecycle Upkeep Sustainment Intelligence (LUSI) software on trial on the Cape-class vessels with the Royal Australian Navy. The capability that the upgraded MARINELINK software provides in terms of efficient operation of vessels will contribute to lower emissions and increased efficiencies in the commercial sector.

Risks & opportunities

It was pleasing to see the legal challenge on the Offshore Patrol Cutter (OPC) concluded in the courts with no impact on the program.

The first steel ships on the new panel line are the T-ATS vessels. The strategic importance of this first build program was to establish the steel production line and fine-tune our processes in preparation for OPC and T-AGOS. The other steel shipbuilding programs in the portfolio include substantial cost-escalation protections, giving us confidence that the T-ATS and AFDM issues are isolated and the learnings from T-ATS and AFDM will benefit the future programs.

The AFDM commenced construction and adds to the throughput on our new steel panel line.

The Evolved Cape-class and Guardian-class Patrol Boat Programs continue to progress well with multiple deliveries in the year. The Australian Navy's Surface Combatant Fleet review opened the door to more Evolved Cape-class vessels and in the year just completed we received additional orders for 2 Evolved Cape-class and 2 Guardian-class Patrol Boats.

Finally, the global commercial fast ferry fleet continues to age and will need replacement. More stringent emissions regulations may drive some of this replacement and we are well placed with new product concepts. It is long overdue but the winning of three commercial orders should mean the losses incurred this year in our Australasian segment are not repeated in FY2025.

The pivot to steel, in tandem with the expansion of our support business and increasingly diversified order book, has put us in a great place in the US, and now Australia too through the Strategic Shipbuilding Agreement.

Board update

There have been a number of Board changes this year, including my own transition from Chairman to Non-Executive Director.

Non-Executive Director Michael McCormack tendered his resignation from the board of Austal in March 2024. Mr McCormack served on the Austal board since 2020 and recently joined the board of Whitehaven Coal Limited, in addition to his other board positions at Central Petroleum, Origin Energy, the Australian Brandenburg Orchestra Foundation and the Clontarf Foundation. I would like to thank Mick for all that he has done during his time with us.

I was pleased to announce the appointment of Kathryn Toohey AM CSC as a Non-Executive Director of the Company. Kathryn brings strong program management, government procurement, digital and technology expertise to Austal, through her experience in senior executive roles in the Department of Defence, including Head of Land Capability with the Australian Army, responsible for the modernisation and sustainment of all Army equipment and infrastructure including helicopters, tanks, communication systems and watercraft. In her last appointment within the Australian Defence Force Headquarters, she was responsible for integrating capability across the three Services as part of the Vice Chief of the Defence Force Group. Kathryn was appointed a Member of the Order of Australia in 2017 for "exceptional service to the Australian Defence Force" in the fields of capability development and education. Kathryn's breadth and depth of defence industry expertise (Army), aligns perfectly with Austal's strategic direction, especially considering the landing craft programs in Australia.

I would like to conclude with some comments on my transition. I have retired from the position of Chairman of the Company to serve on the Austal board as a Non-Executive Director. Former US Secretary of Navy Richard Spencer will replace me as Chairman, and will also join the Board of Austal USA, providing important linkages between the two Boards. My retirement as Chairman marks a significant milestone in the history of Austal, having served in the position for 37 years since I founded the Company in 1987. During that time Austal has grown from a small, privately-owned, West Australian, commercial shipbuilder to an ASX-listed, international defence prime contractor with a multibillion-dollar order book, over 4,200 employees and substantial ship building operations in Australia, the United States and South-East Asia. I set out four important criteria to select the new chair – excellent character; strong business acumen; in-depth knowledge of the US defence industrial base; and enduring relationships with the Australian and/or US defence sector. Those criteria narrowed the field of candidates considerably, but Richard was at the top of the list, and I'm pleased that he was receptive to our approach.

It has been a challenging year for the Board and senior leaders of the Company, facing challenges such as legacy regulatory investigations, management changes and the transition from mature programs. The contract wins in the USA and the announcement of Austal as the Strategic Shipbuilder in WA, provides even more certainty to the Company. The transition from aluminium to steel and the growth in the number of programs provide new opportunities, but will require focus from the teams as they grow.

CEO Paddy Gregg continues to lead the revitalisation of our corporate strategy, while closely managing the Company's operations. The implementation of that strategy and an improved focus on customer relationships means that we have clear objectives. I remain optimistic about the future, driven by a record pipeline of work for the US operation, albeit we will have to navigate some challenges in the years coming as we progress the steel programs, which is part and parcel of commencing major new programs.

The Board is improving internal compliance and reporting practices between the USA operations and Austal's corporate headquarters, and we will continue to work hard to implement these improvements.

HSEQ

As always, our prime focus is ensuring that our employees go home safely every day. We continue to demonstrate excellent safety performance and pursue more stringent targets each year. It was especially pleasing to see our largest site, our Mobile facility, again achieve awards for safety performance.

ESG

Austal continues to ensure that its operations grow and evolve in a sustainable manner.

Our focus is to build on a range of ESG initiatives with a particular focus on environmental and social risks and opportunities in the year ahead. Since FY2021 our enhanced ESG report has adopted the Global Reporting Initiative and we have published our targets for GHG embodied emissions reductions in FY2022: By 2030, a 50% reduction of embodied emissions (Scope 1, 2 and 3-upstream) and by 2050 a Net Zero commitment consistent with Science-Based Targets.

Austal continues to advance research and development projects targeting improved methods to design and construct vessels with increased fuel efficiency and reduced emissions, or even no emissions with the recently announced Austal-built cargo sailing ship. We continue to develop in areas such as additive manufacture, which looks like it will play a vital role in submarine build and support going forward.

Thank-you

On behalf of the Board, I would like to thank each and every one of our people for their adaptability and resilience as we continue to deliver on diverse shipbuilding programs. The recent contract wins in the USA and the Strategic Shipbuilding Agreement in Australia will underpin the business for many years and provides certainty for shareholders and employees. These wins are testament to the commitment of our people during the year. I would like to acknowledge the Austal executive team and support managers for their leadership in guiding the Company through a volatile macroeconomic period. I also want to express my appreciation to Austal's loyal shareholders.

John Rothwell AO

Immediate Past Chairman

(Effective until 30 June 2024)

Chief Executive Officer's report

Group financial results

	2024 $'000	2023 $'000
Revenue	1,468,907	1,585,034
Underlying EBITDA [1]	126,128	54,973
Underlying EBIT [2]	58,852	(4,842)
NPAT [3]	14,876	(13,774)
Underlying EBITDA margin	8.6%	3.5%
Underlying EBIT margin	4.0%	(0.3%)
Net assets	1,004,665	948,818
Net cash position	3,902	49,702
Net cash flow	(5,691)	(60,912)
Earnings / (Loss) per share ($ per share)	0.041	(0.038)
Dividends per share ($ per share)	-	0.070
Payout ratio	-	(184.2%)

Reconciliation of statutory results to underlying results for FY2024 [4]		
	EBIT [2]	EBITDA [1]
Statutory results	56,465	123,741
Non-underlying items:		
Gain on disposal of land and buildings	(54,373)	(54,373)
DoJ/SEC penalty and related costs	56,760	56,760
Underlying results	58,852	126,128

1. Earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is comprised of EBIT with depreciation and amortisation ($67.3 million) added back.
2. Earnings before interest and tax (EBIT). EBIT is comprised of NPAT with finance income ($3.9 million) and finance costs ($19.0 million) added back.
3. Net profit / (loss) after tax (NPAT).
4. Statutory EBIT & EBITDA were equal to the underlying results in FY2023.

EBIT and EBITDA are non-IFRS measures.
EBIT is used to understand segment performance.
EBITDA is used by management to understand cash flows within the Group.
The information is unaudited but is extracted from the audited accounts.

Key financial highlights

- Total revenue for the year decreased by 7% to $1,469 million in FY2024.
- FY2024 EBIT increased significantly to a profit of $56.5 million, compared to EBIT loss of $(4.8) million in FY2023.
- Underlying EBIT of $58.9 million recognising the gain on a land sale of $54.4 million and the one-off impact of Department of Justice (DoJ) related costs $(56.8) million.
- Austal reported a NPAT of $14.9 million in FY2024 compared to NPAT loss of $(13.8) million in FY2023.
- Austal delivered operating cash flow of $(13.0) million (FY2023: $86.7 million) and FY2024 net cash flow of $(5.7) million (FY2023: $(60.9) million).
- Austal has maintained a strong cash balance of $173.5 million at 30 June 2024, despite a significant capital investment program and the loss-making T-ATS contract (30 June 2023: $179.2 million).
- Net cash was $3.9 million at 30 June 2024 (30 June 2023: $49.7 million).
- Austal received a number of new contract awards during FY2024 in line with previously announced multi-hull programs. If all options on these programs are exercised the order book equates to $12.7 billion.

This year we have reported underlying results alongside our statutory results to adjust for two large one-off items.

The resolution of the DoJ investigation, that has been ongoing since 2019, and the detail of which was disclosed in our recent ASX announcement, allows us to focus on the exceptional order book and delivery of ships and service work.

The impact of the provision for the DoJ resolution related costs was offset by the gain we made on a land sale at our shipyard in Mobile, resulting in a $2.4m difference between our underlying performance and our statutory result.

The resolution with DoJ allows the Company to finalise its capital investment program and we will expect to have that in place and announced to the market in advance of our November AGM.

This capital investment program is being made to support the substantial order book of $12.7 billion, which was largely won in the past two years. The transition from the mature LCS and EPF programs has caused our US revenue to reduce in FY2024 while we undertake the design work for the new programs. As we transition from design to procure and build, revenue will grow again.

This success in winning work in the US is set to be repeated in Australia with the Strategic Shipbuilding Agreement (SSA). In November 2023 we announced that we had entered into a Heads of Agreement (HoA) with the Commonwealth of Australia to progress to an SSA. Final signing of the SSA is expected in November this year, and would see Austal selected as the Commonwealth's Strategic Shipbuilder at Henderson, Western Australia, where all Tier Two vessels are proposed to be built. As part of a pilot program under the SSA HoA, it is envisaged that Austal will construct and deliver the Birdon-designed Landing Craft (Medium) capability to the Australian Army under the Commonwealth's LAND 8710 project.

In addition, the Commonwealth also ordered 2 additional Evolved Cape-class Patrol Boats at an acquisition cost of $157 million, an important order for Defence to optimise its surface fleet and for Austal to ensure workforce stability.

The SSA HoA was an important first step in developing a head contract framework under which future contracts can be formed for further work in Western Australia; the Evolved Cape-class extension provides important job security for Austal's ship builders as the last vessel of the current program moves through to completion and delivery of the recently awarded 2 vessels; and the Landing Craft project will introduce a new-build program for Austal at Henderson. The Landing Craft (Medium) will be followed by Landing Craft (Heavy), and provided this is successful, it is anticipated that General Purpose Frigates (up to 8 to be built onshore with 3 built in the country of design) will follow. Optionally crewed Surface Vessels are also planned, giving our Australian business an unprecedented potential order book and an opportunity for continuous naval shipbuilding that has never existed before in Australia.

Despite Austal's strong cash position and forward outlook the Board decided not to declare a dividend for FY2024 due to the upcoming investment program in the US.

Austal delivered 7 ships in FY2024 and maintained a strong balance sheet, while allocating considerable enhancing capital as we strengthened our strategic position in the US defence shipbuilding sector. The investment in steel capability; in San Diego; and future investment in consolidation sheds, launch and recovery facilities in Mobile, allow the business to keep delivering and growing. Clearly the investment, in partnership with our major customer, in adding a steel production line to our aluminium capability has been money well spent. We will continue to invest in the business as we drive long term profitable growth.

In Australia, we delivered 5 defence vessels – 4 Guardian-class Patrol Boats to the Commonwealth of Australia and 1 Evolved Cape-class Patrol Boat to the Royal Australian Navy. If we look back over the past six years, we have delivered 30 ships from the Australian business which is very impressive considering the challenges of COVID-19 and the lack of deliveries from other companies in Australia constructing defence vessels.

Austal USA continued its success on long term programs, delivering the US Navy's LCS 36 and launching LCS 38….the last one!

Through AUKUS we read daily about the great bond between Australia and the United States as we begin to understand what opportunities this pact may bring. Autonomy is a pillar of AUKUS and Austal has demonstrated considerable experience and success in this area with the progress we have achieved on EPF 13 (the largest surface ship in the US Navy fleet with autonomous capability), Overload Unmanned Service Vessel (OUSV) 3, Saildrone, and with the Sentinel project in Australia, we are well placed for this to become another future revenue stream both in the US and Australia.

The continued award of submarine module build work in Mobile is very exciting. The program commenced with Virginia-class modules, the same submarine class that Australia will be buying from the US, and has progressed to the larger Colombia-class modules. This will likely be a very important long term revenue and earnings stream for the US shipbuilding business.

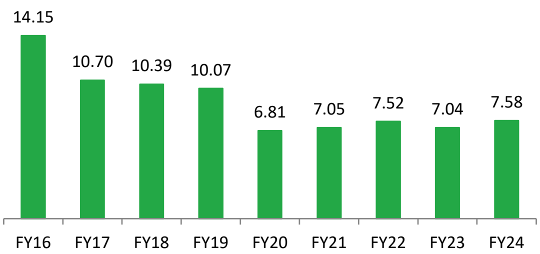
It was a tough year for commercial shipbuilding in both the Philippines and Vietnam. We made a strategic decision to keep the yards open and although this cost us financially in the short term, as can be seen in the Australasia segment reporting, we chose to manage the business for the long-term. I'm pleased to say that it appears to have been a worthwhile decision as we have taken 3 commercial orders and have an increase in tender activity for this market.

People & Safety

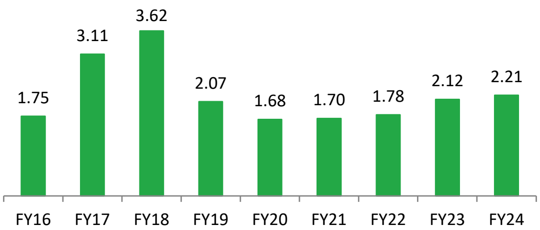
Ensuring our people go home safely at the end of each day is our number one focus.

Austal continues to demonstrate effective and robust health and safety management throughout our global shipyard and service centres and, continues to be recognised in meeting industry safety benchmarks.

The following tables illustrate Health and Safety incidence performance for the Group against the pcp.



Medical Treatment Injury Frequency Rate (Injuries per million hours worked)



Lost Time Injury Frequency Rate (Injuries per million hours worked)

Austal recorded a slight increase in Medical Treatment Injury Frequency Rate this reporting period, whilst Lost Time Injury Frequency Rate unfortunately increased slightly too.

We are reviewing the contributing factors to those increases and will respond accordingly.

Austal USA's safety-minded workforce earned three industry safety awards this year, further cementing the company's superior safety reputation. Austal USA has been recognised by America Equity Underwriters (AEU) with the 2023 AEU Safety Award and by the Shipbuilder's Council of America (SCA) with SCA's 2023 Excellence in Safety and Improvement in Safety awards. These three awards bring Austal USA's total safety award count to 27 in 15 years.

Further details on Health, Safety and Environmental initiatives at Austal can be found in Austal's Environmental, Social and Governance (ESG) Report FY2024.

USA

Strategy

Austal USA remains the core driver of Austal's financial performance, constituting more than three-quarters of the Company's revenue in FY2024. The conclusion of the DoJ investigation allows us to finalise funding for the desired investment in our steel ship consolidation facility and associated launch and recovery syncro-lift. Significant focus has been placed on the T-ATS program and the comprehensive analysis required to support the basis for the Request for Equitable Adjustment (REA). This program is challenging and is consuming more cash than planned at a time we would like to be investing, and it will remain a key focus for us in FY2025.

Our growth strategy over the last three years has been clear and successful, as demonstrated by the order book. Our main focus now is on safely and efficiently delivering on the programs we have won, but there is still opportunity to grow in four important areas:

- Submarine module manufacture has commenced, and we will look to grow this program with our partner Electric Boat. As this work increases, it will demonstrate to the market the potential size and longevity of the business and the strategic importance in the context of AUKUS.
- Submarines may be the focus of AUKUS in Pillar 1, but Pillar 2 brings exciting opportunities for Austal technology in areas such as additive manufacture and 3D printing. In October 2022, we opened Navy's Additive Manufacturing Centre of Excellence (AM CoE) in Danville, Va, where Austal leads a consortium of experts providing program management and oversight of all development and production efforts. The AM CoE will promote growth and resiliency of the US Navy's submarine industrial base through establishment and expansion of dedicated additive manufacturing and non-destructive testing (NDT) capabilities, and other supporting technologies.

  Recognising the compelling need to increase manufacturing capacity within the defence industrial base, the US Navy established the AM CoE to design a "build-to-print" capability aimed at long lead time parts in order to achieve schedule adherence, build production reserves, and ultimately deliver Virginia and Columbia-class submarines to the USA and AUKUS.
- Autonomy will become an increasingly attractive option for navies, whether through efficiency and reduced or re-tasked crewing, or simply taking humans out of harm's way in a combat situation. Austal remains well placed to be able to integrate technology into naval platforms, as demonstrated on the EPF and Overlord programs, or even build bespoke autonomous vessels such as Saildrone.

- In San Diego the new floating dock, “Independence”, has arrived, and as previously discussed, forms a key part of our Support growth model. It has taken longer to commission than anticipated due to increased environmental checks and approvals, but once in service it will help us achieve our growth targets on Sustainment.

Shipbuilding

Austal continued to grow its order book. In September 2023 it was awarded a US$91.5 million mixed-price incentive and firm-fixed-price type modification to definitise a previously awarded contract for the detail design and construction of three Landing Craft Utility (LCU) 1700-class craft. The contract also included options for nine additional craft and associated support efforts. Two options were triggered by the US Navy just recently, adding another US$55 million to Austal’s order book.

As discussed above, we received a strategically important order for the manufacture and outfitting of three electronic deck modules for the Virginia-class submarine program. The order was issued by prime contractor General Dynamics Electric Boat. Construction has begun and the modules are scheduled to be delivered to Electric Boat by the middle of 2025.

The construction of these modules is the result of a strategic partnership formed in 2022 between Austal USA and Electric Boat, and supported by the US Navy, to take a strategic sourcing approach to expanding the production capacity of the submarine industrial base. As part of the partnership, Austal USA is constructing and outfitting Command and Control Systems Modules (CCSM) and Electronic Deck Modules (EDM) for the Virginia and Columbia-class programs.

The EPF program continues with aluminium being cut for the US Navy’s final Expeditionary Fast Transport, EPF 16. This is the third EPF Flight II ship (expanded medical capabilities) built by Austal USA in Mobile, and the 16th EPF contracted to Austal USA by the US Navy. We also delivered the 14th EPF to the US Navy during January 2024.

In December 2023 we received an US$867.6 million undefinitised contract award (UCA) for final design and construction of three Expeditionary Medical Ships (EMS) from the US Navy. The EMS will be manufactured in Austal USA’s aluminium manufacturing line following completion of the last Expeditionary Fast Transport (EPF 16).

Like the EPF program, our LCS program doesn’t miss a beat and we delivered the future USS Kingsville (LCS 36) and launched the final LCS (LCS 38) in FY2024.

Early-stage production of the T-ATS construction program has been disappointing. As previously stated, the program has had fundamental changes in specification from the original contract tender leading to an extension of the time to complete the program compounding the impact of cost inflation. In addition, the efficiency assumptions for the newly commissioned steel manufacturing line, such as labour hours and consequentially, recovery of overheads, did not meet forecasts and have been subsequently revised.

Although these efficiency issues are expected to increasingly improve as Austal progresses construction of the T-ATS vessels, they are slowing progress on the first vessels in production. As noted previously, Austal USA will be submitting a REA under the terms of the contract to seek recoveries for some of the additional costs incurred in the T-ATS project, however the timing and quantum of the ultimate resolution is still under negotiation.

The challenging Auxiliary Floating Dock Medium (AFDM) for the US Navy is in production with the first major unit complete.

The Offshore Patrol Cutter (OPC) program for the US Coastguard is in design and progressing well. This program is for up to 11 ships at a potential value of US$3.3 billion, and first metal is expected to be cut before the end of the financial year.

The award of the T-AGOS contract to Austal was announced on 19 May 2023, when the company was awarded a US$113.9 million fixed-price incentive (firm target) and firm-fixed-price contract for detail design of the Auxiliary General Ocean Surveillance Ship T-AGOS 25-class for the US Navy, including options for detail design and construction of up to seven T-AGOS 25-class vessels.

The US Navy has then subsequently awarded Austal USA a US$516 million ($A779 million) contract modification for the construction of the lead ship of the T-AGOS (ocean surveillance) program, T-AGOS 25. The contract modification exercises an option for ordering long lead time materials to continue/complete the design and construction of the lead ship. The contract modification provides for further payment as part of the overall contract. If all options are exercised, the cumulative value of the contract is US$3.2 billion. T-AGOS ships, operated by

United States Military Sealift Command (USMSC), support the antisubmarine warfare (ASW) mission of the commanders of the Atlantic and Pacific Fleets by providing a platform capable of passive and active anti-submarine acoustic surveillance.

Support

Austal USA's service and support business exceeded our expectations. At Austal San Diego the summer was highlighted by the July 2023 USS Canberra (LCS 30) commissioning watch party, provided for the family and friends of the crew supporting the first US Navy ship commissioning outside the United States. Shortly thereafter we welcomed the arrival of our new Turkish-built floating dry dock, "Independence". Once certified, this dry dock will further our repair and maintenance capability in the San Diego area.

Successfully executing our first Chief of Naval Operations availability on the USS Cincinnati (LCS 20) demonstrated the experience and depth of our workforce. Austal USA Gulf Coast continued to play an important role in our Services and Support business, primarily during the LCS new construction transition into the US Navy fleet. Outside of the continental United States, we continued to execute planned, emergent and continuous maintenance availabilities throughout the US Navy Seventh Fleet region on LCS class ships, and as the original equipment manufacturer on EPF class ships worldwide, demonstrating our responsiveness and capability abroad. Overall, the Austal USA service and support business delivered, with growth in EBIT. It recorded $67.8 million in EBIT this financial year (FY2023: $14.7 million), demonstrating further profitability in this segment. Our focus on delivering operational readiness to the US Navy on-time is becoming a differentiator for Austal USA, which will further enable a stable income stream that will support sustained shareholder returns.

Outlook

Austal has faced some challenges on its first steel programs that were bid in a non-standard process, but none-the-less the state-of-the-art steel panel line is up and running and ready for the significant volume of work that has been won in the past few years.

The resolution of the DoJ matter will allow us to finalise our plans for capital investment funding and set the shipyard up for all future classes of vessel.

Support opportunities continue to grow as we deliver more vessels, and when the San Diego facility and dock are fully commissioned, it will provide a platform for further growth.

Austal technology may be a small part of our business today, but it has considerable strategic importance and I'm confident this will be a new and healthy revenue stream that is well aligned with our support and submarine module business.

Looking ahead, Austal enters FY2025 with a $12.7 billion order book, much of it unexercised options for the US Navy and US Coast Guard extending through to the early 2030's.

Austal USA's focus has been on broadening the potential order book with investment in facilities and capability, while delivering existing contracts, winning future build programs and ensuring we are part of the design process for longer term programs and developing a true long-term pipeline of work. The record order book clearly demonstrates this strategy is working.

Australasia

Strategy

Austal's focus on sovereign capability has been rewarded with the appointment as Strategic Shipbuilder in Western Australia as announced by the Federal Government. This means that, providing we continue to deliver, Austal will be the builder of all Federal Government program ships in WA into the future. The programs that have been announced for construction in WA are Landing Craft Medium and Heavy for Army, General Purpose Frigate and Optionally crewed Surface Vessel which are not yet included in the order book which will only occur when the contracts are finalised. This brings continuous naval shipbuilding to Austal and a longevity of pipeline we have never before experienced.

We are seeing a resurgence in the commercial market with 3 orders won and a pipeline of opportunities. Making the strategic decision to keep the Philippines and Vietnam yards open negatively impacted the results this year, but was the right decision for the long term.

Shipbuilding

Both the Philippines and Vietnam operations had a very quiet year. Both yards have significantly scaled down, and performed infill work to maintain capability while we sought to finalise new contracts. The first of these came when Austal Vietnam was awarded a contract to design and construct a 71-metre roll-on-roll-off (RORO) passenger cargo vessel for The Degage Group of French Polynesia. The new steel monohull ferry design includes an aluminium superstructure accommodating up to 140 seated passengers and 17 crew, and features a main cargo deck area of 494 sqm capable of transporting a combination of 10’ and 20’ containers, palletised cargo and vehicles.

The second award was for the Philippines to construct a 32-metre catamaran for Rottnest Fast Ferries, based in Hillarys, Western Australia. Collaborating with vessel designer Incat Crowther, Austal commenced construction of the aluminium catamaran in the first quarter of CY2024.

The third contract, announced in July 2024, was for a sail-powered cargo trimaran for Vela Transport of Bayonne, France. It is a unique concept and we look forward to working with Vela Transport to progress its design and construction.

Our Australian operations continue to support the Royal Australian Navy and Border Force on the new build and sustainment of vessels. We had a successful year as we continue to deliver Evolved Cape-class and Guardian-class Patrol Boats. We delivered 4 Guardian-class Patrol Boats (GCBP 16, 17,18 and 19) and a total of 19 Guardian-class Patrol Boats have gone to 12 Pacific Island Nations under the Australian Government’s Pacific Maritime Security Program since 2018. We also received an order for an additional 2 Guardian-class Patrol Boats taking the total to 24.

The Evolved Cape-class Patrol Boat program is also on track with the delivery of the 6th vessel, and similar to the Guardian-class Patrol Boat program, we received an order for an additional 2 vessels bringing the total number of Evolved Cape-class Patrol Boats being delivered to the Navy, under the SEA1445-1 Project, to 10.

The release of the Australian Navy’s Surface Combatant Fleet review was well received. Following the output of this, Austal announced that it had signed a HoA with the Commonwealth of Australia to establish a Strategic Shipbuilding Agreement (SSA) between Austal and the Commonwealth. If ultimately signed, a Strategic Shipbuilding Agreement would see Austal selected as the Commonwealth’s Strategic Shipbuilder at Henderson, Western Australia.

The SSA HoA sets out the key principles and provides a framework for further discussions and other due diligence activities to establish the SSA. The creation of the HoA also reflects the intent of both Austal and the CoA to ultimately establish the SSA on mutually acceptable terms. It is anticipated this will be signed in November 2024.

As part of a pilot program under the SSA HoA, Austal will construct and deliver the Birdon-designed Landing Craft (Medium) (18 expected) to the Australian Army under the Commonwealth’s LAND8710 project. Subject to the program’s performance and conclusion of the SSA, Austal understands the Government also intends to build the Landing Craft (Heavy) (8 expected) capability through Austal under the framework of the SSA.

The Commonwealth has approached 5 shipbuilders with existing designs for the General Purpose Frigate with an intention that 3 will be built offshore with 8 built by Austal in Henderson (subject to approvals).

Following the General Purpose Frigate is an Optionally crewed Surface Vessel (6 anticipated). This would bring in the autonomy skillset Austal has been developing.

The Australian Navy’s Surface Combatant Fleet review also mentioned the potential for additional Evolved Cape-class vessels, which we are pursuing.

This pipeline of continuous naval shipbuilding will provide decades of work and more certainty than we have ever experienced.

Support

The support yards in Cairns and Brisbane are fully operational with Brisbane mainly focused on commercial work and Cairns on Navy and Border Force work. Many of the newly built Evolved Cape-class Patrol Boats will be home ported in Cairns, and as the fleet grows, we anticipate our revenue will grow too.

As the Defence Strategic Review increases the size of the Royal Australian Navy fleet over coming years, there will be more vessel sustainment activities being undertaken in Perth, Darwin and Cairns, where we are already established.

Austal’s Asset Management solution LUSI (Lifecycle Upkeep Sustainment Intelligence) has had a successful year and continues to be used operationally on all of the Royal Australian Navy’s Cape-class Patrol Boats. A companion product for the air domain, ALFI (Aviation Lifecyle & Fleet Management Intelligence) was deployed as a Proof of Concept for most of the last year. This has been successful, and ALFI has now transitioned into a long-term production deployment.

Outlook

I do not expect that we will have to take the financial pain in our commercial yards next year as we did this year, albeit for strategic reasons. The market is recovering with more hybrid technologies being discussed rather than a zero-emission solution that does not yet exist.

The Australian Navy's Surface Combatant Fleet review and the appointment of Austal as the Strategic Shipbuilder will secure long-term work, providing continuous naval shipbuilding. Never before has the Australian business been in this enviable position which should provide decades of stability in results and growth in the business.

Systems & Innovation

Technology is a critical pillar within Austal's operational strategy and there have been many activities and developments of note this year.

Austal's trusted Control & Monitoring solution, MARINELINK, has been developed and deployed for over 20 years on Austal vessels. Cyber security is becoming a more stringent requirement for on-board ship systems, with classification societies beginning to mandate compliance (e.g. For DNV classification, the DNV Cyber Secure class notation became mandatory for all new build contracts signed after 1st July 2024). MARINELINK-Prime has been developed with a specific goal of compliance with these new cyber security requirements. MARINELINK-Prime is operating on all of the delivered Evolved Cape-class Patrol Boats for the Royal Australian Navy, as well as for Express 5 in the commercial sector. New deployments of MARINELINK are underway for both newly contracted vessels to Austal, and for upgrades to previously delivered vessels.

The original version of MARINELINK also continues to be successfully delivered and deployed. This includes on all of the Guardian-class Patrol Boats delivered to date, and as upgrades for previously delivered vessels.

Autonomous Operations and Reduced Crewing for naval vessels have been brought to prominence in 2024 through the Government-initiated Enhanced Lethality Surface Combatant Fleet review. This review has highlighted the future Australian requirements in this area. There is a need for technology and automation to allow a future larger Australian naval surface fleet to operate with a minimal increase to crew complement, and there is now a stated intention to procure large Optionally crewed Surface Vessels for the Royal Australian Navy.

Austal's leadership of the Patrol Boat Autonomy Trial (PBAT), sponsored by the Commonwealth's Warfare Innovation Navy (WIN) Branch, has placed the company in a strong position to support these developments. The PBAT program converted a decommissioned Armidale-class Patrol Boat (the PBAT Sentinel) to autonomous operations to better understand the use and capabilities for future autonomous platforms. Modifications were made to the on-board MARINELINK system on the PBAT Sentinel to automate more of the ship's functionality. Autonomous navigation capability was developed and integrated onto the PBAT Sentinel by Greenroom Robotics. This resulted in a successful 5-day endurance trial where the vessel was deployed in continuous autonomous operation on a long range journey along the West Australian coast.

Subsequently, Austal and Greenroom Robotics have entered into a strategic partnership in order to further enhance Australia's sovereign capability in the field of large autonomous vessels. Further opportunities to trial and mature these technologies are being pursued, and Austal is determining how to incorporate some of the advancements of the PBAT Sentinel into its current and future vessels.

Austal is continuing to modernise its Australian business to support the future needs of vessel construction in Australia. In FY2023 Austal completed the deployment of a new Enterprise Resource Planning (ERP) solution from IFS. This deployment has been successful and used exclusively through FY2024. Austal's Digital Transformation program is now focused on other parts of Austal's business, including increased digitisation through the design, production and sustainment of Austal's vessels and the future adoption of Advanced Manufacturing systems and techniques.

Management

I was pleased to appoint Michelle Kruger as President of Austal USA. Michelle had been Interim President. Michelle joined Austal USA in 2022 as Vice President of Global Services and Support, responsible for global post-delivery vessel repair and warranty services. She quickly and successfully implemented a number of business strategies, developed key government and commercial business partnerships and oversaw the delivery of projects that have added value to the business, including the opening of Austal USA's new San Diego waterfront facility and the delivery of a 9,000 tonne capacity dry dock.

I look forward to working closely with her throughout FY2025 and beyond.

Ian McMillan, our Chief Operating Officer, has been instrumental in enhancing our competencies, resources, methodologies, and overall preparedness to take on the role of being a Strategic Shipbuilder — a position that will cement our presence in Australia for the coming three decades. Our range of expertise has expanded, and our connections with Government, Defence, and Industry stakeholders have strengthened considerably in recent times. This growth will ensure that we, along with our industry partners, are well-equipped to meet the Australian Defence Force's expectations. Due to personal reasons and with confidence we have the right team in place to continue our progress and growth within the defence sector, Ian chose to resign from his role as Chief Operating Officer. We profoundly value the contributions Ian made to our company over the past 3 ½ years and we extend our best wishes to him for his future endeavours.

Conclusion

The highlight of this year has undoubtedly been the announcement that Austal will be the Commonwealth's Strategic Shipbuilder at Henderson, Western Australia. Ultimately that means an order book in Australia that will follow what has been achieved in the US over the last three years.

Resolution of the DoJ matter is pleasing and allows us to finalise our capex investment plans and funding to ensure our Mobile facility is ready for years of future work. There are still some challenges to resolve, such as T-ATS, but I'm confident we are on a path to do so. Support from the US navy and defence organisation is clear, and there are still some very exciting opportunities we are pursuing.

The submarine module work is one of these opportunities, and is just as satisfying as our shipbuilding wins. This has real potential to be a significant revenue stream for Austal and I have no doubt there will be more to come on this over the coming year.

Our inaugural chairman, John Rothwell, is retiring from his position of Chairman of the Company to serve on the Austal Board as a Non-Executive Director. Former US Secretary of Navy Richard Spencer will replace Mr Rothwell as Chairman, and will also join the Board of Austal USA, providing important linkages between the two Boards.

Mr Rothwell's retirement as Chairman marks a significant milestone in the history of Austal, having served in the position for 37 years since he founded the company in 1987. During that time Austal has grown from a small, privately-owned, West Australian, commercial shipbuilder to an ASX-listed, international defence prime contractor with a multibillion-dollar order book, over 4,200 employees and substantial ship building operations in Australia, the United States and South East Asia. That is a truly amazing story and it is important to acknowledge Mr Rothwell's role in that achievement.

I look forward to working with both of them as they transition.

Both Austal USA and Australasia have clear direction and an agreed set of objectives to build customer relationships and target addressable markets using technologically advanced products. We now have the ability to deliver shipbuilding, support and systems, for commercial and defence customers in both steel and aluminium. We have the most significant order book ever, with potential to grow more. With the resolution of a few outstanding issues, Austal is in a very exciting place.

Patrick Gregg

Paddy Gregg

Managing Director and Chief Executive Officer

Review of operations

USA

Financial performance

	2024 $'000	2023 $'000
Revenue		
Shipbuilding	$ 853,904	$ 998,116
Support	320,387	226,920
Total	$ 1,174,291	$ 1,225,036
EBIT		
Shipbuilding	$ 25,101	$ (9,498)
Support	67,848	14,677
Total	$ 92,949	$ 5,179
EBIT Margin		
Shipbuilding	2.9%	N/A
Support	21.2%	6.5%
Total	7.9%	0.4%

USA total segment revenue was $1,174.3 million in FY2024 compared to $1,225.0 million in FY2023.

EBIT increased by $87.7 million (1,694.7%) in FY2024 to $92.9 million, primarily driven by the T- ATS loss recognised in FY2023 and growth in the Support business year on year.

This was reflected in an EBIT margin of 7.9% in FY2024, compared to 0.4% in FY2023.

Revenue decreased principally due to the diversification of new program revenue which was offset by the decline in revenue from the maturing Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) programs.

Shipbuilding

In September 2023, Austal USA was awarded a US$91.5 million (A$143.4 million) contract for the construction of three Landing Craft Utility (LCU) 1700- class craft, with options to construct an additional nine vessels and associated support arrangements. Construction of the first LCU commenced in April 2024 and in August 2024, Austal USA received a subsequent contract to construct a further two LCU, bringing the total under contract at the time of reporting, to five.

Also in September 2023, Austal USA received additional orders from General Dynamics Electric Boat to manufacture and outfit another three electronic deck modules for Virginia-class submarines and in October 2023, an order was received for the construction of a command and control systems module for a Columbia-class submarine. Including previous orders, Austal USA is currently contracted to deliver 11 submarine modules at the Mobile, Alabama shipyard, with five under construction.

Austal USA also continues to manufacture the first four aircraft elevators (of six in total) for the new Gerald R. Ford-class Aircraft Carriers (CVN 80 and CVN 81) for the United States Navy.

In December 2024, the Navy awarded Austal USA an US$867.6 million (A$1.28 billion) contract for the construction of three Expeditionary Medical Ships (EMS), based on Austal's proven EPF platform. Construction of these vessels will commence following the completion of the last EPF 16, which commenced construction during the year.

EPF 14, USNS Cody, was delivered to the US Navy in January 2024 and construction on EPF 15, Point Loma continues.

Austal USA delivered the 18th Independence-variant LCS, USS Kingsville (LCS 36), to the US Navy in March 2024 and LCS 38, the future USS Pierre and last LCS to be manufactured by Austal USA, was christened in May 2024.

In May 2024, Austal was awarded a US$516 million (A$779 million) contract modification for the construction of the lead ship of the Ocean Surveillance (T-AGOS 25) ship program, exercising an option to a previously awarded contract for long lead materials.

The Navajo-class Towing, Salvage, and Rescue Ships (T-ATS) program continued to expand in FY2024, with the 3rd of five vessels contracted commencing construction in June 2024.

The challenging Auxiliary Floating Dock Medium (AFDM) for the US Navy is in production with the first major unit complete.

Finally, Austal USA celebrated the ground-breaking for a brand new Final Assembly facility in Mobile, Alabama, that will include ship lift capability and enable larger steel ships, including the United States Coast Guard Offshore Patrol Cutters (OPC), to be assembled and serviced. The facility, subject to completion of financing arrangements, is due to open in 2026. The ship lift system, capable of lifting over 18,000 tonne, will be the largest on the Gulf Coast and the widest in the United States; with the capability to support a wide range of naval shipbuilding and ship repair programs, including Constellation-class Frigates.

Support

Austal's USA support business continues to grow. The Austal USA team are now providing support to 14 Spearhead-class Expeditionary Fast Transport ships and 18 Independence-variant LCS, through facilities in Mobile, Alabama; San Diego, California and Singapore.

Safety

Austal USA received a further three national safety awards from the Shipbuilder's Council in America in FY2024, continuing a track record of safety, having been recognised for 27 awards over the past 15 years.

Material business risks - USA

Steel shipbuilding in the USA

In April 2022, Austal announced completion of its new steel shipbuilding facilities, on budget and slightly ahead of schedule. Since opening the facility, Austal has commenced work on its initial steel vessel program, T-ATS. The Company has been awarded contracts for construction of 5 of these vessels. As advised through the Company's ASX announcements in June 2023 and January 2024, this program has experienced significant performance issues which resulted in the program being loss making, and being declared onerous during the year ended 30 June 2023.

The program has had fundamental changes in specification from the original contract tender leading to an extension of the time to complete the program compounding the impact of cost inflation. Therefore, although these efficiency issues are expected to increasingly improve as Austal progresses construction of the T-ATS vessels, the project's forecast returns have been materially impacted, and performance issues have continued to be experienced during the current year.

As also communicated through relevant ASX announcements, Austal USA submitted a Rough Order of Magnitude to the US Navy in December 2023 associated with the Request for Equitable Adjustment (REA) which the Company is entitled to make under the terms of the contract. The Company is working with external specialists to support the development and submission of the REA to seek recoveries for some of the additional costs incurred in the T-ATS project, but the precise timing and success of those claims remains uncertain.

As discussions between the Company and the US Navy progress, the ultimate amount that may be recovered under the REA may increase or decrease compared to the amounts assumed as being probable of recovery at 30 June 2024. Refer to Note 19 Provisions for further detail and sensitivity analysis performed on REA recovery.

The AFDM for the US Navy is in production with a focus on improving efficiencies to mitigate costs to complete this program.

US Coast Guard Offshore Patrol Cutter (OPC) program

This contract award is a major boost for the Company, however, it also comes with risks such as:

- Pressure on facility construction – it is intended to construct the OPCs in new facilities, the details of which are currently being designed. As with most significant infrastructure expansion projects, there is a risk that these construction works are delayed or encounter difficulties that could impact the schedule for delivery of the OPC vessels;
- New customer – the OPCs will be constructed for the US Coast Guard. Austal has a longstanding and constructive relationship with the US Navy and the Company has every confidence that it will continue to develop and deepen its relationship with the US Coast Guard to a similar degree, however, the slight differences in policy and approach may introduce unexpected considerations in the initial stages of this relationship.

Australasia

Reporting of Austal's Australia, Philippines, Vietnam and Muscat operations are combined into the Australasia Shipbuilding and Australasia Support reporting segments for tendering, scheduling, resource planning and management accountability.

Financial performance

	2024 $'000	2023 $'000
Revenue		
Shipbuilding	$ 154,837	$ 222,319
Support	148,062	144,094
Total	$ 302,899	$ 366,413
EBIT		
Shipbuilding	$ (22,474)	$ 6,720
Support	9,909	9,057
Total	$ (12,565)	$ 15,777
EBIT Margin		
Shipbuilding	N/A	3.0%
Support	6.7%	6.3%
Total	N/A	4.3%

The Australasia segment reported revenue of $302.9 million in FY2024, compared to $366.4 million for FY2023.

EBIT decreased from $15.8 million in FY2023 to an EBIT loss of $(12.6) million in FY2024.

Revenue and EBIT in FY2024 reduced due to new awards occurring later than originally anticipated and currently contracted fleets nearing completion. This was offset by the continued growth in the Support business in FY2024.

Shipbuilding

Continuing an industry leading rate of production and efficiency, Austal Australia delivered four Guardian-class Patrol Boats (GCPB) to the Commonwealth of Australia and one Evolved

Cape-class Patrol Boat (ECCPB) to the Royal Australian Navy during FY2024.

With the 20th Guardian-class delivered in July 2024, four vessels remain to be delivered under the Pacific Patrol Boat Replacement (SEA3036-1) contract; this was extended by another two vessels (to 24 in total), by the Commonwealth of Australia in June 2024.

The 6th Evolved Cape-class, ADV Cape Pillar, was delivered to the Royal Australian Navy in October 2023, and the 7th Evolved Cape-class, ADV Cape Solander was delivered in August 2024. The 8th Evolved Cape-class, ADV Cape Schanck, was launched in June 2024, leaving two vessels under construction at the Henderson, Western Australia shipyard.

In November 2023, Austal signed a Heads of Agreement (HoA) with the Commonwealth of Australia to establish a Strategic Shipbuilding Agreement (SSA) between Austal and the Commonwealth that, when signed, will see Austal selected as the Commonwealth's strategic shipbuilder in Henderson, Western Australia. Under the HoA, Austal and the Commonwealth have committed to working towards concluding the formal SSA by the last quarter of CY2024.

As part of a pilot project to be undertaken under the SSA, the Commonwealth has nominated Austal to construct and deliver 18 Landing Craft (Medium) vessels (LCM) for the Australian Army, under the LAND 8710-1 project. Subject to the program's performance and conclusion of the SSA, Austal understands the Government also intends for Austal to build eight, larger Landing Craft (Heavy) vessels (LCH) under the framework of the SSA.

Additional, future naval vessel programs that Austal may bid for under the SSA, and announced in the Commonwealth's Defence Strategic Review and subsequent Independent Analysis of Navy's Surface Combatant Fleet, include eleven General Purpose Frigates (eight to be constructed in Australia) and six Optionally Crewed Surface Vessels.

Austal Australia completed the Patrol Boat Autonomy Trial (PBAT) for the Royal Australian Navy over the course of FY2024; collaborating with Australian technology company Greenroom Robotics and Trusted Autonomous Systems Defence Cooperative Research Centre (TAS-DCRC). The trial successfully demonstrated the capabilities of new autonomous and remote operations systems, integrated into a decommissioned Armidale-class Patrol Boat.

Austal Philippines commenced construction of a 32 metre passenger ferry for Rottnest Fast Ferries in FY2024, following a contract award in January 2024. The Incat Crowther designed vessel is due for completion in the second quarter of FY2025.

Austal was also awarded the contract (in the range of \$40 to \$45 million) in July 2024 of a striking new, 100% wind powered, 66 metre sailing cargo trimaran for Vela Transport of France; this is scheduled to commence construction in the Balamban, Cebu shipyard in FY2025.

Following a contract announcement (in the range of A\$30 - 40 million) in March 2024, Austal Vietnam commenced construction of a 71 metre Roll-on-roll-off (RORO) passenger cargo vessel, for repeat customer, The Degage Group of French Polynesia. The steel monohull ferry is a new Austal design that offers accommodation for 140 seated passengers as well as cargo space for 10' and 20' containers, palletised cargo and vehicles.

Austal continues to pursue commercial and defence contracts for the Philippines and Vietnam yards, whilst working collaboratively with a number of commercial operators worldwide, to identify future fuel technologies such as hydrogen.

Support

Australasia Support activity in FY2024 included continuing servicing and support for the Australian Border Force fleet of 8 Cape-class Patrol Boats, the Royal Australian Navy's two Cape-class Patrol Boats, Cape Fourcroy and Cape Inscription and seven Evolved Cape-class Patrol Boats fleet.

Austal Cairns and Brisbane service centres are winning a steady stream of business from commercial vessel operators in Australia and throughout the South Pacific; whilst Austal Darwin continues to support In-Service Support for the Evolved Cape-class in the Northern Territory.

In October 2023, Austal opened a new maintenance facility in Trinidad and Tobago as part of the ongoing support contract for the Trinidad and Tobago Coast Guard, operating two Cape-class Patrol Boats. Austal's local team comprises three expat Australians and five Trinidad and Tobago maritime technicians and support personnel.

Material business risks - Australasia

Commercial Ferries

The commercial high speed aluminium ferry business is a significant market for Austal and provides significant workload to the Philippines and Vietnam shipyards. The newbuild ferry industry can be adversely affected by economic, political, social, climate, security and other factors which delay or eliminate future orders for vessels or even cause cancellations of current vessels and the global COVID-19 pandemic remains likely to depress the new vessel market for some years to come. However, we are seeing signs that this risk is reducing, with 3 commercial awards since FY2023. Closure or contraction of this market, or substantial contraction of the order book generally, could force a closure of shipyards or severe curtailment of operations. The Company initially identified this as a risk in 2020 with the depression of the commercial ferry market continuing beyond the initially-anticipated window, having been compounded by the effect that the war in Ukraine has had on supply chains, particularly in Europe. Ongoing uncertainty around how operators should respond to new legislated requirements for more environmentally-friendly operations is also restricting newbuilding appetite. While Austal continues to design and build some small commercial vessels – including the revolutionary sailing cargo trimaran announced to ASX in July 2024 - the future pipeline for Austal's commercial operations has been materially impacted by the depression in newbuilding activity. Resources in Austal Philippines and Austal Vietnam have been reduced to reflect the reduced pipeline of work in FY2024. However, the Company continues to pursue opportunities beyond its current order book, which has been bolstered by the recent contract wins. Without continuing to secure further material shipbuilding commitments into the future, the Company may need to consider closure or re-orientation of its Asian shipyards.

This market also retains a risk of potential customer default based on insolvency or other commercial considerations that are less likely in contracts with government or state-owned entities. While Austal seeks to mitigate this risk through a combination of contractual and cashflow protection measures, an unexpected repudiation or material breach by a commercial customer could pose a risk to workforce retention and operational planning, because the nature of the business means that large projects are not easily replaced or rescheduled entirely.

Changes to Australian Government procurement priorities, strategy and timing

Austal was pleased to announce in November 2023 that it has executed a Memorandum of Understanding with the Commonwealth of Australia Department of Defence to work towards the appointment of Austal as the Commonwealth's strategic shipbuilding partner in Western Australia under a Strategic Shipbuilding Agreement (SSA). If concluded, this framework could establish Austal as the Government's designated shipbuilder for substantial surface vessels such as Heavy Landing Craft. Austal and the Commonwealth have been in constructive discussion to progress these arrangements since November and the Company will continue to support the Commonwealth in this exercise; however there is always a risk that the Commonwealth's strategic, defence or political priorities change and that substantial programs (such as those contemplated under the SSA) are delayed, revisited and potentially reduced, re-prioritised or cancelled. Each of these potential actions would have a material impact on the future of Austal's Australasian business.

Other material business risks

Cyber security

Austal's production of vessels for the US, Australian and other governments means that it handles sensitive information regarding people and vessels. This information may be used in vessel operation. Austal has established information handling policies and standards and cyber security measures that seek to prevent the disclosure and theft of such information and in 2022 retained its ISO27001 accreditation, which further enhances the Company's cyber security framework. As a defence provider to the Commonwealth of Australia, Austal Australia is certified under the Department of Defence's Defence Industry Security Program (DISP) and as a prime contractor to the US Department of Defence, Austal USA complies with the National Institute of Standards and Technology SP800-171 Standard (NIST 800-171). However, third parties retain the ability to access even the most well protected systems. This may create levels of interference or public disclosure, such as demands of large financial payments or interruption of service.

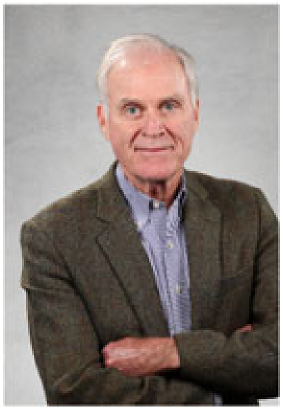
Directors' report

The Board of Directors of Austal Limited submit their report for the year ended 30 June 2024.

Directors

The names and details of the Company's Directors in office at the date of this report are detailed below:

Hon. Richard V. Spencer – Non-Executive Chairman



The Hon. Richard V. Spencer was appointed Chairman of Austal Limited on 1st July 2024.

Richard was the 76th Secretary of the United States Navy, sworn into office in August 2017 and serving until November 2019. After graduating from Rollins College University, he served in the United States Marine Corps, as an H-46 (Phrog) pilot.

After leaving active duty, Richard began a successful career in finance, working on Wall Street for 16 years for companies such as Goldman Sachs, Donaldson, Lufkin and Jenrette, and Bear Stearns, before becoming President of Crossroads Investment Management LLC, and Vice Chairman and Chief Financial Officer of Intercontinental Exchange, Inc. (NYSE-ICE) and later Managing Director of Fall Creek Management LLC.

He also served on the Pentagon Defense Business Board advisory panel and the Chief of Naval Operations Executive Panel.

Mr. Spencer is currently the Global Chairman of Bondi Partners, an advisory firm based in Australia offering strategic counsel to corporate and government clients; Managing Director of Pallas Ventures, which focuses on emerging commercial technologies that have applicability in the National Security arena; and is a member of the board of directors of the Global Atlantic Financial Group, Morpheus Space and Focused Energy. He is also a member of the Advisory Board to the US Innovation and Technology Fund.

Paddy Gregg – Managing Director and Chief Executive Officer

Patrick (Paddy) Gregg was promoted to the position of Austal's Managing Director and Chief Executive Officer on 1 January 2021, following 4 years as Austal's Chief Operating Officer.

Paddy is a highly regarded senior leader with significant project management, manufacturing and business experience acquired within the high-technology Nuclear Defence Industry, Rail Industry and Naval Shipbuilding Industry.

Immediately prior to joining Austal, Paddy was working for Network Rail in the United Kingdom. During his time there he was responsible for major infrastructure enhancements and renewals on the Western and Wales Routes.

Paddy has extensive experience in the naval sector having worked for BAE Systems Submarines, based in Barrow-in-Furness, England. Paddy was the Head of Project for the second Astute-class hunter killer nuclear submarine build. In this role he worked closely with both the United Kingdom Ministry of Defence and Navy to ensure the project was successfully delivered.

As Chief Operating Officer at Austal, Paddy had responsibility for the shipbuilding and sustainment operations in Australia, Philippines and Vietnam. This responsibility covered both new build of commercial and naval vessels, and the sustainment stream of the business focussed on support for the Australian Border Force and Royal Australian Navy.

As Managing Director and Chief Executive Officer, Paddy oversees a global company comprising 5 shipyards and 8 service centres in 4 countries, with more than 4,200 employees worldwide.

Paddy is a Chartered Engineer and fellow of the Institution of Mechanical Engineers, with a Masters Degree in Mechanical Engineering from the University of Newcastle-upon-Tyne, and a Masters in Business Administration from the Warwick Business School.

John Rothwell AO – Non-Executive Director

John has played a major role in the development of the Australian aluminium shipbuilding industry approaching 50 years of experience in boat and shipbuilding. He is the architect responsible for the establishment of Austal and was the founding Managing Director. John identified markets for high speed ferries throughout Asia which resulted in Austal's rapid growth. He saw the potential for US Defense contracts for high speed aluminium naval ships and he led the formation of a new shipyard in Mobile, Alabama in 1999.

John was appointed as an Officer of the Order of Australia (AO) in January 2004 for services to the Australian shipbuilding industry, and for significant contributions to vocational education and training. He was named "Australian Entrepreneur of the Year" by Ernst and Young in 2002 and he was awarded the Western Australia Citizen of the Year in the category of Industry and Commerce in 1999.

John stepped down as Executive Chairman in 2008 to continue as Non-Executive Chairman after managing the Company for 20 years. John retired from his position as the Non-Executive Chairman on 30 June 2024 and remains on the Board of Directors as a Non-Executive Director.

Sarah Adam-Gedge – Independent Non-Executive Director

Sarah was appointed as a Non-Executive Director of the Company in August 2017, became Chair of the Audit & Risk Committee in December 2022, Deputy Chair of the Austal Limited Board in September 2019 and is a member of the Nomination & Remuneration Committee. She brings strong consulting, customer experience, digital and technology expertise to Austal through her experience in executive roles in the information technology and consulting sectors.

Sarah is also a Non-Executive Director of Codan Limited, Bravura Solutions Limited and Emeco Holdings Limited, as well as holding board roles on several private companies including as Chair of Kinetic IT Pty Ltd and Non-Executive Director of Cricket Australia.

Prior to her professional director career, Sarah was the CEO & Managing Director of Wipro Australia & New Zealand, Publicis Sapient, the digital business transformation hub of the Publicis Groupe, Avanade Australia, Managing Partner and Vice President at IBM, Managing Partner at PwC and Partner at Arthur Andersen. Sarah's work experience is across many industries and geographies.

Sarah is a Chartered Accountant, and member of the Chartered Accountants Australia/New Zealand. She holds a Bachelor of Business (Accounting) from the Queensland University of Technology and is a Graduate of the Australian Institute of Company Directors. Sarah has extensive Diversity and Inclusion experience, is a mentor for the Minerva Council and for Chartered Accountants Australia & New Zealand, has sponsored the development of Reconciliation Action Plans, and is committed to sustainability having completed the Sustainability and Social Impact Futures course at RMIT University.

Chris Indermaur – Independent Non-Executive Director

Chris was appointed as a Non-Executive Director of the Company in October 2018, has been a member of the Audit & Risk Committee and Nomination & Remuneration Committee since October 2018 and August 2019 respectively, and became Chair of the Nomination & Remuneration Committee in December 2022. Chris has over 40 years of experience in large Australian companies in Engineering and Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Limited. Chris is also a Director of Austin Engineering Limited and Mayur Resources Limited.

Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). He also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

Lee Goddard – Independent Non-Executive Director

Lee was appointed as a Non-Executive Director of the Company in January 2023, and has been a member of the Audit & Risk Committee and Nomination & Remuneration Committee since January 2023. He is an Executive Leader who continues to serve as a Royal Australian Navy active reserve officer (rank Rear Admiral) following 34 years full time service up until January 2021.

In April 2022 he was appointed as the inaugural CEO and Executive Director of the Australian Missile Corporation. He is also a Non-Executive Director of the Commonwealth Superannuation Corporation, an Advisor to the Minderoo Foundation and OCIUS Technologies, and the Chairman (Race Director) of the Sydney to Hobart Yacht Race.

Prior to assuming his current industry roles, he was dual appointed as Commander, Maritime Border Command and Operation Sovereign Border, responsible for the law enforcement and operational oversight of Australia’s maritime economic and security zones; covering more than 10 per cent of the earths’ surface across the Indian, Pacific and Southern Oceans, Antarctic Territory and Australia’s northern maritime approaches. This was preceded by a two-year secondment into the Department of the Prime Minister & Cabinet. On promotion to Commodore in late 2014 he assumed the role of Commander Surface Fleet, commanding 18 major warships and over 3,500 personnel. He has commanded warships and joint-agency Taskforce's at every senior Navy rank from Commander to Rear Admiral.

He has contributed to a range of professional and academic journals focused on national security, maritime issues and international affairs.

Kathryn Toohey AM, CSC – Independent Non-Executive Director

Kathryn was appointed as a Non-Executive Director of Austal Ltd in February 2024 and is a member of the Audit & Risk Committee and the Nomination & Remuneration Committee. She brings strong program management, government procurement, digital and technology expertise to Austal through her experience in senior executive roles in the Department of Defence.

Kathryn was a senior officer in the Australian Army, retiring at the rank of major general in early 2023. For over two decades she was involved in Defence capability. She served as Head Land Capability responsible for the modernisation and sustainment of all Army equipment and infrastructure including helicopters, tanks, communication systems and watercraft. In her last appointment within the Australian Defence Force Headquarters she was responsible for integrating capability across the three Services. She was appointed a Member of the Order of Australia for "exceptional service to the Australian Defence Force in the fields of capability development and education".

Kathryn is also a Non-Executive Director of DefenceHealth Ltd, Cylent International Pty Ltd, Greater Western Sydney (GWS) Giants (a division of the AFL) and ACT Basketball. She is a member of the Australian Strategic Policy Institute (ASPI) Executive Council, and provides a range of advisory and consulting services.

Kathryn holds an Executive Master in Business Administration (Complex Project Management), a Master of Management in Defence Studies, a Graduate Diploma in Information Technology and a Bachelor of Electrical Engineering (Honours). She is a graduate of the Australian Institute of Company Directors and the INSEAD Advanced Management Programme.

Interests in the shares and options of the company and related corporate bodies

The interests of the Directors in the shares of Austal Limited at the date of this report were as follows:

Director	Ordinary Shares	Share Rights	Indeterminate Rights
Mr Richard Spencer	16,523	-	-
Mr John Rothwell	32,761,692	-	-
Mr Paddy Gregg	242,399	-	594,828
Mrs Sarah Adam-Gedge	20,000	81,252	-
Mr Chris Indermaur	-	62,653	-
Mr Lee Goddard	-	8,722	-
Ms Kathryn Toohey	-	-	-

Principal activities

The principal activities of the companies within the consolidated entity during the year were the design, manufacture and support of high performance vessels for commercial and defence customers worldwide. These activities are unchanged from the previous year.

Results

The net profit after tax of the consolidated entity for the financial year was $14.9 million (FY2023: net (loss) after tax $(13.8) million).

Review of operations

A review of the operations and financial position of the consolidated entity is outlined in the Review of Operations on page 12.

Share price

The closing share price of Austal at 30 June 2024 was $2.49 (30 June 2023: $2.37).

Dividends

No dividends were paid after the FY2024 H1 results (FY2023: H1 4.0 cents per share) and no further dividend has been declared for FY2024 post 30 June 2024 (FY2023: H2 3.0 cents per share).

Significant events after the balance date

On 27 June 2024, the Group announced that former US Secretary of Navy Mr Richard Spencer will replace Mr Rothwell as Non-Executive Chairman, and will also join the board of Austal USA, effective 1 July 2024.

On 15 July 2024, the Group announced that Austal Australia delivered the 20th Guardian-class Patrol Boat (GCPB) to the Australian Department of Defence.

On 26 July 2024, Mr Ian McMillan Chief Operating Officer Australasia tendered his resignation effective immediately. The Board of Directors has initiated a search for a suitable replacement and interim management measures have been put in place to ensure continuity and stability in the Group's operations.

On 29 July, the Group announced that Austal Australasia has been awarded a contract to design and construct a wind-powered, aluminium cargo trimaran for Vela Transport of Bayonne, France. The exact purchase price for the vessel cannot be disclosed for commercial reasons, however, is in the range of $40 to $45 million.

On 2 August 2024, the Group announced Austal Australia has delivered the 7th of 10 Evolved Cape-class Patrol Boats (ECCPB's) under contract to the Royal Australian Navy.

On 5 August 2024, the Group announced Austal USA has been awarded a US$54,997,317 (A$84,455,364) fixed-priced incentive (firm-target) contract modification for the construction of two additional Landing Craft Utility (LCU) 1700-class vessels for the United States Navy.

On 27 August 2024, the Group announced that it has reached a global resolution with both the US Department of Justice (DoJ) and the US Securities Exchange Commission (SEC) to resolve previously disclosed investigations into the events leading up to the write back of work in progress (WIP) in July 2016.

The Directors are not aware of any other matters or circumstances that have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Likely developments and future results

A general discussion of the Group's outlook is included in the Chairman's report on page 1, the Chief Executive Officer's report on page 4 and the Review of Operations on page 12.

Significant changes in the state of the affairs

Mr Rusty Murdaugh resigned as USA President, effective 31 August 2023, and Ms Michelle Kruger was appointed as Interim USA President. Please refer to the ASX announcement titled "Austal USA Management Changes" on 31 August 2023 for further information.

Ms Kathryn Toohey was appointed as Non-Executive Director, effective 9 February 2024. Please refer to the ASX announcement titled "Appointment of Non-Executive Director Kathryn Toohey" on 9 February 2024 for further information.

Mr Mick McCormack resigned as Non-Executive Director, effective 31 March 2024. Please refer to the ASX announcement titled "Resignation of Michael McCormack as Non-executive Director" on 28 March 2024 for further information.

Ms Michelle Kruger was appointed as USA President, effective 22 April 2024. Please refer to the ASX announcement titled "Appointment of President of Austal USA" on 26 April 2024.

The Group announced that it has reached a global resolution with both the US Department of Justice (DoJ) and the US Securities Exchange Commission (SEC) to resolve previously disclosed investigations into the events leading up to the write back of work in progress (WIP) in July 2016. Please refer to the ASX announcement titled "Resolution of US Regulatory Investigation" on 27 August 2024.

There were no other significant changes to the structure or operations of the Group during the financial year.

Environmental regulation and performance

The Group has a policy of at least complying with, but in most cases exceeding, environmental performance requirements. No environmental breaches have been notified by any Government agency during the year ended 30 June 2024.

Share rights, performance rights, indeterminate rights and service rights

There were 3,153,582 un-vested performance rights and 1,771,450 service rights at 30 June 2024.

2,366,202 performance rights, 660,867 service rights and 376,451 indeterminate rights were granted during FY2024.

Indemnification and insurance of Directors and Officers

An indemnification agreement has been entered into between the parent entity and each of the Directors and Officers named in this report. The Company has agreed to indemnify those Directors and Officers against any claim for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent allowed by the law.

The parent entity paid premiums during the financial year in respect of a contract insuring the Directors and Officers of the Group in respect of liability resulting from these indemnities. The terms of the insurance arrangements and premiums payable are subject to a confidentiality clause.

Indemnification of auditors

The parent entity has agreed to indemnify its auditors, Deloitte Touche Tohmatsu, against claims by third parties arising from the audit (for an unspecified amount) to the extent permitted by law, as part of the terms of its audit engagement agreement. No payment has been made to indemnify Deloitte Touche Tohmatsu during or since the financial year.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the instrument applies.

Committee membership

The Company has an Audit & Risk Committee and a Nomination & Remuneration Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit & Risk	Nomination & Remuneration
Mrs Sarah Adam-Gedge	Mr Chris Indermaur
Mr Chris Indermaur	Mr John Rothwell
Mr Lee Goddard	Mrs Sarah Adam-Gedge
Ms Kathryn Toohey [1]	Mr Lee Goddard
Mr Mick McCormack [2]	Ms Kathryn Toohey [3]
	Mr Mick McCormack [2]

1. Ms Kathryn Toohey was appointed as a member of the Audit & Risk Committee on 9 February 2024.
2. Mr Mick McCormack resigned from the Board and all subcommittees on 31 March 2024.
3. Ms Kathryn Toohey was appointed as a member of the Nomination & Remuneration Committee on 1 March 2024.
4. Mr Richard Spencer was appointed as Non-Executive Chairman and Director, and member of both subcommittees on 1 July 2024.

Directors' meetings

The number of Board and committee meetings of Directors and the attendance by each Director during the year was as follows:

	Meeting		
	Board	Audit & Risk Committee	Nomination & Remuneration Committee
Number of meetings held	8	5	3
Number of meetings attended:			
Mr John Rothwell [1]	8	n/a	3
Mr Paddy Gregg [2]	8	5	3
Mrs Sarah Adam-Gedge	8	5	3
Mr Chris Indermaur	8	5	3
Mr Lee Goddard	8	5	3
Ms Kathryn Toohey [3]	3	2	2
Mr Mick McCormack [4]	6	4	2

1. Mr John Rothwell is not a member of the Audit & Risk Committee.
2. Mr Paddy Gregg is not formally a member of the Audit & Risk Committee nor Nomination & Remuneration Committee but attended as a guest.
3. Ms Kathryn Toohey joined the Board and the Audit & Risk Committee on 9 February 2024 and the Nomination & Remuneration Committee on 1 March 2024.
4. Mr Mick McCormack resigned as a director and member of all subcommittees in March 2024.
5. Mr Richard Spencer joined as Non-Executive Chairman and member of the Nomination & Remuneration Committee and Audit & Risk Committee on 1 July 2024.

Nomination & Remuneration Committee Chair's message

Dear Shareholder,

The Board of Directors is pleased to present the Remuneration Report for the year ended 30 June 2024, outlining the nature and amount of remuneration for Austal's Non-Executive Directors and other Key Management Personnel (KMP), and changes in KMP in the financial year.

2023 remuneration resolutions

I would like to thank shareholders for the positive support provided in favour of remuneration related resolutions at the 2023 AGM.

KMP remuneration

Remuneration for KMP continues to be a focus for the organisation and our remuneration framework is designed to be competitive to attract and retain talent and reward for achieving business outcomes. The Executive remuneration framework is monitored annually for relevance and competitiveness and recent reviews of the framework by the Nomination & Remuneration Committee (NRC) has determined that salary mix and structure remain competitive against market and identified competitors.

In accordance with the Remuneration policy, external remuneration consultants have recently been engaged to benchmark Non-Executive Director Remuneration. Results from this exercise will be considered as part of FY2025 annual remuneration review.

In accordance with the Executive Remuneration policy, full remuneration benchmarking is only conducted bi-annually. Given this, the CEO and other KMP fixed remuneration was adjusted in line with aged market data and legislated superannuation changes.

FY2024 proved to be a successful year with new commercial contract awards for Austal Vietnam and Austal Philippines and the maturing of contracts for Austal USA. Austal's vessel delivery performance for the Australian business has been very consistent and Austal Australia has been designated as the Strategic Shipbuilder for Western Australia.

The expectation is that Short-Term Incentives for FY2024 is forecast at circa 72% of stretch and 50% of stretch for Austal USA. In addition, the FY2022 Long Term Incentive awards are forecast to be at 33%.

KMP update

We have seen a number of changes to KMP in FY2024:

- Mrs Christy Taylor resigned as Chief Operating Officer USA effective 15 December 2023.
- Mr Rusty Murdaugh resigned as President of Austal USA effective 30 August 2023.
- Ms Michelle Kruger was appointed Interim President of Austal USA effective 31 August 2023 and confirmed as President of Austal USA on 22 April 2024.
- Ms Kathryn Toohey was appointed to the Board on 9 February 2024.
- Mr Mick McCormack resigned from the Board effective 31 March 2024.

Board Diversity

The Board has recently doubled the number of females on the Board with the appointment of Kathryn Toohey in February 2024 and we remain committed to our minimum of 30% gender diversity as part of its overall composition. The Board considers diversity to encompass skills, knowledge, industry experience, background, race, gender, and other qualities of its individual members as a whole.

Commitment to ongoing feedback, and shareholder support

The Board looks forward to the continued support of shareholders for remuneration related resolutions at the upcoming AGM. The Board will continue to consider further improvements to remuneration governance, policies and practices, and commits to engaging with shareholders and their representatives on these matters.

The Board will be pleased to receive feedback in relation to this report.

Yours sincerely,

Chris Indermaur

Chair, Nomination & Remuneration Committee

Remuneration report

This Remuneration Report for the year ended 30 June 2024 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

1. Key management personnel

This report covers all Key Management Personnel (KMP) as defined in the Accounting Standards, including all Directors, as well as those Senior Executives who have specific responsibility for planning, directing, and controlling material activities of the Group.

The KMP for the year ended 30 June 2024 were:

Senior Executives	
Mr Paddy Gregg	Chief Executive Officer and Managing Director since January 2021
Mr Ian McMillan	Chief Operating Officer Australasia since January 2021 until his resignation effective 26 July 2024
Ms Michelle Kruger	President USA since April 2024 Interim President USA from August 2023 until appointed permanently
Mr Christian Johnstone	Chief Financial Officer since April 2023
The following persons resigned and ceased to be a Senior Executive during FY2024:	
Mr Rusty Murdaugh	President USA from September 2021 to August 2023 Interim President USA from February 2021 until appointed permanently
Mr Geoff Buchanan	Interim Chief Financial Officer from November 2021 to June 2023
Mrs Christy Taylor	Chief Operating Officer USA - Transformation from May 2023 to December 2023
Non-Executive Directors	
Mr John Rothwell	Chairman from 1998 to 30 June 2024 Member of the Nomination & Remuneration Committee since December 1998
Mrs Sarah Adam-Gedge	Independent Non-Executive Director since August 2017 Deputy Chair of the Board since September 2019 Member of the Audit & Risk Committee from August 2017 to December 2022 Chair of the Audit & Risk Committee since December 2022 Chair of the Nomination & Remuneration Committee from September 2018 to December 2022 Member of the Nomination & Remuneration Committee since December 2022
Mr Chris Indermaur	Independent Non-Executive Director since October 2018 Member of the Audit & Risk Committee since October 2018 Member of the Nomination & Remuneration Committee from August 2019 to December 2022 Chair of the Nomination & Remuneration Committee since December 2022
Mr Lee Goddard	Independent Non-Executive Director since January 2023 Member of the Audit & Risk Committee since January 2023 Member of the Nomination & Remuneration Committee since January 2023
Ms Kathryn Toohey	Independent Non-Executive Director since February 2024 Member of the Audit & Risk Committee since February 2024 Member of the Nomination & Remuneration Committee since March 2024
The following person resigned and ceased to be a Non-Executive Director during FY2024:	
Mr Mick McCormack	Independent Non-Executive Director from September 2020 to March 2024 Member of the Audit & Risk Committee from April 2021 to March 2024 Member of the Nomination & Remuneration Committee from April 2021 to March 2024
The following person was appointed after the reporting date and before the date this financial report was authorised for issue:	
Mr Richard Spencer	Chairman from 1 July 2024 Member of the Audit & Risk Committee from 1 July 2024 Member of the Nomination & Remuneration Committee from 1 July 2024

2. Remuneration governance framework

The following framework and strategy broadly outlines the principles and policies that the Board applies in overseeing KMP remuneration:

I. Nomination & Remuneration Committee Charter

The role and responsibilities of the committee are outlined in the Nomination & Remuneration Committee Charter (the Charter), which is available on the Austal website.

The role of the Nomination & Remuneration Committee (NRC) is to ensure that appropriate remuneration policies are in place which are designed to meet the needs of the Company and to enhance corporate and individual performance.

The Committee also oversees the implementation of the policies in setting remuneration and performance objectives related to the Short Term Incentive (STI) and Long Term Incentive (LTI) plans.

The remit of the NRC also includes succession planning.

The Charter specifies that the NRC is to be composed of at least three members with the majority being independent directors.

II. Share trading policy

The Share Trading Policy of Austal is available on the Austal website. The policy contains the standard references to insider trading restrictions that are a legal requirement under the Corporations Act, as well as conditions associated with good corporate governance. The policy specifies 'Closed Periods' during which Directors and related parties, KMP, Senior Executives, and any employee in possession of inside information must not trade in the securities of the Company, unless written permission is provided by the Board following an assessment of the circumstances.

All equity based remuneration awards which have vested are subject to the Group's Share Trading Policy.

III. Executive remuneration consultant engagement policy

Austal has an Executive Remuneration Consultant (ERC) engagement policy which is intended to manage the interactions between the Company and the ERC. The policy is intended to ensure independence of advice and to provide clarity to the NRC regarding the extent of any interactions between management and the ERC. This policy enables the Board to state with confidence that advice received has been independent. The policy states that ERCs are to be approved and engaged by the Board before any advice is received and that such advice may only be provided to a NED.
Any interactions between management and the ERC must be approved and overseen by the NRC, and this includes the collection of factual internal records (e.g. superannuation paid or allowances and benefits).

IV. Stakeholder engagement

The Company seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- Shareholders
- NRC Members
- Stakeholder groups including proxy advisors
- External remuneration consultants
- Other experts and professionals such as tax advisors and lawyers
- Company management to understand roles and issues facing the Company

V. Remuneration framework

Austal is committed to responsible remuneration practices. The need to reward the Group's employees fairly and competitively based on performance needs is to be balanced with the requirement to do so within the context of principled behaviour and action, particularly in the area of safety, risk, compliance and control.

Remuneration should contribute to the Group's achievements in a way that supports the Group's culture and goals. The Remuneration Policy Framework set out below summarises the key features of the Group's remuneration approach.

Our Vision

Maintain a responsible, performance-based Remuneration Policy aligned with the long-term interests of shareholders.
Certain incentive metrics are utilised on the Remuneration framework to capture the impact of the Group's strategy.

Our Goal

Strike the right balance between meeting shareholders' expectations, paying our employees competitively, and responding appropriately to the regulatory environment.

Our Approach

Governance

Clearly defined and documented governance procedure.
Independent Nomination & Remuneration Committee.
Independent External Remuneration Consultants.
Annual assessment of Remuneration Policy.

Individual Remuneration

Reward annual performance of Group relative to planned key performance indicators.
Aligned with business performance.
Recognise and reward teamwork and development of the culture of the organisation.
Award and differentiate based on individual performance and contributions.

Individual Remuneration Determination

Total remuneration based approach.
Facilitate competitiveness by paying remuneration for comparable roles and experience, subject to performance.
Promote meritocracy by recognising individual performance, with an emphasis on contribution, ethics and safety.
Equal remuneration opportunity.

Remuneration Structure

Provide the appropriate balance of fixed and variable remuneration consistent with the position and role.
Significant portion of variable remuneration deferred and aligned with the long-term performance of the Group.
Promote ethical behaviour and do not create incentives to expose the Group to inappropriate risk.

3. Executive KMP remuneration policy

I. Structure

The following policy applies to executive KMP:

- Total Remuneration Packages (TRP) should be composed of:
  - Total Fixed Remuneration (TFR) which is inclusive of superannuation, allowances, social security, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements.
  - Short Term Incentive (STI) which provides a reward for performance against annual objectives.
  - Long Term Incentive (LTI) which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a three year period.
- Internal TRP relativities and external market factors should be considered.
- TRP should be structured with reference to market practices and the particular circumstances of the Group where appropriate.

II. Total fixed remuneration

i. Framework

- Base Packages should be set with reference to the market practice of ASX listed companies at the 50th percentile, where 50% of the comparator group are above the median level and 50% are below the median level.
- TRP at Target bonus levels (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be between the 50th and 75th percentile range of the relevant market practice to create a strong incentive to achieve targeted objectives in both the short and long term.
- Remuneration will be managed within a range to allow for the recognition of individual differences such as individual experience, knowledge or competency with which they fulfil a role (a range of + / - 20% is generally targeted in line with common market practices).

ii. CEO minimum equity holding

The CEO must accumulate and hold a minimum equity holding that is equal to or greater in value than 1 year of TFR. The minimum equity holding will be computed in July of each year based upon the volume weighted average price (VWAP) of Austal shares in the month of June. The minimum equity holding includes shares, share rights and vested indeterminate rights, but does not include unvested Performance Rights.

The minimum equity holding may be achieved by the vesting of LTI grants, personal purchase of shares on market by the CEO, or the CEO and the Board may agree at the commencement of each year for a portion of TFR to be unconditionally (not subject to performance conditions since it is part of TFR) payable in share rights.

III. Short term incentive (STI) policy

The short term incentive policy provides for a component of annual remuneration of executives to be at-risk, payable in a mix of cash and equity and based upon an assessment of performance measured using Key Performance Indicators (KPI) that are aligned to the relevant business unit of each individual and the Company performance.

i. Purpose

The purpose of the STI Plan is to incentivise KMP to deliver and outperform KPI and annual business plans that are challenging but achievable. This is intended to lead to sustainable superior returns for shareholders and to modulate the cost of employing KMP such that the cost of employment reflects the performance of the Company.

ii. Principles

The principles of the plan are that:

- STI should be aligned with clear and measurable targets which are set at the start of the financial year, and the targets will be aligned with the achievement of the Company's business plan.
- STI payments will be determined after the end of the financial year and the full year accounts have been approved by the Board.
- STI payments are at the full discretion of the Board even if hurdles are met in order to avoid inappropriate outcomes.

iii. Form of remuneration - cash and equity

STI awarded to all non-USA Executive KMP will be paid as follows:

- 50% in cash.
- 50% in Indeterminate Rights (refer to the definition below) with a minimum holding period of 1 year irrespective of continued employment.

The Austal USA President receives 100% of STI in cash.

iv. Indeterminate Rights

Indeterminate Rights are contractual rights to the value of a share in the Company which are typically settled in the form of shares but which may, at the Board's discretion, be settled in cash.

v. Minimum holding period

The minimum holding period for indeterminate rights that have vested is 1 year and applies irrespective of continued employment with Austal.

vi. Measurement period

The Measurement period for STI awards is the financial year of the Group.

vii. Determination of STI award

The Board reviews and approves performance targets and objectives annually for the CEO; other executive KMP targets and objectives are also reviewed annually. At the discretion of the Board the final STI award is determined subsequent to financial year end taking into consideration the expectations and outcomes of shareholders. Where an STI is awarded, the payment is made in September of the following financial year.

viii. Key performance indicators (KPI)

KPI are customised for each KMP, Senior Executive and Manager and reflect the nature of their role, whilst creating shared objectives where appropriate.

Weightings are applied to the KPI selected for each participant to reflect the relative importance of each KPI whilst ensuring that financial metrics always constitute at least 50% of the total.

Satisfaction of KPI performance conditions are assessed qualitatively and quantitatively against the targets defined at the start of the financial year.

The FY2024 KPI are contained in the STI targets and outcomes section commencing on page 36.

ix. Cessation of employment

STI awards will only be made to those participants that are still employed at the end of the Measurement Period (30 June each year).

Resignation after the completion of the measurement period will not impact the 50% of STI that is paid in cash.

STI recipients who resign after the completion of the measurement period will be subject to good leaver / bad leaver provisions. An employee may forfeit their Indeterminate Rights if they are a 'bad leaver'. A bad leaver is defined as an employee whose employment is terminated for cause, resigns upon being asked to do so or an ex-employee who acts against the interests of the company.

STI awards may be determined at the discretion of the Board in the case of either resignation or termination due to serious illness or disability.

x. Change of control

The Board has determined that in the event of a Change of Control (including a takeover), Indeterminate Rights will vest on a pro-rata basis at the 'Target' level for the portion of the Performance Period that has elapsed at the date of the change of control. The Board retains discretion to vary this approach if it considers that it would generate an inappropriate outcome.

xi. Profit gate

The Company's EBIT (Earnings Before Interest and Tax) result must be at least 85% of budget in order for STI to be awarded.

xii. Individual performance gate

Individual performance ratings for the year must be at least 'Meets Expectations' on the following scale:

- Does not meet expectations
- Meets expectations
- Exceeds expectations

The Board will have discretion to vary award outcomes in the circumstances that the outcomes would otherwise be inappropriate.

xiii. Fraud or gross misconduct

All entitlements in relation to the Measurement Period will be forfeited by a participant if the Board forms the view that a participant has committed fraud, defalcation or gross misconduct in relation to the Company.

xiv. Clawback policy

The Board has implemented a Clawback policy which provides for the potential forfeiture of the unvested equity based STI entitlements in the event of a material misstatement in the Company's financial statements of a relevant STI year being identified during the subsequent holding lock period.

The Clawback policy only applies to the Indeterminate Rights awarded from STI and does not apply to the cash portion of STI that has already been paid to participants.

xv. STI award opportunities

The FY2024 STI award opportunities are contained in the STI targets and outcomes section on page 36.

IV. Long term incentive (LTI) policy

The LTI policy of the Company is to set a component of annual remuneration of executives to be at risk, payable in equity in the Company and based on an assessment of long term performance over a period of no less than three years in duration. A share disposal restriction applies for one year from the expiry of the performance measurement period which extends the effective remuneration deferral to a total of four years.

i. Purpose

The purpose of the LTI Plan is to incentivise Senior Executives to deliver long term Group performance that will lead to sustainable superior returns for shareholders and to modulate the remuneration of Senior Executives relative to this performance.

ii. Form of incentive

Non US participants in the LTI plan receive a grant of Indeterminate Performance Rights that vest based on an assessment of performance against objectives over a defined Measurement Period.

US participants in the LTI plan receive a grant of Performance Rights that vest based on an assessment of performance against the same objectives over a defined Measurement Period. US participants receive shares for vested Performance Rights.

iii. Measurement period

The Measurement period is three financial years.

iv. LTI grant

The number of LTI Rights granted are calculated with reference to the stretch (maximum) LTI value divided by the volume weighted average closing share price in the first month of the measurement period (i.e. July each year).

Details of the FY2024 LTI grant are contained on page 44.

v. Measures of long term performance

Long term performance is measured in reference to three equally weighted metrics (i.e. 1/3 each):

- Indexed Total Shareholder Return (iTSR)
- Earnings per Share Growth (EPSG)
- Return on Equity (ROE)

Metrics are set so that Target performance is expected to be achieved 50 – 60% of the time and Stretch (Maximum) performance is expected to be achieved 10 – 20% of the time. The metrics are disclosed below.

vi. Total shareholder return (TSR) measure

The Board believes that TSR is the measure that has the strongest alignment with shareholders.

The Board utilises an absolute TSR premium to indexed TSR (iTSR) outcomes and avoids windfall gains / (losses) from changes in broad market movements in share prices.

Austal's iTSR is computed by comparing Austal's TSR against Standard and Poor's ASX 300 Industrials Total Return Index.

Austal's TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement period. In line with market practice, management has recently moved from a 1 month Volume Weighted Average Price (VWAP) to a 5 day VWAP. For FY2024, share price appreciation is measured utilising a 1 month VWAP at the beginning (i.e. July in year 1) and 5 day VWAP at the end of the measurement period (i.e. last 5 days of June in year 3) respectively.

The Company TSR metric for the measurement period must be positive to ensure that the LTI will not reward executives when shareholders have lost value. None of the iTSR tranche will vest if the Company TSR is negative.

vii. Earnings per share growth (EPSG) measure

EPSG is an internal measure of performance which the Board encourages management to focus on.

EPSG is determined by calculating the compound annual growth rate (CAGR) from EPS in the last financial year prior to the 3 year measurement period, to the EPS in the final year of the 3 year measurement period.

- EPS equals Basic EPS as reported in the financial accounts of the relevant year.
- Actual EPSG results are compared against internal targets set by the Board.

viii. Return on equity (ROE) measure

Sustainability of ROE is a key element of creating sustainable shareholder wealth and hence ROE was adopted to help ensure that this is taken into account by management.

ROE is calculated by dividing:

- The average NPAT over the 3 year measurement period by;
- The day weighted average Contributed Equity + Retained Profits - Reserved Shares balance over the 3 year measurement period.

Actual ROE results are compared against internal targets set by the Board.

ix. Board discretion

The Board retains discretion to adjust vesting outcomes in the circumstances that the outcomes from applying the vesting scales alone would be deemed to be inappropriate.
In exercising this discretion, the Board is required to take into account the Company performance from the perspective of shareholders over the relevant Measurement Period and consider whether specific participants:

- Engaged in any activities or communications that may cause harm to the operations or reputation of the Company or the Board;
- Took actions that caused harm or will cause harm to the Company’s stakeholders;
- Took excessive risks or contributed to or may otherwise benefit from unacceptable cultures within the Company; or
- Exposed employees, the broader community or environment to excessive risks, including risks to health and safety.

The Board will also consider whether there has been a material misstatement in the Company’s financial reports, which would unduly increase any award under the scheme.

Considering the outcome of the DoJ/SEC penalty and related costs and its impact on profit and the LTI metrics, the Board determined that future vesting outcomes may be adjusted to exclude the impact of the DoJ/SEC penalty on each of the LTI metrics. These adjustments are deemed appropriate as the impact is related to three former Austal USA employees actions between 2012 and 2016 and which are unrelated to current management's performance.

x. Vesting of performance rights

Performance rights meeting the performance hurdles will vest at the end of the measurement period. Participants are not required to make any payments at grant or at vesting.

xi. Holding period

Non US recipients of vested performance rights are subject to a one year holding period:

- Recipients are permitted to exercise their rights in order to receive shares, however;
- Recipients are prevented from selling their shares during the holding period.

This effectively extends the incentive period to four years and increases the accumulation of equity by executives to strengthen their alignment with shareholders.

xii. Taxing point for US recipients

The taxing point for US recipients of vested performance rights is at the time of vesting because there is no further risk of forfeiture. Consequently, Austal sells 50% of shares arising from vested performance rights immediately after vesting has occurred so that recipients can fund their tax liability and the remaining 50% of shares are subject to a one year holding period.

The difference between the realised proceeds from the sale of the first 50% of shares and the actual tax liability for each participant is paid to participants in cash.

xiii. Specified disposal restrictions

Performance Rights may not be disposed of or otherwise dealt with prior to exercise.

All shares acquired by participants as a consequence of exercising vested Performance Rights, shall be subject to a dealing restriction detailed in Austal's Share Trading Policy and insider trading restrictions.

xiv. Cessation of employment during a measurement period

A participant who resigns prior to the elapsing of the Measurement period in respect of which the grant is made will forfeit their entire unvested Performance Rights grant.

The Board may exercise its discretion to award some proportion of LTI under certain circumstances including consideration of whether the KMP was a good leaver up to the point of vesting.

Vested rights already held by a participant are not forfeited.

xv. Clawback policy

The Board may determine that a participant found to have harmed the interests of the Company or its Shareholders, will forfeit some or all of their unvested entitlements at any time. This includes fraud, defalcation, joining a competitor etc.

Unvested Performance Rights held that are not forfeited, will be retained for testing against the vesting conditions at the normal time.

xvi. Change of control of the company

The Board has determined that in the event of a Change of Control (including a takeover), LTI will vest on a pro-rata basis at the 'Target' level for the portion of the Performance Period that has elapsed at the date of the change of control. The Board retains discretion to vary this approach if it considers that it would generate an inappropriate outcome.

4. Executive KMP remuneration

I. 5 year performance

The table below outlines Austal's performance over the last five years.

		Financial Year				
		2020	2021	2022	2023	2024
Earnings measures						
EBIT (Earnings before interest & tax)	$'000	130,396	114,619	120,662	(4,842)	56,465
EBITDA (Earnings before interest, tax, depreciation & amortisation)	$'000	176,139	160,326	165,350	54,973	123,741
NPAT (Net profit after tax)	$'000	88,978	81,057	79,565	(13,774)	14,876
EPS (Earnings per share)	$ / share	0.25	0.23	0.22	(0.04)	0.04
Dividends paid	$ / share	0.06	0.09	0.08	0.07	-
Share price						
Closing	$ / share	3.23	2.05	1.80	2.37	2.49

II. FY2024 award opportunities

The tables below depict the Target and Stretch (Maximum) remuneration for KMP in FY2024 including:

- The Total Fixed Remuneration
- STI award opportunity if Target or Stretch STI KPI results are achieved
- LTI award opportunity if Target or Stretch LTI results are achieved

Awards are applied to Total Fixed Remuneration.

i. Target remuneration

KMP	TFR	STI Opportunity		LTI Opportunity		Total
	$	% of TFR	$	% of TFR	$	$
Mr Paddy Gregg	1,054,180	45.0%	474,381	50.0%	527,090	2,055,651
Mr Ian McMillan	557,028	40.0%	222,811	35.0%	194,960	974,799
Ms Michelle Kruger [1]	838,860	65.0%	545,259	50.0%	419,430	1,803,549
Mr Christian Johnstone	597,988	40.0%	239,195	35.0%	209,296	1,046,479

1. Ms Michelle Kruger was interim President USA from August 2023 until appointed permanently in April 2024.

ii. Stretch (Maximum) remuneration

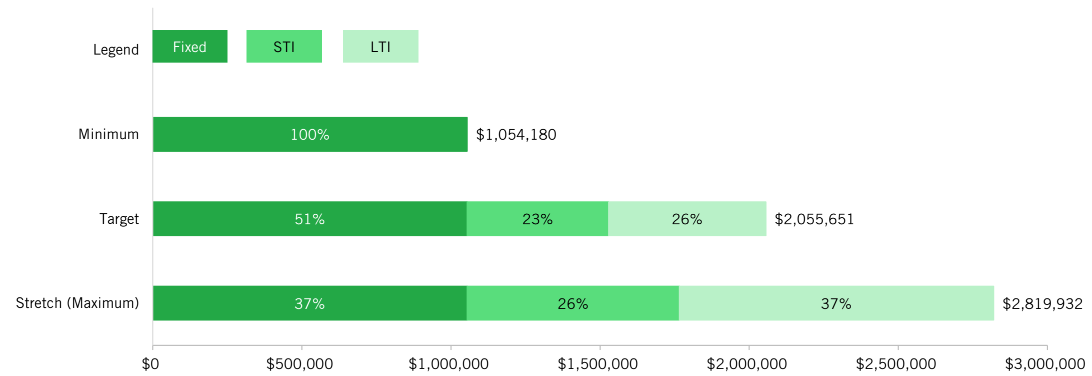
KMP	TFR	STI Opportunity		LTI Opportunity		Total
	$	% of TFR	$	% of TFR	$	$
Mr Paddy Gregg	1,054,180	67.5%	711,572	100.0%	1,054,180	2,819,932
Mr Ian McMillan	557,028	60.0%	334,217	70.0%	389,920	1,281,165
Ms Michelle Kruger [1]	838,860	97.5%	817,889	100.0%	838,860	2,495,609
Mr Christian Johnstone	597,988	60.0%	358,793	70.0%	418,592	1,375,373

1. Ms Michelle Kruger was interim President USA from August 2023 until appointed permanently in April 2024.

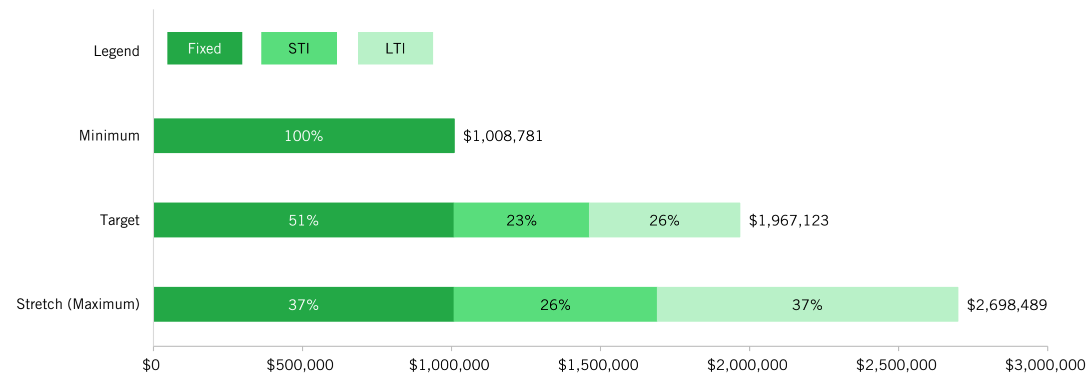
III. CEO remuneration

These charts depict the Minimum, Target and Stretch (Maximum) remuneration opportunities that were available to the CEO and the breakdown between fixed remuneration (TFR) and variable remuneration (STI and LTI).

FY2024 CEO Remuneration - Mr Paddy Gregg



FY2023 CEO Remuneration - Mr Paddy Gregg



IV. STI targets and outcomes

The following KPI were selected because they were the most significant matters for each of the KMP that were expected to contribute to the success of the Company during FY2024, given the business plans approved by the Board at the commencement of the financial year.

Chief Executive Officer - Mr Paddy Gregg

		Actual Performance			Targets			
Measures	Weight	Below	Stretch	Award	Threshold	Target	Stretch	Actual
Group EBIT	25.0%			66%	$ 56.0 m	$ 58.9 m	$ 64.8 m	$ 58.9 m
Group Free Cash flow	20.0%			-	$ 128.2 m	$ 135.0 m	$ 148.5 m	$ 63.1 m
New Vessel Orders - Australasia	10.0%			100%	Commercial in Confidence			
Strategic Growth - USA	25.0%			100%	Commercial in Confidence			
Strategic Growth - Australasia	20.0%			100%	Commercial in Confidence			
Total	100.0%			72%				

President USA - Ms Michelle Kruger

		Actual Performance			Targets			
Measures	Weight	Below	Stretch	Award	Threshold	Target	Stretch	Actual
USA Revenue (USD)	10.0%			-	$ 934.7 m	$ 983.9 m	$ 1,062.6 m	$ 781.3 m
USA EBIT (USD)	20.0%			-	$ 74.8 m	$ 78.8 m	$ 86.6 m	$ 61.2 m
USA Free Cash flow (USD)	20.0%			-	$ 77.2 m	$ 81.3 m	$ 89.4 m	$ 62.4 m
New Vessel Orders - USA	30.0%			100%	Commercial in Confidence			
Strategic Growth - USA	15.0%			99%	Commercial in Confidence			
Safety (Total Recordable Incident Rate)	5.0%			100%	-	2.5	2.4	2.3
Total	100.0%			50%				

Chief Financial Officer - Mr Christian Johnstone

		Actual Performance			Targets			
Measures	Weight	Below	Stretch	Award	Threshold	Target	Stretch	Actual
Group EBIT	25.0%			66%	$ 56.0 m	$ 58.9 m	$ 64.8 m	$ 58.9 m
Group Free Cash flow	20.0%			-	$ 128.2 m	$ 135.0 m	$ 148.5 m	$ 63.1 m
New Vessel Orders - Australasia	10.0%			100%	Commercial in Confidence			
Strategic Growth - USA	25.0%			100%	Commercial in Confidence			
Strategic Growth - Australasia	20.0%			100%	Commercial in Confidence			
Total	100.0%			72%				

Chief Operating Officer Australasia - Mr Ian McMillan

Mr Ian McMillan resigned effective 26 July 2024 and hence his FY2024 STI award was zero.

President USA - Mr Rusty Murdaugh

Mr Rusty Murdaugh resigned effective 30 August 2023 and hence his FY2024 STI award was zero.

Chief Operating Officer USA - Transformation - Mrs Christy Taylor

Mrs Christy Taylor resigned effective 15 December 2023 and hence her FY2024 STI award was zero.

2. It is noted that the Group's EBIT profit gate did apply to all STI in the group.

V. LTI vesting

i. FY2022 Performance rights grant

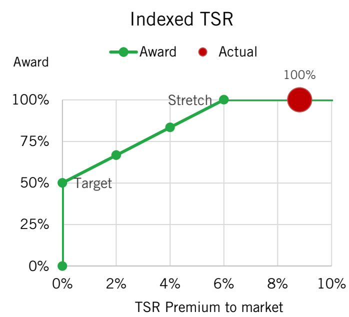
629,373 Performance Rights were granted to KMP in FY2022, who were still employed by Austal at 30 June 2023.

ii. Measurement period

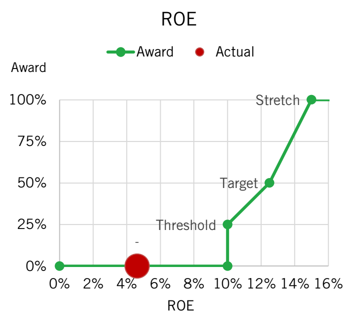
100% of the Performance Rights granted in FY2022 had a 3 year Measurement period from 1 July 2022 – 30 June 2024.

iii. FY2022 LTI vesting performance

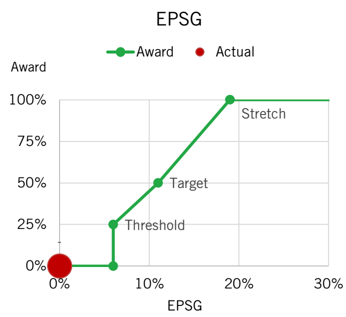
The performance criteria relating to the FY2022 grant of Performance Rights to KMP are detailed below resulting in a 33% vesting:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSG = CAGR[1] EPS (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

iv. FY2022 LTI vesting awards

KMP	Tranche	Weight	Granted	Vesting %	Vesting Number	Value @ Grant Date ($)
VWAP @ Grant Date						0.88
Mr Paddy Gregg	iTSR	33%	153,145	100%	153,145	134,002
	ROE	33%	153,145	-	-	-
	EPSG	33%	153,145	-	-	-
	Total	100%	459,435	33%	153,145	134,002
Mr Ian McMillan	iTSR	33%	56,646	100%	56,645	49,564
	ROE	33%	56,646	-	-	-
	EPSG	33%	56,646	-	-	-
	Total	100%	169,938	33%	56,645	49,564

VI. Realised Executive remuneration (non-statutory disclosure)

The Realised Remuneration tables below are provided to convey the actual remuneration awarded to KMP during FY2024 and FY2023 rather than the statutory disclosure required under the accounting standards and includes:

- The portion of TFR paid in cash.
- The portion of TFR contributed to superannuation plans or pension schemes.
- STI awarded but not yet paid.
- The value of LTI rights vesting following the conclusion of the relevant measurement period using the VWAP at the grant date.

FY2024

	Total Fixed Remuneration				Payout [1]	FY2024 STI Awarded / Bonus			LTI	Total
KMP	Cash $	Super-annuation / Pension $	Other[7] $	Total $	Leave $	Cash $	Indeterminate Rights $	Total $	FY2022 Vesting $	Total $
Value @ Grant VWAP [2]									0.88	
Mr Paddy Gregg	1,026,680	27,500	-	1,054,180	-	256,171	256,171	512,342	134,002	1,700,524
Mr Ian McMillan	529,528	27,500	-	557,028	-	-	-	-	49,565	606,593
Ms Michelle Kruger [3]	652,948	51,836	59,528	764,312	-	407,172	-	407,172	-	1,171,484
Mr Christian Johnstone	570,488	27,500	-	597,988	-	129,168	129,168	258,336	-	856,324
Mr Rusty Murdaugh [4]	134,951	19,025	12,204	166,180	102,708	-	-	-	-	268,888
Mrs Christy Taylor [5]	253,418	24,286	12,178	289,882	73,913	128,951	-	128,951	-	492,746
Total	3,168,013	177,647	83,910	3,429,570	176,621	921,462	385,339	1,306,801	183,567	5,096,559

FY2023

	Total Fixed Remuneration				Payout[1]	FY2023 STI Awarded / Bonus			LTI	Total
KMP	Cash $	Super-annuation / Pension $	Other[7] $	Total $	Leave $	Cash $	Indeterminate Rights $	Total $	FY2021 Vesting $	Total $
Value @ Grant VWAP [2]									3.09	
Mr Paddy Gregg	981,281	27,500	-	1,008,781	-	-	-	-	-	1,008,781
Mr Ian McMillan	507,708	25,292	-	533,000	-	-	-	-	-	533,000
Mr Rusty Murdaugh	796,005	109,774	34,545	940,324	45,923	-	-	-	-	986,247
Mr Geoff Buchanan [6]	511,641	53,722	83,595	648,958	-	75,000	-	75,000	-	723,958
Mr Christian Johnstone	142,427	6,323	-	148,750	-	-	-	-	-	148,750
Mrs Christy Taylor	82,405	8,240	2,459	93,104	10,301	-	-	-	-	103,405
Total	3,021,467	230,851	120,599	3,372,917	56,224	75,000	-	75,000	-	3,504,141

1. This balance represents the KMPs annual leave and/or long service leave entitlements either cashed out or paid out on termination.
2. Value @ Grant VWAP is the Volume Weighted Average Share Price utilised for the respective LTI grant.
3. Ms Michelle Kruger was appointed as Interim President USA from August 2023 to April 2024 when appointed permanently.
4. Mr Rusty Murdaugh resigned effective 30 August 2023.
5. Mrs Christy Taylor resigned effective 15 December 2023.
6. Mr Geoff Buchanan completed his term as interim CFO on 30 June 2023.
7. This category is comprised of other monetary benefits such as car, housing and medical benefits.

VII. Statutory remuneration disclosure

The following table outlines the remuneration received by Executive KMP during FY2024 and FY2023, prepared according to statutory disclosure requirements and accounting standards:

FY2024	Fixed Remuneration					Variable Remuneration		Payout [1]	Total
KMP	Salary[2] $	Super-annuation / Pension $	Other[8] $	Long Service Leave Accrued $	Total $	STI / Bonus Accrued $	LTI Accounting Expense[3] $	Leave $	Total $
Mr Paddy Gregg	1,091,554	27,500	-	28,338	1,147,392	512,342	165,621	-	1,825,355
Mr Ian McMillan	533,813	27,500	-	5,436	566,749	-	112,959	-	679,708
Ms Michelle Kruger [4]	693,256	51,836	59,528	-	804,620	407,172	32,389	-	1,244,181
Mr Christian Johnstone	593,488	27,500	-	1,647	622,635	258,336	128,703	-	1,009,674
Mr Rusty Murdaugh [5]	142,689	19,025	12,204	-	173,918	-	(512,415)	102,708	(235,789)
Mrs Christy Taylor [6]	267,914	24,286	12,178	-	304,378	128,951	(4,027)	73,913	503,215
Total	3,322,714	177,647	83,910	35,421	3,619,692	1,306,801	(76,770)	176,621	5,026,344

FY2023	Fixed Remuneration					Variable Remuneration		Payout [1]	Total
KMP	Salary[2] $	Super-annuation / Pension $	Other[8] $	Long Service Leave Accrued $	Total $	STI / Bonus Accrued $	LTI Accounting Expense[3] $	Leave $	Total $
Mr Paddy Gregg	1,031,598	27,500	-	61,469	1,120,567	-	213,321	-	1,333,888
Mr Ian McMillan	503,408	25,292	-	2,663	531,363	-	189,161	-	720,524
Mr Rusty Murdaugh	834,018	109,774	34,545	-	978,337	-	287,578	45,923	1,311,838
Mr Geoff Buchanan [7]	513,506	53,722	83,595	1,645	652,468	75,000	-	-	727,468
Mr Christian Johnstone	153,587	6,323	-	301	160,211	-	-	-	160,211
Mrs Christy Taylor	87,389	8,240	2,459	-	98,088	-	4,027	10,301	112,416
Total	3,123,506	230,851	120,599	66,078	3,541,034	75,000	694,087	56,224	4,366,345

1. This balance represents the KMPs annual leave and/or long service leave entitlements either cashed out or paid out on termination.
2. Salary represents cash-based salary expensed during the reporting period including annual leave provision adjustments and therefore may not equal the cash received by the KMP.
3. The LTI expense represents the portion of the independent valuation of active LTI plans expensed through the Profit and Loss in accordance with AASB 2.
4. Ms Michelle Kruger was appointed as Interim President USA from August 2023 to April 2024 when appointed permanently.
5. Mr Rusty Murdaugh resigned effective 30 August 2023.
6. Mrs Christy Taylor resigned effective 15 December 2023.
7. Mr Geoff Buchanan completed his term as interim CFO on 30 June 2023.
8. This category is comprised of other monetary benefits such as car, housing and medical benefits.

VIII. Reconciliation of realised remuneration and statutory remuneration

The following table reconciles the realised remuneration received by Executive KMP during FY2024 and FY2023 with the statutory remuneration disclosures for those years.

FY2024	Remuneration			Explanation of Variance			
KMP	Realised $	Statutory $	Variance $	LTI Vesting versus Expense $	Long Service Leave Provision $	Leave Provision Movement $	Total $
Mr Paddy Gregg	1,700,524	1,825,355	(124,831)	(31,619)	(28,338)	(64,874)	(124,831)
Mr Ian McMillan	606,593	679,708	(73,115)	(63,394)	(5,436)	(4,285)	(73,115)
Ms Michelle Kruger	1,171,484	1,244,181	(72,697)	(32,389)	-	(40,308)	(72,697)
Mr Christian Johnstone	856,324	1,009,674	(153,350)	(128,703)	(1,647)	(23,000)	(153,350)
Mr Rusty Murdaugh [1]	268,888	(235,789)	504,677	512,415	-	(7,738)	504,677
Mrs Christy Taylor [1]	492,746	503,215	(10,469)	4,027	-	(14,496)	(10,469)

1. Mr Rusty Murdaugh's & Mrs Christy Taylor's significant 'LTI Vesting versus Expense' variance represents the difference between zero vesting of LTI rights as disclosed in the Realised Remuneration table and the reversal of the previously booked Share Based Payment expense in relation to the forfeited FY2020 to FY2024 grants within the Statutory Remuneration table.

FY2023	Remuneration			Explanation of Variance			
KMP	Realised $	Statutory $	Variance $	LTI Vesting versus Expense $	Long Service Leave Movement $	Leave Provision Movement $	Total $
Mr Paddy Gregg	1,008,781	1,333,888	(325,107)	(213,321)	(61,469)	(50,317)	(325,107)
Mr Ian McMillan	533,000	720,524	(187,524)	(189,161)	(2,663)	4,300	(187,524)
Ms Michelle Kruger	986,247	1,311,838	(325,591)	(287,578)	-	(38,013)	(325,591)
Mr Geoff Buchanan	723,958	727,468	(3,510)	-	(1,645)	(1,865)	(3,510)
Mr Christian Johnstone	148,750	160,211	(11,461)	-	(301)	(11,160)	(11,461)
Mrs Christy Taylor	103,405	112,416	(9,011)	(4,027)	-	(4,984)	(9,011)

5. Non-Executive Director remuneration

I. Application

The Non-Executive Director Remuneration Policy applies to Non-Executive Directors (NED) of the Company in their capacity as directors and as members of committees.

II. Fee policy

The fee policy is designed to ensure that remuneration is reasonable, appropriate, and produces outcomes that fall within the fee limit, at each point of being assessed.

i. Fee cap

The Remuneration for NED is managed within the aggregate fee limit of $3,000,000 approved by shareholders of the Company. The cap has remained unchanged since listing on the Australian Securities Exchange (ASX) in 1998.

ii. Board & committee fees

- Remuneration is composed of Board fees and Committee fees. Both fee types include superannuation to the extent applicable to the incumbent.
- NED remuneration is targeted to be at the 50th percentile (where 50% of a reasonable comparator group are above the median level and 50% are below the median level) for FY2024.
- NED remuneration was last externally benchmarked in FY2023. The fees were adjusted for CPI in FY2024.
- Remuneration for the current Chairman of the Board reflects his continued high level of contribution to the Company and the Board.
- Committee fees recognise additional contributions to the work of the Board by members of committees. They are similarly referenced to the benchmark group as above.

iii. NED fee rates

The following table outlines the NED fee policy rates that were applicable:

FY2024	Role		
	Chair $	Deputy Chair $	Member $
Board of Directors	221,011	121,286	110,418
Audit & Risk Committee	21,736	N/A	10,868
Nomination & Remuneration Committee	21,736	N/A	10,868

FY2023	Role		
	Chair $	Deputy Chair $	Member $
Board of Directors	211,894	116,064	105,664
Audit & Risk Committee	20,800	N/A	10,400
Nomination & Remuneration Committee	20,800	N/A	10,400

iv. Termination benefits

Termination benefits are not paid to NED.

III. Share rights

The NED have agreed annually with the Company to receive 25% of their Board fees (excluding Committee fees) in the form of share rights in order to accumulate equity holdings up to the equivalent of one year of Board fees (excluding Committee fees).

The minimum equity holding will be computed in July of each year based upon the volume weighted average price of Austal shares in the month of June and Board fees for the financial year ahead. The measurement date for the share rights is the VWAP of the last 5 trading days of each month.

The share rights provided to Mrs Sarah Adam-Gedge, Mr Chris Indermaur and Mr Lee Goddard were approved by shareholders during the 2023 Annual General Meeting.

KMP	Earned Number	Average fair value per right $	Fair value $
Mrs Sarah Adam-Gedge	14,925	2.03	30,322
Mr Chris Indermaur	13,587	2.03	27,605
Mr Lee Goddard	8,722	2.11	18,403

IV. NED remuneration in FY2024

The following table outlines the remuneration received by NED of the Company during FY2024 and the previous year, prepared according to statutory disclosure requirements and applicable accounting standards:

FY2024		Board Fees				Committee Fees			Total
		Cash	Super-annuation	Share Rights	Total	Cash	Super-annuation	Total	Total
		$	$	$	$	$	$	$	$
Mr John Rothwell		199,109	21,902	-	221,011	9,791	1,077	10,868	231,879
Mrs Sarah Adam-Gedge		81,950	9,014	30,322	121,286	29,373	3,231	32,604	153,890
Mr Chris Indermaur	[1]	75,327	8,286	27,605	111,218	29,373	3,231	32,604	143,822
Mr Mick McCormack	[1,2]	75,327	8,286	-	83,613	14,687	1,616	16,303	99,916
Mr Lee Goddard	[1]	83,257	9,158	18,403	110,818	19,582	2,154	21,736	132,554
Ms Kathryn Toohey	[3]	38,898	4,279	-	43,177	7,092	780	7,872	51,049
Total		553,868	60,925	76,330	691,123	109,898	12,089	121,987	813,110

FY2023		Board Fees				Committee Fees			Total
		Cash $	Super-annuation $	Share Rights $	Total $	Cash $	Super-annuation $	Total $	Total $
Mr John Rothwell		191,759	20,135	-	211,894	9,050	950	10,000	221,894
Mr Giles Everist	[1,4]	31,806	3,340	11,646	46,792	12,050	1,265	13,315	60,107
Mrs Sarah Adam-Gedge		79,682	8,367	28,016	116,065	28,235	2,965	31,200	147,265
Mr Chris Indermaur	[1,4]	71,717	7,530	26,416	105,663	23,181	2,434	25,615	131,278
Mr Mick McCormack	[1,5]	118,714	12,465	-	131,179	18,100	1,901	20,001	151,180
Mr Lee Goddard	[1]	47,812	5,020	-	52,832	9,050	950	10,000	62,832
Total		541,490	56,857	66,078	664,425	99,666	10,465	110,131	774,556

1. Mr Giles Everist's FY2023 board fees paid were $533 below the NED rates due to an administrative error.
   Mr Chris Indermaur's and Mr Mick McCormack's FY2023 board fees paid were $800 below the NED rates due to an administrative error.
   Mr Lee Goddard's FY2023 board fees paid were $400 below the NED rates due to an administrative error.
   The shortfalls were paid in full in FY2024.
2. Mr Mick McCormack resigned as NED in March 2024.
3. Ms Kathryn Toohey was appointed as NED in February 2024.
4. Mr Giles Everist and Mr Chris Indermaur were overpaid $25,400 in cash respectively, for board fees which should have been withheld for share rights during FY2022. In FY2023, Mr Giles Everist and Mr Chris Indermaur both repaid the FY2022 overpayment.
5. Mr Mick McCormack's FY2022 board fees paid were $25,400 below the NED rates due to an administrative error. The shortfall, inclusive of superannuation of 10% was paid in full in FY2023.

6. Equity instruments held by KMP

I. FY2022 performance rights vesting

Further information relating to the FY2022 Performance Rights vesting is provided on page 37.

II. FY2023 performance rights

i. Performance rights

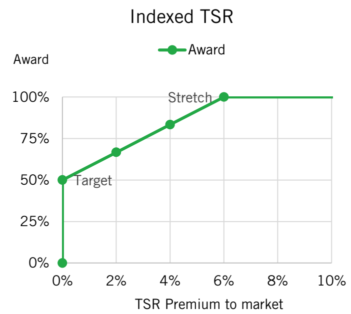
571,053 Performance rights were granted to KMP in FY2023, who were still employed by Austal and whose rights were not lapsed, forfeited or vested at 30 June 2024.

ii. Measurement period

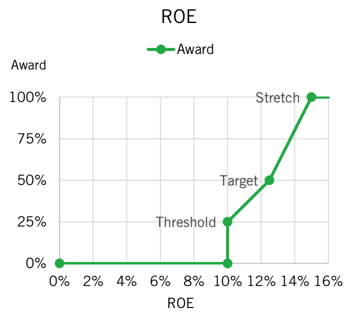
100% of the Performance rights granted in FY2023 have a 3 year Measurement period from 1 July 2022 – 30 June 2025.

iii. Performance criteria

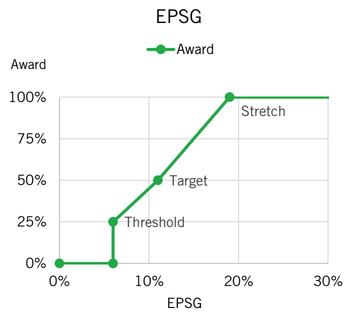
The performance criteria relating to the FY2023 grant of Performance rights to KMP are detailed below:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSG = CAGR[1] EPS (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

III. FY2024 performance rights grant

i. Performance rights grant

Performance rights granted to KMP in FY2024 are depicted in the table below.

The Fair Value per right has been determined by an independent valuer in accordance with AASB 2 *Share Based Payments* and does not match the Stretch LTI opportunity as detailed in the Executive KMP remuneration 2024 award opportunities on page 34.

Name	Rights granted iTSR	Rights granted ROE	Rights granted EPSG	Rights granted Total	Value @ grant date ($)
Fair Value per right (14 July 2023) [1]	$ 1.59	$ 2.47	$ 2.47	$ 2.18	$ 2.18
Fair Value per right (26 October 2023) [2]	$ 0.75	$ 1.48	$ 1.48	$ 1.24	$ 1.24
Mr Paddy Gregg	148,748	148,748	148,748	446,244	553,045
Mr Ian McMillan	55,019	55,019	55,019	165,057	359,659
Mr Christian Johnstone	59,065	59,065	59,065	177,195	386,108
Total	262,832	262,832	262,832	788,496	1,298,812

1. The grant date for all employees was when all parties had a shared understanding of the terms and conditions of the arrangement. If the arrangement is subject to an approval process, the grant date is the date when that approval is obtained.
2. The grant for Mr Paddy Gregg was subject to shareholder approval which was obtained at the AGM on 26 October 2023.

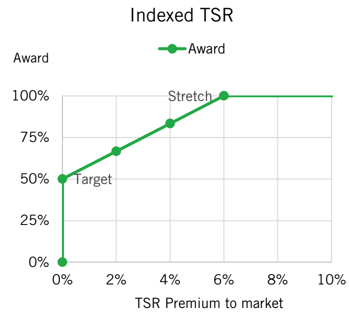
788,496 Performance rights were granted to KMP in FY2024, who were still employed by Austal and whose rights were not lapsed, forfeited or vested at 30 June 2024.

ii. Measurement period

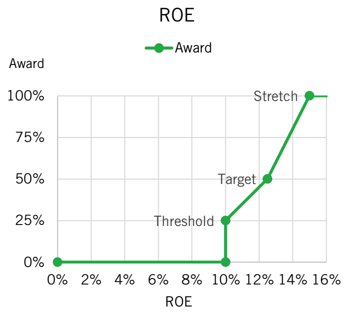
100% of the Performance rights granted in FY2024 have a 3 year Measurement period from 1 July 2024 – 30 June 2026.

iii. Performance criteria

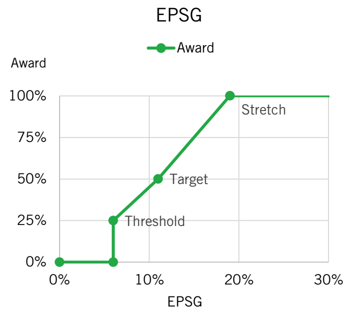
The performance criteria relating to the FY2024 grant of Performance rights to KMP are detailed below:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSG = CAGR[1] EPS (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

IV. Changes in equity held by KMP

	Balance at 30 June 2023	FY2024 Movements							Balance at 30 June 2024	Vested	Unvested
		Other [1]	Granted	Vested	Exercised	Lapsed / Forfeited	Bought (Sold)	Other [2]			
Executives											
Mr Paddy Gregg											
Shares	242,399	-	-	-	-	-	-	-	242,399	242,399	-
Indeterminate Rights[3]	441,683	-	-	153,145	-	-	-	-	594,828	594,828	-
Performance Rights	876,297	-	446,244	(153,145)	-	(306,290)	-	-	863,106	-	863,106
Total	1,560,379	-	446,244	-	-	(306,290)	-	-	1,700,333	837,227	863,106
Mr Ian McMillan											
Shares	20,582	-	-	-	67,692	-	-	-	88,274	88,274	-
Indeterminate Rights[3]	67,692	-	-	56,646	(67,692)	-	-	-	56,646	56,646	-
Performance Rights	324,129	-	165,057	(56,646)	-	(113,292)	-	-	319,248	-	319,248
Total	412,403	-	165,057	-	-	(113,292)	-	-	464,168	144,920	319,248
Ms Michelle Kruger											
Shares	-	-	-	-	-	-	-	-	-	-	-
Share Rights	-	-	-	-	-	-	-	-	-	-	-
Performance Rights	-	44,592	-	-	-	-	-	-	44,592	-	44,592
Total	-	44,592	-	-	-	-	-	-	44,592	-	44,592
Mr Christian Johnstone											
Shares	-	-	-	-	-	-	-	-	-	-	-
Indeterminate Rights[3]	-	-	-	-	-	-	-	-	-	-	-
Performance Rights	-	-	177,195	-	-	-	-	-	177,195	-	177,195
Total	-	-	177,195	-	-	-	-	-	177,195	-	177,195
Mr Rusty Murdaugh											
Shares	103,567	-	-	-	-	-	-	(103,567)	-	-	-
Share Rights	-	-	-	-	-	-	-	-	-	-	-
Performance Rights	614,766	-	318,510	-	-	(933,276)	-	-	-	-	-
Total	718,333	-	318,510	-	-	(933,276)	-	(103,567)	-	-	-
Mrs Christy Taylor											
Shares	7,943	-	-	-	-	-	-	(7,943)	-	-	-
Service Rights	32,606	-	-	-	-	(32,606)	-	-	-	-	-
Performance Rights	31,401	-	91,731	-	-	(123,132)	-	-	-	-	-
Total	71,950	-	91,731	-	-	(155,738)	-	(7,943)	-	-	-
Non-Executive Directors											
Mr John Rothwell											
Shares	32,761,692	-	-	-	-	-	-	-	32,761,692	32,761,692	-
Total	32,761,692	-	-	-	-	-	-	-	32,761,692	32,761,692	-
Mrs Sarah Adam-Gedge											
Shares	20,000	-	-	-	-	-	-	-	20,000	20,000	-
Share Rights	66,327	-	14,925	-	-	-	-	-	81,252	81,252	-
Total	86,327	-	14,925	-	-	-	-	-	101,252	101,252	-
Mr Chris Indermaur											
Shares	-	-	-	-	-	-	-	-	-	-	-
Share Rights	49,066	-	13,587	-	-	-	-	-	62,653	62,653	-
Total	49,066	-	13,587	-	-	-	-	-	62,653	62,653	-
Mr Mick McCormack											
Shares	106,920	-	-	-	-	-	-	(106,920)	-	-	-
Share Rights	-	-	-	-	-	-	-	-	-	-	-
Total	106,920	-	-	-	-	-	-	(106,920)	-	-	-
Mr Lee Goddard											
Shares	-	-	-	-	-	-	-	-	-	-	-
Share Rights	-	-	8,722	-	-	-	-	-	8,722	8,722	-
Total	-	-	8,722	-	-	-	-	-	8,722	8,722	-
Ms Kathryn Toohey											
Shares[4]	-	-	-	-	-	-	-	-	-	-	-
Share Rights[4]	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

1. Denotes the shares and rights held by Ms Michelle Kruger at the time of her promotion to KMP in April 2024.
2. Denotes the shares held by Mr Rusty Murdaugh, Mrs Christy Taylor and Mr Mick McCormack at the time of their resignation in FY2024.
3. Further information on Indeterminate rights is provided in the Executive KMP remuneration policy.
4. Ms Kathryn Toohey did not have any equity holdings at the time of her appointment nor movements in FY2024.

V. Minimum equity holdings of KMP and NED employed at 30 June 2024

Some KMP and all NED (that have been approved by shareholders to maintain a minimum equity holding) are required to accumulate and maintain a minimum level of equity holding (Equivalent shares) with value equal to or greater than a specified percentage of annual TFR.

Shares, Share Rights and vested Indeterminate Rights all contribute toward the satisfaction of the minimum equity holding. Unvested Performance Rights do not contribute toward the target.

	Equity Holding at 30 June 2024		FY2024	Equity Holding % of TFR		Target
	Equiv't Shares	Value ($)	TFR ($)	30 Jun 2024	Target	Introduced
Value / share		2.49				
Executives						
Mr Paddy Gregg	837,227	2,084,695	1,054,180	198%	100%	Jan 2021
Non-Executive Directors			Board Fees[1]			
Mr John Rothwell	32,761,692	81,576,613	221,011	36911%	100%	Nov 2017
Mrs Sarah Adam-Gedge	101,252	252,117	121,286	208%	100%	Nov 2017
Mr Chris Indermaur	62,653	156,006	110,418	141%	100%	Oct 2018
Mr Lee Goddard	8,722	21,718	110,418	20%	100%	Oct 2023

1. Includes Board Fees and excludes Committee Fees.
2. Kathryn Toohey has not yet been approved by shareholders to maintain a minimum equity holding.

7. Other related matters

I. Board composition

The NRC reviews the structure, size and composition of the Board annually, taking inputs from investors and other independent advisors received during the year into account. The current practice continues of maintaining at least three independent NED on the Board.

II. Details of contractual provisions for KMP

			Termination Notice Period		Termination
Name	Employer	Duration	Group	Individual	Benefits [1]
Mr Paddy Gregg	Austal Limited	Unlimited	6 months	6 months	6 months
Mr Ian McMillan	Austal Ships Pty Ltd	Unlimited	6 months	6 months	6 months
Ms Michelle Kruger	Austal USA LLC	Unlimited	None	None	None
Mr Christian Johnstone	Austal Limited	Unlimited	3 months	3 months	3 months
Mr Rusty Murdaugh [2]	Austal USA LLC	Unlimited	None	None	None
Mrs Christy Taylor [3]	Austal USA LLC	Unlimited	None	None	None

1. The Termination Benefit Limit under the Corporations Act is 12 months of the average prior 3 years salary unless Shareholder approval is obtained.
2. Mr Rusty Murdaugh resigned effective 30 August 2023 and was not paid a termination benefit.
3. Mrs Christy Taylor resigned effective 15 December 2023 and was not paid a termination benefit.

Austal may choose to terminate the contracts immediately by making a payment equal to the Group Notice Period fixed remuneration in lieu of notice. Executives are not entitled to this termination payment in the event of termination for serious misconduct or other nominated circumstances.

Executives will be entitled to the payment of any fixed remuneration calculated up to the termination date, any leave entitlement accrued at the termination date and any payment or award of STI or LTI permitted under the remuneration policy upon termination of employment is described in the relevant sections of this report.

All NED enter into a service agreement with the Company in the form of a letter of appointment on appointment to the Board. The letter summarises the Board policies and terms, including compensation relevant to each director. The appointment letters specify a term of three years before each NED is required to be put forward for re-election in accordance with regulatory requirements.

III. Other transactions with KMP

There were no other transactions involving KMP other than compensation and transactions concerning shares and performance rights as discussed in other sections of the Remuneration Report.

IV. Remuneration of KMP at Austal USA

Pursuant to mandatory measures in place to mitigate foreign ownership, control and influence (FOCI), the remuneration of KMP and executives at Austal's wholly owned subsidiary, Austal USA, is set by the Board of Austal USA. This includes determination of the extent to which any performance measures have been met for long and short term incentive eligibility.

V. Use of external remuneration consultants

The Board approved and engaged an external remuneration consultant to provide KMP remuneration recommendations and advice during the reporting period. The consultants and the amount payable for the information and work that led to their recommendations are listed below:

i. Korn Ferry

Korn Ferry were engaged for the following services during FY2024:

- Benchmarking for Non Executive remuneration ($15,738 excluding GST).
- Long Term Incentive Plan review ($35,000 excluding GST).

ii. Independence from Executive KMP

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related for the following reasons:

- the policy for engaging external remuneration consultants is being adhered to and is operating as intended.
- the Board has been closely involved in all dealings with the external remuneration consultants.
- each KMP remuneration recommendation received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

End of Remuneration Report

Auditor independence

Deloitte.

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30 August 2024

The Board of Directors
Austal Limited
100 Clarence Beach Rd
Henderson, WA
6166, Australia

Dear Board Members

Auditor's Independence Declaration to Austal Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Austal Limited.

As lead audit partner for the audit of the financial statements of Austal Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2024

	Notes	2024 $'000	2023 $'000
Continuing operations			
Revenue	4	1,468,907	1,585,034
Cost of sales		(1,296,397)	(1,485,930)
Gross profit		172,510	99,104
Other income and expenses	5	79,660	24,040
Administration, legal and settlement expenses	5	(178,865)	(108,221)
Marketing expenses		(16,840)	(19,765)
Finance income	5	3,901	1,784
Finance costs	5	(19,030)	(12,456)
Profit / (loss) before income tax		41,336	(15,514)
Income tax (expense) / benefit	9	(26,460)	1,740
Profit / (Loss) after tax		14,876	(13,774)
Other comprehensive income (OCI)			
Amounts that may subsequently be reclassified to profit and loss:			
Cash flow hedges			
- Net gain / (loss)		248	(4,698)
- Income tax (expense) / benefit	9	(116)	1,514
- Total		132	(3,184)
Foreign currency translations			
- Net gain		315	22,830
- Total		315	22,830
Amounts not to be reclassified to profit and loss in subsequent periods:			
Asset revaluation reserve			
- Net gain		65,855	59,439
- Income tax (expense)	9	(16,815)	(14,302)
- Total		49,040	45,137
Other comprehensive income for the period		49,487	64,783
Total comprehensive income for the year		64,363	51,009
Earnings / (loss) per share ($ per share)			
Basic earnings / (loss) per share	6	0.041	(0.038)
Diluted earnings / (loss) per share	6	0.041	(0.038)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 30 June 2024

	Notes	2024 $'000	2023 $'000
Assets			
Current			
Cash and cash equivalents	10	173,510	179,201
Inventories and work in progress	4, 17	401,455	329,137
Trade and other receivables	15	171,641	135,047
Prepayments	16	33,160	45,730
Derivatives	27, 28	551	1,358
Income tax receivable	9	4,553	117
Total		784,870	690,590
Non - current			
Property, plant and equipment	20	1,045,830	962,541
Intangible assets and goodwill	22	39,148	38,328
Prepayments	16	45,989	52,209
Derivatives	27, 28	349	87
Right of use assets	21	154,620	160,468
Other financial assets	24	13,458	16,289
Deferred tax assets	9	8,963	6,916
Total		1,308,357	1,236,838
Total		2,093,227	1,927,428
Liabilities			
Current			
Interest bearing loans and borrowings	11	(39,999)	-
Progress payments received in advance	4	(223,769)	(217,212)
Trade and other payables	18	(253,184)	(134,586)
Provisions	19	(116,327)	(125,795)
Derivatives	27, 28	(620)	(1,127)
Income tax payable	9	(56,157)	(9,920)
Lease liabilities	21	(4,832)	(4,982)
Deferred grant income	14	(14,681)	(15,324)
Total		(709,569)	(508,946)
Non - current			
Interest bearing loans and borrowings	11	(129,609)	(129,499)
Provisions	19	(36,279)	(76,394)
Derivatives	27, 28	(195)	(357)
Lease liabilities	21	(106,618)	(105,976)
Deferred grant income	14	(92,735)	(100,634)
Deferred tax liabilities	9	(13,557)	(56,804)
Total		(378,993)	(469,664)
Total		(1,088,562)	(978,610)
Net assets		1,004,665	948,818
Equity attributable to owners of the parent			
Contributed equity	13	145,065	144,518
Reserves		416,608	369,147
Retained earnings		442,992	435,153
Total		1,004,665	948,818

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the year ended 30 June 2024

	Issued Capital $'000	Reserved Shares [1] $'000	Retained Earnings $'000	Foreign Currency Transl'n Reserve $'000	Employee Benefits Reserve $'000	Cash Flow Hedge Reserve $'000	Common Control Reserve $'000	Asset Reval'n Reserve $'000	Total Equity $'000
Equity at 1 July 2022	146,236	(2,304)	477,899	119,811	8,878	3,781	(17,594)	187,578	924,285
Comprehensive income									
(Loss) for the year	-	-	(13,774)	-	-	-	-	-	(13,774)
Other comprehensive income / (loss)	-	-	-	22,830	-	(3,184)	-	45,137	64,783
Total	-	-	(13,774)	22,830	-	(3,184)	-	45,137	51,009
Other equity transactions									
Dividends provided for or paid	-	-	(28,972)	-	-	-	-	-	(28,972)
Share based payments expense	-	-	-	-	2,442	-	-	-	2,442
Shares issued to employee share trust	1,459	(1,459)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	80	506	-	-	(586)	-	-	-	-
Remeasurement gain on retirement benefits	-	-	-	-	54	-	-	-	54
Total	1,539	(953)	(28,972)	-	1,910	-	-	-	(26,476)
Movement	1,539	(953)	(42,746)	22,830	1,910	(3,184)	-	45,137	24,533
Equity at 30 June 2023	147,775	(3,257)	435,153	142,641	10,788	597	(17,594)	232,715	948,818
Comprehensive income									
Profit for the year	-	-	14,876	-	-	-	-	-	14,876
Other comprehensive income	-	-	-	315	-	132	-	49,040	49,487
Total	-	-	14,876	315	-	132	-	49,040	64,363
Other equity transactions									
Dividends provided for or paid	-	-	(10,873)	-	-	-	-	-	(10,873)
Transfer of asset revaluation reserve upon disposal	-	-	3,836	-	-	-	-	(3,836)	-
Share based payments expense	-	-	-	-	2,127	-	-	-	2,127
Shares issued to employee share trust	114	(114)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	4	543	-	-	(547)	-	-	-	-
Shares issued for vested performance rights	-	-	-	-	-	-	-	-	-
Remeasurement gain on retirement benefits	-	-	-	-	230	-	-	-	230
Total	118	429	(7,037)	-	1,810	-	-	(3,836)	(8,516)
Movement	118	429	7,839	315	1,810	132	-	45,204	55,847
Equity at 30 June 2024	147,893	(2,828)	442,992	142,956	12,598	729	(17,594)	277,919	1,004,665

1. Reserved shares are held in relation to an employee share trust.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows for the year ended 30 June 2024

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		1,373,216	1,660,053
Payments to suppliers and employees		(1,329,548)	(1,566,307)
Income tax (paid) / benefit		(41,586)	3,640
Interest paid		(19,030)	(12,456)
Interest received	5	3,901	1,784
Net cash (used in) / from operating activities	7	(13,047)	86,714
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(66,420)	(126,557)
Payment for intangible assets	22	(3,496)	(2,066)
Proceeds from sale of property, plant and equipment		48,167	1,063
Receipts of government infrastructure grants		9,047	24,785
Net cash used in investing activities		(12,702)	(102,775)
Cash flows from financing activities			
Dividends paid		(10,873)	(28,972)
Principal component of lease payments	21	(9,514)	(9,088)
Payment of borrowing costs	12	(505)	-
Proceeds from borrowings	12	40,414	-
Net cash from / (used in) financing activities		19,522	(38,060)
Net decrease in cash and cash equivalents		(6,227)	(54,121)
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		179,201	240,113
Net decrease in cash and cash equivalents		(6,227)	(54,121)
Net foreign exchange differences		536	(6,791)
Cash and cash equivalents at end of year	10	173,510	179,201

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Basis of preparation

Note 1 Corporate information

The financial report of the Austal Limited Group of Companies (the Group or the Company) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 30 August 2024.

Austal Limited is a limited liability company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) under the code ASB.

The principal activities of the Group during the year were the design, manufacture and sustainment of high performance vessels. These activities were unchanged from the previous year.

Note 2 Basis of preparation

I Introduction

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and the Australian Accounting Standards Board (AASB).

The financial report also complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and land and buildings that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

The financial report presents the figures of the consolidated entity, unless otherwise stated.

Austal Limited is a for profit entity.

II Reporting structure

The notes to the consolidated financial statements have been divided into eight main sections as follows:

1. Basis of preparation

This section focuses on the basis of consolidation, foreign currency transactions and translation, accounting judgments and estimates, new and amended accounting standards adopted by the Group, and other new accounting standards issued but not yet effective.

2. Current year performance

This section focuses on the results and performance of the Group, including profitability, earnings per share, cash generation, and the return of cash to shareholders via dividends.

3. Capital structure

This section focuses on the long term funding of the Group including cash, interest bearing loans and borrowings, contributed equity and Government grants.

4. Working capital

This section focuses on shorter term working capital concepts such as trade receivables, trade payables, work in progress and inventories, and provisions.

5. Infrastructure & other assets

This section focuses on property, plant and equipment, intangibles, impairment and other assets.

6. Financial risk management

This section focuses on the Group's approach to financial risk management, fair value measurements, foreign exchange hedging and the associated derivative financial instruments.

7. Unrecognised items

This section focuses on commitments and contingencies that are not recognised in the financial statements and events occurring after the balance date.

8. The Group, management and related parties

This section focuses on the corporate structure of the Group, parent entity data, key management personnel compensation and related party transactions.

III Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group for the year ended 30 June 2024.

Subsidiaries are all of those entities over which the Group has power over the entity, exposure or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are adjusted to comply with Group policy and generally accepted accounting principles in Australia for consolidation purposes. All intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends have been eliminated in preparing the consolidated financial statements.

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

Investments in subsidiaries held by Austal Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

IV Foreign currency transactions and translation

Both the functional and presentation currency of Austal Limited is Australian Dollars (AUD). The Company determines the most appropriate functional currency for each entity within the Group and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling applicable at the balance date. All exchange differences arising from the above procedures are taken to Other Comprehensive Income.

The functional currency of the subsidiaries undertaking the Group's operations in the USA, Vietnam, Singapore and the Philippines is United States Dollars (USD).

The assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Austal Limited at the closing foreign exchange rate for the reporting date. The Profit and Loss is translated at the average exchange rates for the period. The exchange differences arising on translation are taken directly to a separate reserve in equity. The deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Profit and Loss on disposal of a foreign entity.

V Accounting judgements and estimates

The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities in the application of the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information on material estimates and judgements considered when applying the accounting policies can be found in the following notes:

Key accounting judgements and estimates	Note
Recognition of contract revenue, and expected construction profits at completion	4
Recognition of research and development tax credits	5
Recognition of deferred tax assets	9
Tax treatment for royalties on intellectual property	9
Estimation of provisions	19
Estimation of useful lives of property, plant and equipment and intangible assets	20, 22
Estimation of fair values of land and buildings	20
Impairment of goodwill and non-financial assets	20, 23
Estimation uncertainties and judgements made in relation to lease accounting and lease terms	21
Estimation of onerous contracts and probable REA recoverability	19, 30
Share-based payments - determining the achievement of non-market based conditions	35

VI New and amended standards adopted by the Group

The Group has applied all new and amended accounting standards and interpretations effective from 1 July 2023, including:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules

The adoption of these standards did not have any effect on the financial position or performance of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

VII Other new accounting standards issued but not yet effective:

The following new or amended standards in issue but not yet effective are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (as amended)
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback
- AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements
- AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability
- AASB 2024-02 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments
- AASB 18 Presentation and Disclosure in Financial Statements

Current year performance

Note 3 Operating segments

I Disclosures

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Shipbuilding $'000	Support $'000	Total $'000	Shipbuilding $'000	Support $'000	Total $'000	$'000	$'000	$'000
Year ended 30 June 2024									
Revenue									
External customers	853,904	320,387	1,174,291	148,424	146,230	294,654	-	(38)	1,468,907
Inter-segment [1]	-	-	-	6,413	1,832	8,245	-	(8,245)	-
Total	853,904	320,387	1,174,291	154,837	148,062	302,899	-	(8,283)	1,468,907
Profit / (loss) before tax									
Earnings before interest and tax	25,101	67,848	92,949	(22,474)	9,909	(12,565)	(24,367)	448	56,465
Finance income	-	-	-	-	-	-	3,901	-	3,901
Finance expenses	-	-	-	-	-	-	(19,030)	-	(19,030)
Profit / (loss) before income tax	25,101	67,848	92,949	(22,474)	9,909	(12,565)	(39,496)	448	41,336
Depreciation and amortisation	(36,059)	(13,369)	(49,428)	(10,995)	(6,853)	(17,848)	-	-	(67,276)
Impairment (loss)	-	-	-	-	-	-	-	-	-
Balance sheet									
Segment assets	1,416,207	250,014	1,666,221	253,332	145,192	398,524	29,016	(534)	2,093,227
Segment liabilities	(721,141)	(101,153)	(822,294)	(73,233)	(84,632)	(157,865)	(121,499)	13,096	(1,088,562)

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Shipbuilding $'000	Support $'000	Total $'000	Shipbuilding $'000	Support $'000	Total $'000	$'000	$'000	$'000
Year ended 30 June 2023									
Revenue									
External customers	998,116	226,920	1,225,036	219,473	140,412	359,885	-	113	1,585,034
Inter-segment [1]	-	-	-	2,846	3,682	6,528	-	(6,528)	-
Total	998,116	226,920	1,225,036	222,319	144,094	366,413	-	(6,415)	1,585,034
(Loss) / Profit before tax									
Earnings before interest and tax	(9,498)	14,677	5,179	6,720	9,057	15,777	(26,421)	623	(4,842)
Finance income	-	-	-	-	-	-	1,784	-	1,784
Finance expenses	-	-	-	-	-	-	(12,456)	-	(12,456)
(Loss) / profit before income tax	(9,498)	14,677	5,179	6,720	9,057	15,777	(37,093)	623	(15,514)
Depreciation and amortisation	(36,208)	(7,709)	(43,917)	(10,183)	(5,715)	(15,898)	-	-	(59,815)
Impairment reversal	-	-	-	176	-	176	-	-	176
Balance sheet									
Segment assets	1,240,189	232,691	1,472,880	294,251	144,747	438,998	20,598	(5,048)	1,927,428
Segment liabilities	(700,414)	(58,307)	(758,721)	(79,031)	(84,657)	(163,688)	(72,956)	16,755	(978,610)

1. Inter-segment revenues, investments, receivables and payables are eliminated on consolidation.

	2024 $'000	2023 $'000
Group Revenue from external customers		
By geographical location of customers		
USA	1,174,291	1,211,155
Australia	282,479	327,057
Europe	1,163	13,865
Asia	1,871	24,065
South America	8,893	6,314
Middle East	210	2,578
Total	1,468,907	1,585,034

	2024 $'000	2023 $'000
Analysis of unallocated		
Profit / (loss) before tax		
Administration, legal and settlement expenses	(24,546)	(20,150)
Marketing expenses	(8,895)	(9,159)
Research and development credits	7,837	1,838
Foreign exchange gains	1,237	1,050
Finance expenses	(19,030)	(12,456)
Finance income	3,901	1,784
Total	(39,496)	(37,093)
Segment assets		
Cash	14,687	6,508
Deferred tax assets	7,507	6,818
Other receivables	148	144
Income tax receivable	4,525	117
Other	2,149	7,011
Total	29,016	20,598
Segment liabilities		
Deferred tax liabilities	(10,927)	(54,892)
Creditors and provisions	(110,572)	(18,064)
Total	(121,499)	(72,956)

	2024 $'000	2023 $'000
Group Non-current assets [1]		
Geographical location		
USA	1,040,139	950,788
Australia	136,349	127,674
Asia	63,110	82,875
Total	1,239,598	1,161,337
Composition		
Property, plant and equipment	1,045,830	962,541
Intangible assets	39,148	38,328
Right of use assets	154,620	160,468
Total	1,239,598	1,161,337

1. Excludes financial instruments, prepayments, other financial assets and deferred tax assets.

II Identification of reportable segments

The Group is organised into four business segments for management purposes. This is based on the location of the production facilities, related sales regions and types of activity.

The Chief Executive Officer, who is the Chief Operating Decision Maker (CODM), monitors the performance of the business segments separately for the purpose of making decisions. Segment performance is evaluated based on EBIT. Finance costs, finance income and income tax are managed on a Group basis (i.e. Unallocated).

The CODM monitors the tangible, intangible and financial assets attributable to each segment for the purposes of monitoring segment performance and allocating resources between segments. All assets are allocated to reportable segments with the exception of some financial instruments, deferred tax assets and income tax refunds. Goodwill has been allocated to reportable segments as described in Note 22.

III Reportable segments

The reportable segments are:

1. USA Shipbuilding

The USA manufactures high performance defence vessels for the US Navy and Coast Guard.

2. USA Support

The USA provides on-going support and maintenance of Austal and non-Austal vessels to the US Navy, principally in the USA and other international jurisdictions.

3. Australasia Shipbuilding

The Australasia Shipbuilding segment comprises Austal's Australia, Philippines and Vietnam shipbuilding operations. These operations act as a single business unit for tendering, scheduling, resource planning and management accountability.

Australasia manufactures high performance vessels for markets worldwide, excluding the USA.

4. Australasia Support

The Australasia Support segment comprises Austal's Australia, Oman and Trinidad & Tobago operations. These locations act as a single business unit for allocation of resources, training, on-going support and maintenance for high performance vessels.

IV Accounting policies, inter-segment transactions and unallocated items

The accounting policies used for reporting segments internally are the same as those utilised for reporting the accounts of the Group. Inter-entity sales are recognised based on an arm's length pricing structure in accordance with the Group's transfer pricing policy.

Certain unallocated items are not considered to be part of the core operations of any segment.

Note 4 Revenue

I Disaggregation of Revenue

	2024 $'000	2023 $'000
Revenue		
Shipbuilding	1,002,290	1,217,702
Support	466,617	367,332
Total	1,468,907	1,585,034

II Recognition and measurement

Revenue represents income derived from contracts for the provision of goods and services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's activities.

The Group derives the following types of revenue:

1. Vessel construction

Vessel construction / shipbuilding revenue includes the design and construction of both defence and commercial vessel platforms. Defence vessels include advanced naval and other defence vessels and commercial vessels include passenger ferries, vehicle passenger ferries, offshore and windfarm vessels.

2. Vessel support

Vessel support revenue includes through-life capability management and vessel support services, including crew training and instruction, vessel servicing, repairs and maintenance, integrated logistics support, vessel sustainment and information management systems support. Austal also provides comprehensive refit services and management of annual dockings to naval, government and commercial operators.

The Group's accounting policy in respect of revenue in accordance with AASB 15 is as follows:

Performance obligations

Upon approval by Austal and its counter party to a contract, each contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

Separate performance obligations

Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Combining contracts into a single performance obligation

Contracts are combined into one performance obligation for the purposes of revenue and profit recognition where individual contracts do not result in a performance obligation on the basis that it is not distinct and do not have independent utility to the customer.

Multi vessel contracts

Austal regularly enters into contracts with an obligation to deliver multiple vessels under a single contract. Austal assesses such multi vessel contracts to determine whether each vessel in the contract represents a distinct performance obligation or whether there is a single performance obligation to deliver a series of vessels that are substantially the same and have same pattern of transfer to the customer.

Transaction price

Total transaction price

The total transaction price at the start of each contract is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes.

Variable consideration

Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised.

The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract.

Allocation of total transaction price to each performance obligation

The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. There are typically no observable stand-alone selling prices given the bespoke nature of many of the Group's products and services, which are designed and / or manufactured under contract to each customer's individual specifications. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

The Group determines whether each performance obligation within a contract is satisfied over time or at a point in time.

Revenue recognition over time

Performance obligations are satisfied over time if one of the following criteria is satisfied:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as it is performed;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that most of its contracts satisfy the criteria for recognition over time, either because:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it is performed (typically sustainment contracts); or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date (typically shipbuilding contracts).

Satisfaction of performance obligations over time or at a point in time

Revenue is recognised at the point in time that control is transferred to the customer if the criteria for revenue recognition over time are not met. Control is typically transferred to the customer when legal title passes to the customer and Austal has a legal right to payment, for example, upon delivery or acceptance of invoice.

Measuring progress

The Group recognises revenue using an input method, based on costs incurred in the period for each performance obligation to be recognised over time. Revenue is calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group does not include long lead time materials where they do not represent progress. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

Multi vessel contracts representing a single performance obligation

The Group monitors the costs of each individual vessel under multi vessel contracts to identify risks and additional costs that may arise as a result of first of class issues or achievement of productivity improvements that are expected to be achieved from vessel to vessel (i.e. a learning curve).

Contingencies and additional costs are included in the cost estimate for each vessel under multi vessel contracts to ensure that revenue recognition over time appropriately reflects the presence of cost performance risks and outcomes.

Onerous contract provisions

Expected losses are recognised immediately as an expense when it is probable that total contract costs will exceed total contract revenue including assessed recovery of Request for Equitable Adjustment (REA) (i.e. the contract has become onerous).

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. Prospectively as an additional, separate contract;
2. Prospectively as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch up.

The majority of the Group's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded.

Costs to fulfil a contract

Contracts recognised over time

Contract fulfilment costs in respect of over time contracts are expensed as incurred.

Contracts recognised at a point in time

Contract fulfilment costs in respect of point in time contracts are accounted for under AASB 102 Inventories.

III Remaining performance obligations (work in hand)

The transaction price allocated to remaining performance obligations (unsatisfied or partially satisfied) at 30 June 2024 is set out below:

Transaction price allocated to remaining performance obligations pursuant to customer contracts

	2024 $'000	2023 $'000
Committed but not recognised as liabilities:		
- Within one year	899,173	1,198,009
- One to five years	2,883,977	1,130,460
Total	3,783,150	2,328,469

The transaction price associated with unsatisfied or partially satisfied performance obligations does not include variable consideration that is constrained.

IV Vessel construction and support contracts in progress

	2024 $'000	2023 $'000
Net carrying amount		
Work in progress (see Note 17)	393,576	319,835
Progress payments received in advance	(223,769)	(217,212)
Total due from customers	169,807	102,623

1. Recognition and measurement

Construction and support work in progress represents the Group's right to consideration for services provided to customers for which the Group's right remains conditional upon something other than the passage of time.

Amounts are generally reclassified to trade receivables when contract performance obligations have been certified or invoiced to the customer.

Progress payments received in advance arise where payment is received prior to work being performed.

Revenue of $134.5 million recognised in the current period was included in the progress payments received in advance (PPIA) balance at the beginning of the period (FY2023: $45.7 million).

V Significant accounting judgements and estimates

1. Contract revenue and expected construction profits at completion

The assessment of contract revenue in accordance with the Group's accounting policies requires significant estimates to be made for total contract revenues, total contract costs and the current percentage of completion. Estimates were made by management with respect to total contract revenues, and total contract costs, which had a resulting impact on the percentage of completion, in line with the Group's accounting policy for contract revenue.

2. Contingencies

Significant judgement is required in relation to the determination of cost contingencies that are included within the estimated total contract costs for each vessel project at balance date.

Examples of risks

The Group includes contingencies in individual vessel projects to allow for risks associated with estimates of material volumes and costs, labour hours including productivity improvements from ship to ship in multi vessel programs, labour rates, future overhead rates, liquidated damages for contractual commitments and other risks that may be identified for each individual project on a case by case basis such as the incorporation and development of novel technologies and production methods and achievement of key milestones.

Consumption and release of contingencies

Contingencies will either be consumed or released as progress is made on each vessel, and the risks are either realised or retired and / or certain milestones are achieved. Successful mitigation of the risks and / or successful achievement of the milestones can be estimated with greater certainty in the latter stages of the completion of each particular vessel. The profit recognised on relevant vessels will decrease in future reporting periods in the event that initial contingency estimates do not adequately cover unplanned cost increases. The profit recognised on relevant vessels will increase in future reporting periods in the event that initial contingency estimates exceed any unplanned cost increases that may eventuate.

USA

USA shipbuilding cost performance on LCS & EPF continued to improve and the remaining contingencies were released in FY2023 with the impending completion of the final vessels.

LCS

LCS 32 & LCS 34 were delivered during FY2023. Although a portion of the contingencies were consumed during FY2023, a re-assessment of the level of remaining risks, as originally planned in FY2021, following the LCS 28 design changes introduced in FY2019, allowed the release of all remaining contingencies in FY2023.

EPF

EPF 13 was delivered during FY2023. Although a portion of the contingencies were consumed during FY2023, a re-assessment of the level of remaining risks, as originally planned in FY2021, following the EPF 13 design changes introduced in FY2019, allowed the release of all remaining contingencies in FY2023.

T-ATS

Austal was awarded its first steel construction contract by the United States Navy in September 2021, a build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12). Three additional T-ATS vessels were awarded in July 2022 (T-ATS 13 and 14) and in June 2023 (T-ATS 15) respectively. These vessels are the first to be constructed in the Company's new steel panel line and risks exist for the remaining vessels until future events become known such as continued achievement of productivity improvements, future overhead rates which are directly impacted by the volume and timing of future contract awards and other vessel specific risks (further detail is provided in Note 19, III.3). Contingencies held at 30 June 2024 for undelivered vessels for the T-ATS program were $107 million (US$71 million) (2023: $Nil (US$Nil)). These contingencies form part of the forecast costs which are taken into account when calculating the onerous loss provision.

Other Programs

Future judgments about the appropriate level of contingencies to be held for each new vessel could result in an increase or decrease in the profit recognised on relevant vessels in FY2025 and future reporting periods.

Australasia

Australasia is completing a number of vessels under multi vessel contracts.

First in class vessels carry heightened cost risk associated with vessel performance, schedule adherence and material consumption and labour productivity.

Multi vessel contracts provide the opportunity for efficiency improvements from vessel to vessel which are typically built into customer pricing and hence achievement of improvements from vessel to vessel (i.e. a learning curve) represents additional cost risk.

Contingencies held at 30 June 2024 for undelivered vessels in the Australasia business unit were $7 million (FY2023: $4 million). This was equivalent to 6.5% of ETC (FY2023: 5.2%).

Note 5 Other profit and loss

I Disclosure

	2024 $'000	2023 $'000
Other income and expenses		
Government infrastructure grants amortised	17,732	15,573
Sale of scrap materials	1,244	2,031
Sundry income	6,463	1,968
Vessel warranties	(694)	2,278
Gain on disposal of land and buildings [1]	54,373	-
Loss on disposal of plant and equipment	(532)	(160)
Net foreign exchange gain	1,074	2,350
Total	79,660	24,040
Finance income		
Interest income	3,901	1,784
Finance costs		
Interest payable to unrelated parties	(18,373)	(11,866)
Amortisation of capitalised loan origination costs	(657)	(590)
Total	(19,030)	(12,456)
Net finance costs	(15,129)	(10,672)
Depreciation and amortisation		
Depreciation of property, plant and equipment	(54,134)	(48,573)
Depreciation of right of use assets	(10,521)	(9,581)
Amortisation of intangible assets	(2,621)	(1,661)
Total	(67,276)	(59,815)
Impairment loss		
Impairment reversal on plant and equipment	-	176
Employee benefits [2]		
Wages and salaries	(454,933)	(404,744)
Annual leave expense	(23,917)	(23,201)
Post-retirement benefits - defined contribution	(11,026)	(11,729)
Post-retirement benefits - defined benefit	(302)	(433)
Workers' compensation costs	(2,536)	(6,933)
Share based payments expense	(2,127)	(2,442)
Long service leave expense	(1,844)	(1,208)
Total	(496,685)	(450,690)
Research and development credits [3]		
Research and development credits	5,182	3,732
Other costs [4]		
DoJ/SEC penalty and related costs	(56,760)	(304)

1. Austal USA concluded negotiations for the sale of land, a total of 6.75 acres. In consideration, Austal USA received cash consideration of $48.0 million (US $31.5 million) and land adjacent to Austal USA's existing facilities, a total of 7.98 acres, independently valued at $15.2 million (US $9.9 million).
2. Included within 'cost of sales', 'administration, legal and settlement', and 'marketing' expenses.
3. Included within 'cost of sales'.
4. Included within 'administration, legal and settlement' expenses. This amount includes the provision (refer to Note 19 and Note 30 for further information) and other related costs.

	2024 $	2023 $
Auditors' remuneration [1]		
Amounts received or due and receivable by Deloitte Touche Tohmatsu Australia and related network firms for:		
Audit or review of the financial statements		
Group [2]	(1,960,841)	(626,600)
Controlled entities [2]	(142,444)	(1,082,111)
Total	(2,103,285)	(1,708,711)
Other assurance services	-	-
Non-audit services		
Taxation advice and compliance services	(171,868)	(49,217)
Consulting services	-	-
Total	(171,868)	(49,217)
Total	(2,275,153)	(1,757,928)
Other auditors and firms:		
Audit or review of the financial reports		
Subsidiaries	(53,879)	(131,020)
Non-audit services		
Taxation advice and compliance services	(33,025)	(28,714)
Consulting services	(33,271)	-
Total	(120,175)	(159,734)
Total	(2,395,328)	(1,917,662)

1. The portion of the auditors' remuneration payable in USD was converted at an AUD / USD exchange rate of 0.6557 in FY2024 (FY2023: 0.6721).
2. Austal USA is no longer required to prepare stand alone financial statements, and the associated audit fees are now incorporated within the 'Group' category.

II Recognition & measurement

The following recognition and measurement criteria must be met before the following specific items are recognised in the Profit and Loss:

1. Grants relating to expense items

Grants include US Government infrastructure grants and training reimbursement grants. Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

All grants are recognised as income when they relate to an expense item. The grants are recognised over the periods necessary to match the grant to the costs that they are intended to compensate.

2. Research and Development (R&D) credits

The Group receives tax credits for eligible R&D expenditure. The Group accounts for its R&D tax credits using a "hybrid" approach, whereby tax credits received up to the Group's statutory tax rate are accounted for as an income tax benefit under AASB 112, and the amount of R&D tax credits in excess of the Group's statutory tax rate are accounted as a Government grant under AASB 120.

The excess R&D credits are recognised as a reduction to each vessel's cost estimate at completion when there is reasonable assurance that the credits will be received and utilised. The entire excess credit is recognised in cost of sales and changes the calculation of percent complete which impacts the timing of revenue recognition for the projects.

The net impact to profit before tax in FY2024 was $5.2 million (FY2023: $3.7 million).

The future tax benefit of carry forward R&D credits where deemed to be probable of recovery are recognised in Other Non-Current Assets. Further information relating to the R&D credits is provided in Note 25.

3. Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other finance costs are expensed in the period that they occur. There were no qualifying assets in FY2024 (FY2023: None).

Finance costs include interest payments, amortisation of capitalised loan origination costs and other costs that an entity incurs in connection with the borrowing of funds.

4. Sale of scrap materials

Revenue for the sale of scrap is recognised when the significant risks and rewards of ownership of the materials have passed to the buyer. Risk and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

5. Foreign exchange gains and losses

Foreign exchange gains and losses included in the Profit and Loss comprise fair value adjustments on non-derivative financial assets (such as foreign currency denominated loans) and gains and losses on cash flow hedges that were deemed to be ineffective during the accounting period.

III Significant accounting judgements and estimates

1. R&D credits

Management has made judgements regarding which expenditure is classified as eligible for the credit, including assessing activities to determine whether they are conducted for the purposes of generating new knowledge, and whose outcome cannot be known or determined in advance.

Note 6 Earnings per share (EPS)

I Calculation

		2024	2023
Net profit / (loss) after tax			
Net profit / (loss) attributable to ordinary equity holders of the parent	$'000	14,876	(13,774)
Weighted average number of ordinary shares			
Basic	Number	362,510,175	362,399,476
Effect of dilution	Number	2,579,440	2,757,824
Diluted	Number	365,089,615	365,157,300
Earnings / (loss) per share			
Basic earnings / (loss) per share	$ / share	0.041	(0.038)
Diluted earnings / (loss) per share	$ / share	0.041	(0.038)

II Measurement

Basic EPS is calculated by dividing net profit / (loss) after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit / (loss) after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares into ordinary shares.

In FY2023, the effect of rights was anti-dilutive given the net (loss) attributable to ordinary equity holders of the parent. As a result, the rights were excluded and basic and diluted EPS was the same.

III Information concerning the classification of securities

1. Performance rights

Performance rights granted to executives under the Group's Long Term Incentive Plan are included in the calculation of diluted EPS where the conditions would have been met at the reporting date. There were 1,607,425 performance rights that were potentially dilutive at 30 June 2024 (30 June 2023: 1,959,193 performance rights).

Further information relating to the performance rights is provided in Note 35.

2. Share rights

Share rights may be provided to KMP as part of total fixed remuneration. The share rights are treated as effective shares and therefore included in the calculation of basic EPS.

Further information relating to the share rights is provided in Note 35.

3. Service Rights

Service rights are included in the determination of diluted EPS. There were 972,015 service rights that were potentially dilutive at 30 June 2024 (30 June 2023: 798,631 service rights).

Further information relating to the service rights is provided in Note 35.

4. **Other equity transactions**

Austal issued 47,287 shares to the Employee Share trust in June 2024 in relation to share rights issued to Non-Executive Directors.

There have been no additional transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Note 7 Reconciliation of net profit after tax to net cash flows from operations

	2024 $'000	2023 $'000
Net profit / (loss) after tax	14,876	(13,774)
Adjustments for non cash profit and loss items:		
Depreciation and amortisation	67,276	59,815
Impairment / (reversal) of plant and equipment	-	(176)
Net (gain) / loss on disposal of property, plant and equipment	(53,841)	160
Share based payments expense	2,127	2,442
Interest expense	4,028	4,834
Amortisation of borrowing costs	657	590
Deferred government grant income	(17,732)	(15,573)
Research and development tax credits recognised	(5,182)	(3,732)
Non-cash mark to market revaluations	-	(1,088)
Total	(2,667)	47,272
Changes in assets and liabilities:		
(Decrease) / increase in income tax (current and deferred)	(15,126)	1,899
(Decrease) / increase in provisions	(47,994)	101,682
(Increase) in trade and other receivables	(36,594)	(2,962)
(Increase) in inventories and work in progress	(72,318)	(66,067)
Decrease / (increase) in prepayments	18,790	(80,968)
Decrease / (increase) in other financial assets	2,831	(1,356)
Increase / (decrease) in trade and other payables	118,598	(17,140)
Increase in progress payments in advance	6,557	118,128
Total	(25,256)	53,216
Net cash from operating activities	(13,047)	86,714

Note 8 Dividends paid and proposed

I Dividends on ordinary shares

Dividends paid on ordinary shares	2024 $'000	2023 $'000
Unfranked final dividend for the prior year, 3 cps (2023: unfranked, 4 cps)	(10,873)	(14,474)
Unfranked interim dividend for the current year, 0 cps (2023: unfranked, 4 cps)	-	(14,498)
Total	(10,873)	(28,972)
Dividend declared subsequent to the reporting period end (not recorded as liability)		
Unfranked final dividend for the current year, 0 cps (2023: unfranked, 3 cps)	-	(10,873)

The dividend declared in the prior year is an estimate of the amount that would be paid and hence may not match the actual amount paid during the current year.

II Franking credit balance

	2024 $'000	2023 $'000
Opening balance	3,403	3,403
Franking credits movement from the payment / (refund) of income tax	-	-
Movement	-	-
Closing balance	3,403	3,403

The franking credit balance is subject to change as a result of any positive settlement of the royalty issue with the ATO. For further information refer to Note 9, VI.3.

Note 9 Income and other taxes

I Income tax expense

	2024 $'000	2023 $'000
Major components of tax (expense) / benefit are:		
Consolidated profit and loss		
Current income tax		
Current income tax charge	(83,416)	(26,306)
Adjustments in respect of current income tax of the previous year	(5,486)	(617)
Total	(88,902)	(26,923)
Deferred income tax		
Relating to origination and reversal of temporary differences	60,938	30,153
Adjustments in respect of deferred income tax of the previous year	1,504	(1,490)
Total	62,442	28,663
Total income tax (expense) / benefit	(26,460)	1,740
Other comprehensive income (OCI)		
Current and deferred income tax related items charged or credited directly to OCI		
Current and deferred gains and losses on foreign currency contracts	(116)	1,514
Deferred gains on revaluation of property, plant and equipment	(16,815)	(14,302)
Total income tax (expense) charged to OCI	(16,931)	(12,788)

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

	2024 $'000	2023 $'000
Accounting profit / (loss) before income tax from continuing operations	41,336	(15,514)
Income tax at the Group's statutory income tax rate of 30% (2023: 30%)	(12,401)	4,654
USA combined federal and state income tax rate of 25% (2023: 25%)	1,062	(2,231)
Philippines gross income tax (GIT) regime	120	104
Other foreign tax rate differences	(599)	403
USA revalued deferred balances for change in weighted average state rate	(263)	1,160
USA withholding tax leakage due to losses in Australia	(649)	-
(Non-taxable) / non-assessable R&D credits in cost of sales	(2,058)	1,120
Recognition of prior year unrecognised Australian R&D credits	-	6,685
Carry forward tax losses not recognised	(3,110)	(273)
Income tax credits generated	3,613	-
Transfer pricing adjustments in respect of intercompany royalties	-	(4,192)
Valuation of share based payments	(668)	(322)
Non deductible fines and penalties	(9,064)	-
Other non-assessable or non-deductible items	1,539	(524)
Foreign income taxes	-	(2,737)
Adjustments in respect of current and deferred income tax of the previous year [1]	(3,982)	(2,107)
Total adjustments	(14,059)	(2,914)
Income tax (expense) / benefit reported in the profit and loss	(26,460)	1,740
Income tax receivable / (payable)		
Income tax receivable	4,553	117
Income tax payable	(56,157)	(9,920)

1. This amount consists of the resolution of BAPA settled in the FY2023 US income tax return of $(14) million, resolution of the MAP in Australia of $4.4 million, FY2023 R&D credits generated in US of $4.2 million and $1.5 million other provision to return adjustments.

II Analysis of temporary differences

	Statement of Financial Position		Movement in Profit and Loss	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Deferred income tax - USA				
Deferred tax assets				
Deferred grant income	26,717	28,671	(1,957)	1,668
Payables	3,037	1,359	1,685	(2,860)
Trade and other receivables	408	60	349	(60)
Provisions	15,756	38,282	(22,603)	31,148
Deferred gains and losses on foreign currency contracts	173	342	-	-
Lease liabilities	13,619	13,815	(194)	350
Losses available for offset against future taxable income	9	28	(20)	-
R&D	25,832	14,150	11,727	13,714
Work in progress	36,209	-	64,745	-
Other	-	188	(188)	182
Total	121,760	96,895	53,544	44,142
Deferred tax liabilities				
Property, plant and equipment	(122,601)	(111,805)	6,024	(2,570)
Intangibles	(101)	(157)	55	540
Right of use assets	(12,300)	(12,925)	625	140
Work in progress	-	(28,301)	-	(11,116)
Payables	(229)	(104)	-	-
Deferred gains and losses on foreign currency contracts	(86)	(35)	-	-
Total	(135,317)	(153,327)	6,704	(13,006)
Net deferred tax (liability)	(13,557)	(56,432)	60,248	31,136
Deferred income tax - Australia				
Deferred tax assets				
Provisions	11,324	11,950	(626)	581
Payables	589	583	6	227
Deferred gains and losses on foreign currency contracts	37	33	-	-
Lease liabilities	14,412	13,498	914	(405)
Other	665	613	52	(467)
Total	27,027	26,677	346	(64)
Deferred tax liabilities				
Property, plant and equipment	(1,598)	(4,990)	3,391	(1,946)
Deferred gains and losses on foreign currency contracts	(167)	(391)	-	-
Right of use assets	(15,730)	(12,679)	(3,051)	705
Prepayments	(591)	(1,762)	1,171	(190)
Other	(16)	61	(77)	(428)
Total	(18,102)	(19,761)	1,434	(1,859)
Net deferred tax asset	8,925	6,916	1,780	(1,923)
Deferred income tax - Other				
Deferred tax assets	38	-	414	(550)
Deferred tax liabilities	-	(372)	-	-
Net deferred tax asset / (liability)	38	(372)	414	(550)
Net deferred tax (liability)	(4,594)	(49,888)	62,442	28,663

III Austal Group Tax Strategy

Austal's Group Tax Strategy has been endorsed by Austal's Audit & Risk Committee (ARC) and is subject to annual review and approval. This strategy applies to Austal Limited and its worldwide subsidiary companies.

1. Tax risk management and governance

Austal's tax risk management and governance processes are supported through its Tax Risk Management Standard that is approved by the Board of Directors. The ARC assists the Board in fulfilling its oversight responsibilities by reviewing, monitoring and making recommendations in relation to tax risk management and governance practices.

The standard includes:

- Ensuring that the roles and responsibilities for the management of tax risks are documented and understood;
- Maintaining a qualified and adequately resourced tax team to manage the tax control framework and day to day tax affairs;
- Requiring tax review of specified transactions and events and obtaining external advice where appropriate; and
- Regular reporting of key tax issues to the Chief Financial Officer and to the Board of Directors and ARC.

2. Tax principles

Austal observes these principles in its approach to tax. It will:

- Fulfil its tax obligations in accordance with tax laws and practice of the tax jurisdictions in which it operates.
- Pay the amount of tax which is legally due at the correct time.
- Maintain an open, transparent and collaborative relationship with tax authorities.
- Act with integrity to protect the reputation of Austal.

3. Tax planning

Austal seeks to manage its business in a tax-efficient manner, compliant with the tax laws, rules and regulations of the jurisdiction it operates in. Transactions are undertaken for commercial and economic business reasons; Austal will not knowingly participate in, facilitate nor promote artificial or contrived tax planning arrangements for the purposes of tax avoidance.

4. OECD Pillar Two Model Rules

Austal Limited is part of a global consolidated group that may be subject to additional taxation under the OECD Pillar Two tax reforms. These reforms apply to multinational entities which revenues exceeding EUR 750 million and aim to ensure that large multinational groups pay a minimum amount of tax on income in each jurisdiction in which they operate and would apply a 'top up' tax to profits in low taxing jurisdictions representing at least the minimum rate of 15%.

The Austal Limited group operates in Vietnam and the United Kingdom where new legislation to implement the global minimum top-up tax has been enacted. There is no impact on current tax arising from enacted legislation for the year ended 30 June 2024 as the Pillar Two Rules do not apply in those jurisdictions until the financial year commencing 1 July 2024.

In addition, we do not expect that there will be a material impact on current tax for the year ending 30 June 2025 arising from legislation that has been enacted, or is expected to be enacted or substantially enacted before the end of the FY2025 annual reporting period. This includes Australia where legislation has been introduced into the Federal Parliament and when passed by both houses will operate to implement the Pillar Two model rules with retrospective effect for the Group from 1 July 2024. The impact of the Pillar Two income tax legislation will continue to be assessed.

In accordance with the mandatory exception introduced into AASB 112 *Income Taxes*, the Austal Limited group has not recognised any deferred taxes arising from the Pillar Two reforms.

Any impact arising from the Pillar Two top-up tax will be presented as current tax in the period when it is incurred.

5. Tax risk appetite

Tax risk will inevitably arise given the scale of the business and the number of tax jurisdictions in which Austal operates, the judgements that are required to interpret complex tax regulations and the continually changing nature of tax laws.

Austal practices prudent management of its tax affairs through the application of its Tax Risk Management Standard. Austal proactively seeks to identify, evaluate, manage and monitor tax uncertainties and risks to ensure that they are appropriately addressed. Transfer pricing is calculated using the "arm's length" principle and structured so that the tax results are consistent with the underlying economic consequences.

6. Relationship with tax authorities

Austal is committed to engaging with the regulatory authorities with integrity, honesty, respect, fairness, transparency and a spirit of co-operation.

7. UK specific comments

Austal Group's tax strategy is regarded as satisfying the statutory obligation under Paragraph 22(2) of Schedule 19 Finance Act 2016 ('Qualifying Company') for Austal UK Limited.

IV Recognition and measurement

1. Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance date.

2. Deferred income tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when:

- The deferred income tax liability arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable Profit and Loss; or
- The taxable temporary differences associated with investments in subsidiaries, associates or joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Deferred income tax asset recognition

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward tax assets and losses to the extent that the availability of taxable profit against which the deductible temporary differences is probable; and the deferred tax assets can be utilised, except when:

- The deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable Profit and Loss;

- The deductible temporary differences are associated with investments in subsidiaries, associates and interests in joint ventures in which case a deferred tax asset is only recognised to the extent that taxable profits will be available in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

4. Deferred income tax asset and liability measurement

The US federal rate of income tax is 21.0% (FY2023: 21.0%) and the weighted average of individual US states in which Austal operates was 4.01% for FY2024 (FY2023: 4.02%). The weighted average tax rate changes year on year based on the distribution of activity between the states.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance date.

Amounts arising from the re-measurement of deferred balances is disclosed separately in the tax expense reconciliation.

5. Income taxes relating to equity items

Income taxes relating to items recognised directly in equity are only recognised in equity and not in the Profit and Loss.

V Tax consolidation

Austal Limited is the head entity in a Tax Consolidated Group comprising of Austal Limited and its 100% owned Australian resident subsidiaries that was implemented 1 July 2002. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis.

The agreement provides for the allocation of income tax liabilities between the entities in the event that the head entity defaults on its tax payment obligations. The possibility of default was assessed to be remote at the reporting date.

The current and deferred tax amounts for the Tax Consolidated Group are allocated amongst the entities in the Tax Consolidated Group using a stand-alone taxpayer approach whereby each entity in the Tax Consolidated Group measures its current and deferred taxes as if it had continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in each entity’s statement of financial position and their tax values applying under tax consolidation.

Any current or deferred tax assets or liabilities arising from unused tax losses assumed by the head entity from the subsidiaries in the Tax Consolidated Group are recognised in conjunction with any tax funding arrangement amounts. The Tax Consolidated Group recognises deferred tax assets arising from unused tax losses of the Tax Consolidated Group to the extent that it is probable that future taxable profits of the Tax Consolidated Group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

The members of the Tax Consolidated Group have a tax funding arrangement which sets out the funding obligations of members of the Tax Consolidated Group in respect of tax amounts. The tax funding arrangements require payments to or from the head entity to be equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

No amounts have been recognised as tax consolidation contribution or distribution adjustments in preparing the accounts for the head entity for the current year.

VI Significant accounting judgements and estimates

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements.

1. Deferred tax assets

Deferred tax assets are recognised as deductible temporary differences because management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has not recognised a deferred tax asset on the carry forward tax losses and Australian R&D credits because there is sufficient uncertainty in the Group's ability to utilise these in the short term. The Group will continue to assess the recognition criteria against the probability of future taxable profits.

Note that the Australian Consolidated Tax Group consists of the Australian Shipbuilding and Support operations that comprise part of the Australasia segments as well as the Austal Limited Corporate Head Office and hence the taxable income of the Australian Consolidated Tax Group is different from the profitability of the Australasia segments.

Unrecognised deferred tax assets in respect of the Australian Consolidated Tax Group losses at 30 June 2024 were:

	2024 $'000	2023 $'000
Unrecognised Australian tax losses (tax effected values)		
Opening balance	2,765	5,625
True-up of prior year tax losses [1]	24,595	(2,860)
Losses incurred in the current year	2,852	-
Total	27,447	(2,860)
Closing balance	30,212	2,765

1. This amount primarily relates to the resolution of the BAPA dispute.

Austal also claimed R&D tax offsets for prior years in FY2024 and FY2023. The offset was claimed by adding back accounting expenditure subject to R&D tax incentive and reduced carried forward losses for those years. See Note 25 for details of unrecognised R&D tax credits carried forward.

Due to the Group's hybrid approach to recognising R&D tax offsets partially as an income tax and partially as a government grant, the amounts disclosed in Note 25 include amounts that are partially unrecognised deferred tax assets and partially unrecognised government grants that may arise in the future.

2. Audits by tax authorities

The Group establishes a provision based on reasonable estimates, for the possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

3. Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Arrangement (BAPA)

The Competent Authorities of Australia and the United States of America have reached a resolution on the Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Arrangement (BAPA) programs in relation to the double taxation of intercompany royalties on intellectual property deployed from Australia to the USA.

The MAP outcome aligned with Austal's transfer pricing position. Austal is expecting a cash refund of tax in Australia of $4.2 million because it had accounted for and paid tax in Australia based on the ATO's position. There was no additional tax impact in AUSA because it had accounted for it based on its position.

The BAPA outcome resulted in lower royalties payable from Austal USA. Additional State and Federal taxes of A$14 million arose and was settled in the FY2023 USA Tax Return. There was no cash impact in Australia as a result of the BAPA outcome because the additional royalty income arose in loss years or in years when tax losses or R&D credits were utilised.

4. Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) or Value Added Tax (VAT) except when:

- The GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item; and
- Receivables and payables which are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authority is included as part of receivables or payables in the statement of financial position.

Capital structure

Note 10 Cash and cash equivalents

I Net carrying amount

	2024 $'000	2023 $'000
Cash		
Cash at bank and in hand	173,510	179,201
Total	173,510	179,201

II Recognition and measurement

Cash and short term deposits in the Balance Sheet comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

Cash and cash equivalents for the purposes of the Cash Flow Statement consists of cash and cash equivalents (as defined above).

Note 11 Interest bearing loans and borrowings

I Net carrying amount

	2024 $'000	2023 $'000
Current		
Revolving credit facility - cash loans	(39,999)	-
Non-current		
Go Zone Bonds	(129,609)	(129,499)
Total	(169,608)	(129,499)

II Recognition and measurement

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The fair values of all classes of borrowings are not materially different to their carrying amounts since the interest payable on those borrowings is either close to current market rates or they are of a short term nature.

III Go Zone Bonds (GZB)

The Gulf Opportunity Zone Bonds (Go Zone Bonds or GZB) are a form of indebtedness that was authorised by the US Federal Government to incentivise private investment in infrastructure in geographical areas that were affected by Hurricane Katrina in 2005. Austal qualified to borrow US$225 million with a 30 year maturity to invest in the development of shipbuilding infrastructure in Austal USA between FY2008 & FY2013.

Go Zone Bonds are tax-exempt municipal bonds in the United States and attracted an average coupon rate of 3.4926% in FY2024 (FY2023: 2.5485%). GZB bondholders are secured by letters of credit issued by Austal's banking syndicate with a maturity date of December 2025 for both Series 2011A and 2011B. The average cost of the letters of credit in FY2024 was 1.5312% (FY2023: 1.5354%). In December 2023, Austal extended the Syndicated Facility and the letters of credit securing the GZB, by a term of one year to December 2025.

Austal has redeemed (repaid) a cumulative amount of ~ US$137.5 million (FY2023: US$137.5 million) of GZB funds and owes US$87.5 million at 30 June 2024 (30 June 2023: US$87.5 million).

Austal has the option of redeeming the outstanding GZB balance, in whole or in part, at any time during the term of the indebtedness with a 30 day notice to bondholders.

IV Revolving credit facility – Cash Loans

	2024 $'000	2023 $'000
Revolving credit facility - cash loans		
Total facility Limit	65,000	50,000
Facilities used at reporting date	(39,999)	-
Facilities unused at reporting date	25,001	50,000

The Syndicated Facility Agreement has a $280 million revolving credit facility (RCF). In December 2023, Austal extended the Syndicated Facility by a term of one year to December 2025. The RCF has a $65 million (30 June 2023: $50 million) cash loan sub limit, of which $40 million has been drawn down at balance sheet date - the tenor of these was a period of 1 month. The interest rate is variable, based upon a drawn margin above BBSY and SOFR for AUD and USD principal borrowings respectively. The interest rate is approximately 6.25% and 7.45% for AUD and USD borrowings respectively (on an annualised basis, inclusive of other borrowing costs). There were no amounts drawn down in FY2023.

V Performance guarantees (bonding) facilities

	2024 $'000	2023 $'000
Total facilities available		
Revolving credit facility	280,000	280,000
Surety facilities	100,459	250,000
Total	380,459	530,000
Facilities used at reporting date		
Revolving credit facility (including cash loans)	(60,743)	(21,103)
Surety facilities	(759)	(866)
Total	(61,502)	(21,969)
Facilities unused at reporting date		
Revolving credit facility	219,257	258,897
Surety facilities	99,700	249,134
Total	318,957	508,031

Any unused portion of the entire $280 million RCF can be used for non-financial performance guarantees, up to $5 million of any unused portion can be used for financial performance guarantees, and up to $65 million of any unused portion can be used for cash loans as described above.

Austal had a total of $100 million of uncommitted and unsecured Surety facilities at 30 June 2024 (30 June 2023: $420 million - however, only $250 million of the Surety facilities were available for the issuance of non financial performance guarantees in accordance with a limitation within the Syndicated Facility Agreement).

Note 12 Reconciliation of financing cash flow to interest bearing debt

I Reconciliation

FY2024

		Cash charges		Non-cash changes		
	30 June 2023	Debt Repay / (Drawdown)	Payment of borrowing costs	Foreign exchange movement	Amortisation of borrowing costs	30 June 2024
	$'000	$'000	$'000	$'000	$'000	$'000
Current borrowings	-	(40,414)	-	415	-	(39,999)
Non-current borrowings	(129,499)	-	505	42	(657)	(129,609)
Total financing liabilities	(129,499)	(40,414)	505	457	(657)	(169,608)

FY2023

		Cash charges		Non-cash changes		
	30 June 2022	Debt Repay / (Drawdown)	Payment of borrowing costs	Foreign exchange movement	Amortisation of borrowing costs	30 June 2023
	$'000	$'000	$'000	$'000	$'000	$'000
Current borrowings	-	-	-	-	-	-
Non-current borrowings	(124,515)	-	-	(4,394)	(590)	(129,499)
Total financing liabilities	(124,515)	-	-	(4,394)	(590)	(129,499)

Note 13 Contributed equity and reserves

I Contributed equity

1. Net carrying amount

	Shares		$'000	
	2024	2023	2024	2023
Ordinary shares on issue				
1 July	362,441,875	361,858,154	147,775	146,236
Shares issued to Employee Share Trust	47,287	583,721	114	1,459
Shares or proceeds transferred for beneficiaries	-	-	4	80
30 June	362,489,162	362,441,875	147,893	147,775
Reserved shares				
1 July	(1,456,775)	(1,088,675)	(3,257)	(2,304)
Shares issued to Employee Share Trust or sold	(47,287)	(583,721)	(114)	(1,459)
Shares or proceeds transferred for beneficiaries	236,367	215,621	543	506
30 June	(1,267,695)	(1,456,775)	(2,828)	(3,257)
Net	361,221,467	360,985,100	145,065	144,518

2. Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of the new shares or options. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Reserved shares

Austal Limited equity instruments which are issued and held by a trustee under the Employee Share Trust (EST) are classified as Reserved shares and are deducted from Equity. No gain or loss is recognised in the Other Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3. Movements in ordinary share capital

The movement in ordinary shares during year ended 30 June 2024 is comprised of shares issued as part of the employee share plans.

Austal established an Employee Share Trust (EST) during FY2019 for the purpose of acquiring, holding and transferring shares in connection with equity based remuneration established by the Company for the benefit of participants in those plans. Austal issued 47,287 shares to the trust during the year ended 30 June 2024 for the share rights issued to Non-Executive Directors (30 June 2023: 583,721 shares to the trust for the FY2020 LTI plan, FY2022 STI equity (indeterminate rights), and share rights issued to Non-Executive Directors).

II Reserves

The reserves are shown within the Consolidated Statement of Changes in Equity for the year ended 30 June 2024.

1. Foreign currency translation reserve (FCTR)

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

2. Employee benefits reserve

This reserve is used to:

- Record the value of equity benefits provided to employees and Directors as part of their remuneration, and
- Record the re-measurement of the retirement benefits liability for the Philippines.

Further information relating to share based payment plans for the Group is provided in Note 35.

3. Cash flow hedge reserve

This reserve records the portion of the gain or loss on hedging instruments in cash flow hedges that are determined to be effective hedges.

4. Common control reserve

This reserve represents the premium paid on the acquisition of historical minority interests in a controlled entity.

5. Asset revaluation reserve

This reserve is used to record increases in the fair value of land and buildings.

Note 14 Government grants relating to assets

I Net carrying amount

	2024 $'000	2023 $'000
Deferred grant income		
Current		
Infrastructure development	(14,681)	(15,324)
Total	(14,681)	(15,324)
Non - current		
Infrastructure development	(92,735)	(100,634)
Total	(92,735)	(100,634)
Total	(107,416)	(115,958)
Movements in deferred grant income		
1 July	(115,958)	(103,034)
Grants received during the year	(9,047)	(24,785)
Amortised to the profit and loss	17,732	15,573
Effects of foreign exchange	(143)	(3,712)
Net movement	8,542	(12,924)
30 June	(107,416)	(115,958)

II Recognition and measurement

Austal has received grants from various Government bodies in the USA to fund the infrastructure required for the expansion of the Group's USA operations in Mobile, Alabama.

The fair value of grants related to assets is credited to a deferred income liability account and is released to the Profit and Loss over the expected useful life of the relevant asset.

The fair value of grants related to expense items is recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate.

Government grants are only recognised when received or when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Working capital

Note 15 Trade and other receivables

I Net carrying amount

Trade and other receivables	2024 $'000	2023 $'000
Trade amounts owing by unrelated entities	173,276	135,297
Loss allowance	(1,635)	(250)
Total	171,641	135,047

II Recognition and measurement

Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Trade receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets as set out in AASB 9 Financial Instruments.

Trade and other receivables are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in the Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

The average credit period on trade receivables ranges from 30 to 45 days in most cases. The Group used the expected credit loss model in determining the recoverability of trade receivables as per AASB 9.

The Group applies the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables without the need to identify significant increases in credit risk (i.e. no distinction is needed between 12 month and lifetime expected credit losses).

The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets, meaning that a credit default does not need to have occurred before credit losses are recognised.

III Ageing analysis of trade and other receivables

			Days past due				Loss	
		Not yet due	0-30	31-60	61-90	90+	allowance	Total
30 June 2024	$'000	127,888	24,460	11,158	2,565	7,205	(1,635)	171,641
30 June 2023	$'000	112,682	8,328	5,433	8,537	317	(250)	135,047

Past due is defined under AASB 9 to mean any amount outstanding for one or more days after the contractual due date. Past due amounts relate to a number of trade receivable balances where for various reasons the payment terms may not have been met. These receivables have been assessed to be fully recoverable, unless impaired.

IV Fair value of trade and other receivables

The carrying amount of the receivables is assumed to be the same as their fair value due to their short term nature.

Note 16 Prepayments

I Disclosure

	2024 $'000	2023 $'000
Prepayments		
Current	33,160	45,730
Non-current	45,989	52,209
Total	79,149	97,939

II Recognition and measurement

Prepayments represent goods or services which the Group has paid upfront, to fix pricing and lead times for critical goods or services, but the underlying asset will not be received until a future period. The Group expenses the prepayment over the corresponding period that the asset is consumed. During FY2023, Austal USA made prepayments for long lead time materials to fix costs related to future vessel programs.

Note 17 Inventories and work in progress

I Net carrying amount

Inventories and work in progress	2024 $'000	2023 $'000
Work in progress	393,576	319,835
Other inventory	7,879	9,302
Total	401,455	329,137

II Recognition and measurement

- Stock and finished goods are valued at the lower of cost and net realisable value.
- Cost of stock is determined on the weighted average cost basis.
- Further information relating to work in progress (WIP) is provided in Note 4.

III Work in progress

Work in progress includes raw materials and WIP (accrued income) recognised in respect of contracts with customers which have been determined to fulfil the criteria for over time revenue recognition under AASB 15. The Group does not typically build inventory to stock because material is ordered specifically for each shipbuilding project and receipted to WIP on arrival from the supplier. Work in progress is subsequently measured applying the expected credit loss model as detailed in Note 15. As at 30 June 2024 the allowance for expected credit loss on work in progress was $Nil (2023: $Nil).

IV Other inventory

Other inventories are stated at the lower of cost and net realisable value in line with AASB 102.

Note 18 Trade and other payables

I Disclosure

	2024 $'000	2023 $'000
Trade and other payables		
Trade and other payables owed to unrelated entities [1]	(253,184)	(134,586)
Total	(253,184)	(134,586)

1. Trade payables are unsecured and non-interest bearing.

II Recognition and measurement

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

III Fair value of trade and other payables

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short term nature.

Note 19 Provisions

I Net carrying amount

	Employee Benefits $'000	Workers' Compensation $'000	Onerous Contracts $'000	Warranty $'000	Remediation $'000	Other $'000	Total $'000
Provisions at 30 June 2023	(42,930)	(5,223)	(122,837)	(11,003)	(10,131)	(10,065)	(202,189)
Arising during the year	(131,189)	(4,064)	(49,883)	(2,995)	(412)	(52,994)	(241,537)
Utilised	122,313	3,536	145,043	5,956	-	12,817	289,665
Unused amounts reversed	400	-	-	-	1,360	470	2,230
Effects of foreign exchange	104	22	(1,562)	(8)	-	669	(775)
Movement	(8,372)	(506)	93,598	2,953	948	(39,038)	49,583
Provisions at 30 June 2024	(51,302)	(5,729)	(29,239)	(8,050)	(9,183)	(49,103)	(152,606)

	Employee Benefits $'000	Workers' Compensation $'000	Onerous Contracts $'000	Warranty $'000	Remediation $'000	Other $'000	Total $'000
Provisions at 30 June 2023							
Current	(40,345)	(5,223)	(55,559)	(11,003)	(3,600)	(10,065)	(125,795)
Non-current	(2,585)	-	(67,278)	-	(6,531)	-	(76,394)
Total	(42,930)	(5,223)	(122,837)	(11,003)	(10,131)	(10,065)	(202,189)
Provisions at 30 June 2024							
Current	(48,980)	(5,729)	(15,347)	(8,050)	(3,600)	(34,621)	(116,327)
Non-current	(2,322)	-	(13,892)	-	(5,583)	(14,482)	(36,279)
Total	(51,302)	(5,729)	(29,239)	(8,050)	(9,183)	(49,103)	(152,606)

II Recognition and measurement

Provisions are recognised when:

- The Group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability if the effect of the time value of money is material.

III Information about individual provisions and significant accounting estimates

1. Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulated annual and sick leave expected to be wholly settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The Group does not expect its long service leave benefits provision to be wholly settled within 12 months of each reporting date. The Group recognises a liability for long service and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2. Workers' compensation

A provision for workers' compensation is recognised based on monthly reports received from a claims administrator, American Longshore Mutual Association Limited, (USA) and insurance broker, Aon Risk Services Australia Limited, (Australia) for the expected costs of current claims and claims incurred but not reported at the balance date.

3. Onerous contracts

	T-ATS Program $'000	AFDM Program $'000	Other $'000	Total $'000
Provisions at 30 June 2023	(121,951)	-	(886)	(122,837)
Change in estimate of provision[1]	(2,181)	(47,300)	(402)	(49,883)
Utilised	126,168	17,574	1,301	145,043
Effects of foreign exchange	(2,036)	487	(13)	(1,562)
Movement	121,951	(29,239)	886	93,598
Provisions at 30 June 2024	-	(29,239)	-	(29,239)

1. Change in estimate of provision comprises increases in expected costs, net of expected REA recovery (in relation to T-ATS Program).

T-ATS Program

Austal was awarded its first steel construction contract by the United States Navy in September 2021, a build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12). The contract also provided options for up to three additional T-ATS vessels. Two of the options were exercised and awarded in July 2022 (T-ATS 13 and 14), and the final fifth vessel was awarded in June 2023 (T-ATS 15). These vessels are the first to be constructed in the Company's new steel panel line.

Management have reviewed the Estimates at Completion (EACs) as part of the year end process and applied judgement in calculating an onerous contract provision using a probability weighted approach in line with AASB 137. The judgements applied are detailed below and are expected to result in a total contract loss of $187.4 million (30 June 2023: $188.1 million), inclusive of an assumed REA recovery, and an onerous contract provision of $Nil million at 30 June 2024 (June 2023: $122.0 million).

Forecast program EAC hours:

Management conducts regular reviews of costs contained within the EACs. Consistent with the Group's experience in FY2023, during FY2024, this process identified a number of drivers of further increased costs as a result of the immature detailed design for the vessels which led to an increase of material quantities, cost inflation on materials and labour hours growth.

Various independent third parties (including the independent third party expert used in estimating the recoverable amount of the REA), an internal management expert not involved in the Program and the program office performed reviews of the EACs in FY2024. Management evaluated various scenarios and determined that 8 were realistic scenarios given the current position of the Program as of 30 June 2024. Management has adopted a probability weighted approach to calculate the onerous contract loss considering the various program office, internal management expert, and independent third-party report EACs.

Management has performed sensitivities of certain key assumptions in the onerous contract provision calculation which are discussed below.

Request for equitable adjustment:

During H1 FY2024, an independent third party expert was engaged to work alongside a dedicated team at AUSA to prepare a Rough Order of Magnitude (ROM) related to a REA submission. As directed by the United States Navy, management submitted a formal notification on 1 December 2023 informing the United States Navy of the updated ROM value which superseded the prior REA which was submitted in August 2022. Further work in H2 FY2024 has been performed by the independent third party expert since the formal notification of the ROM was made. The independent expert's work included developing ranges of potentially recoverable amounts for the REA, with the ranges based on generally accepted approaches with respect to the quantification of REAs. Management considered the REA recoverability ranges that were calculated by the independent expert when determining the probable amount of the REA that is recoverable as at 30 June 2024. The certainty of the estimate will increase over time as Austal completes more tasks which will enable more cases of productivity measurements to be factored into the analysis. Discussions between the Company and the United States Navy with respect to the ROM and related REA continue as at the date of approval of these financial statements in advance of the REA being finalised. The calculation of the onerous loss as at 30 June 2024 includes an estimate of the amount of the REA that the Company believes is probable of recovery.

Management has performed sensitivities on the key assumptions in the onerous contract provision calculation which are discussed below.

AFDM Program

Austal was awarded a detailed design and construction contract by the United States Navy in June 2022 for the build of an Auxiliary Floating Dry Dock (AFDM). This is the second program to be constructed in the Company's new steel panel line.

Management have reviewed the EACs as part of the year end process and applied judgement in calculating an onerous contract provision using a probability weighted approach in line with AASB 137. The judgements applied are detailed below and resulted in a total contract loss of $54.1 million and an onerous contract provision of $29.2 million at 30 June 2024 (2023: $Nil).

Forecast program EAC hours:

Management conducts regular reviews of costs contained within the EACs. During FY2024, this process identified a number of drivers of increased cost which included updated material quantities and cost inflation on materials, updated transportation costs and labour hours growth.

An independent third party performed a review in H1 FY2024 of the EACs and overall construction strategy, in addition to program office reviews performed in H2 FY2024. Management evaluated various scenarios and determined that 6 were realistic scenarios given the current position of the Program as of 30 June 2024. Management has adopted a probability weighted approach to calculate the onerous contract provision considering the various program office and independent third-party EACs.

Management has performed sensitivities of certain key assumptions in the onerous contract provision calculation which are discussed below.

Significant accounting judgement and estimates relating to the T-ATS and AFDM Programs onerous contract provision

The onerous contract provision assessment requires management to make certain estimates regarding the unavoidable costs and the expected economic benefits of the T-ATS and AFDM contracts. These estimates require significant management judgment, given the time period over which the vessels will be constructed, being FY2024 – FY2029 for the T-ATS Program and FY2024 – FY2028 for the AFDM Program, and are subject to risk and uncertainty and accordingly changes in economic conditions can affect these assumptions. The critical assumptions applied when estimating the present value of the provision are set out below:

Labour costs: Represent the forecast cost of labour which can vary depending on market labour rates, the mix of skilled labour required as the program progresses and the productivity achieved especially as the vessel program matures. The forecast labour rate takes account of inflationary increases. The labour hour sensitivity includes the impact of direct labour costs and also overheads related to contract fulfilment.

Overhead forecast rate: The overhead rate reflects estimated costs directly related to contract fulfilment (in addition direct costs of production), divided by forecast labour hours taking into account historic and forecast production hours of the current facility.

Materials costs: Forecast materials costs takes into account inflationary increases and are based on latest supplier quotations. Increases or decreases can arise with movements in materials costs over time.

Cost performance index (CPI): CPI is a measure of the program cost efficiencies and is determined by a number of factors, but primarily the structural and labour hour components of construction which would be expected to be more variable in first in class vessel builds.

Learning curve: The learning curve reflects the improved efficiencies that are expected as the learnings from the construction of the first vessel are applied to subsequent vessel / module construction. Learning curve assumptions are based on the actual learning curves experienced on other programs run by the Company.

Incentives: Where incentives exist within a program that are dependent on future performance, an estimate is made at each reporting date as to the economic benefits that are expected to be received under the contract. This assessment takes into account historic performance with respect to similar incentives, and also performance on the specific program to date.

Discount rate: A risk free rate of 4.5% (30 June 2023: 4%) has been applied to the provision based on the time phasing of the estimate to complete / forecast costs.

Request for Equitable Adjustment (REA): As noted above, with respect to the T-ATS Program, management have assessed the estimated REA recovery ranges provided by the independent third party expert to calculate the amount of REA that is deemed probable of recovery at 30 June 2024. The certainty of the estimate will increase over time as Austal completes more tasks which will enable more cases of productivity measurements to be factored into the analysis. The calculation of the onerous loss as at 30 June 2024 includes an estimate of the amount of the REA that the Company expects to recover based on the probable assessment of EAC's at 30 June 2024. Management will continue to assess the quantum of the REA that is deemed probable of recovery, and consequently of the benefits expected to arise. As confidential discussions between the Company and the United States Navy progress the ultimate amount that may be recovered under the REA may increase or decrease compared to the amounts assumed as being probable of recovery as at 30 June 2024. Any significant change to the amount of the REA ultimately recovered may have a material impact, positively or negatively, on the onerous loss, for example 10% change of the recovered amount of the REA could result in an impact of more than tens of millions of dollars.

The forecast EAC, as noted above, is an estimate based on various inputs including expected future year productivity, cost inflation, forecast overhead rates (which is dependent on future production throughput for the facility), forecast efficiency improvements and realisation (or not) of cost contingencies. At 30 June 2024, the total program EAC forecast (excluding growth in unrealised contingencies as disclosed in Note 4) is 18% greater than forecast at 30 June 2023 – which equates to approximately US$69 million when this percentage is considered in the context of the original total contract value. Following a detailed review of the drivers of the increased costs, and also based on advice received from an independent third party expert, the Company believes that it has a reasonable basis to recover an amount as part of an REA that will offset all forecast future losses at 30 June 2024 that would arise as a result of the cost increases noted above, and consequently an onerous contract provision of $Nil has been recognised as at 30 June 2024 (June 2023: $122.0 million).

Reasonably possible changes to key assumptions: Actual costs and cash outflows can materially differ from the current estimate, positively or negatively, as a result of inflationary cost increases, supply chain challenges, labour efficiencies, design and/or specification changes and structural complexities, and the ultimate amount recoverable under the REA claim.

Sensitivity analysis performed: The impact to the onerous contract provision of reasonably possible changes in the labour hours, materials costs, discount rates and amounts ultimately recoverable under the REA claim have been displayed in the sensitivity table below.

T-ATS Program

		Increase / (decrease) in provision [1]	
Concept	Change	$'000	$'000
		+	-
Labour hours	5%	9,509	(9,509)
Materials	5%	9,519	(9,484)
Overhead rate	2%	3,191	(3,186)
Discount	1%	(933)	978
Settlement of REA	US$20 million	(29,345)	29,345

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4.

AFDM Program

		Increase / (decrease) in provision [1]	
Concept	Change	$'000	$'000
		+	-
Labour hours	5%	1,812	(1,812)
Materials	5%	2,844	(2,808)
Overhead rate	2%	474	(473)
Discount	1%	(294)	301

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4.

4. Warranties

A provision for warranty is made upon delivery of each vessel in Australasia based on the estimated future costs of warranty repairs. The estimated future costs are based on the Group's history of warranty claims made on similar vessels within their warranty periods. The Company subsequently monitors the provision to ensure it is adequate for all known warranty claims and an estimation for unknown warranty claims. Any increases or decreases in the provision are recognised in the Profit and Loss for the period.

5. Remediation

A provision is recognised relating to remediation of the contamination of the Austal Cairns lease site. Austal became party to Deeds of Remediation when it acquired the BSE Maritime business in November 2020. The site is leased from Far North Queensland Ports Corporation Limits (Ports North). The Cairns lease site had historical contamination in the wet lease areas that existed well before 2012 when BSE Maritime assumed the leases.

Austal has undertaken significant work to understand the contamination risk and developed several potential solutions to address the long-term contamination on the site. Austal remains engaged in discussion with Ports North on the immediate and long term obligations, and has confirmed its willingness to work collaboratively with Ports North based on allocating appropriate resources and attention to dredging or other solutions that will provide a long-term solution for the site which addresses the requirements of both Ports North and Austal.

The remediation provision represents management's best estimate of the costs that will be incurred to fulfill these obligations and involves a significant degree of judgement and estimation uncertainties. Factors considered in the estimation process include the extent of the impacted areas and the complexity of the remediation process. Changes in these factors could impact the ultimate provision amount required.

As more information becomes available or as circumstances change, Austal may need to adjust the remediation provision accordingly. Any adjustments will be recognised in the period when they are identified, and the impact is disclosed in the appropriate reporting period.

6. Corporate investigations

Refer to Note 30 for further information.

A $48.1 million (FY2023: $2.5 million) provision has been recorded based on the best estimate of the probable penalties and incremental professional services costs relating to the corporate investigations matter (which sits within ‘Other’ in the table reflecting net carrying amounts).

7. Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date. No interim dividend was issued for the half year 31 December 2023 (FY2023 H1: 4.0 cents per share).

No unfranked dividend has been declared post year end. An unfranked dividend of 3.0 cents per share was declared and was not recognised as a liability for the year ended 30 June 2023.

Infrastructure & other assets

Note 20 Property, plant and equipment

I Net carrying amount

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Capital WIP $'000	Total $'000
Balance 30 June 2023					
Gross carrying amount at fair value	892,687	-	-	-	892,687
Gross carrying amount at cost	-	51,966	347,266	70,233	469,465
Accumulated depreciation and impairment	(187,211)	(14,895)	(197,505)	-	(399,611)
Net carrying amount	705,476	37,071	149,761	70,233	962,541
Balance 30 June 2024					
Gross carrying amount at fair value	956,228	-	-	-	956,228
Gross carrying amount at cost	-	57,157	358,864	118,067	534,088
Accumulated depreciation and impairment	(201,860)	(18,505)	(224,121)	-	(444,486)
Net carrying amount	754,368	38,652	134,743	118,067	1,045,830

II Reconciliation of movement for the year

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Capital WIP $'000	Total $'000
Balance 1 July 2022	577,363	34,114	143,020	44,867	799,364
Additions	48,722	88	23,911	53,836	126,557
Transfer in / (out)	18,720	3,506	7,146	(29,372)	-
Disposals	(18)	(9)	(352)	(845)	(1,224)
Depreciation charge for the year	(19,269)	(1,952)	(27,352)	-	(48,573)
Impairment reversal	-	147	29	-	176
Revaluation	59,439	-	-	-	59,439
Effects of foreign exchange	20,519	1,177	3,359	1,747	26,802
Total	128,113	2,957	6,741	25,366	163,177
Balance 30 June 2023	705,476	37,071	149,761	70,233	962,541
Additions	15,204	337	11,205	54,865	81,611
Transfer in / (out)	(2,848)	3,625	5,428	(6,205)	-
Disposals	(12,128)	-	(595)	-	(12,723)
Depreciation charge for the year	(20,444)	(2,387)	(31,303)	-	(54,134)
Revaluation	69,068	-	-	-	69,068
Effects of foreign exchange	40	6	247	(826)	(533)
Total	48,892	1,581	(15,018)	47,834	83,289
Balance 30 June 2024	754,368	38,652	134,743	118,067	1,045,830

III Recognition and measurement

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses recognised after the date of revaluation. Valuations are performed on a regular basis to ensure that the fair value of a revalued asset does not differ materially from its carrying value.

The carrying amount of land and buildings would be recognised as detailed in the table below if they were measured using the historic cost model.

	2024 $'000	2023 $'000
Land and Buildings valued using cost model		
Cost	573,266	569,397
Accumulated depreciation and impairment	(163,521)	(156,771)
Net carrying amount	409,745	412,626

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the Asset Revaluation Reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Profit and Loss, in which case the increase is recognised in the Profit and Loss.

A revaluation deficit is recognised in the Profit and Loss except to the extent that it offsets an existing surplus on the same asset recognised in the Asset Revaluation Reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation reserve relating to the particular asset being sold is transferred to retained earnings upon disposal.

IV De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Profit and Loss in the year the asset is derecognised.

Refer to Note 5 for details in relation to the sale of land in Austal USA in FY2024.

V Key judgements and accounting estimates

1. Impairment of non-financial assets

The Group assesses whether there is an indication that an asset may be impaired at each reporting date. The Group considered impairment triggers including observable indications, significant market, technological, economic or legal changes that have occurred, significant decreases in market interest rates or market rates of return, the market capitalisation of the Group compared to the net assets of the Group, evidence that any major asset or process is obsolete or damaged and other evidence from internal reporting.

Further information relating to impairment testing of non-current assets is provided in Note 23.

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value of the asset may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in assessing value in use.

The recoverable amount for an asset that does not generate largely independent cash inflows is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses on plant and equipment are recognised in the Profit and Loss.

The asset or cash-generating unit that suffered an impairment is tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The key assumptions used to determine the recoverable amount for cash-generating units (CGU) are disclosed and further explained in Note 23.

2. Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Depreciation is calculated on a straight-line or diminishing value basis over the estimated useful life of the asset.

The following useful lives have been adopted as follows:

- Buildings – 20 to 40 years.
- Plant and Equipment – 2 to 10 years.
- Leasehold Improvements – term of lease.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted at the reporting date as appropriate.

3. Revaluation of land and buildings

The Company's land and buildings consist of shipyard facilities in Australia and USA.
The Company determined that these constitute one class of asset under AASB 13, based on the nature, characteristics and risk of the property.

The Company engages external, independent valuers to determine the fair value of the land and buildings whom have appropriate qualifications and recent experience in the fair value measurement of land and buildings in the relevant locations. The valuers engaged for 30 June 2023 and 30 June 2024 were members of either the Australian Property Institute or the USA Appraisal Institute.

The valuation methodologies for Australia and the USA utilise a variety of sources and approaches based on highest and best use which is consistent with the Group's current use of the assets, including:

- the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence;
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The independent revaluation is renewed every three to five years or earlier as required. The Company undertakes an assessment in the years in between obtaining independent valuations to ensure that the latest independent valuation remains appropriate and representative of fair value as at the reporting date. The Company categorises the fair value measurement as a level 2 because the inputs and assumptions used in arriving at the at the fair value are observable.

The last independent revaluation of the Australia land and buildings occurred during FY2023. This resulted in an increase in the valuation of $9.0 million (before deferred tax) recognised in Other Comprehensive Income in FY2023.

The last independent revaluation of the USA land and buildings occurred during FY2024. This resulted in an increase in the valuation of $69.1 million (before deferred tax) recognised in Other Comprehensive Income (FY2023: $50.4 million (before deferred tax) recognised in Other Comprehensive Income).

Note 21 Leases

I Amounts recognised in the statement of financial position

	2024 $'000	2023 $'000
Right of use assets		
Properties	154,620	160,451
Equipment	-	1
Motor vehicles	-	16
Total	154,620	160,468

	2024 $'000	2023 $'000
Lease liability		
Current lease liability	(4,832)	(4,982)
Non-current lease liability	(106,618)	(105,976)
Total	(111,450)	(110,958)

Additions to the right of use assets during the reporting period were $6.0 million (FY2023: $13.3 million). The maturity analysis of lease liabilities is included in Note 26.

II Amounts recognised in the statement of profit and loss

	2024 $'000	2023 $'000
Amounts recognised in the Profit and Loss		
Depreciation for right of use assets		
Properties	(10,521)	(9,564)
Equipment	-	(3)
Motor vehicles	-	(14)
Total	(10,521)	(9,581)
Interest expense (included in finance costs)	(4,028)	(4,834)
Expense relating to short term leases, low value leases and leases with variable payments	(6,860)	(4,381)
Financing cash flows for repayment of principal element of lease liability	(9,514)	(9,088)

III Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis by discounting the following lease payments to their present value:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial recognition, lease liabilities are carried at amortised cost. Payments are allocated between repayment of principal and borrowing costs, which are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

IV Right of use assets

Right of use assets are initially recognised at cost, comprising:

- The amount of the lease liability;
- Any lease payments made at or before the commencement date, less any incentives received;
- Initial direct costs; and
- Restoration costs.

Subsequently, right of use assets are depreciated over the shorter of the asset's useful life and lease term on a straight-line basis.

V Short term leases, leases of low value assets and leases containing variable payments

Payments associated with short term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

VI Key judgements and accounting estimates

The Group determines the lease term as the non-cancellable term of the lease. The non-cancellable term is adjusted for periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain that it will exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group leases several assets including land & buildings and plant & equipment. Lease terms range between 2 and 31 years, with an average lease term of 15 years (2023: Lease terms range between 2 and 31 years, with an average lease term of 16 years).

The interest rate implicit in the lease cannot readily be determined. The Group therefore uses an Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right of use asset, in a similar economic environment, over a similar term and with a similar security. The use of an IBR therefore requires estimation when no observable rates are available.

Note 22 Intangible assets and goodwill

I Net carrying amount

	Computer Software $'000	Goodwill $'000	Other Intangibles $'000	Total $'000
Balance 30 June 2023				
Cost	30,959	31,870	4,310	67,139
Accumulated amortisation and impairment	(27,068)	-	(1,743)	(28,811)
Net carrying amount	3,891	31,870	2,567	38,328
Balance 30 June 2024				
Cost	33,952	31,870	4,308	70,130
Accumulated amortisation and impairment	(28,902)	-	(2,080)	(30,982)
Net carrying amount	5,050	31,870	2,228	39,148

II Reconciliation of movement for the year

	Computer Software $'000	Goodwill $'000	Other Intangibles $'000	Total $'000
Balance 1 July 2022	3,077	31,643	2,805	37,525
Additions	2,066	-	-	2,066
Amortisation for the year	(1,331)	-	(330)	(1,661)
Effects of foreign exchange	79	227	92	398
Total	814	227	(238)	803
Balance 30 June 2023	3,891	31,870	2,567	38,328
Additions	3,496	-	-	3,496
Disposals	(7)	-	-	(7)
Amortisation for the year	(2,282)	-	(339)	(2,621)
Effects of foreign exchange	(48)	-	-	(48)
Total	1,159	-	(339)	820
Balance 30 June 2024	5,050	31,870	2,228	39,148

III Recognition and measurement

Intangible assets acquired separately are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against the Profit and Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least once per financial year.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which results in a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

1. Computer software

Computer software is initially measured at cost and amortised on a diminishing value basis over the estimated useful life of each asset.

The following useful lives have been adopted as follows:

- Computer software – 2 to 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted at the reporting date as appropriate.

2. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed in a business combination.

Goodwill is measured at cost less any accumulated impairment losses after initial recognition. Goodwill acquired in a business combination is allocated to each of the Group's Cash Generating Units (CGU) that are expected to benefit from the combination from the acquisition date for the purpose of impairment testing, irrespective of whether other assets or liabilities acquired are assigned to those units.

Goodwill is tested annually for impairment regardless of whether impairment indicators are identified. The impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGUs to which the goodwill relates. An impairment loss is recognised when the recoverable amount of the CGU is less than its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill allocated to a CGU that has a partial disposal of the operation within that unit is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Note 23 Impairment testing of non-current assets

I Review cycle

Cash generating units (CGUs) within the Group are assessed for impairment at least annually where they hold goodwill or indefinite life intangible assets. In addition to this, all CGUs are assessed for impairment when impairment indicators are identified. Non-current assets are reviewed on an annual basis in accordance with the Group's accounting policies to determine whether there is an impairment indicator. An estimate of the recoverable amount is made where an impairment indicator exists.

II Cash generating units (CGU)

The recoverable amounts are assessed at the CGU level as identified below:

- USA Shipbuilding
- USA Support
- Australasia Shipbuilding
- Australasia Support

III Allocation of assets to CGU

Corporate assets and corporate overheads have been allocated to CGUs to the extent that they are used to support the operations of the CGU.

Goodwill acquired through business combinations has been allocated to the following segments:

- USA Support – a carrying amount of $6.7 million
- Australasia Support – a carrying amount of $25.2 million

IV Assessment of recoverable amounts and sensitivity to changes in assumptions

For the year ended 30 June 2024, management assessed whether there were any indicators of impairment. The Company's market capitalisation at 30 June 2024 was below its net assets and management considered this factor as an impairment indicator at 30 June 2024 resulting in the need for an impairment assessment across all CGUs. The Company also concluded that a trigger was present within the Australasia Shipbuilding CGU due to the CGU reporting a negative EBIT for FY2024.

The recoverable amount of the CGUs was determined based on value in use calculations using 5 year cash flow projections and terminal value cash flows.

Key inputs used in the cash flow projections include but are not limited to the profitability of currently contracted work, and the assumed value, probability, and timing of securing currently uncontracted projects.

Changes in these inputs may have an impact on the cash flow projections.

Consideration has been given below as to whether any reasonably possible changes to key assumptions may result in an impairment arising.

1. USA Shipbuilding

The recoverable amount of the USA Shipbuilding CGU was assessed and the Company concluded that the recoverable amount of the CGU is greater than its carrying value, as during FY2023 and FY2024 there were multiple shipbuilding awards replenishing the order book. The Offshore Patrol Cutter (OPC), T-AGOS Surveillance Ships, Expeditionary Medical Ships (EMS) and Landing Craft Utility (LCU) awards evidence continued demand from the US Coast Guard and US Navy respectively. Consequently no impairment is required as a result of this analysis.

Further disclosure in relation to the USA Shipbuilding CGU impairment assessment is shown below in the significant accounting judgement and estimates section.

2. USA Support

The recoverable amount of the USA Support CGU was assessed and the Company concluded that the recoverable amount of the CGU is greater than its carrying value, due to increases in expected throughput based on long term defence sustainment contracts (Littoral Combat Ships (LCS), Expeditionary Fast Transport (EPF) and future shipbuilding programs mentioned above). Throughput has been enhanced by the expansion of the San Diego operations which were established in December 2021 with the dry dock expected to commence dockings in FY2025, and increased capacity to conduct support activities in Singapore post COVID-19. Consequently no impairment is required as a result of this analysis.

Further disclosure in relation to the USA Support CGU impairment assessment is shown below in the significant accounting judgement and estimates section.

3. Australasia Shipbuilding

The Company performed an assessment for indicators of impairment and concluded that a trigger was present within the Australasia Shipbuilding CGU due to the CGU reporting a negative EBIT for FY2024.

The recoverable amount of the Australasia Shipbuilding CGU was assessed, and the Company concluded that the recoverable amount of the CGU is greater than its carrying value.

Key factors supporting this conclusion is the award of two additional Guardian-class Patrol Boats and the announcement of Austal as the 'Sovereign Shipbuilder of Western Australia'. A Heads of Agreement (HoA) has been signed between Austal and the Commonwealth of Australia to establish a Strategic Shipbuilding Agreement (SSA), with specific awards of 2 additional Evolved Cape-class Patrol Boats and Austal being nominated as shipbuilder for both the Australian Army's Landing Craft Medium and Heavy (Littoral Manoeuvre Vessels) under the Commonwealth's LAND 8710 project. The likelihood of further defence contracts is expected to be solidified by the SSA mentioned above which may arise following the Navy's Surface Combatant Fleet Review, with potential future Evolved Cape-class Patrol Boat (ECCPB), general purpose frigate and Large Optionally Crewed Vessel (LOSV) contracts allocated to Henderson.

Commercial shipbuilding has also seen increased demand, with the award of three contracts, being a 71-metre roll-on-roll-off (RORO) passenger cargo vessel and a 32-metre catamaran during FY2024, and in July 2024, a 66-metre sailing cargo trimaran for which negotiations were progressed at 30 June 2024. In addition to this, a memorandum of understanding (MOU) has been signed for a large multi-fuel vessel. Further commercial shipbuilding awards are expected to arise as a result of the increased demand in the commercial shipbuilding market which has been observed from order enquiries and independent market assessments. Consequently no impairment is required as a result of this analysis.

Further disclosure in relation to the Australasia Shipbuilding CGU impairment assessment is shown below in the significant accounting judgement and estimates section.

4. Australasia Support

The recoverable amount of the Australasia Support CGU was assessed and the Company concluded that the recoverable amount of the CGU is greater than its carrying value. Throughput and profitability is expected to remain consistent based on long term defence sustainment contracts, assuming current contracts continue to be extended. Two such contracts were renewed or extended in FY2024.

Further disclosure in relation to the Australasia Support CGU impairment assessment is shown below in the significant accounting judgement and estimates section.

V Significant accounting judgement and estimates

1. Recoverable amount of the CGU

The following table sets out the key assumptions used to assess the recoverable amounts in the USA Shipbuilding, USA Support, Australasia Shipbuilding and Australasia Support CGUs:

Concept	USA Shipbuilding Assumption	USA Support Assumption	Australasia Shipbuilding Assumption	Australasia Support Assumption
Growth assumptions	Contract awards	Contract awards	Contract awards	Contract awards
EBIT margin	Commercial in Confidence	Commercial in Confidence	Commercial in Confidence	Commercial in Confidence
Perpetuity growth rate	2.5%	2.5%	2.5%	2.5%
Post tax discount rate	9.6%	9.6%	9.6%	9.6%
Average inflation on costs	3.0%	3.0%	3.0%	3.0%

2. Growth assumptions

Growth assumptions are based on future vessel construction and service projects (awarded and uncontracted). The assumptions are based on historical experience of the size of the vessel that customers typically contract and the corresponding average tender pricing. The CGUs growth assumptions are underpinned by the following:

USA Shipbuilding - continued demand from the US Coast Guard and US Navy.

USA Support - expansion of the San Diego operations with dockings commencing in FY2025 and increased capacity to conduct support activities in Singapore post COVID-19.

Australasia Shipbuilding - the likelihood of further defence contracts arising following the release of Navy's Surface Combatant Fleet Review and commercial shipbuilding awards that are expected to arise as a result of the increased demand in the commercial shipbuilding market.

Australasia Support - current contracts for which it is assumed they continue to be extended.

3. EBIT margin

EBIT margins were based upon historical averages adjusted for prevailing economic conditions and forecasts. These have not been disclosed as they are considered to be commercially sensitive.

4. Perpetuity growth rate

Austal has included a 2.5% (FY2023: 0%) perpetuity growth rate in Australasia and a 2.5% (FY2023: 2.5%) perpetuity growth rate in USA in its calculation of the terminal value.

5. Post tax discount rate

Discount rates are determined with regards to the risks specific to each CGU, taking into consideration the location, time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Austal has adopted a post tax discount rate of 9.6% (FY2023: 9.5%) for the USA and Australasian CGUs.

6. Inflation on costs

Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures for a period of 10 years are used if data is publicly available, otherwise historical material price movements are used as an indicator of future price movements.

As a result of the impairment assessments performed for each of the CGUs as detailed above, no impairment was required as at 30 June 2024.

Note 24 Investments and other financial assets

I Net carrying amount

	2024 $'000	2023 $'000
Other financial assets		
Collateral [1]	12,229	14,994
Security deposits	1,229	1,295
Total	13,458	16,289

1. Austal USA has a legal obligation to provide cash collateral to ensure that workers' compensation claims will be paid if they are upheld.

II Recognition and measurement

The Group classifies its financial assets in the following measurement categories:

- Financial Assets to be measured subsequently at fair value (either through Other Comprehensive Income, or through the Profit and Loss); and
- Financial Assets to be measured at amortised cost.

The Group measures a financial asset at initial recognition at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset in the case of a financial asset not measured at fair value through the Profit and Loss.

The Group subsequently measures derivative financial instruments at fair value. Gains and losses on derivative financial instruments that do not qualify for hedge accounting are recognised in the Profit and Loss for the period. The effective portion of any change in the fair value of a derivative financial instrument designated as a cash flow hedge is recognised in Other Comprehensive Income and presented in the Cash Flow Hedge Reserve in equity. Amounts recognised in equity are reclassified from reserves into the cost of the underlying transaction and recognised in the Profit and Loss when the underlying transaction affects the Profit and Loss. The ineffective portion of any change in the fair value of the instrument is recognised in the Profit and Loss immediately. Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the underlying asset or liability attributable to the hedge risk, and gains and losses on the derivative financial instrument, are recognised in the Profit and Loss for the period.

Collateral in the statement of financial position comprises collateral deposits with an original maturity of one year or more. Collateral and security deposits are classified as receivables and measured at amortised cost.

Note 25 Other non-current assets

I Net carrying amount

	2024 $'000	2023 $'000
Research and development credits		
Recognised		
USA	-	-
Total	-	-
Unrecognised		
Australia	25,711	14,089
Total	25,711	14,089

II Recognition and measurement

All USA R&D credits that were generated have been utilised to partially offset the FY2024 income tax liability and hence there are no carried forward R&D credits as at 30 June 2024.

III Unrecognised R&D credits

A non-current asset has not been recognised in relation to $25.7 million (FY2023: $14.1 million) of carry forward R&D tax credits that have been generated in the Australian Consolidated Tax Group because there is sufficient uncertainty in the Group's ability to utilise these in the short term. The Group will continue to assess the recognition criteria against the probability of future taxable profits.

Financial risk management

Note 26 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect future financial performance. Current year Profit and Loss information has been included where relevant to add further context.

Risk	Exposure arising from	Monitoring	Management
Market risk - interest rate	Short-term and long-term borrowings at variable rates	Sensitivity analysis	Sustainable gearing levels across business cycles
Market risk - interest rate	Cash, trade receivables and derivative financial instruments	Sensitivity analysis	Excess cash invested in high-interest deposit accounts
Market risk - foreign currency	Future commercial transactions and recognised financial assets and liabilities not denominated in the functional currency	Cash flow forecast, Sensitivity analysis	Forward foreign exchange contracts and forward currency options
Credit risk	Cash, short term deposits, trade receivables and derivative financial instruments	Ageing analysis, Credit ratings	Monitoring of credit allowances
Liquidity	Borrowings, trade payables and derivative financial instruments	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

Objectives and policy

The objective of the Group's financial risk management policy is to reduce the impacts of external threats to the Group and to afford the opportunity to seek further investments.

Ultimate responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and agrees policies for managing each of the risks identified below, including hedging cover of foreign currency, credit allowances and future cash flow forecast projections.

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the relevant notes to the financial statements.

I Market risk

Market risk is the risk that changes in interest rates and foreign exchange rates will affect the Group's earnings, cash flows and carrying values of its financial statements.

1. Interest rate risk

Source of risk

The Austal Group is exposed to interest rate risk from changes in interest rates on its outstanding borrowings, derivative instruments and investments from the possibility that changes in interest rate risk will affect future cash flows or the fair value of financial instruments.

Risk mitigation

The cash, debt and bank covenants of the Group are monitored and re-forecasted on a monthly basis in order to monitor interest rate risk. A variable interest rate policy is maintained to ensure repayments are carried out as soon as practicable, where fixed interest rates are less flexible. Consideration is given to potential renewal of existing positions and alternative financing structures.

Exposure

The Group had the following exposures to interest rate risk at the end of the reporting period:

	2024 $'000	2023 $'000
Financial assets		
Cash and cash equivalents	173,510	179,201
Derivatives - forward foreign exchange contracts	900	1,445
Total	174,410	180,646
Financial liabilities		
Interest bearing liabilities	(169,608)	(129,499)
Derivatives - forward foreign exchange contracts	(815)	(1,484)
Total	(170,423)	(130,983)
Net exposure	3,987	49,663

Sensitivity

Profit and Loss is sensitive to higher or lower interest income from cash and cash equivalents and interest expenses on borrowings as a result of changes in interest rates. There would be no material impact on other components of Equity as a result of changes in interest rates.

The following table demonstrates the sensitivity to a reasonable change in interest rates to the Profit and Loss after tax. A normal level of volatility has been assessed as 100 basis points and the sensitivity below has been calculated on that basis.

	2024 $'000	2023 $'000
Post tax gain / (loss)		
+1.00% (100 basis points)	133	396
-1.00% (100 basis points)	(133)	(396)

The sensitivity analysis assumes that the change in interest rates is effective from the beginning of the financial year and the balances are constant over the year.

2. Foreign currency risk

Source of risk

The Group is exposed to currency risk on sales, purchases or components for construction that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Australian Dollars (AUD) for the Australia operations and US Dollars (USD) for the USA, Australasia, Philippines and Vietnam operations. The Group is also exposed to foreign exchange movements (primarily in USD) on the translation of the earnings, assets and liabilities of its foreign operations.

The Group's transactions are primarily denominated in USD, AUD and EUR.

Risk mitigation

The Group's objective is to minimise the risk of a variation in the rate of foreign exchange used to convert foreign currency revenues and expenses and assets or liabilities to the functional currency of each Group entity by utilising the following techniques:

- Negotiation of contracts to adjust for adverse exchange rate movements.
- Using natural hedges.
- Using financial instruments, such as foreign currency exchange contracts and swaps.

Exposure

The Group's financial assets and liabilities exposed to foreign currency risk at 30 June 2024 were:

	All values are stated in AUD equivalent				
Balance 30 June 2024	AUD $'000	USD [1] $'000	EUR [2] $'000	Other $'000	Total $'000
Financial assets					
Cash and cash equivalents	167	119	9	1,639	1,934
Trade and other receivables	-	214	6,296	719	7,229
Derivatives - forward foreign exchange contracts	7	43	491	359	900
Total	174	376	6,796	2,717	10,063
Financial liabilities					
Trade and other payables	(128)	(1,908)	(1,318)	(463)	(3,817)
Derivatives - forward foreign exchange contracts	(125)	(13)	(650)	(27)	(815)
Total	(253)	(1,921)	(1,968)	(490)	(4,632)

	All values are stated in AUD equivalent				
Balance 30 June 2023	AUD $'000	USD [1] $'000	EUR [2] $'000	Other $'000	Total $'000
Financial assets					
Cash and cash equivalents	148	268	8	1,089	1,513
Trade and other receivables	-	2,793	1,319	2,144	6,256
Derivatives - forward foreign exchange contracts	-	1,014	222	209	1,445
Total	148	4,075	1,549	3,442	9,214
Financial liabilities					
Trade and other payables	(151)	(445)	(1,971)	(1,580)	(4,147)
Derivatives - forward foreign exchange contracts	(603)	(19)	(742)	(120)	(1,484)
Total	(754)	(464)	(2,713)	(1,700)	(5,631)

1. Spot AUD / USD exchange rate at 30 June 2024 was 0.6667 (30 June 2023: 0.6666).
2. Spot AUD / EUR exchange rate at 30 June 2024 was 0.6221 (30 June 2023: 0.6108).

Sensitivity

A 10 per cent strengthening or weakening of the Australian Dollar against the following currencies would have increased / (decreased) net profit after tax and equity below at balance date with all other variables held constant as illustrated:

	NPAT higher / (lower)		Equity higher / (lower)	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Judgement of reasonable possible movements				
AUD / USD - 10% lower	7,618	4,633	194	1,190
AUD / USD - 10% higher	(6,233)	(3,791)	(159)	(974)
AUD / EUR - 10% lower	551	715	779	735
AUD / EUR - 10% higher	(451)	(585)	(637)	(601)

1. Spot AUD / USD exchange rate at 30 June 2024 was 0.6667 (30 June 2023: 0.6666).
2. Spot AUD / EUR exchange rate at 30 June 2024 was 0.6221 (30 June 2023: 0.6108).

The Group had US$730.2 million of USD denominated net assets at 30 June 2024 (FY2023: US$668.5 million).

Summary of forward foreign exchange contracts

The following table summarises the AUD equivalent value of the forward foreign exchange agreements by currency. Foreign currency amounts are translated at rates current at the reporting date.

The 'Buy' amounts represent the AUD equivalent of commitments to purchase foreign currencies, and the 'Sell' amounts represent the AUD equivalent of commitments to sell foreign currencies.

	2024				2023			
	Buy		Sell		Buy		Sell	
	Average Forward Rate	AUD Equivalent $'000	Average Forward Rate	AUD Equivalent $'000	Average Forward Rate	AUD Equivalent $'000	Average Forward Rate	AUD Equivalent $'000
USD		Buy USD		(Sell USD)		Buy USD		(Sell USD)
less than 3 months	0.6602	12,843	0.6860	(5,728)	0.7011	20,213	0.7316	(6,372)
3 - 12 months	0.6637	13,846	0.6616	(17,140)	0.6819	3,521	0.6990	(7,086)
> 12 months	0.6646	9,633	0.6626	(20,011)	0.6680	302	0.6868	(16,566)
Total		36,322		(42,879)		24,036		(30,024)
EUR		Buy EUR		(Sell EUR)		Buy EUR		(Sell EUR)
less than 3 months	0.5986	4,360	0.6058	(8,743)	0.6212	3,143	0.6241	(2,813)
3 - 12 months	0.6033	7,325	0.6039	(10,895)	0.5940	6,331	0.6314	(70)
> 12 months	0.5920	9,421	0.5969	(9,318)	0.6098	8,517	0.6056	(541)
Total		21,106		(28,956)		17,991		(3,424)

II Credit risk

Credit risk is the risk of financial loss to the Group as a result of customers or counterparties to financial assets failing to meet their contractual obligations.

1. Source of risk

The Group is exposed to counterparty credit risk from trade and other receivables and financial instrument contracts that are outstanding at the reporting date.

2. Risk mitigation

Trade receivables

The Group only trades with recognised, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures, which are conducted internally. The Group, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect counterparties to fail to meet their obligations given their credit ratings.

The Group minimises concentrations of credit risk and the risk of default of counterparties in relation to cash and cash equivalents and financial instruments by spreading them amongst a number of financial institutions.

Vessel sales contracts are structured to ensure that the Group is paid milestone progress payments from the client to cover the ongoing cost of the vessel construction.

Financial instruments

The Group's policy is to minimise the risk that the principal amount will not be recovered and the risk that funds will not be available when required whilst at the same time obtaining the maximum return relative to the risk. The Group's policy is to restrict its investment of surplus cash funds to financial institutions with a Standard and Poor's credit rating of at least A-2, and for a period not exceeding 3 months to manage this risk. The Group is able to undertake investments in short term deposits to achieve this objective.

Other financial assets

The Group's exposure to counterparty credit default risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, is equal to the carrying amount of these instruments. The maximum exposure to credit risk at the reporting date is disclosed in Note 15.

Cash and term deposits are predominantly held with three tier-one financial institutions which are considered to be low credit risk.

III Liquidity risk

Liquidity risk is the risk that the Group is not able to refinance its debt obligation or meet other cash outflow obligations when required.

1. Source of risk

Exposure to liquidity risk derives from the Group's operations and from the external interest bearing liabilities that it holds.

2. Risk mitigation

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-effective manner.

The Group's policy is to continually review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.
Critical assumptions include input costs, project pipeline, exchange rates and capital expenditure.

The Group aims to hold a minimum liquidity buffer of $60 million between cash on hand and undrawn non-current committed funding to meet any unforeseen cash flow requirements.

Further information relating to the Group's committed finance facilities, including the maturity dates of these facilities, is provided in Note 10 and Note 11.

3. Exposure

The contractual cash flow and maturities of financial liabilities, including interest payments are as follows:

	Years to maturity 0 - 1 $'000	1 - 5 $'000	> 5 $'000	Total [1] $'000
Balance 30 June 2024				
Derivative financial assets / (liabilities)				
Forward foreign exchange contracts				
Outflow	(52,753)	(29,525)	-	(82,278)
Inflow	52,658	29,352	-	82,010
Net derivative financial assets / (liabilities)	(95)	(173)	-	(268)
Non-derivative financial liabilities				
Trade and other payables	(239,636)	-	-	(239,636)
Go Zone Bond facility	-	(131,303)	-	(131,303)
Lease liabilities	(11,088)	(37,365)	(155,473)	(203,926)
Revolving credit facility - cash loans	(39,999)	-	-	(39,999)
Total	(290,723)	(168,668)	(155,473)	(614,864)

	Years to maturity 0 - 1 $'000	1 - 5 $'000	> 5 $'000	Total [1] $'000
Balance 30 June 2023				
Derivative financial assets / (liabilities)				
Forward foreign exchange contracts				
Outflow	(40,615)	(18,290)	-	(58,905)
Inflow	40,785	17,744	-	58,529
Net derivative financial assets / (liabilities)	170	(546)	-	(376)
Non-derivative financial liabilities				
Trade and other payables	(120,408)	-	-	(120,408)
Go Zone Bond facility	-	(131,441)	-	(131,441)
Lease liabilities	(8,907)	(26,126)	(135,843)	(170,876)
Total	(129,315)	(157,567)	(135,843)	(422,725)

1. Contractual cash flows include interest.

The Group had $25.0 million (FY2023: $50.0 million) of unused cash loan credit facilities available for immediate use at the reporting date and $173.5 million (FY2023: $179.2 million) in cash and cash equivalents, which can be used to meet its liquidity needs.

IV Offsetting financial instruments

The Group presents its assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements such as the International Swaps and Derivatives Associations (ISDA) master netting agreement. All outstanding transactions under an ISDA agreement are terminated in certain circumstances, for example, when a credit event such as a default occurs. The termination value is assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in the liquidity risk table represent the derivative financial assets and liabilities of the Group that are subject to those arrangements and are presented on a gross basis.

Note 27 Derivatives and hedging

I Cash flow hedges

The effective portion of any change in the fair value of a derivative financial instrument designated as a hedge of cash flows relating to a highly probable forecast transaction (income or expense) is recognised in Other Comprehensive Income and presented in the Cash Flow Hedge Reserve in equity. The ineffective portion of any change in the fair value of the instrument is recognised in the Profit and Loss immediately.

II Fair value hedges

Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the underlying asset or liability attributable to the hedged risk, and gains and losses on the derivative instrument, are recognised in the Profit and Loss for the period.

III Fair value through profit and loss

Gains and losses on derivative financial instruments that do not qualify for hedge accounting are recognised in the Profit and Loss for the period.

IV Financial liabilities

Loans, overdrafts, and trade and other payables are measured at amortised cost, except where fair value hedge accounting is applied.

Note 28 Fair value measurements

I Fair value

The value of the Group's financial assets and liabilities is calculated using the following techniques depending on the type of financial instrument as follows:

- The fair value of financial assets and financial liabilities traded in active markets is the quoted market price at the reporting date.
- The fair value of forward exchange contracts is calculated using discounted cash flows, reflecting the credit risk of various counterparties. Future cash flows are calculated based on the contract rate, observable forward interest rates and foreign exchange rates. Adjustments for the currency basis are made at the end of the reporting period.
- The nominal value less expected credit losses of trade receivables and payables are assumed to approximate their fair values due to their short term maturity.

1. Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Balance 30 June 2024				
Financial assets				
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Forward foreign exchange contracts	-	900	-	900
Financial liabilities				
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Forward foreign exchange contracts	-	(815)	-	(815)
Balance 30 June 2023				
Financial assets				
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Forward foreign exchange contracts	-	1,445	-	1,445
Financial liabilities				
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Forward foreign exchange contracts	-	(1,484)	-	(1,484)

Further details of the group's land and buildings and information about the fair value hierarchy as at the end of the reporting period is provided in Note 20.

2. Fair value of financial assets and liabilities carried at amortised cost

Cash and cash equivalents, trade and other receivables, and trade and other payables are carried at amortised cost which equals their fair value.

Interest bearing liabilities are carried at amortised cost and have a carrying value of $169.6 million (30 June 2023: $129.5 million) which equals their fair value. Further information is provided in Note 11.

Unrecognised items

Note 29 Commitments and contingencies

	2024 $'000	2023 $'000
Capital commitments		
Property, plant and equipment	(22,448)	(31,056)
Total	(22,448)	(31,056)
Guarantees		
Bank performance guarantees[1]	(20,744)	(21,103)
Sureties	(759)	(866)
Total	(21,503)	(21,969)

1. The bank performance guarantees are secured by a mortgage over land and buildings and floating charges over cash, receivables, work in progress that is not owned by customers and plant and equipment.

I Commitments - Guarantees

Refer to Note 11 for information regarding performance guarantees.

II Contingencies

The Group occasionally receives claims and writs for damages and other matters arising from its operations in the course of its normal business. The Group entities may also have potential financial liabilities that could arise from historical commercial contracts. No material losses are anticipated in respect of any of those contingencies.

A specific provision is made where it is deemed appropriate in the opinion of the directors, otherwise the directors deem such matters are either without merit or of such kind or involve such amounts that would not have a material adverse effect on the results or financial position of Austal if disposed of unfavourably.

Note 30 Corporate investigations

As per Austal's announcement to the ASX on 27 August 2024, the Group has agreed to resolve the investigation by the US Department of Justice (DoJ) and Securities Exchange Commission (SEC) alleging fraudulent conduct during 2013 – 2016 concerning Austal USA's Littoral Combat Ship (LCS) program on the following terms:

1) Austal USA will pay a financial penalty of US$24 million in agreed instalments over a period of 12 months from the date of Court approval of the proposed settlement.

2) Austal USA has entered into a plea agreement with the DoJ to resolve criminal charges of fraud. As part of the plea agreement Austal USA has agreed to enter a guilty plea in relation to one count of securities fraud and one count of obstructing a federal audit. Austal Limited was not charged in this matter but has agreed to participate in certain compliance and reporting obligations to the DoJ.

3) Austal Limited and Austal USA have settled with the SEC by consenting to the entry of a final judgment that permanently restrains and enjoins them from violating certain provisions of the US federal securities laws. As part of the SEC resolution, Austal Limited does not admit or deny the allegations set out in the SEC's allegations.

4) Austal USA has agreed to engage an independent monitor, at its own cost, for a period of three years to assess and monitor compliance with the DoJ plea agreement and confirm the effectiveness of its compliance programme and associated internal controls.

This penalty is consistent with the disclosures in Austal's FY2024 H1 half-year report in February 2024 which noted that substantial penalties of 'tens of millions of dollars' could apply (note 11 in the FY2024 H1 half-year report).

In light of the above, Austal has recorded a provision of US$32.1 million (A$48.1 million) as at 30 June 2024 (2023: A$2.5 million) which includes the financial penalty, some legal costs directly associated with the settlement, an allowance for interest required to be paid, and other expected costs of complying with the settlement orders, including the engagement of the independent monitor. The provision is also discounted given the time period over which certain elements of it are expected to be settled extends beyond 12 months.

As per Austal's ASX announcement on 27 August 2024, although the terms of the resolution have been agreed by each of the DoJ, SEC and Austal, they remain subject to the final approval of the US District Court for the Southern District of Alabama. Approval of the proposed settlement remains at the discretion of the court and hence it is possible that the court either does not approve the proposed terms, modifies them or applies conditions to them. However, noting that settlement terms have been agreed by each of the 3 parties involved, the Group considers the agreed terms to represent the most likely outcome, and therefore be the most accurate basis on which a provision can be estimated at the date of approval of the financial statements.

The Group is not aware of when the court will advise of its approval or otherwise of the proposed settlement, however will update the market by announcement to the ASX at the relevant time.

As part of seeking to resolve the investigation the Group has satisfied itself, through discussions with its principal customers and primary lenders, that a resolution on these terms would not affect current or potential build programs or have a material adverse impact on Group banking facilities. It is not the practice of these stakeholders to provide formal commitment of same, however the Group notes that both Austal USA and Austal in Australia have been awarded a number of substantial contracts for construction since the investigation began and continues to enjoy positive and constructive relationships with its key stakeholders despite this matter. The Group also continues to take steps to ensure this risk is minimised, such as seeking to resolve an Administrative Agreement with the US Navy, which is broadly aligned with the compliance commitments Austal USA makes as part of its engagement of an independent monitor. As a result of the facts noted above, the Group has considered its banking facilities and is of the opinion that the proposed settlement agreement has not resulted in an event of default that would require the Group's finance facilities to become due and payable. Overall, the Group considers the risk with respect to current and potential build programs, and to the continuation of the Group's existing banking facilities to be acceptably low, albeit some risk remains.

If the court does not approve the proposed settlement, it is possible that the US regulatory investigations could lead to formal civil or criminal proceedings against the Group. These could involve either the DoJ or the SEC seeking penalties that are different to those currently provided for. It could also increase the risk of Austal USA being suspended or debarred from future US Government contracts, however it is not possible to estimate that risk at this time.

Note 31 Events after the balance date

I Dividend proposed

No unfranked dividend has been declared for FY2024 post 30 June 2024 (FY2023 final: 3.0 cents per share, unfranked).

II Other

On 27 June 2024, the Group announced that former US Secretary of Navy Mr Richard Spencer will replace Mr Rothwell as Non-Executive Chairman, and will also join the board of Austal USA, effective 1 July 2024.

On 15 July 2024, the Group announced that Austal Australia delivered the 20th Guardian-class Patrol Boat (GCPB) to the Australian Department of Defence.

On 26 July 2024, Mr Ian McMillan Chief Operating Officer Australasia tendered his resignation effective immediately. The Board of Directors has initiated a search for a suitable replacement and interim management measures have been put in place to ensure continuity and stability in the Group's operations.

On 29 July, the Group announced that Austal Australasia has been awarded a contract to design and construct a wind-powered, aluminium cargo trimaran for Vela Transport of Bayonne, France. The exact purchase price for the vessel cannot be disclosed for commercial reasons, however, is in the range of $40 to $45 million.

On 2 August 2024, the Group announced Austal Australia has delivered the 7th of 10 Evolved Cape-class Patrol Boats (ECCPB's) under contract to the Royal Australian Navy.

On 5 August 2024, the Group announced Austal USA has been awarded a US$54,997,317 (A$84,455,364) fixed priced incentive (firm-target) contract modification for the construction of two additional Landing Craft Utility (LCU) 1700-class vessels for the United States Navy.

On 27 August 2024, the Group announced that it has reached a global resolution with both the US Department of Justice (DoJ) and the US Securities Exchange Commission (SEC) to resolve previously disclosed investigations into the events leading up to the write back of work in progress (WIP) in July 2016.

The Directors are not aware of any other matters or circumstances that have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

The Group, management and related parties

Note 32 Parent interests in subsidiaries

The consolidated financial statements include the financial statements of Austal Limited and the material subsidiaries listed in the following table.

Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Company	Country of incorporation	Principal place of business	Equity Interest 2024	Equity Interest 2023
Austal Australasia Pty Ltd	Australia	Australia	100%	100%
Austal Brisbane Pty Ltd	Australia	Australia	100%	100%
Austal Cairns Pty Ltd	Australia	Australia	100%	100%
Austal Holdings Inc	USA	USA	100%	100%
Austal Lewek Hercules Inc	Philippines	Philippines	100%	100%
Austal Muscat LLC[1]	Oman	Oman	70%	70%
Austal Philippines Pty Ltd	Australia	Philippines	100%	100%
Austal Service Darwin Pty Ltd	Australia	Australia	100%	100%
Austal Ships Pty Ltd	Australia	Australia	100%	100%
Austal UK Limited	United Kingdom	United Kingdom	100%	100%
Austal USA Advanced Technologies Inc	USA	USA	100%	100%
Austal USA LLC	USA	USA	100%	100%
Austal USA Service LLC	USA	USA	100%	100%
Austal Viet Nam Co Ltd	Vietnam	Vietnam	100%	100%

1. Austal Ships Pty Ltd owns 70% of the shareholdings in Austal Muscat LLC but consolidates 100% of profits less commission paid to the minority interest holder.

Note 33 Related party disclosures

Group policy is that all transactions with related parties are conducted on commercial terms and conditions.

No related party transactions occurred with the consolidated entity other than the remuneration of Directors and KMP and the matters disclosed in this report.

Note 34 Key management personnel (KMP) compensation

KMP Compensation	2024 $'000	2023 $'000
Short-term employee benefits	5,554	4,016
Post-employment benefits	251	298
Long term benefits	35	66
Share-based payments	(1)	760
Total	5,839	5,140

Detailed remuneration disclosures are provided in the Remuneration Report commencing on page 24.

Note 35 Share based payments

I Performance rights

The following changes in performance rights took place during the year:

Grant Year	Balance at 30 June 2023	Granted	Vested	Forfeited / Lapsed	Balance at 30 June 2024	Expiry date
FY2022	1,725,696	-	(438,470)	(1,287,226)	-	30 Jun 2024
FY2023	1,742,418	-	-	(418,980)	1,323,438	30 Jun 2025
FY2024	-	2,366,202	-	(536,058)	1,830,144	30 Jun 2026
Total	3,468,114	2,366,202	(438,470)	(2,242,264)	3,153,582	

The Board has the discretion to decide if performance rights will lapse or vest.

II Service rights

The following changes in service rights took place during the year:

Grant Year	Balance at 30 June 2023	Granted	Vested	Forfeited / Lapsed	Balance at 30 June 2024	Expiry date
FY2020	263,197	-	(224,211)	(38,986)	-	30 Jun 2024
FY2021	317,498	-	-	(49,681)	267,817	30 Jun 2025
FY2022	521,118	-	-	(65,961)	455,157	30 Jun 2026
FY2023	520,980	-	-	(62,799)	458,181	30 Jun 2027
FY2024	-	660,867	-	(70,572)	590,295	30 Jun 2028
Total	1,622,793	660,867	(224,211)	(287,999)	1,771,450	

Service rights were introduced in FY2020 to offer a long term incentive to non-KMP. Service rights have a vesting period of 5 years. The only vesting criteria is fulfilment of the 5 year service period.

III Recognition - equity settled transactions

The Group provides benefits to employees (including KMP) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

Equity settled benefits have been provided to senior management and Directors under the following plans in the current and prior years:

- The Long Term Incentive Plan (LTI Plan)
- The Short Term Incentive Plan (STI Plan)
- TFR share rights

No account is taken of any performance conditions, other than conditions linked to the price of the shares of Austal Limited (market conditions) if applicable in valuing equity settled transactions.

The cost of these equity settled transactions with employees is recorded by reference to the fair value at the date at which they are granted. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that will ultimately vest in the opinion of the Directors of the Group. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met because the effect of these conditions is included in the determination of fair value at grant date. The Profit and Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. An expense is recognised as if the terms had not been modified. An expense is also recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

An equity settled award that is cancelled is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately, however, cancelled awards and new awards are treated as if they were a modification of the original award if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, as described in the previous paragraph.

Shares in the Group held by the Employee Share Trust (EST) are classified and disclosed as Reserved Shares and deducted from equity in the Statement of Changes in Equity. Further information relating to Reserved Shares is provided in Note 13.

IV Recognised share-based payment expenses

The expense recognised for share based payments during the year is shown in the table below:

	2024 $'000	2023 $'000
Share-based payments expense		
Expense arising from equity-settled share-based payment transactions	(2,127)	(2,442)

V Significant accounting judgements and estimates

The Group is required to estimate the fair value of equity-settled share-based payment transactions with employees at the grant date. Estimating the fair value requires determination of the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share rights, volatility and dividend yield.

The Group has applied the Black-Scholes option pricing model to estimate the fair value of the rights with non-market based vesting conditions. A hybrid employee share option pricing model has been applied to estimate the fair value of rights with market based vesting conditions.

Note 36 Parent entity information

Information relating to Austal Limited, the parent entity, is detailed below:

Balance sheet	2024 $'000	2023 $'000
Assets		
Current	211,021.00	163,243
Non - current	336,107.00	328,028
Total	547,128.00	491,271
Liabilities		
Current	(45,211.00)	(8,482)
Non - current	(17,750.00)	(6,602)
Total	(62,961.00)	(15,084)
Net assets	484,167.00	476,187
Equity		
Contributed equity	145,065.00	144,518
Employee benefits reserve	11,691.00	10,111
Asset revaluation reserve	17,665.00	17,665
Cash flow hedge reserve	-	373
Retained earnings	309,746.00	303,520
Total	484,167.00	476,187
Income		
Net profit after tax	17,098	26,700
Total comprehensive income	16,725	33,317

Austal Limited provides parent company guarantees in respect of contract performance by various members of the Austal Group including Austal USA LLC, Austal Ships Pty Ltd, Austal Philippines Pty Ltd and Austal Holdings Vietnam Pty Ltd.

Consolidated entity disclosure statement as at 30 June 2024

		Body corporates		Tax residency	
Entity name	Entity type	Place formed or incorporated	% of share capital held	Australian or foreign	Foreign jurisdication
Austal Australasia Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Brisbane Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Cairns Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Cyprus Ltd	Company	Cyprus	100%	Australian [1]	N/A
Austal Egypt LLC	Company	Egypt	100%	Foreign	Egypt
Austal Holdings, Inc.	Company	USA	100%	Foreign	USA
Austal Holdings Vietnam Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Lewek Hercules Inc.	Company	Philippines	100%	Foreign	Philippines
Austal Limited	Company	Australia	N/A	Australian [1]	N/A
Austal Middle East Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Muscat LLC	Company	Oman	70%	Foreign	Oman
Austal Philippines Pty Ltd [2]	Company	Australia	100%	Australian [1]	N/A
Austal Service Darwin Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Service Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Services Subic Bay, Philippines, Inc.	Company	Philippines	100%	Foreign	Philippines
Austal Ships Pty Ltd [3]	Company	Australia	100%	Australian [1]	N/A
Austal Strategic Shipbuilding Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Subic Bay Holdings Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal Systems Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Austal UK Limited	Company	United Kingdom	100%	Foreign	United Kingdom
Austal USA Advanced Technologies, Inc.	Company	USA	100%	Foreign	USA
Austal USA, LLC. [4]	Company	USA	100%	Foreign	USA
Austal USA Service LLC	Company	USA	100%	Foreign	USA
Austal Viet Nam Co., Ltd	Company	Vietnam	100%	Foreign	Vietnam
Brisbane Slipways Assets Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Brisbane Slipways and Engineering Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Brisbane Slipways Holdings Pty Ltd	Company	Australia	100%	Australian [1]	N/A
BSE Maritime Group Assets Pty Ltd	Company	Australia	100%	Australian [1]	N/A
BSE Maritime Group Pty Ltd	Company	Australia	100%	Australian [1]	N/A
Seastate Pty Ltd	Company	Australia	100%	Australian [1]	N/A

1. This entity is part of a tax-consolidated group under Australian taxation law for which Austal Limited is the head entity.
2. Austal Philippines Pty Ltd is incorporated in and operates in Australia and has a registered branch in Philippines. The branch operations have tax obligations in Philippines under the Philippines *National Internal Revenue Code of 1997.*
3. Austal Ships Pty Ltd is incorporated in and operates in Australia and has a registered branch in Trinidad and Tobago. The branch operations have tax obligations in Trinidad and Tobago under the Trinidad and Tobago *Income Tax Act Chapter 75:01 Act 34 of 1938.*
4. Austal USA, LLC is incorporated in and operates in USA and has a registered branch in Singapore. The branch operations have tax obligations in Singapore under the Singapore *Income Tax Act 1947.*

Directors' declaration

I state in accordance with a resolution of the Directors of Austal Limited, that:

In the opinion of the Directors:

- The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - Giving a true and fair view of the consolidated entity's financial position at 30 June 2024 and of its performance for the year ended on that date; and
  - Complying with Accounting Standards and the Corporations Regulations 2001.
- There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable at the date of this declaration.
- The consolidated entity disclosure statement on page 122 is true and correct.

The financial Statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2024.

John Rothwell AO

Immediate Past Chairman

(Effective until 30 June 2024)

on behalf of the Board

30 August 2024

Independent audit report to the members of Austal Limited

Deloitte.

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Independent Auditor's Report to the members of Austal Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Austal Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information, the directors' declaration and the consolidated entity disclosure statement.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Revenue recognition

As disclosed in Note 4, Shipbuilding revenue for the year ended 30 June 2024 was $1,002 million (USA Shipbuilding $854 million, Australasia Shipbuilding $148 million – refer Note 3).
Vessel construction revenues are recognised over time as performance obligations are fulfilled after assessing factors relevant to each contract, including the following, as applicable:
• determining the stage of completion and measurement of progress towards satisfaction of performance obligations;
• estimating total contract revenue and costs, including the estimation of contingencies;
• determining the contractual entitlement and assessment of customer approval of contract variations, and acceptance of claims.

We focused on recognition of vessel construction revenue as a key audit matter due to the number and type of estimation events over the course of a contract life, the unique nature of individual contract terms, and the high level of judgement required in estimating and accounting for cost contingencies and claims.</td><td>Our audit procedures performed in relation to revenue recognition included, but were not limited to:
• evaluating the design and implementation of controls in respect of the underlying project costs and the recognition of revenue;
• holding discussions with key project managers on the risks and opportunities in relation to certain individual contracts;
• selecting a sample of contracts for testing based on a number of quantitative and qualitative factors that indicate that a greater level of judgement is required in recognising revenue, including consideration of historical issues identified, variations and claims, delay risk, high potential impact and high likelihood of risk events and potential loss making contracts:
• obtaining an understanding of the contract terms and conditions of relevant contracts to evaluate whether these were reflected in the Group's estimate of forecast costs and revenue;
• testing a sample of costs incurred to date and agreeing these to supporting documentation;
• evaluating the probability of recovery of contract assets by reference to the underlying contracts, status of contract negotiations, historical recoveries and other supporting documentation;
• assessing the level of cost contingencies for reasonableness;
• evaluating the reasonableness of the future overhead rates used in the estimation of costs in USA Shipbuilding by comparing the overhead assumptions to actual historic overhead rates, and the estimate of future overheads based on future workload in the order book, and consideration of normal production capacity;
• evaluating significant exposures to liquidated damages for potential late delivery of vessels, where relevant; and
• evaluating historical accuracy of forecasted costs to complete by comparing actual performance to forecasts.

We also assessed the adequacy of the relevant disclosures in note 4 of the financial statements.</td></tr>
<tr><td>Towing, Salvage and Rescue Ship (T-ATS) onerous contract provision

As disclosed in Note 19, an onerous contract provision of $nil (30 June 2023: $122 million) has been recognised in relation to the T-ATS contract as at 30 June 2024.</td><td>Our procedures with respect to the forecast contract losses included, but were not limited to:
• evaluating the design and implementation of controls in respect of the calculation of the T-ATS onerous contract provision;
• utilising our internal engineering specialists to assist in:</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
The quantification of the onerous contract provision requires significant judgement and estimation including, but not limited to the following matters: • identifying and quantifying the costs that relate to the T-ATS contract, including an allocation of costs that relate directly to fulfilling the contracts; • quantifying the non-recurring hours and costs associated with the first two vessels in the T-ATS program (T-ATS 11-12); • estimating the assumed learning curve associated with the construction of subsequent vessels (T-ATS 13-15); • forecasting future labour and material costs and rates; • identifying and quantifying program risks and estimating the additional revenue to be claimed in respect of the Request for Equitable Adjustment (REA) that is expected to be recovered from the customer; and • assessing the probability of different program estimated costs at completion and REA outcomes which then form the basis of the probability weighted onerous contract provision. The principal reasons for the onerous contract provision being a key audit matter are the quantum of the total estimated costs at completion and quantum of the REA expected to be recovered when estimating the total forecast loss under the contract, combined with the fact that there is a significant level of judgement applied by the Group in selecting the methodology and arriving at the assumptions mentioned above. This, in turn, leads to a high degree of auditor judgement and effort in performing procedures and evaluating the Group's methodology, significant assumptions and estimates.	o assessing the reasonableness of labour hours on T-ATS 11 and T-ATS 12, based on project-to-date productivity trends and comparison to historic data; o assessing the reasonableness of forecast non-labour costs, and program risks and opportunities; o assessing the reasonableness of the learning curve assumption, by comparing it to historic actual data across the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) programs, and comparison against external market data. • agreeing forecast hours per vessel to underlying program office data; • evaluating the reasonableness of the forecast hours per vessel by: o obtaining an understanding of the basis of the scenarios used by management in their forecast; o developing an independent expectation of forecast hours for the program as a whole using actual historical growth in labour hours by functional area for T-ATS 11 and 12; and o evaluating the reasonableness of forecast contingencies by comparing our independent range of forecast labour hours against management's weighted average forecast. • assessing the probabilities allocated to various forecast labour hour cost scenarios for reasonableness; • assessing the appropriateness of costs included in the onerous contract provision, including direct costs, and an allocation of other costs that relate directly to fulfilling the contract; and • evaluating the reasonableness of future overhead rates used in the onerous provision calculation by comparing the overhead assumptions to actual historical overhead rates, and the estimate of future overhead rates based on normal production capacity. Our procedures with respect to the REA included, but were not limited to: • Obtaining management's internal analysis with respect to the estimation of the REA, including the contractual basis of the claim and estimate of amount expected to be recovered; Obtaining reports from management's external expert regarding the Group's entitlement to make an REA claim and quantification of the amounts potentially recoverable based on generally accepted methods for REA calculations;

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	• Obtaining the underlying calculations undertaken by the external expert to quantify the amounts potentially recoverable and assessing the reasonableness of the methodologies applied; • Evaluating the external expert's scope of work and assessing the independence, competence and objectivity of the expert; • Evaluating the reasonableness of the amount of the REA expected to be recovered by management, based on: o review of the external expert's reports supporting the Group's entitlement to make the REA claim; o holding discussions directly with the external expert to corroborate their analysis of the amounts potentially recoverable; and o developing an expected range of recoverable amounts based on actual historic REA claims made by the Group. We tested the calculation of the overall onerous contract provision for mathematical accuracy. We also assessed the adequacy of the relevant disclosures in note 19 of the financial statements.
Regulatory investigations As disclosed in Note 30, the Group has agreed to resolve the investigation by the US Department of Justice (DOJ) and Securities Exchange Commission (SEC) alleging fraudulent conduct during 2013-2016 concerning Austal USA's LCS program. As a result, the Group has recognised a provision of $48.1 million (US$32.1 million) as at 30 June 2024 related to the financial penalty, legal costs associated with the settlement, and other expected costs of complying with the settlement order. The Group had to apply judgement when considering whether a resolution on these terms would affect current or potential build programs or have a material adverse impact on Group banking facilities.	Our procedures included, but were not limited to: • Obtaining and reviewing the agreements entered into by the Group with the DOJ and SEC as part of the settlement; • Assessing the appropriateness of recognition of a provision relating to the expected outflows associated with the settlement; • Testing on a sample basis the accuracy of amounts provided for through agreeing to supporting documentation; • Evaluating the reasonableness of management's conclusions related to the impact that the settlement may have on current and potential build programs, and the Group's banking facilities by: o reviewing the terms of the Group's banking facilities, and communications with its primary lender; o understanding the outcome of discussions between the Group and its primary customers; o assessing the reasonableness of the conclusions reached by management considering recent contract awards in Australia and USA, and other externally verifiable developments; and o where appropriate, corroborating the assumptions to input from the Group's legal advisors. We also assessed the adequacy of the relevant disclosures in notes 19 and 30 of the financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Group in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Group, and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

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obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 47 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Austal Limited, for the year ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman

Partner
Chartered Accountants

Perth, 30 August 2024

Shareholder information

The following information was extracted from the Company's share register at 30 June 2024:

Distribution of shares

Individual shareholding	Number of shares	% of Total issued capital	Number of holders
1 - 1000	1,888,738	0.52%	3,485
1,001 - 5,000	10,789,072	2.98%	3,991
5,001 - 10,000	10,591,973	2.92%	1,391
10,001 - 100,000	35,996,607	9.93%	1,436
100,001 and over	303,222,772	83.65%	98
Total	362,489,162	100.00%	10,401

Twenty largest shareholders

Rank	Shareholder	Number of shares	% of Total issued capital
1	HSBC Custody Nominees (Australia) Limited	126,185,376	34.81%
2	Citicorp Nominees Pty Limited	55,087,371	15.20%
3	J P Morgan Nominees Australia Pty Limited	34,610,799	9.55%
4	Austro Pty Ltd	32,761,692	9.04%
5	BNP Paribas Nominees Pty Ltd	19,167,792	5.29%
6	Onyx (WA) Pty Ltd	5,600,000	1.54%
7	Ace Property Holdings Pty Ltd	3,020,000	0.83%
8	Pacific Custodians Pty Limited	2,321,106	0.64%
9	Bond Street Custodians Limited	2,122,040	0.59%
10	Mr Gary Heys & Mrs Dorothy Heys	2,044,670	0.56%
11	Neweconomy Com AU Nominees Pty Limited	1,622,897	0.45%
12	Mossisberg Pty Ltd	1,543,100	0.43%
13	National Nominees Pty Ltd	1,465,688	0.40%
14	UBS Nominees Pty Ltd	1,259,746	0.35%
15	Precision Opportunities Fund Ltd	1,000,000	0.28%
16	Mr William Robert Chambers	1,000,000	0.28%
17	IOOF Investment Services Limited	869,684	0.24%
18	Kenny Nominees (NT) Pty Ltd	777,881	0.21%
19	Netwealth Investments Limited	746,745	0.21%
20	Brazil Farming Pty Ltd	500,000	0.14%
	Total	293,706,587	81.04%

Substantial shareholders

Rank	Shareholder	Number of shares	% of Total issued capital
1	Tattarang Ventures Pty Ltd	71,073,651	19.61%
2	Austro Pty Ltd	32,761,692	9.04%
3	Chester Asset Management Pty Limited	21,940,000	6.05%
	Total	125,775,343	34.70%

Voting rights

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

Corporate governance statement and ESG report

The Company has elected to post its Corporate Governance Statement on its website in accordance with ASX Listing Rule 4.10.3 along with its Environmental, Social and Governance Report (ESG Report).

The Corporate Governance Statement and ESG Report can be found at the following URL:
http://www.austal.com/corporategovernance

Corporate directory

Directors

Non-Executive Directors

Mr Richard Spencer
Mr John Rothwell
Mrs Sarah Adam-Gedge
Mr Chris Indermaur
Mr Lee Goddard
Ms Kathryn Toohey

Executive Directors

Mr Paddy Gregg

Auditor

Deloitte Touche Tohmatsu
Brookfield Place, Tower 2
123 St Georges Terrace
Perth 6000
Australia

Company Secretary

Mr Adrian Strang

Registered office

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

Share registry

Link Market Services Limited
QV1 Building, Level 12
250 St Georges Terrace
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