

**Austal Limited**  
Annual Report

**2022**



# Contents

|                                                                                                                |     |
|----------------------------------------------------------------------------------------------------------------|-----|
| Contents.....                                                                                                  | i   |
| Index to the notes to the financial statements.....                                                            | ii  |
| Chairman’s report.....                                                                                         | 1   |
| Chief Executive Officer’s report.....                                                                          | 4   |
| Review of operations.....                                                                                      | 9   |
| Directors’ report.....                                                                                         | 12  |
| Nomination & Remuneration Committee Chair’s message .....                                                      | 18  |
| Remuneration report.....                                                                                       | 20  |
| Auditor independence.....                                                                                      | 47  |
| Consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2022 ..... | 48  |
| Consolidated statement of financial position as at 30 June 2022.....                                           | 49  |
| Consolidated statement of changes in equity for the year ended 30 June 2022.....                               | 50  |
| Consolidated statement of cash flows for the year ended 30 June 2022 .....                                     | 51  |
| Notes to the consolidated financial statements .....                                                           | 52  |
| Directors’ declaration.....                                                                                    | 118 |
| Independent audit report to the members of Austal Limited.....                                                 | 119 |
| Shareholder information.....                                                                                   | 125 |
| Corporate governance statement and ESG report.....                                                             | 126 |
| Corporate directory .....                                                                                      | 126 |

# Index to the notes to the financial statements

|                                                                                       |            |
|---------------------------------------------------------------------------------------|------------|
| <b>Basis of preparation</b> .....                                                     | <b>52</b>  |
| Note 1 Corporate information .....                                                    | 52         |
| Note 2 Basis of preparation .....                                                     | 52         |
| <b>Current year performance</b> .....                                                 | <b>56</b>  |
| Note 3 Operating segments .....                                                       | 56         |
| Note 4 Revenue .....                                                                  | 59         |
| Note 5 Other profit and loss .....                                                    | 65         |
| Note 6 Earnings per share (EPS).....                                                  | 68         |
| Note 7 Reconciliation of net profit after tax to net cash flows from operations ..... | 69         |
| Note 8 Dividends paid and proposed .....                                              | 70         |
| Note 9 Income and other taxes .....                                                   | 71         |
| <b>Capital structure</b> .....                                                        | <b>78</b>  |
| Note 10 Cash and cash equivalents.....                                                | 78         |
| Note 11 Interest bearing loans and borrowings .....                                   | 78         |
| Note 12 Reconciliation of financing cash flow to interest bearing debt .....          | 81         |
| Note 13 Contributed equity and reserves .....                                         | 81         |
| Note 14 Government grants relating to assets.....                                     | 83         |
| <b>Working capital</b> .....                                                          | <b>84</b>  |
| Note 15 Trade and other receivables .....                                             | 84         |
| Note 16 Prepayments.....                                                              | 85         |
| Note 17 Inventories and work in progress.....                                         | 85         |
| Note 18 Trade and other payables.....                                                 | 86         |
| Note 19 Provisions.....                                                               | 87         |
| <b>Infrastructure &amp; other assets</b> .....                                        | <b>90</b>  |
| Note 20 Property, plant and equipment .....                                           | 90         |
| Note 21 Leases .....                                                                  | 93         |
| Note 22 Intangible assets and goodwill.....                                           | 96         |
| Note 23 Impairment testing of non-current assets .....                                | 98         |
| Note 24 Marine Group Boat Works (MGBW) asset purchase .....                           | 100        |
| Note 25 Investments and other financial assets.....                                   | 101        |
| Note 26 Assets held for sale .....                                                    | 102        |
| Note 27 Other non-current assets .....                                                | 102        |
| <b>Financial risk management</b> .....                                                | <b>103</b> |
| Note 28 Financial risk management.....                                                | 103        |
| Note 29 Derivatives and hedging.....                                                  | 109        |
| Note 30 Fair value measurements .....                                                 | 110        |
| <b>Unrecognised items</b> .....                                                       | <b>111</b> |
| Note 31 Commitments and contingencies .....                                           | 111        |
| Note 32 Corporate investigations.....                                                 | 112        |
| Note 33 Events after the balance date .....                                           | 113        |
| <b>The Group, management and related parties</b> .....                                | <b>114</b> |
| Note 34 Parent interests in subsidiaries .....                                        | 114        |
| Note 35 Related party disclosures.....                                                | 114        |
| Note 36 Key management personnel (KMP) compensation .....                             | 115        |
| Note 37 Share based payments.....                                                     | 115        |
| Note 38 Parent entity information.....                                                | 117        |

# Company Overview

Austal entered an exciting new phase of strategic growth in FY2022, with significant progress made toward becoming the Indo Pacific region's leading naval defence prime contractor. The company achieved a record-equalling number of orders for 18 vessels while delivering 9 vessels, worldwide.

Austal USA commenced steel shipbuilding operations, following the opening of additional facilities at the Mobile, Alabama shipyard, in April 2022. The US\$100 million construction was funded 50:50 between the U.S. Government and Austal USA and will be used to deliver three new steel vessel contracts, won during FY2022.

Firstly, Austal USA will build four Navajo-class Towing, Salvage and Rescue (T-ATS) ships for the U.S. Navy, followed by an Auxiliary Floating Dock (Medium) and then the first of up to 11 Heritage-class Offshore Patrol Cutters (OPC) for the U.S. Coast Guard.

The OPC contract, announced on 30 June 2022, is valued at over US\$3.3 billion and extends the company's order book until at least 2032, if all options are exercised.

Austal USA also continues to deliver the U.S. Navy's Independence-variant Littoral Combat Ship (LCS) and Expeditionary Fast Transport (T-EPF) programs. The future USS Canberra (named after Australia's national capital) was delivered, an additional T-EPF (16) was ordered and the U.S. Navy's first semi-autonomous T-EPF, the USNS Apalachicola (T-EPF-13), was launched during the reporting period.

In Australia, Austal delivered four Guardian-class Patrol Boats to the Commonwealth of Australia as well as the first of eight Evolved Cape-class Patrol Boats to be constructed for the Royal Australian Navy from the Henderson, Western Australia shipyard.

Austal Philippines delivered the second of two 118 metre trimaran ferries to Fred Olsen Express and continued construction on the company's largest ever ferry (by volume) – Molslinjen's Express 5. Austal Vietnam commenced construction of a 66 metre high-speed ferry for repeat customer The Degage Group during the financial year and established a strategic partnership with Spectainer to develop manufacturing capability for new, innovative collapsible shipping containers that enable up to four collapsed containers to be transported in one container; resulting in meaningful economic savings, increased operational productivity on land and sea, and reduced carbon emissions.

Austal's technology teams based in Australia have been busy working on several initiatives over FY2022, including the development of larger vehicle-passenger derivatives of the VOLTA electric-powered ferry range, that add greater choice to operators on the journey to net-zero emissions. Our teams have also been playing a lead role in the Patrol Boat Autonomy Trial for the Royal Australian Navy, involving the retrospective fit-out of a de-commissioned Armidale-class Patrol Boat at the Henderson shipyard.

With the company well positioned to grow even further in 2023, there has never been a better time for individuals, businesses and government to 'Team with Austal'.

## Highlights 2022

  
**\$1.43B**  
Revenue

  
**18**  
New Ships Contracted

  
**26**  
Ships scheduled or under construction

  
**9**  
Ships delivered

  
**42**  
Vessels under sustainment

  
**5 shipyards in 4 countries**

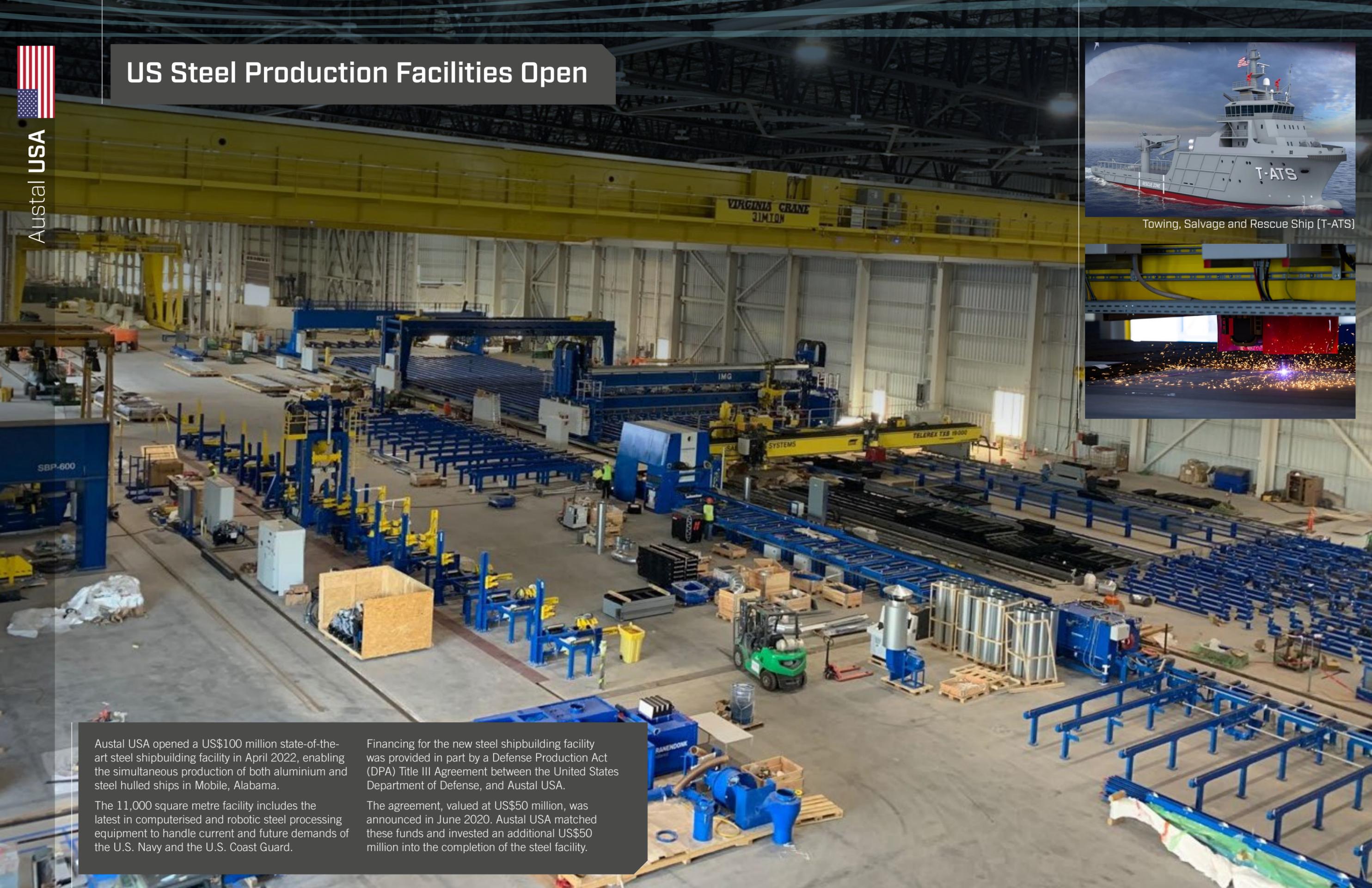
  
**8 Service Centres**

  
**5,000 Employees**





# US Steel Production Facilities Open



Towing, Salvage and Rescue Ship (T-ATS)



Austal USA opened a US\$100 million state-of-the-art steel shipbuilding facility in April 2022, enabling the simultaneous production of both aluminium and steel hulled ships in Mobile, Alabama.

The 11,000 square metre facility includes the latest in computerised and robotic steel processing equipment to handle current and future demands of the U.S. Navy and the U.S. Coast Guard.

Financing for the new steel shipbuilding facility was provided in part by a Defense Production Act (DPA) Title III Agreement between the United States Department of Defense, and Austal USA.

The agreement, valued at US\$50 million, was announced in June 2020. Austal USA matched these funds and invested an additional US\$50 million into the completion of the steel facility.



# U.S. Coast Guard OPC Contract A Game Changer



United States Coast Guard Heritage-class Offshore Patrol Cutter

Austal USA was awarded a contract with a potential value of US\$3.3 billion (A\$4.35 billion), for the detail design and construction of up to 11 Offshore Patrol Cutters (OPC) for the U.S. Coast Guard (USCG) in June 2022.

The first vessel has been contracted by the USCG, with options for a further 10 vessels. Construction is expected to commence in 2023.

The USCG's 110 metre steel OPCs are capable of conducting a variety of missions including law enforcement, drug and migrant interdiction, and search and rescue operations.

Austal USA will construct the OPC using proven ship manufacturing processes and innovative methods that incorporate lean manufacturing principles, modular construction, and moving assembly lines in the company's new steel production facility.



# Greater service and support capability in Mobile and San Diego



Austal USA completed the purchase of a long-term lease of ship repair facilities in the Port of San Diego in December 2021, enabling the further growth of the Company's service and support business on the West Coast of the United States.

The lease of the facility has a duration of 29 years. The purchase of the yard and construction of a floating dock will cost a total of ~US\$80 million (~A\$112.5 million).

With Austal USA's inclusion on the United States Navy's Sustainment Execution

Contract West, the new facility in San Diego is a critical enabler to winning new maintenance contracts from the U.S. Navy, Coast Guard and Military Sealift Command.

The yard is immediately adjacent to U.S. Naval Base San Diego, occupies five acres and includes a pier capable of accommodating ships up to 80 metres long, a dry dock, a travel lift (with lifting capacity up to 300 tons) as well as machine shops and warehouse space.



# Evolved Cape and Guardian-class Patrol Boats



Austal Australia's naval vessel programs for the Commonwealth of Australia progressed significantly in FY2022, with the Pacific Patrol Boat Replacement Project (SEA 3036) team delivering 4 Guardian-class Patrol Boats, to Vanuatu, Papua New Guinea, the Federated States of Micronesia and the Cook Islands; and the Evolved Cape-class Patrol Boat Project (SEA 1445) team delivering the first of 8 vessels now contracted for delivery to the Royal Australian Navy.

As at 30 June 2022, Austal had delivered 15 of the 21 Guardian-class Patrol Boats contracted, to be gifted by the Australian Government to 12 Pacific Island nations and Timor-Leste under the Pacific Maritime Security Program.

Constructed with the support of over 300 contractors and suppliers forming Australia's National Naval Shipbuilding Enterprise, they are already playing critical roles in Australia's and the Pacific's regional security.

Cook Islands Police Te Kukupa II [Guardian-class Patrol Boat] and Royal Australian Navy's ADV Cape Otway [Evolved Cape-class Patrol Boat]



# Sustainment



USS Ashland



Austal Darwin



Austal Brisbane slipway

Austal's delivery of in-service support, sustainment and commercial maintenance and repair operations around Australia continued to expand in FY2022. The Cairns team provided support for multiple vessels operated by the Royal Australian Navy, Australian Border Force, multiple Pacific Island nations and various commercial vessel operators and superyacht owners. A highlight of the year was the support Austal Cairns provided to the visiting U.S. Navy vessel, USS Ashland, in Townsville.

The Brisbane service centre completed the refurbishment of the facility's slipway and carried out a number of dockings of commercial vessels despite numerous flooding events throughout the year.

Meanwhile in Darwin, the Austal team re-located service operations to a larger facility that is better positioned to provide support to both defence and commercial customers in the Northern Territory.



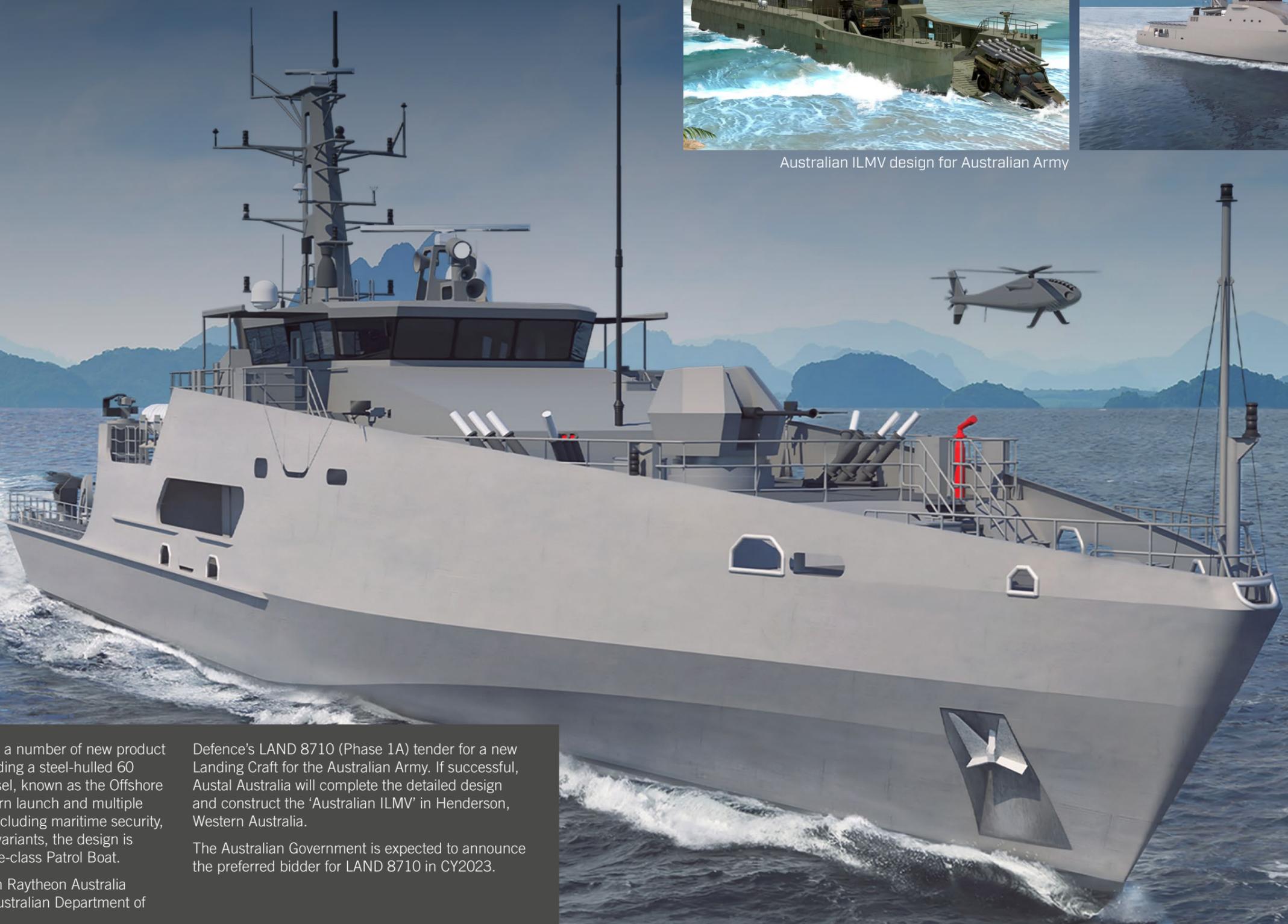
# Pursuing New Opportunities



Australian ILMV design for Australian Army



Offshore Patrol 83



Offshore Patrol 60

Austal Australia launched a number of new product designs in FY2022, including a steel-hulled 60 metre offshore patrol vessel, known as the Offshore Patrol 60. Featuring a stern launch and multiple mission configurations, including maritime security, surveillance and subsea variants, the design is based on the proven Cape-class Patrol Boat.

Austal also partnered with Raytheon Australia and BMT to bid for the Australian Department of

Defence's LAND 8710 (Phase 1A) tender for a new Landing Craft for the Australian Army. If successful, Austal Australia will complete the detailed design and construct the 'Australian ILMV' in Henderson, Western Australia.

The Australian Government is expected to announce the preferred bidder for LAND 8710 in CY2023.



# Creating a Culture of Collaboration



Austal is collaborating more than ever before with suppliers, stakeholders and customers to deliver vessels, technology, services and support around Australia and throughout the world.

As a defence Prime contractor and capability partner to the National Naval Shipbuilding Enterprise, Austal has an annual spend of over \$220 million across Australia, with an established supply chain of more than 1,430 Australian businesses – 87% of which are small-medium enterprises (SMEs).

On the Evolved Cape-class Patrol Boat Project, Austal is engaging over 300 suppliers locally, including Rohde & Schwarz Australia, who has designed and developed the Integrated Communications System for the 8 vessels being delivered to the Royal Australian Navy. Working closely with Austal and the Royal Australian Navy, Rhode & Schwarz Australia was able to configure and adapt their parent company's NAVICS MLS (multi-level security) IP-based navy communications system – and engage additional local companies, to meet the Royal Australian Navy's operational needs.



Evolved Cape-class Patrol Boat



# Tomorrow's Shipbuilders Today Trainees, Apprentices and Graduates



Austal Australia is developing the shipbuilders of tomorrow through a number of employment programs that will build a diverse range of skills and capability in the company's local workforce.

In FY2022, Austal engaged 15 'Defence Industry Pathway' (DIPP) Trainees, through an innovative new program coordinated by the Commonwealth Department of Defence Industry, South Metropolitan TAFE and Programmed Training.

School leavers have had the opportunity for a paid 12 month placement in a variety of roles at

Austal and other defence industry employers at the Australian Marine Complex in Henderson.

Austal's Apprenticeship Program continues to see at least 100 apprentices employed at any given time, across shipbuilding operations.

Meanwhile, Austal's popular Graduate Program has quickly become renowned for providing outstanding opportunities to new university graduates, with up to 10 graduates employed annually.



FY2022 Graduate Program



# Celebrating 20 ships in 10 years Building the largest vessel (by volume) at any Austal shipyard.



Bañaderos Express delivered October 2021



Express 5 (under construction)

Austal Philippines has celebrated ten years of operation - and the delivery of 20 ships to 12 operators from 11 countries - in 2022.

The Balamban, Cebu shipyard, employing over 800 Filipinos across all areas of shipbuilding design and construction, has demonstrated the capability and capacity to deliver multiple projects simultaneously; including the largest high-speed ferries (catamarans and trimarans) ever built in the Philippines.

Following the delivery of the 118 metre trimaran 'Bañaderos Express' to Fred Olsen Express in October 2021, Austal Philippines is constructing 'Express 5' for Molslinjen of Denmark – a 115 metre 'future-ready' fast-ferry that may be fitted with hybrid fuel-saving technology that provides a genuine pathway to net-zero emissions.

Express 5 is the largest vessel (by volume) built by any Austal shipyard, to be delivered in CY2023.





# Austal's newest yard proving capability and innovation



Apetahi Express [Hull 425] under construction

Austal Vietnam was awarded a €20.5 million (approximately A\$32.8 million) contract to design and build a 66 metre high-speed catamaran ferry for The Degage Group of French Polynesia in August 2021.

Over the past two decades The Degage Group has trusted Austal to design and construct five ships for their growing maritime and tourism operations in French Polynesia. Following delivery early in CY2023, the new ferry will operate as the Apetahi Express, between Pape'ete (Tahiti) and Vaitape (Bora Bora).

Also in FY2022, Austal Vietnam engaged with an Australian company, Spectainer to develop a business model for the manufacture of innovative, fully-patented collapsible containers called COLLAPSECON® and associated fully automated operating stations. COLLAPSECON® improves operational efficiencies, delivers economic savings and reduces environmental impact across global logistics supply chains, without requiring a fundamental change to the industry or trade.



# Accelerating a SMART path to Autonomous Capability

*Austal is working closely with the United States Navy and Royal Australian Navy to integrate and enhance - not replace - the mission capability of crewed platforms.*



PBAT Sentinel



LUSV Concept for US Navy



USNA Apalachicola



Austal Australia showcased a number of autonomous vessel concepts, based on proven Austal vessel platforms, at the IndoPacific Maritime Exposition in Sydney in May 2022.

The company is also leading Royal Australian Navy's Patrol Boat Autonomy Trial (PBAT), supported by Trusted Autonomous Systems and L3Harris, which will test autonomous technology fitted to a de-commissioned Armidale-class Patrol Boat (the former HMAS Maitland).

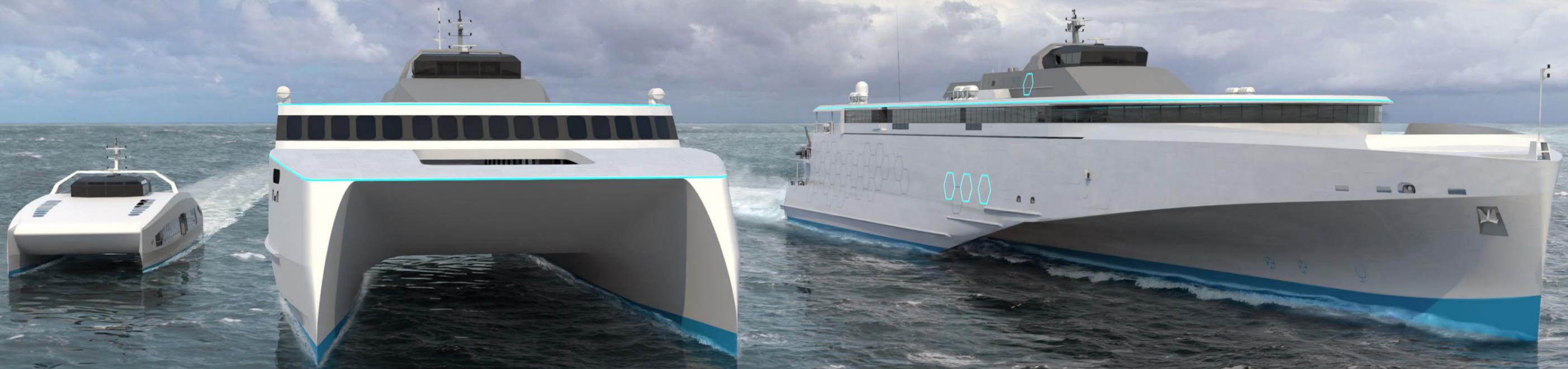
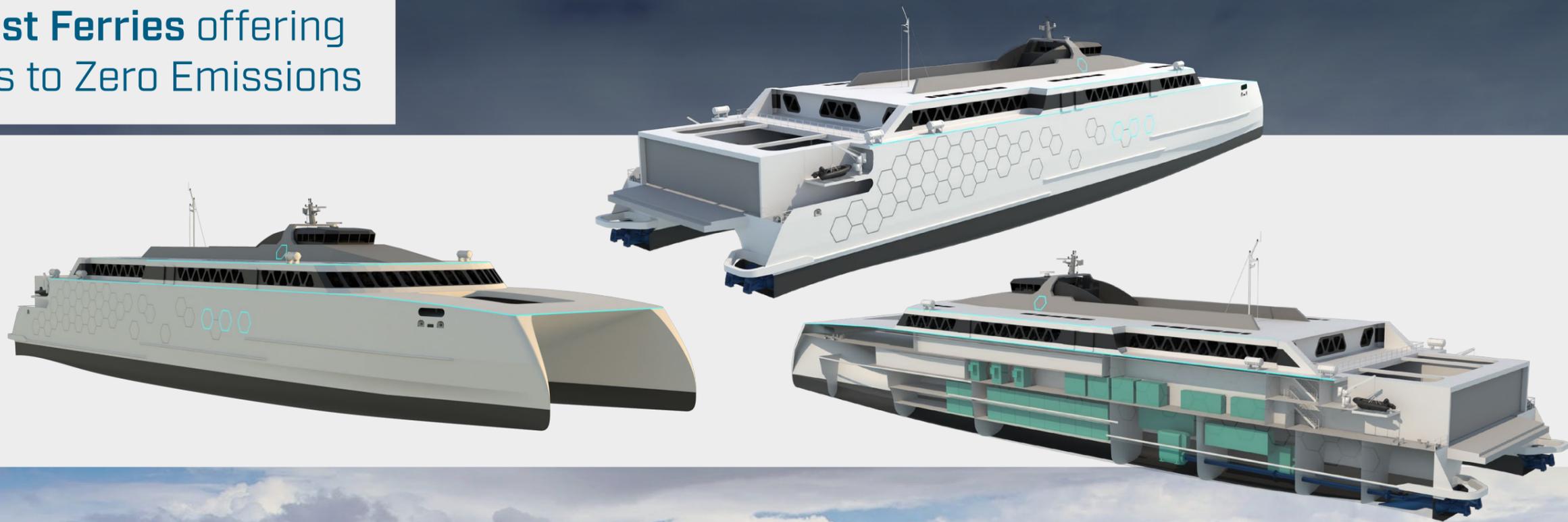
The newly named 'Sentinel' is preparing for trials commencing in 2023, at the company's Henderson, Western Australia shipyard.

Austal USA was awarded a US\$44 million contract in June 2021 for the design, procurement, production implementation and demonstration of autonomous capability on T-EPF 13, USNS Apalachicola; and the company continues with design studies for the development of the U.S. Navy's Large Unmanned Surface Vessel (LUSV) requirement.

# Future-ready Fast Ferries offering Proven Pathways to Zero Emissions

Drawing upon the research and development that created the VOLTA Passenger Express ferry solutions, and going beyond the installation of an electric powerplant, Austal has optimised our proven vehicle passenger ferry designs for both weight and efficiency, to achieve the ideal solution for operators on the pathway to net zero emissions.

In FY2022, development continued on electric powered vehicle-passenger ferry designs that will see the launch of the VOLTA Auto Express range in FY2023.



## Chairman's report



### Financial Year Highlights

- Enhanced EBIT amid unprecedented global economic volatility and the transition from LCS to steel programmes.
- The opening of the new steel facilities in the USA, with 3 steel programmes already won, including OPC contract worth up to US\$3.3 billion.
- The Group's order book is \$3 billion.
- Delivered value for long-term, supportive investors as we started the transition from the LCS programme and secured OPC.
- Acquisition of San Diego base to enhance growth of USA Support business.
- COVID-19 has continued to present challenges that have impacted volume and timing of work. All of Austal's operations remained open while continuing to adhere to local restrictions.

I am pleased to present the FY2022 Annual Report to shareholders on behalf of the Board of Austal Limited.

Despite significant global disruption and economic uncertainty due to the COVID-19 pandemic, Austal delivered another year of enhanced EBIT, a result founded on excellent operational capability. This strong result is a testament to Austal's ability to adapt its operations in an increasingly volatile global environment, whilst maintaining efficiency and consistency across our shipbuilding programmes and support services.

Again, all our shipyards - USA, Australia, Philippines, and Vietnam - remained fully operational throughout the year, as the COVID-19 pandemic persisted. Austal has always maintained a strong customer relationship focus, and the vast majority of our customers have worked constructively with us to pragmatically progress construction programmes and the delivery of vessels. The COVID-19 situation remains dynamic and we continue to witness its impact on our operations through a slowdown of ferry orders, albeit with some signs of the market improving. Importantly, Austal

continues to implement a range of health and wellbeing measures to protect our 5,000 strong workforce and will continue to monitor and adapt this as we seek to minimise the potential impacts from the virus.

### Strategic initiatives

Last year, Austal refreshed the Company's long term corporate strategy and we have begun its implementation, ensuring its incorporation into the Company's 2050 vision. Our focus remains on long-term, sustainable, and profitable growth. This will be across shipbuilding, support, and systems, with a strong aspiration to become the Sovereign Defence Prime in Australia through organic and inorganic growth.

The pivot to steel is already yielding significant positive results through programme wins in the USA on the Towing, Salvage, and Rescue ships (T-ATS), floating dry dock (AFDM) and Offshore Patrol Cutters (OPC). Steel capability positions the business to bid for a greater proportion of available ship construction work than an aluminium-only yard can tender for, and that is becoming clear with the current wins.

Our robust balance sheet and associated strong cash position continues to provide the financial flexibility to pursue inorganic growth through mergers and acquisitions. The acquisition of the lease from Marine Group Boat Works (MGBW) in San Diego and the investment in a floating dock will provide a great facility to target growth in our Support business.

Our investment in Systems is yielding 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 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

The OPC win was undoubtedly the biggest achievement of the year as it stabilises Austal's long-term future in the USA and underpins the decision to invest in steel. It is noted that there is a challenge from one of the competitors, something we anticipated through the tender, and we have a team assembled to defend this action.

Austal is confident that both the integrity of the solicitation process and the selection of Austal USA as the Stage II OPC shipbuilder will be upheld.

The first steel win was the TAT-S vessels. The strategic importance of this was to prove the steel production line and fine tune our processes in preparation for OPC and future large steel vessels.

The AFDM was won in competition and gives confidence we have invested in state of the art equipment and will be competitive.

The award of Evolved Cape Class Patrol Boats 17 & 18 in Australia provides the bridge from the programmes we are delivering today to the future programmes we are bidding for in the Department of Defence's Force Structure Plan.

Finally, the 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, such as the Volta electric ferry. Confidence is growing in the resurgence of the commercial market as global COVID-19 restrictions lift and travel grows.

The pivot to steel in tandem with the expansion of our support business and increasingly diversified order book will leave us better placed than ever to continue Austal's growth.

## KMP & Board update

Just before the half year our CFO Greg Jason left the business after 15 years of service across many functions, with 9 years in the CFO role. After a significant time working across various time zones, Greg decided it was time to spend some well-deserved time with the family before he looks for his next career challenge. I would like to take this opportunity to recognise all that Greg has done for Austal, thank him for his commitment and wish him well for his future.

It remains a challenging time for the Board and Senior leaders, facing challenges such as COVID-19 and its impact on both employees and the Company's operating and therefore financial performance, several legacy regulatory investigations, and management changes. The OPC win in the USA provides considerably more certainty to the Company, and coupled with the other competitively won steel programmes, demonstrates we have invested wisely in the latest technology for steel ship construction and should be very competitive going forward.

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 and increased potential for growth, albeit we will have to navigate some challenges in the years coming as we begin the steel programmes, which is part and parcel of commencing major new programmes.

We have also formalised the leadership in the USA with Rusty Murdaugh appointed as President following his interim appointment.

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

## ESG

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

You will have seen in our Environmental, Social and Governance (ESG) report last year, our focus is to build on these initiatives with a particular focus on environmental and social risks and opportunities in the year ahead. This year, we have placed even more focus on this, and our enhanced ESG report has adopted the Global Reporting Initiative (GRI) standards for the first time. These will be published prior to the 2022 Annual General Meeting.

Austal continues to advance research and development projects targeting methods to design and construct vessels with increased fuel efficiency and reduced emissions, such as battery-powered smaller ferries (Volta) and larger vessels that could be converted from diesel to greener fuels, such as LNG or ammonia. Most of the commercial opportunities we are quoting focus on reduced emissions.

## 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 an award for safety performance.

## Corporate investigations

As we have previously announced to the ASX, we are working with the U.S. Department of Justice, U.S. Securities and Exchange Commission, and the Australian Securities and Investment Commission on alleged breaches of regulatory standards. Their investigations relate to activities in years leading up to and including FY2016 and I look forward to its conclusion and being able to devote our entire focus on delivering our strategy for the benefit of our customers, employees, and shareholders.

## Thank-you

On behalf of the Board, I would like to thank each and every one of our people for their adaptability and resilience during a period of unprecedented global uncertainty. The OPC win in the USA underpins the business for many years and provides certainty for shareholders and employees. Austal's continued strong earnings in FY2022 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 an unprecedented period. I also want to express my appreciation to Austal's loyal shareholders.



John Rothwell AO  
Chairman

# Chief Executive Officer's report



## Group financial results

|                                    | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------|----------------|----------------|
| Revenue                            | 1,429,044      | 1,572,175      |
| EBITDA <sup>1</sup>                | 165,350        | 160,326        |
| EBIT <sup>2</sup>                  | 120,662        | 114,619        |
| NPAT <sup>3</sup>                  | 79,565         | 81,057         |
| EBITDA margin                      | 11.6%          | 10.2%          |
| EBIT margin                        | 8.4%           | 7.3%           |
| Net assets                         | 924,285        | 774,038        |
| Net cash position <sup>4</sup>     | 115,598        | 231,900        |
| Net cash flow                      | (106,786)      | (49,768)       |
| Earnings per share (\$ per share)  | 0.220          | 0.226          |
| Dividends per share (\$ per share) | 0.080          | 0.080          |
| Payout ratio                       | 36.3%          | 35.5%          |

1. Earnings before interest, tax, depreciation and amortisation (EBITDA).
2. Earnings before interest and tax (EBIT).
3. Net Profit / (loss) after tax (NPAT).
4. FY2021 excludes CCPB 9 & 10 notional lease debt. FY2022 not required as derecognised.

EBIT and EBITDA are non-AASB 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.

- Total revenue for the year decreased by (9.1)% to \$1,429 million in FY2022.
- FY2022 EBIT increased by 5.3% to \$120.7 million compared to \$114.6 million in FY2021.
- Austal reported a NPAT of \$79.6 million in FY2022 compared to \$81.1 million in FY2021.

- Austal delivered operating cash flow of \$37.5 million (FY2021: \$93.5 million), and FY2022 net cash flow of \$(106.8) million (FY2021: \$(49.8) million).
- Austal has maintained a strong cash balance of \$240.1 million at 30 June 2022, despite a significant capital investment programme in Mobile and San Diego demonstrating the ongoing cash generating strength of the business (30 June 2021: \$346.9 million).
- Net cash was \$115.6 million at 30 June 2022 (30 June 2021: \$231.9 million).
- A final FY2022 unfranked dividend of 4.0 cents per share was declared, adding to the 4.0 cents a share paid in April 2022, representing a 36.3% payout ratio (FY2021: 8.0 cents per share, unfranked).
- Austal received \$1.5 billion of new contract awards during FY2022 to bring the order book to \$3.0 billion at 30 June 2022.

Austal's NPAT was \$79.6 million in FY2022, within \$1.5 million of the \$81.1 million recorded in the prior corresponding period (pcp), and EBITDA of \$165.4 million, up 3.1% on the pcp. These were the second-best EBIT results in the Company's history, and the fourth year in a row that the Company's EBITDA exceeded \$135 million. These strong results enabled the Board to declare a final dividend of 4.0 cents per share, with a total of 8.0 cents per share (unfranked) for FY2022.

A few months into the year I received the resignation from Greg Jason, Austal's long serving CFO. Greg was a great support to me as I took on the CEO role and has been greatly missed by me and the business. We appointed an Interim CFO, Geoff Buchanan, who has brought a wealth of financial knowledge and experience while we undertake a global search for a permanent CFO. The COVID-19 travel restrictions hampered this search but with the relaxing of travel rules the process to find the right permanent person is well underway.

Austal delivered 9 ships in FY2022 and maintained a strong balance sheet while allocating considerable enhancing capital as we strengthened our strategic position to unlock significant long-term opportunities in the shipbuilding industry and broader defence sector.

We provided guidance to shareholders in the half year results that EBIT would not be less than \$107 million for the year and on the award of

OPC we were again able to increase that EBIT guidance for FY2022 to a near record result.

Despite the strong overall performance, there was a decline in revenue from FY2021.

This decline was driven by a reduction in Littoral Combat Ship (LCS) shipbuilding throughput, COVID-19 impacts, and reduced Support activities in the USA.

Some of these are one-offs, others are caused by general market fluctuations, and others are more structural because Austal is in a transition period where new orders were required for the Company's USA shipyard to replace the LCS programme wind-down.

Pleasingly, the USA EBIT margin again improved, predominantly due to mitigation of risk and construction efficiency, which helped to offset the year on year decline in revenue. The improved efficiencies and risk mitigation were reflected in an accelerated release of contingency reserves during the year.

Importantly, we continue to translate the Company's earnings into strong cash flow despite significant enhancing expenditure.

We made significant investments in the USA with both completion of the San Diego service centre purchase and the opening of the new steel facility in Mobile. Both offer excellent potential growth in future earnings in our ships and support business.

We delivered 9 ships to commercial and defence customers around the world in FY2022; another strong year of delivering to customers despite the lingering challenges with COVID-19.

In Australia, we delivered 5 defence vessels, including the first of the Evolved Cape Class Patrol Boats (CCPB) to the Royal Australian Navy and 4 Guardian Class Patrol Boats (GCPB) for the Commonwealth of Australia's Pacific Patrol Boat Replacement Project.

Austal USA continued its success in delivering the U.S. Navy's LCS, with the delivery of LCS 30, the future USS Canberra.

Austal Philippines delivered the second trimaran to Fred Olsen following the delivery of the first sister ship from Australia in the last financial year.

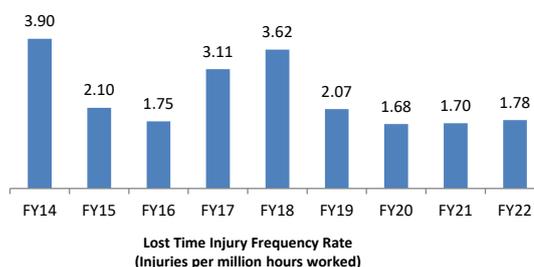
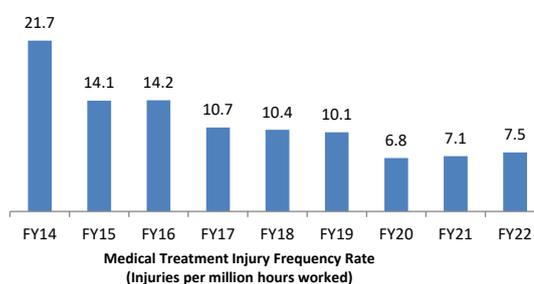
Austal Vietnam was awarded and commenced manufacture of a 66 metre ferry that will be delivered in early 2023. We also concluded the divestiture in our China joint venture as announced in December 2021, freeing up resources to focus on new opportunities.

## People & Safety

Austal continues to manage implemented and certified Health and Safety Management Systems that support our people, our values, and achieving our business objectives.

Austal strives for, and continues to achieve, low Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) in our workplaces and we are recognised as a leader in safety throughout the global shipbuilding industry.

Austal management closely reviews 12 month rolling MTIFR and LTIFR. The following tables indicate similar performance to the prior corresponding periods.



Although the numbers are low and trending in the right direction, continuous improvement is crucial to ensure a safe working environment for all of our staff. Austal's individual Business Units have started a process to identify further areas for improvement related to learnings achieved through MTIFR and LTIFR investigations.

These results motivate us to continually enhance our HSEQ policies and practices and drive for improvement in Group Safety performance indicators, and it underpins the growth of our business in a sustainable way; benefiting our employees, shareholders, and the broader community in which we operate.

Austal continues to achieve outstanding accolades throughout its operations and acknowledges and celebrates successes, such as the winning of a seventh American Equity Underwriters (AEU) Excellence in Safety award in FY2022. This prestigious, nationwide, safety award is presented to companies with excellent safety performance, management involvement

and industry leading safety programmes. This award reflects Austal USA's commitment to safety excellence and solidifies its place among the safest shipyards in the USA.

Further details on Health, Safety and Environmental initiatives at Austal can be found in Austal's Environmental, Social and Governance (ESG) Report FY2022 when it is published in October.

## USA

### Strategy

Austal USA remains the core driver of Austal's financial performance, constituting approximately three-quarters of the Company's revenue in FY2022 as it continued the efficient delivery of high-quality aluminium vessels to the U.S. Navy.

It was very pleasing to appoint Rusty Murdaugh as the President of Austal USA after previously acting in an interim capacity. Rusty possesses an excellent understanding of the business and its financial drivers, demonstrated through the early success of contract wins. Our major success for the year was the commencement of steel shipbuilding. The steel facility was opened ahead of schedule and the FY2020 decision to make that investment was rewarded through recent significant contract awards:

- The Towing, Salvage and Rescue Ships (T-ATS) programme with 2 vessels plus an additional 3 options (2 of which were placed post year end prior to report publication).
- The Auxiliary Floating Dock Medium (AFDM) for the U.S. Navy in competition, demonstrating we expect to be efficient in delivery with our automation and the latest technology and equipment.
- Undoubtedly the highlight for the year, the Offshore Patrol Cutter (OPC) for the U.S. Coastguard. This programme is for up to 11 ships at a potential value of US\$3.3 billion and is a great replacement platform for LCS as it ends in 2 years.
- During the year the U.S. Navy also exercised a contract option for the detail design and construction of an Expeditionary Fast Transport vessel (EPF 16).

The business has enjoyed the revenue consistency of multi-vessel LCS and EPF programmes and the pivot to steel will enable us to bid for more programmes and from a wider customer base. The sea trials on EPF 13 are progressing well, with the ship demonstrating its autonomous capability. Autonomy will undoubtedly be another area of great potential revenue growth for Austal.

### Shipbuilding

Austal has commenced construction of the 2 T-ATS for the U.S. Navy in the new steel facility. The facility is the product of a combined US\$100 million investment by Austal and the USA Government made in our Mobile facilities. Steel represents a significant strategic step to augment our current aluminium-based operations to significantly broaden the opportunity horizon for the Company.

The T-ATS vessels will be the proving ground for the new facilities, followed by the AFDM floating dock and the OPC programme.

The future continues to look positive in the aluminium workload with EPF 16 awarded and a design contract for an Emergency Medical Ship (EMS). It is clear to me that autonomy will likely play a role in these vessels and offer future potential for more variants of the catamaran platform.

### Support

FY2022 set Austal's support business up for future success.

In August 2021 Austal was admitted to the Sustainment Execution Contracts (SEC) panels on both the East and West coast. The importance of SEC West was cemented with the successful completion of the acquisition of a maintenance shipyard in San Diego, providing Austal its own dedicated facility, team, and ability to bid for maintenance works as a prime contractor. Austal West Campus, located across the Mobile River from Austal's manufacturing facility, played an increased role in the Support business with excellent utilisation and contribution to profit through commercial work won.

Proving our capability in this growth area, Austal USA was awarded a \$100.4 million contract by the U.S. Navy to perform maintenance on Littoral Combat Ships (LCS) deployed to the Western Pacific, Indian Ocean, and the countries and ports therein. The contract value could increase to \$298.9 million if options for further periods contained in the contract are exercised by the U.S. Navy.

When combined, these strategic investments will deliver a long term, stable income stream that will underpin sustained shareholder returns.

We also continue to look for acquisition and organic growth opportunities to support our customers in the regions in which they choose to operate.

## Outlook

Austral is starting to capture the benefits of its hard work in previous years to set Austral up for further success, and the business is perfectly positioned for long term, profitable growth. This is reflected in the investments made and the contracts won, and an exciting pipeline of opportunities.

Looking ahead, Austral entered FY2023 with a US\$1.7 billion contracted order book, with contracted orders for the U.S. Navy and U.S. Coast Guard extending through to FY2027.

Austral USA's focus has been on broadening the potential order book with investment in facilities and capability, while delivering existing contracts, winning future build programmes and ensuring we are part of the design process for longer term programmes and developing a true long-term pipeline of work. This is demonstrated through contract awards such as the preliminary design on Next Generation Logistics Ships (NGLS).

## Australasia

### Strategy

Our core focus remains on long term sustainable, profitable growth. We have maintained our focus on sovereign capability and continue rebuilding positive stakeholder relationships across Navy, Defence, Australian Border Force, other Departments and Government R&D and Digital Technology teams. Austral's strategy of establishing operational capability in-country on commercial vessels and then subsequently moving into defence and support has worked well, however Austral Philippines had a setback this year when the Philippines Navy OPV (PNOPV) contract changed from an onshore build requirement to the contract being awarded to an offshore shipyard.

### Shipbuilding

The PNOPV decision means the Philippines shipyard will continue to focus on commercial work while continuing to look for opportunities in sovereign defence.

Our near-term focus for Vietnam is to continue to secure orders to preserve business capability and longevity. The Vietnam shipyard has proven very successful and efficient and is capable of commercial shipbuilding and other manufacturing work, an area of operations currently being explored for opportunities.

Our Australian operations will continue to support Australian Navy and Border Force on the new build and sustainment of vessels. It was very pleasing to win 2 additional CCPB vessels that

will provide continuity to future work. There is an exciting pipeline of work detailed in the Force Structure Plan that we are currently bidding for now. The next opportunity is the Army's Independent Littoral Manoeuvre Vessel (Army Landing Craft) and we are teaming with BMT and Raytheon to bid for this contract. If successful, it is likely we will invest in our facilities in Henderson to support this programme of work. We will agree these infrastructure investment plans with the Commonwealth. Austral is seeking to establish its position as the ultimate Sovereign Defence Prime Contractor in Australia, and we continue to assess merger and acquisition opportunities in the sector.

The significant growth in the size of the Australasia business over the last 5 years has meant we needed to invest in the appropriate Information Technology systems to monitor and control our operations in multiple countries. We will go live this year with a transformation project, which includes implementation of a new Enterprise Resource Planning (ERP), Product Lifecycle Management (PLM) and 3-Dimensional Computer Aided Design (CAD) tools. As part of this rollout, we achieved ISO 270001 and Defence Industry Certification Program (DISP) cyber security accreditations for Austral IT systems.

Both Austral USA and Australasia have a clear direction and 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.

### Support

Following the acquisition of support yards in Cairns and Brisbane last year we made some upgrades and modernisation improvements to the Brisbane yard following the flooding there in the early part of the year. This has an impact on revenue but has set us up to maximise commercial revenue, while our Cairns facility focuses on Border Force and Navy vessels. Many of the newly built CCPB will be home ported there.

As Australia's Force Structure Plan increases the size of the Navy fleet, there will be more vessel sustainment activities being undertaken in Perth, Darwin and Cairns, where we are already established. Austral's investment plans therefore are targeted at both new build opportunities and more sustainment business in locations where we are already well established.

## Outlook

The Australian Government's Force Structure Plan provides Austal with the ability to focus on a visible pipeline of tenders that match our capabilities in Australian shipbuilding. We note the new Labour Government has announced a Force Posture Review, but do not believe this will materially change near term opportunities in WA.

Not only is the future defence shipbuilding programme looking healthy, but with new ships come opportunities on new sustainment contracts.

Austal anticipates that the commercial ferry market will remain tough for the next few years, but there are signs of increasing opportunities, driven by three main factors: the reduction in COVID-19 travel restrictions, the ageing of the global commercial ferry fleet, and the desire of operators to reduce emissions. This will be vitally important for our yards in the Philippines and Vietnam.

## Research & Development (R&D)

Austal continues to invest in R&D, both in the USA and Australia. Two significant areas of focus in the R&D space remain emissions efficiency and autonomy. This will be very important in the future of commercial vessels in particular with global focus on greener fuels and technology.

In the defence sector, the ability to remove people from harm's way remains desirable and is becoming increasingly achievable. Considerable work has been undertaken in the land and air sector, and now marine is turning its focus to autonomous technology in the USA, and more recently Australia.

Austal R&D is focused on harnessing technologies that differentiate Austal in creating value for customers.

Austal continues to invest in its technological capabilities to enhance our products and our processes, particularly in the support area. This will provide the Company with substantial competitive advantages in the future, and our sophisticated maintenance planning system that directly interacts with the ship is currently on trial on CCPB 9 & 10 with the Royal Australian Navy.

With EPF 13 autonomy trials progressing well it will be very exciting to see capability and requirements develop to maximise use of these advances. A similar approach to autonomy is being adopted in Australia with an autonomous

demonstrator project approved to retrofit an aged Armidale Class vessel to demonstrate Australian capability.

## China

Austal completed the sale of its 40% shareholding in Aulong Shipbuilding Co. Ltd, Austal's Joint Venture in Zhuhai, China, in December 2021, after announcing the planned sale in April 2021. Austal's share in the joint venture was sold to its joint venture partner, Jianglong Shipbuilding Company for \$4.4 million. Jianglong previously owned the other 60% shareholding in the joint venture company.

Austal will continue to provide Aulong Shipbuilding Co. Ltd with ongoing design support on an ad hoc basis as the parties determine is appropriate.

## Conclusion

The OPC win in the USA provides much needed certainty in Austal's order book and underpins the decision to invest in steel capability. TAT-S and AFDM are excellent programmes to fine tune the steel production line in advance of the OPC programme. We have fundamentally changed our strategy to broaden the pipeline of opportunities and our contracting horizons, and this is yielding results that will provide excellent long term stability to Austal.

The wins in Australia with 2 additional CCPB vessels provides the bridge to future published programmes, and with the excellent delivery performance on our CCPB and GCPB, we strive to cement our position as a trusted partner with the Commonwealth of Australia.

Crucially, we continue to consistently generate strong earnings, underpinned by a robust balance sheet, during this transition period.

The strategic steps that Austal is undertaking in steel shipbuilding, support, and technology development, places the business incredibly well for long term sustainable growth.



Paddy Gregg

Managing Director and Chief Executive Officer

# Review of operations

## USA

### Financial performance

|                    | 2022<br>\$'000      | 2021<br>\$'000      |
|--------------------|---------------------|---------------------|
| <b>Revenue</b>     |                     |                     |
| Shipbuilding       | \$ 880,101          | \$ 1,012,983        |
| Support            | 175,821             | 163,621             |
| Total              | <u>\$ 1,055,922</u> | <u>\$ 1,176,604</u> |
| <b>EBIT</b>        |                     |                     |
| Shipbuilding       | \$ 122,105          | \$ 105,396          |
| Support            | 11,636              | 26,257              |
| Total              | <u>\$ 133,741</u>   | <u>\$ 131,653</u>   |
| <b>EBIT Margin</b> |                     |                     |
| Shipbuilding       | 13.9%               | 10.4%               |
| Support            | 6.6%                | 16.0%               |
| Total              | <u>12.7%</u>        | <u>11.2%</u>        |

USA revenue was \$1,055.9 million in FY2022 compared to \$1,176.6 million in FY2021.

EBIT increased by \$2.1 million (1.6%) on FY2021 to \$133.7 million, representing further year on year improvement in efficiencies and profitability.

Revenue decreased principally due to reduced throughput as the LCS programme starts to wind back, but this was offset by maturity of the LCS and EPF programmes delivering greater efficiencies and retirement of risk for Austal which allowed the accelerated release of contingencies.

This was reflected in an EBIT margin of 12.7% in FY2022, compared to 11.2% in FY2021.

### Shipbuilding

Shipbuilding revenue decreased by 13.1% from FY2021 to FY2022, in line with the planned wind down of the LCS programme into FY2025, with Austal experiencing reduced purchases of materials and reduced labour hours that comprise shipbuilding revenue.

Pleasingly, shipbuilding margin improved year on year (10.4% to 13.9%), which was a product of both operational efficiencies and the mitigation of risk that enabled the accelerated release of contingencies.

Austal's move to steel shipbuilding will be pivotal to increasing both the Company's order book and revenue in future years, and it has already been significantly positive in this regard with 3 new steel programmes secured.

Austal delivered the future USS Canberra (LCS 30) to the U.S. Navy in December 2021. The USS Canberra is the 15th Independence-class Littoral Combat Ship (LCS) delivered to the U.S. Navy since 2010, and the

second in calendar year 2021 after USS Savannah (LCS 28) was delivered in June 2021.

4 LCS are presently under various stages of construction. LCS 32, the future USS Santa Barbara was launched in November 2021 and LCS 34, the future USS Augusta was launched in May 2022. LCS 36, the future USS Kingsville, and LCS 38, the future USS Pierre, are under construction.

EPF 13, the future USNS Apalachicola, EPF 14, the future USNS Cody and EPF 15, the future USNS Point Loma remain under construction. EPF 16, is under contract.

Austal was awarded its first steel construction contract by the U.S. Navy in October 2021, a US\$144 million build of 2 Towing, Salvage and Rescue Ships (T-ATS 11 and 12), with an option for a further 3 vessels. Post-financial year end in July 2022, Austal was awarded a US\$156 million contract option for T-ATS 13 and 14.

Rusty Murdaugh was appointed as President of Austal USA, effective 9 September 2021. Rusty had been serving as the interim President since February 2021, and Chief Financial Officer since 2017.

### Support

Support work was impacted by:

1. The reduced volume of support work taking place due to COVID-19 impacts.
2. Austal's USA support business was unable to send maintenance personnel to some locations, due to COVID-19 related travel restrictions, which impacted revenue generation.

Support revenue increased from \$163.6 million in FY2021 to \$175.8 million in FY2022, whilst EBIT generated by the USA Support segment decreased from \$26.3 million in FY2021 to \$11.6 million in FY2022 mainly due to one-off impacts in FY2021.

Austal expects support revenue to rebound over the long term. With a growing fleet of LCS and EPF, Austal USA's Support business continues to be a growth opportunity underpinned by the Company's recent admission to the Sustainment Execution Contract (SEC) West panel of service providers in San Diego. This positions Austal to win a larger share of the available support work.

Austal has positioned its Support business to grow revenue by expanding its services to other ship classes, and the SEC West contract is an enabler of that expansion.

In December 2021, Austal completed the purchase of a long-term lease of the Marine Group Boat Works facilities in the Port of San Diego, USA. This important strategic acquisition enables further growth of the Company's service and support business. The lease of the facility has a duration of 29 years.

## New contract awards

In November 2021, Austal USA was awarded a \$100.4 million contract by the U.S. Navy to perform maintenance on Littoral Combat Ships (LCS) deployed to the Western Pacific, Indian Ocean, and the countries and ports therein. The contract value could increase to \$298.9 million if options for further periods contained in the contract are exercised by the U.S. Navy.

In December 2021, the Company was awarded a \$2.8 million contract to perform design studies for the U.S. Navy's Next Generation Logistics Ship (NGLS) programme. The contract requires Austal USA to develop a new baseline design, as well as perform specific trade studies for the Navy's newest logistics ship.

Austal USA officially opened the company's new state-of-the-art US\$100 million steel shipbuilding facility in Mobile, Alabama in April 2022, enabling the simultaneous production of both aluminium and steel hulled ships. The first vessels to be built in the new steel facility will be 2 T-ATS vessels for the U.S. Navy.

In May 2022, the U.S. Navy exercised a US\$230.5 million fixed-priced incentive (firm target) contract option for the detail design and construction of Expeditionary Fast Transport (EPF) 16 by Austal USA. EPF 16 will be the third ship constructed in "Flight II" configuration, which has enhanced medical and aviation capabilities. Austal USA has successfully delivered twelve EPF ships to the Navy since 2012, on schedule and on budget. It is currently constructing EPFs 13, 14 and 15 at the company's shipyard in Mobile, Alabama.

In June 2022, the U.S. Navy awarded Austal USA a contract to construct a new Auxiliary Floating Dock Medium (AFDM). It will be constructed at Austal USA's new steel manufacturing facility. With a lifting capacity of over 18,000 tonnes, length of 211 metres and working area of nearly 8,500 square metres, the dry dock will have the capability to service large vessels such as Littoral Combat Ships (LCS), Guided Missile Destroyers (DDG), Guided Missile Cruisers (CG) and Landing Ship Docks (LSD's).

Austal USA was also awarded a further \$65.5 million modification to a previously awarded LCS class design contract, announced 23 June 2021, which exercises options for additional LCS Class Design Services and additional support for the U.S. Navy's Integrated Data Product Model Environment (IDPME).

On 30 June 2022, Austal USA was awarded a contract with a potential value of US\$3.3 billion, for the detail design and construction of up to 11 Offshore Patrol Cutters (OPC) for the U.S. Coast Guard. The first vessel has been contracted by the U.S. Coast Guard, with options for a further 10 vessels, with construction expected to commence in

2023. Construction of the 110 metre OPC's will take place at Austal USA's new steel shipbuilding facility.

## Safety

Austal USA earned the 2021 American Equity Underwriters (AEU) safety award, which was especially gratifying considering the added complexities we experienced this year; through construction of the new steel production line, operating our newly-acquired dry dock at Austal's West Campus, commencing ship repair efforts and navigating COVID-19.

This is the seventh AEU award we have received, and the 21st industry safety award earned overall, affirming that Austal USA remains one of the safest shipyards in the USA maritime industry.

## 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

|                    | 2022<br>\$'000    | 2021<br>\$'000    |
|--------------------|-------------------|-------------------|
| <b>Revenue</b>     |                   |                   |
| Shipbuilding       | \$ 285,705        | \$ 310,055        |
| Support            | 98,261            | 95,781            |
| <b>Total</b>       | <b>\$ 383,966</b> | <b>\$ 405,836</b> |
| <b>EBIT</b>        |                   |                   |
| Shipbuilding       | \$ 11,863         | \$ 16,020         |
| Support            | 2,755             | 1,288             |
| <b>Total</b>       | <b>\$ 14,618</b>  | <b>\$ 17,308</b>  |
| <b>EBIT Margin</b> |                   |                   |
| Shipbuilding       | 4.2%              | 5.2%              |
| Support            | 2.8%              | 1.3%              |
| <b>Total</b>       | <b>3.8%</b>       | <b>4.3%</b>       |

The Australasia segment reported revenue of \$384.0 million in FY2022, compared to \$405.8 million for FY2021.

EBIT reduced from \$17.3 million in FY2021 to \$14.6 million in FY2022.

Revenue and earnings in FY2022 continued to be impacted by reduced work in the commercial ferry sector due to COVID-19 induced travel restrictions, as well as COVID-related impacts on the supply chain and movement of people impacting milestone payments and increasing costs.

Pleasingly, COVID-related restrictions and impacts have been progressively improving late in FY2022 and into FY2023.

## Shipbuilding

Austal delivered 5 defence vessels from Australia, including 1 Cape Class Patrol Boat (CCPB) for the Department of Defence (DoD).

Construction progressed well at Austal Australia on the 5 CCPBs for the Royal Australian Navy. All 5 vessels are under various stages of construction. The \$324 million contract to design and construct the evolved CCPB is the largest vessel construction programme contract awarded to Austal in Australia in the Company's 30+ year history.

In April 2022, the DoD announced it would order an additional 2 CCPBs for the Royal Australian Navy, for \$124 million.

Austal Australia also delivered 4 Guardian Class Patrol Boats (GCPB) for the Commonwealth of Australia's Pacific Patrol Boat Replacement Project. GCPB 12, 13, 14 and 15 were delivered on time to the Commonwealth of Australia in August 2021, October 2021, March 2022, and May 2022, respectively.

Austal was awarded a €20.5 million (~\$32.8 million) contract in August 2021 to build a 66 metre high-speed catamaran ferry for the Degage Group of French Polynesia. Construction commenced at Austal Vietnam in the period, with a scheduled delivery in the first half of 2023.

Austal Philippines delivered Banaderos Express (Austal Hull 395), a 118 metre high-speed trimaran ferry, to Fred Olsen Express of the Canary Islands in October 2021. This completed the \$190 million contract for 2 trimarans, announced in December 2018. Construction progressed on the 115 metre, high-speed vehicle-passenger catamaran for Danish ferry operator Molslinjen. The new 'Auto Express 115' will be the largest ferry (by volume) ever built by Austal and is a further design evolution of the distinctive 109 metre high-speed catamaran delivered to Molslinjen in January 2019. The vessel is due to be delivered in January 2023.

Despite the challenges being experienced in the commercial market, Austal is actively focused on securing a number of potential contracts, with particular emphasis on work for our yard in Vietnam. Both Australia and the Philippines are at full capacity with existing contracts.

Australasia's EBIT was negatively impacted by a \$2.6 million impairment charge (net of insurance proceeds) taken to recognise damage sustained to the Austal Philippines shipyard and floating dry dock as a result of Typhoon Odette (in December 2021).

## Support

Support activity in FY2022 included continuing servicing and support for the fleet of 8 CCPBs operated by the Australian Border Force throughout Northern Australia, plus a support contract worth up to \$54 million over three years for CCPB 9 Cape Fourcroy and CCPB 10 Cape Inscription, being operated by the Royal Australian Navy.

In June 2022, Austal announced a two year support contract to sustain the 2 CCPBs the Company built for the Government of the Republic of Trinidad and Tobago.

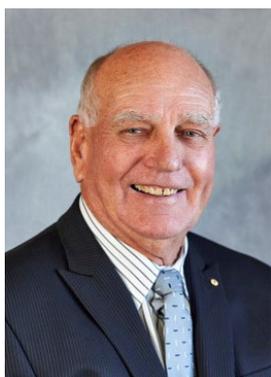
## Directors' report

The Board of Directors of Austal Limited submit their report for the year ended 30 June 2022.

### Directors

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

#### John Rothwell AO – Non-Executive Chairman



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 Defence 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.

#### Paddy Gregg – Chief Executive Officer



Patrick (Paddy) Gregg was promoted to the position of Austal's 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 Route.

Paddy has extensive experience in the naval sector having worked for BAE Systems Submarines, based in Barrow-in-Furness. 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 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, China, Philippines and Vietnam. This responsibility covered both new build of commercial and naval vessels, and the sustainment stream of the business focussed support for Australian Border Force and Royal Australian Navy.

As Chief Executive Officer, Paddy joins the Board of Austal Limited and oversees a global company comprising 5 shipyards and 8 service centres, with 5,000 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.

## Giles Everist – Independent Non-Executive Director



Giles has a breadth of board and executive experience gained over his 30 plus year career. He has worked for a range of production and service based businesses, within the resources, engineering and construction sectors, both in Australia and overseas in the UK and Africa.

Giles was appointed as a Non-Executive Director of the Company in November 2013, became Chair of the Audit & Risk Committee in November 2015 and is a member of the Nomination & Remuneration Committee. Giles holds a mechanical engineering degree and is a qualified Chartered Accountant. Giles is currently Chief Financial Officer of Capital Limited. He was Chairman of ASX listed Decmil Group Limited between 2011 and 2014, formerly the Chief Financial Officer and Company Secretary of Monadelphous Group Limited between 2003 and 2009, and Chief Financial Officer of Macmahon Holdings Limited between 2017 and 2020. He has held senior financial executive roles during his career with Rio Tinto in the United Kingdom and Australia, as well as major US design engineering

group Fluor Corporation.

Giles has held a number of other Non-Executive Director and Audit & Risk Committee Chair roles with ASX listed companies including Decmil Group Limited, Logicamms Limited and Macmahon Holdings Limited, as well as for a number of private and not for profit organisations.

## 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 Nomination & Remuneration Committee in September 2018, Deputy Chair of the Austal Limited Board in September 2019 and is a member of the Audit & Risk 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 currently the Managing Director for Wipro Australia / New Zealand. Wipro is a global company delivering innovation-led strategy, technology and business consulting services. Previously, Sarah has been the Managing Director of Publicis Sapiient Australia, Avanade Australia, Managing Partner and Vice President, Global Business Services at IBM and has also previously held senior executive roles at PwC and Arthur Andersen, leading the development and implementation of numerous digital enterprise transformation engagements

across many industries. Sarah has worked extensively across Australia / New Zealand, Asia-Pacific, as well as the Middle East and Africa, and Latin America.

Sarah is a Chartered Accountant and member of the Institute of Chartered Accountants Australia / New Zealand. Sarah holds a Bachelor of Business (Accounting) from the Queensland University of Technology and is a Graduate of the Australian Institute of Company Directors. Sarah was previously a member of the Diversity Council for the Australian Computer Society and was previously a Non-Executive Director, and Chair of the Finance, Audit and Risk Committee for Ovarian Cancer Australia.

## Chris Indermaur – Independent Non-Executive Director



Chris was appointed as a Non-Executive Director of the Company in October 2018 and to the Nomination & Remuneration Committee and Audit & Risk Committee in August 2019. Chris has over 30 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 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. Chris is also a Director of Austin Engineering Limited and Mayur Resources Limited.

## Mick McCormack – Independent Non-Executive Director



Mick was appointed as a Non-Executive Director of the Company in September 2020 and to the Nomination & Remuneration Committee and Audit & Risk Committee in April 2021.

Mick has over 35 years' of experience in Australia's energy infrastructure sector, is acknowledged as a pioneer in the Australian energy industry and was instrumental in transforming Australia's gas delivery system with the development of a world-leading pipeline grid system. He was formally Managing Director and CEO of ASX listed APA Group between 2015-2019, growing the enterprise value of the business from \$1 billion to \$24 billion during that time. Mick is recognised for delivering operational efficiency, safety performance excellence, value-adding mergers & acquisition strategies, effective capital allocation, prudent capital management and strong corporate governance principles.

Mick holds a Bachelor of Applied Science (Surveying) and a Master of Business Administration from the University of Queensland, and a Graduate Diploma of Engineering from Monash University. Mick is Chairman of Central Petroleum Limited and a Director of Origin Energy. He is also a Director of the Clontarf Foundation and is Chairman of the Australian Brandenburg Orchestra Foundation.

## 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:

| <u>Director</u>      | <u>Ordinary Shares</u> | <u>Share Rights</u> | <u>Indeterminate Rights</u> |
|----------------------|------------------------|---------------------|-----------------------------|
| Mr John Rothwell     | 32,761,692             | -                   | -                           |
| Mr Paddy Gregg       | 242,399                | -                   | 292,530                     |
| Mr Giles Everist     | 30,441                 | 17,760              | -                           |
| Mrs Sarah Adam-Gedge | 20,000                 | 52,844              | -                           |
| Mr Chris Indermaur   | -                      | 36,407              | -                           |
| Mr Mick McCormack    | 106,920                | -                   | -                           |

## 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 \$79.6 million (FY2021: \$81.1 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 9.

## Share price

The closing share price of Austal at 30 June 2022 was \$1.80 (30 June 2021: \$2.05). On 1 July 2022, the share price closed at \$2.25 following the announcement of the Offshore Patrol Cutter (OPC) award.

## Dividends

An unfranked dividend of 4.0 cents per share was paid after the FY2022 H1 results (FY2021: H1 4.0 cents per share) and a further dividend of 4.0 cents per share has been declared post 30 June 2022 for FY2022 (FY2021 final 4.0 cents per share).

## Significant events after the balance date

The Directors have declared an unfranked dividend of 4.0 cents per share in respect of the year ended 30 June 2022 as described above.

The directors are not aware of any other significant events since the reporting date.

## Likely developments and future results

A general discussion of the Group's outlook is included in the Chairman's report on page 1, the CEO's report on page 4 and the Review of Operations on page 9.

## Significant changes in the state of the affairs

Mr Rusty Murdaugh was appointed as President of Austal USA, effective 9 September 2021. Please refer to the ASX announcement titled "Rusty Murdaugh appointed President of Austal USA" on 16 September 2021 for further information.

Mr Greg Jason resigned from his role as CFO effective on 10 December 2021. Please refer to the ASX announcement titled "Resignation of Chief Financial Officer" on 23 September 2021 for further information.

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 2022.

## Share rights, performance rights, indeterminate rights and service rights

There were 2,683,376 un-vested performance rights, 529,448 share rights, 128,316 indeterminate rights and 1,244,914 service rights at 30 June 2022.

2,302,302 performance rights and 75,193 share rights, 364,193 indeterminate rights and 612,915 service rights were granted during FY2022.

## 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.

## 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:

| <u>Audit &amp; Risk</u>       | <u>Nomination &amp; Remuneration</u> |
|-------------------------------|--------------------------------------|
| Mr Giles Everist <sup>1</sup> | Mrs Sarah Adam-Gedge <sup>1</sup>    |
| Mrs Sarah Adam-Gedge          | Mr John Rothwell                     |
| Mr Chris Indermaur            | Mr Giles Everist                     |
| Mr Mick McCormack             | Mr Chris Indermaur                   |
|                               | Mr Mick McCormack                    |

1. Chair of the committee.

## Directors' meetings

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

|                                     | <u>Meeting</u> |                                       |                                                        |
|-------------------------------------|----------------|---------------------------------------|--------------------------------------------------------|
|                                     | <u>Board</u>   | <u>Audit &amp; Risk<br/>Committee</u> | <u>Nomination &amp;<br/>Remuneration<br/>Committee</u> |
| <b>Number of meetings held</b>      | 6              | 4                                     | 2                                                      |
| <b>Number of meetings attended:</b> |                |                                       |                                                        |
| Mr John Rothwell                    | 6              | -                                     | 2                                                      |
| Mr Paddy Gregg                      | 6              | 4 <sup>1</sup>                        | 2 <sup>1</sup>                                         |
| Mr Giles Everist                    | 5              | 4                                     | 2                                                      |
| Mrs Sarah Adam-Gedge                | 6              | 4                                     | 2                                                      |
| Mr Chris Indermaur                  | 6              | 4                                     | 2                                                      |
| Mr Mick McCormack                   | 6              | 4                                     | 2                                                      |

1. Paddy Gregg is not formally a member of the Audit and Risk Committee or Nomination & Remuneration Committee but attended as a guest.

## 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.

# Nomination & Remuneration Committee Chair's message

Dear Shareholder,

The Board of Directors are pleased to present the Remuneration Report for the year ending 30 June 2022, 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.

## 2021 remuneration resolutions

I would like to thank shareholders for the positive support provided in favour of remuneration related resolutions at the 2021 AGM.

## KMP remuneration

Remuneration for KMP continues to be a focus for the organisation especially during the continuing global pandemic, economic volatility and the challenges in attracting and retaining talent. Changes made to the Executive remuneration framework in 2019 are monitored annually for relevance and competitiveness. Recent reviews of the framework by the NRC have determined that salary mix and structure remain competitive against market and identified competitors.

Benchmarking of KMP remuneration in FY2022 resulted in a fixed remuneration adjustment for the CEO to ensure alignment to P50 was maintained in the CEO's first full year in the role. Other KMP fixed remuneration was adjusted in line with legislated superannuation changes.

The business has continued to build, deliver and sustain vessels for our customers during the financial year despite Covid restrictions, ongoing disruptions to supply chains and international geopolitical tensions. A record number of vessels was delivered during the year which is a testament to the dedication of our leaders and employees to provide a product and service that continues to be sought after.

FY2022 proved to be a successful year for contract awards with \$1.5 billion of work secured during the financial year. The strategic shift to steel construction has been a major achievement for the Executive and will underpin Austal's growth in the years to come.

KMP performance has been assessed against a balance of financial and non-financial metrics and Executives have been awarded short term incentives based on the achievement of those metrics as detailed in this report. In addition, whilst the business has continued to deliver strong earnings, Austal's Total Shareholder Return has not performed well against the market over the last three years resulting in modest long term incentive awards, aligned to the interests of shareholders.

## KMP update

We have seen a number of changes to KMP this year:

- Mr Greg Jason resigned as Chief Financial Officer in September 2021 after 15 years of service.
- Mr Geoff Buchanan was appointed interim Chief Financial Officer whilst the business conducts an external search for a permanent replacement.
- After an extensive global search Mr Rusty Murdaugh, Interim President USA, was appointed into the President USA position on a permanent basis in September 2021.

## Board remuneration

External remuneration consultants have recently been engaged to benchmark NED remuneration. Results from this exercise will be considered as part of FY2023 annual remuneration review.

## Board Diversity

The Board recognise the need for diversity as part of its overall composition. Whilst the Board has been actively searching for an additional female Board member during the year, this activity has not been successfully concluded and the Board has revised the target date to June 2023 to appoint an additional female Director.

## 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,

Sarah Adam-Gedge

Chair, Nomination & Remuneration Committee

# Remuneration report

This Remuneration Report for the year ended 30 June 2022 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.

|           |                                                                               |           |
|-----------|-------------------------------------------------------------------------------|-----------|
| <b>1.</b> | <b>Key management personnel</b> .....                                         | <b>21</b> |
| <b>2.</b> | <b>Remuneration governance framework</b> .....                                | <b>22</b> |
|           | I. Nomination & Remuneration Committee Charter.....                           | 22        |
|           | II. Share trading policy.....                                                 | 22        |
|           | III. Executive remuneration consultant engagement policy.....                 | 22        |
|           | IV. Stakeholder engagement.....                                               | 22        |
|           | V. Remuneration framework.....                                                | 23        |
| <b>3.</b> | <b>Executive KMP remuneration policy</b> .....                                | <b>24</b> |
|           | I. Structure.....                                                             | 24        |
|           | II. Total fixed remuneration.....                                             | 24        |
|           | III. Short term incentive (STI) policy.....                                   | 24        |
|           | IV. Long term incentive (LTI) policy.....                                     | 27        |
| <b>4.</b> | <b>Executive KMP remuneration</b> .....                                       | <b>30</b> |
|           | I. 5 year performance.....                                                    | 30        |
|           | II. FY2022 award opportunities.....                                           | 31        |
|           | III. CEO remuneration.....                                                    | 32        |
|           | IV. STI targets and outcomes.....                                             | 33        |
|           | V. LTI vesting.....                                                           | 35        |
|           | VI. Realised Executive remuneration (non-statutory disclosure).....           | 37        |
|           | VII. Statutory remuneration disclosure.....                                   | 38        |
|           | VIII. Reconciliation of realised remuneration and statutory remuneration..... | 39        |
| <b>5.</b> | <b>Non-Executive Director remuneration</b> .....                              | <b>39</b> |
|           | I. Application.....                                                           | 39        |
|           | II. Fee policy.....                                                           | 39        |
|           | III. Share rights.....                                                        | 40        |
|           | IV. NED remuneration in FY2022.....                                           | 41        |
| <b>6.</b> | <b>Equity instruments held by KMP</b> .....                                   | <b>42</b> |
|           | I. FY2020 performance rights vesting.....                                     | 42        |
|           | II. FY2021 performance rights.....                                            | 42        |
|           | III. FY2022 performance rights grant.....                                     | 43        |
|           | IV. Changes in equity held by KMP.....                                        | 44        |
|           | V. Minimum equity holdings of KMP employed at 30 June 2022.....               | 45        |
| <b>7.</b> | <b>Other related matters</b> .....                                            | <b>45</b> |
|           | I. Board composition.....                                                     | 45        |
|           | II. Details of contractual provisions for KMP.....                            | 45        |
|           | III. Other transactions with KMP.....                                         | 46        |
|           | IV. Use of external remuneration consultants.....                             | 46        |

## 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 2022 were:

### Senior Executives

|                   |                                                                                                                                            |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Mr Paddy Gregg    | Chief Operating Officer Australasia from February 2017 - December 2020<br>Chief Executive Officer and Managing Director since January 2021 |
| Mr Ian McMillan   | Chief Operating Officer Australasia since January 2021                                                                                     |
| Mr Rusty Murdaugh | Interim President from February 2021 to September 2021 when appointed permanently                                                          |
| Mr Geoff Buchanan | Interim Chief Financial Officer since November 2021                                                                                        |

The following person resigned and ceased to be a Senior Executive during FY2022:

|               |                                                                 |
|---------------|-----------------------------------------------------------------|
| Mr Greg Jason | Group Chief Financial Officer from January 2013 - December 2021 |
|---------------|-----------------------------------------------------------------|

### Non-Executive Directors

|                      |                                                                                                                                                                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr John Rothwell     | Chairman since 1998<br>Member of the Nomination & Remuneration Committee since December 1998                                                                                                                                              |
| Mr Giles Everist     | Independent Non-Executive Director since November 2013<br>Member of the Nomination & Remuneration Committee since February 2014<br>Chair of the Audit & Risk Committee since October 2014                                                 |
| Mrs Sarah Adam-Gedge | Independent Non-Executive Director since August 2017<br>Member of the Audit & Risk Committee since August 2017<br>Chair of the Nomination & Remuneration Committee since September 2018<br>Deputy Chair of the Board since September 2019 |
| Mr Chris Indermaur   | Independent Non-Executive Director since October 2018<br>Member of the Audit & Risk Committee since October 2018<br>Member of the Nomination & Remuneration Committee since August 2019                                                   |
| Mr Mick McCormack    | Independent Non-Executive Director since September 2020<br>Member of the Audit & Risk Committee since April 2021<br>Member of the Nomination & Remuneration Committee since April 2021                                                    |

## 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 which was undertaken for the Directors of the Board and Executives during FY2022.

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 ERC 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, 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 (ERC)
- 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 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 (NRC).  
Independent External Remuneration Consultants (ERC).  
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 Incentives (STI) which provides a reward for performance against annual objectives.
  - Long Term Incentives (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 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 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 FY2022 KPI are contained in the STI KPI target and outcomes section commencing on page 31.

**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 FY2022 STI award opportunities are contained in the STI KPI target and outcomes section on page 33.

#### 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. No dividends are payable nor accrued on Performance Rights which are unvested.

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. No dividends are payable nor accrued on Performance Rights which are unvested. 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 FY2022 LTI grant are contained on page 43.

##### 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 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. Share price appreciation is measured utilising a

1 month Volume Weighted Average Price (VWAP) at the beginning and the end of the measurement period (i.e. July in year 1 and June in year 3).

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 a 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.

**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.

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 sell 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.

**xii. 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.

**xiii. 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.

**xiv. 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.

**xv. 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    |         |         |         |         |
|---------------------------------------------------------------------|------------|-------------------|---------|---------|---------|---------|
|                                                                     |            | 2018 <sup>1</sup> | 2019    | 2020    | 2021    | 2022    |
| <b>Earnings measures</b>                                            |            |                   |         |         |         |         |
| EBIT (Earnings before interest & tax)                               | \$'000     | 63,489            | 92,795  | 130,396 | 114,619 | 120,662 |
| EBITDA (Earnings before interest, tax, depreciation & amortisation) | \$'000     | 102,319           | 135,001 | 176,139 | 160,326 | 165,350 |
| NPAT (Net profit after tax)                                         | \$'000     | 37,533            | 61,384  | 88,978  | 81,057  | 79,565  |
| <br>                                                                |            |                   |         |         |         |         |
| EPS (Earnings per share)                                            | \$ / share | 0.11              | 0.18    | 0.25    | 0.23    | 0.22    |
| <br>                                                                |            |                   |         |         |         |         |
| <b>Dividends paid</b>                                               | \$ / share | 0.04              | 0.06    | 0.06    | 0.09    | 0.08    |
| <br>                                                                |            |                   |         |         |         |         |
| <b>Share price</b>                                                  |            |                   |         |         |         |         |
| Closing                                                             | \$ / share | 1.86              | 3.41    | 3.23    | 2.05    | 1.80    |

1. FY2018 EBIT, NPAT and EPS have been restated for the retrospective application of AASB 15 Revenue from Contracts with Customers.

## II. FY2022 award opportunities

The tables below depict the Target and Stretch (Maximum) remuneration for KMP in FY2022 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             | 970,000 | 45%             | 436,500 | 50%             | 485,000 | 1,891,500 |
| Mr Greg Jason <sup>1</sup> | 578,535 | 40%             | 231,414 | 35%             | 202,487 | 1,012,436 |
| Mr Ian McMillan            | 512,550 | 40%             | 205,020 | 35%             | 179,393 | 896,963   |
| Mr Rusty Murdaugh          | 724,533 | 65%             | 470,946 | 50%             | 362,266 | 1,557,745 |

1. Mr Greg Jason resigned effective 10 December 2021.

### ii. Stretch [Maximum] remuneration

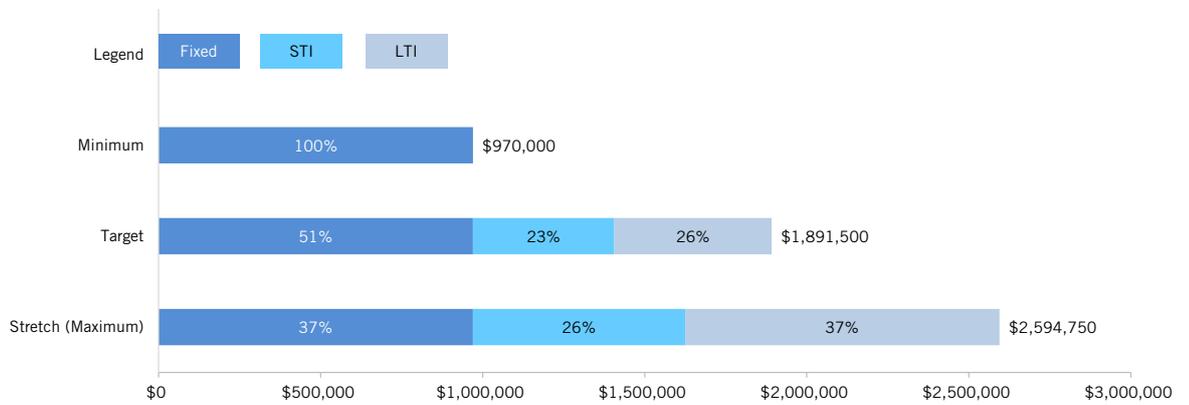
| KMP                        | TFR     | STI Opportunity |         | LTI Opportunity |         | Total     |
|----------------------------|---------|-----------------|---------|-----------------|---------|-----------|
|                            | \$      | % of TFR        | \$      | % of TFR        | \$      | \$        |
| Mr Paddy Gregg             | 970,000 | 68%             | 654,750 | 100%            | 970,000 | 2,594,750 |
| Mr Greg Jason <sup>1</sup> | 578,535 | 60%             | 347,121 | 70%             | 404,975 | 1,330,631 |
| Mr Ian McMillan            | 512,550 | 60%             | 307,530 | 70%             | 358,785 | 1,178,865 |
| Mr Rusty Murdaugh          | 724,533 | 98%             | 706,419 | 100%            | 724,533 | 2,155,485 |

1. Mr Greg Jason resigned effective 10 December 2021.

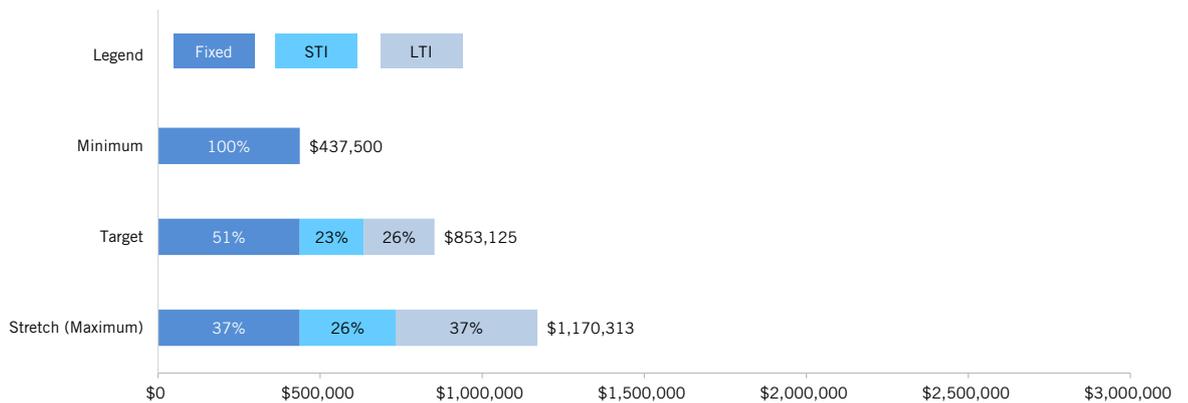
### III. CEO remuneration

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).

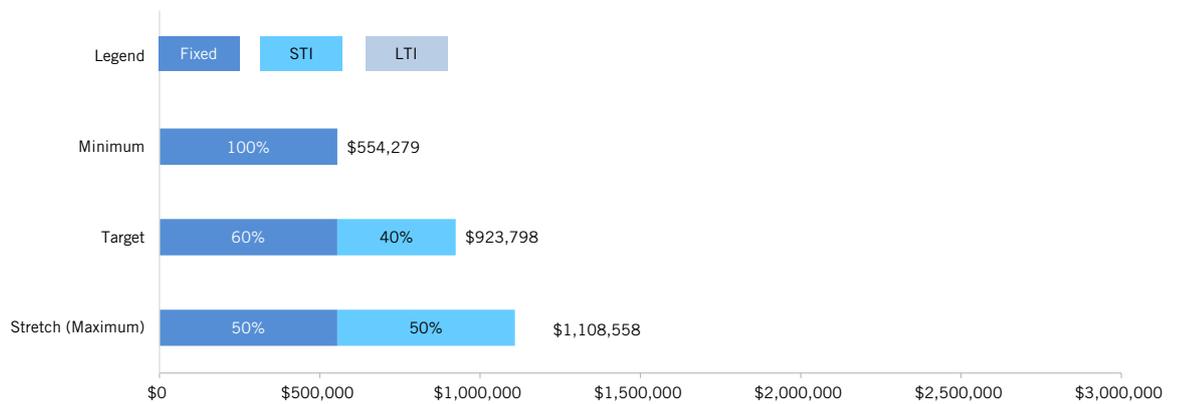
**FY2022 CEO Remuneration - Mr Paddy Gregg**



**FY2021 CEO Remuneration - Mr Paddy Gregg (1 January 2021 - 30 June 2021)**



**FY2021 CEO Remuneration - Mr David Singleton (1 July 2020 - 31 December 2020)**



#### 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 FY2022, given the business plans approved by the Board at the commencement of the financial year.

##### Chief Executive Officer - Mr Paddy Gregg

| Measures                        | Weight         | Actual Performance |         |            | Targets                          |         |          |          |
|---------------------------------|----------------|--------------------|---------|------------|----------------------------------|---------|----------|----------|
|                                 |                | Below              | Stretch | Award      | Threshold                        | Target  | Stretch  | Actual   |
| Group EBIT                      | 22.50%         |                    |         | 100%       | \$ 94 m                          | \$ 99 m | \$ 109 m | \$ 121 m |
| Group Free Cash flow            | 22.50%         |                    |         | 67%        | \$ 57 m                          | \$ 61 m | \$ 67 m  | \$ 61 m  |
| New Vessel Orders - USA         | 15.00%         |                    |         | 100%       | Further detail is provided below |         |          |          |
| New Vessel Orders - Australasia | 15.00%         |                    |         | 87%        | Further detail is provided below |         |          |          |
| Strategic Growth - USA          | 10.00%         |                    |         | 87%        | Further detail is provided below |         |          |          |
| Strategic Growth - Australasia  | 5.00%          |                    |         | 43%        | Further detail is provided below |         |          |          |
| Strategic Growth - Corporate    | 10.00%         |                    |         | 67%        | Further detail is provided below |         |          |          |
| <b>Total</b>                    | <b>100.00%</b> |                    |         | <b>83%</b> |                                  |         |          |          |

##### Chief Financial Officer - Mr Greg Jason (1 July 2021 - 10 December 2021)

Mr Greg Jason resigned effective 10 December 2022 and hence his FY2022 STI award was zero.

##### Chief Operating Officer Australasia - Mr Ian McMillan

| Measures                                | Weight         | Actual Performance |         |            | Targets                          |          |          |          |
|-----------------------------------------|----------------|--------------------|---------|------------|----------------------------------|----------|----------|----------|
|                                         |                | Below              | Stretch | Award      | Threshold                        | Target   | Stretch  | Actual   |
| Australasia Revenue                     | 10.00%         |                    |         | 79%        | \$ 352 m                         | \$ 370 m | \$ 407 m | \$ 384 m |
| Australasia EBIT <sup>1</sup>           | 20.00%         |                    |         | 100%       | \$ 6.0 m                         | \$ 6.5 m | \$ 7.0 m | \$ 7.4 m |
| Australasia Free Cash flow              | 20.00%         |                    |         | 71%        | \$ 0.9 m                         | \$ 0.9 m | \$ 1.0 m | \$ 0.9 m |
| New Vessel Orders - Australasia         | 35.00%         |                    |         | 87%        | Further detail is provided below |          |          |          |
| Strategic Growth - Australasia          | 10.00%         |                    |         | 43%        | Further detail is provided below |          |          |          |
| Safety (Total Recordable Incident Rate) | 5.00%          |                    |         | 67%        | -                                | 2.5      | 1.9      | 2.2      |
| <b>Total</b>                            | <b>100.00%</b> |                    |         | <b>80%</b> |                                  |          |          |          |

- Note that Australasia EBIT includes an allocation of Corporate Overhead for STI metric purposes and hence it doesn't match the segment note.

##### President USA - Mr Rusty Murdaugh <sup>2</sup>

| Measures                                | Weight         | Actual Performance |         |            | Targets                          |          |          |          |
|-----------------------------------------|----------------|--------------------|---------|------------|----------------------------------|----------|----------|----------|
|                                         |                | Below              | Stretch | Award      | Threshold                        | Target   | Stretch  | Actual   |
| USA Revenue (USD)                       | 10.00%         |                    |         | 64%        | \$ 721 m                         | \$ 801 m | \$ 882 m | \$ 765 m |
| USA EBIT (USD)                          | 20.00%         |                    |         | 100%       | \$ 74 m                          | \$ 87 m  | \$ 95 m  | \$ 97 m  |
| USA Free Cash flow (USD)                | 20.00%         |                    |         | 61%        | \$ 49 m                          | \$ 54 m  | \$ 60 m  | \$ 49 m  |
| New Vessel Orders - USA                 | 25.00%         |                    |         | 100%       | Further detail is provided below |          |          |          |
| Strategic Growth - USA                  | 15.00%         |                    |         | 90%        | Further detail is provided below |          |          |          |
| Safety (Total Recordable Incident Rate) | 5.00%          |                    |         | -          | 2.4                              | 2.2      | 2.0      | 2.5      |
| People & Team                           | 5.00%          |                    |         | 100%       | -                                | 5.0%     | 7.5%     | 7.5%     |
| <b>Total</b>                            | <b>100.00%</b> |                    |         | <b>82%</b> |                                  |          |          |          |

- Mr Rusty Murdaugh was Interim President from February 2021 to September 2021 when appointed permanently.

## Chief Executive Officer - Mr Paddy Gregg

### **New Vessel Orders - USA (100% Award)**

Offshore Patrol Cutter OR T-Agos awarded.  
T-ATS vessel build awarded.  
EPF 16 appropriated.

### **New Vessel Orders - Australasia (87% Award)**

Multiple commercial contract awards (commercial in confidence, CIC).  
Philippines Navy OPV.  
Australian defence contract awards (CIC).

### **Strategic Growth - USA (87% Award)**

San Diego Dry Dock - Complete MGBW lease acquisition, and achieve business case schedule and financial performance.  
Establish steel capability.  
Stabilise the AUSA leadership with appointment of a President and Audit Outside Director.

### **Strategic Growth - Australasia (43% Award)**

Queensland delivers in line with business case.  
CCPB 9 & 10 In Service Support contract extended.  
CCPB 9 & 10 Leases extended.  
Awarded initial support for CCPB 11-12.  
Awarded RAN Regional Maintenance Provider North East contract.  
Board approved Investment Plan for Henderson and implementation.  
ABF CCPB 1 - 8 contract renegotiated.

### **Strategic Growth - Corporate (67% Award)**

Identification of M&A or greenfield targets and significant progress (LOI or equivalent) on a material transaction (CIC).

---

## Chief Financial Officer - Mr Greg Jason (1 July 2021 - 10 December 2021)

Mr Greg Jason resigned effective 10 December 2021 and hence his FY2022 STI award was zero.

---

## Chief Operating Officer Australasia - Mr Ian McMillan

### **New Vessel Orders - Australasia (87% Award)**

Multiple commercial contract awards (CIC).  
Philippines Navy OPV.  
Australian defence contract awards (CIC).

### **Strategic Growth - Australasia (43% Award)**

Queensland delivers in line with business case.  
CCPB 9 & 10 In Service Support contract extended.  
CCPB 9 & 10 Leases extended.  
Awarded initial support for CCPB 11-12.  
Awarded RAN Regional Maintenance Provider North East contract.  
Board approved Investment Plan for Henderson and implementation.  
ABF CCPB 1 - 8 contract renegotiated.

President USA - Mr Rusty Murdaugh

**New Vessel Orders - USA (100% Award)**

Offshore Patrol Cutter OR T-Agos awarded.  
 T-ATS vessel build awarded.  
 EPF 16 appropriated.

**Strategic Growth - USA (90% Award)**

San Diego Dry Dock - Complete MGBW lease acquisition, and achieve business case schedule and financial performance.  
 Establish steel capability.  
 Concept design award contracts.  
 Identification of M&A or greenfield targets and significant progress (LOI or equivalent) on a material transaction and execute (CIC).

V. LTI vesting

i. **FY2020 Performance rights grant**

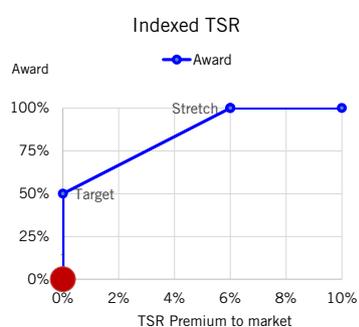
143,263 Performance Rights were granted to KMP in FY2020, who were still employed by Austal at 30 June 2022.

ii. **Measurement period**

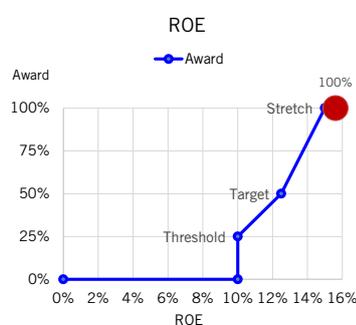
100% of the Performance Rights granted in FY2020 had a 3 year Measurement period from 1 July 2020 – 30 June 2022.

iii. **FY2020 LTI vesting performance**

The performance criteria relating to the FY2020 grant of Performance Rights to KMP are detailed below resulting in a 45% vesting:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSP = CAGR EPS<sup>1</sup> (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

iv. FY2020 LTI vesting awards

| KMP               | Tranche | Weight | Granted | Vesting |        | Value @<br>Grant Date (\$) |
|-------------------|---------|--------|---------|---------|--------|----------------------------|
|                   |         |        |         | %       | Number |                            |
| VWAP @ Grant Date |         |        |         |         |        | 3.82                       |
| Mr Paddy Gregg    | iTSR    | 34%    | 31,175  | -       | -      | -                          |
|                   | ROE     | 33%    | 31,173  | 100%    | 31,173 | 118,997                    |
|                   | EPSP    | 33%    | 31,173  | 34%     | 10,658 | 40,685                     |
|                   | Total   | 100%   | 93,521  | 45%     | 41,831 | 159,682                    |
| Mr Rusty Murdaugh | iTSR    | 34%    | 16,582  | -       | -      | -                          |
|                   | ROE     | 33%    | 16,580  | 100%    | 16,580 | 63,291                     |
|                   | EPSP    | 33%    | 16,580  | 34%     | 5,669  | 21,640                     |
|                   | Total   | 100%   | 49,742  | 45%     | 22,249 | 84,931                     |

## VI. Realised Executive remuneration (non-statutory disclosure)

The Realised Remuneration tables below are provided to convey the actual remuneration awarded to KMP during FY2022 and FY2021 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.

### FY2022

| KMP                             | Total Fixed Remuneration |                                        |                |                  | Payout <sup>1</sup> | FY2022 STI Awarded |                               |                  | LTI                     | Total            |
|---------------------------------|--------------------------|----------------------------------------|----------------|------------------|---------------------|--------------------|-------------------------------|------------------|-------------------------|------------------|
|                                 | Cash<br>\$               | Super-<br>annuation /<br>Pension<br>\$ | Other<br>\$    | Total<br>\$      | Leave<br>\$         | Cash<br>\$         | Indeterminate<br>Rights<br>\$ | Total<br>\$      | FY2020<br>Vesting<br>\$ | Total<br>\$      |
| Value @ Grant VWAP <sup>2</sup> |                          |                                        |                |                  |                     |                    |                               |                  | 3.82                    |                  |
| Mr Paddy Gregg                  | 946,432                  | 23,568                                 | -              | 970,000          | -                   | 271,722            | 271,721                       | 543,443          | 159,682                 | 1,673,125        |
| Mr Greg Jason <sup>3</sup>      | 351,726                  | 14,029                                 | -              | 365,755          | 249,073             | -                  | -                             | -                | -                       | 614,828          |
| Mr Ian McMillan                 | 485,050                  | 27,500                                 | -              | 512,550          | -                   | 123,320            | 123,319                       | 246,639          | -                       | 759,189          |
| Mr Rusty Murdaugh <sup>4</sup>  | 703,564                  | 75,977                                 | 123,400        | 902,941          | 38,224              | 579,539            | -                             | 579,539          | 84,931                  | 1,605,635        |
| Mr Geoff Buchanan <sup>5</sup>  | 314,971                  | 31,497                                 | 51,101         | 397,569          | -                   | 122,607            | -                             | 122,607          | -                       | 520,176          |
| <b>Total</b>                    | <b>2,801,743</b>         | <b>172,571</b>                         | <b>174,501</b> | <b>3,148,815</b> | <b>287,297</b>      | <b>1,097,188</b>   | <b>395,040</b>                | <b>1,492,228</b> | <b>244,613</b>          | <b>5,172,953</b> |

### FY2021

| KMP                               | Total Fixed Remuneration |                                        |               |                  | Payout <sup>1</sup> | FY2021 STI Awarded |                               |                  | LTI                                  | Total            |
|-----------------------------------|--------------------------|----------------------------------------|---------------|------------------|---------------------|--------------------|-------------------------------|------------------|--------------------------------------|------------------|
|                                   | Cash<br>\$               | Super-<br>annuation /<br>Pension<br>\$ | Other<br>\$   | Total<br>\$      | Leave<br>\$         | Cash<br>\$         | Indeterminate<br>Rights<br>\$ | Total<br>\$      | FY2019<br>Vesting <sup>9</sup><br>\$ | Total<br>\$      |
| Value @ Grant VWAP <sup>2</sup>   |                          |                                        |               |                  |                     |                    |                               |                  | 1.78                                 |                  |
| Mr David Singleton <sup>6</sup>   | 541,779                  | 12,500                                 | -             | 554,279          | 51,798              | 554,279            | -                             | 554,279          | -                                    | 1,160,356        |
| Mr Paddy Gregg                    |                          |                                        |               |                  |                     |                    |                               |                  |                                      |                  |
| - COO Australasia (H1)            | 244,153                  | 10,847                                 | -             | 255,000          | -                   | 43,509             | 43,509                        | 87,018           | -                                    | 342,018          |
| - CEO (H2)                        | 426,653                  | 10,847                                 | -             | 437,500          | -                   | 81,211             | 81,210                        | 162,421          | 334,830                              | 934,751          |
| - Total                           | 670,806                  | 21,694                                 | -             | 692,500          | -                   | 124,720            | 124,719                       | 249,439          | 334,830                              | 1,276,769        |
| Mr Greg Jason                     | 553,963                  | 21,694                                 | -             | 575,657          | -                   | 94,983             | 94,983                        | 189,966          | 219,032                              | 984,655          |
| Mr Ian McMillan <sup>7</sup>      | 227,299                  | 21,593                                 | -             | 248,892          | -                   | 42,467             | 42,467                        | 84,934           | -                                    | 333,826          |
| Mr Craig Perciavalle <sup>8</sup> | 551,835                  | 72,072                                 | 58,980        | 682,887          | 114,228             | -                  | -                             | -                | -                                    | 797,115          |
| Mr Rusty Murdaugh <sup>4</sup>    | 227,458                  | 22,746                                 | 20,809        | 271,013          | -                   | 265,020            | -                             | 265,020          | 110,434                              | 646,467          |
| <b>Total</b>                      | <b>2,773,140</b>         | <b>172,299</b>                         | <b>79,789</b> | <b>3,025,228</b> | <b>166,026</b>      | <b>1,081,469</b>   | <b>262,169</b>                | <b>1,343,638</b> | <b>664,296</b>                       | <b>5,199,188</b> |

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. Mr Greg Jason resigned effective 10 December 2021. Included in his cash TFR is an Eligible Termination Payment of \$100,000.

4. Mr Rusty Murdaugh was appointed as Interim President USA from February 2021 to September 2021 when appointed permanently.

The STI Awarded in both years represents the full year award.

5. Mr Geoff Buchanan was appointed as Interim CFO on 22 November 2021. Mr Geoff Buchanan was not a part of the STI award opportunity. The FY2022 STI awarded represents a service bonus.

6. Mr David Singleton resigned effective 31 December 2020.

7. Mr Ian McMillan was appointed as Chief Operating Officer on 1 January 2021.

8. Mr Craig Perciavalle resigned effective 22 February 2021.

9. VWAP corrected from prior year disclosure (FY2021: \$2.05).

## VII. Statutory remuneration disclosure

The following table outlines the remuneration received by Executive KMP during FY2022 and FY2021, prepared according to statutory disclosure requirements and accounting standards:

| KMP                            | Fixed Remuneration        |                         |                            |               |                  | Variable Remuneration               |                | Payout <sup>1</sup> | Total            |
|--------------------------------|---------------------------|-------------------------|----------------------------|---------------|------------------|-------------------------------------|----------------|---------------------|------------------|
|                                | Super-annuation / Pension | Other Monetary Benefits | Long Service Leave Accrued | Total         | STI Accrued      | LTI Accounting Expense <sup>3</sup> | Leave          | Total               |                  |
|                                | \$                        | \$                      | \$                         | \$            | \$               | \$                                  | \$             | \$                  |                  |
| Mr Paddy Gregg                 | 987,165                   | 23,568                  | -                          | 20,558        | 1,031,291        | 543,443                             | 492,417        | -                   | 2,067,151        |
| Mr Greg Jason <sup>4</sup>     | 371,600                   | 14,029                  | -                          | 4,623         | 390,252          | -                                   | (378,023)      | 249,073             | 261,302          |
| Mr Ian McMillan                | 496,627                   | 27,500                  | -                          | 1,474         | 525,601          | 246,639                             | 81,930         | -                   | 854,170          |
| Mr Rusty Murdaugh <sup>5</sup> | 739,171                   | 75,977                  | 123,400                    | -             | 938,548          | 579,539                             | 266,974        | 38,224              | 1,823,285        |
| Mr Geoff Buchanan <sup>6</sup> | 325,936                   | 31,497                  | 51,101                     | 702           | 409,236          | 122,607                             | -              | -                   | 531,843          |
| <b>Total</b>                   | <b>2,920,499</b>          | <b>172,571</b>          | <b>174,501</b>             | <b>27,357</b> | <b>3,294,928</b> | <b>1,492,228</b>                    | <b>463,298</b> | <b>287,297</b>      | <b>5,537,751</b> |

| KMP                               | Fixed Remuneration        |                         |                            |                |                  | Variable Remuneration               |                | Payout <sup>1</sup> | Total            |
|-----------------------------------|---------------------------|-------------------------|----------------------------|----------------|------------------|-------------------------------------|----------------|---------------------|------------------|
|                                   | Super-annuation / Pension | Other Monetary Benefits | Long Service Leave Accrued | Total          | STI Accrued      | LTI Accounting Expense <sup>3</sup> | Leave          | Total               |                  |
|                                   | \$                        | \$                      | \$                         | \$             | \$               | \$                                  | \$             | \$                  |                  |
| Mr David Singleton <sup>7</sup>   | 532,666                   | 12,500                  | -                          | (35,650)       | 509,516          | 554,279                             | -              | 51,798              | 1,115,593        |
| Mr Paddy Gregg                    | 721,075                   | 21,694                  | -                          | 16,434         | 759,203          | 249,439                             | 400,229        | -                   | 1,408,871        |
| Mr Greg Jason                     | 562,333                   | 21,694                  | -                          | 10,663         | 594,690          | 189,966                             | 375,101        | -                   | 1,159,757        |
| Mr Ian McMillan <sup>8</sup>      | 245,950                   | 21,593                  | -                          | 500            | 268,043          | 84,934                              | -              | -                   | 352,977          |
| Mr Craig Perciavalle <sup>9</sup> | 556,361                   | 72,072                  | 58,980                     | -              | 687,413          | -                                   | (662,331)      | 114,228             | 139,310          |
| Mr Rusty Murdaugh <sup>5</sup>    | 240,053                   | 22,746                  | 20,809                     | -              | 283,608          | 265,020                             | 71,447         | -                   | 620,075          |
| <b>Total</b>                      | <b>2,858,438</b>          | <b>172,299</b>          | <b>79,789</b>              | <b>(8,053)</b> | <b>3,102,473</b> | <b>1,343,638</b>                    | <b>184,446</b> | <b>166,026</b>      | <b>4,796,583</b> |

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. Mr Greg Jason resigned effective 10 December 2021.
5. Mr Rusty Murdaugh was appointed as Interim President USA from February 2021 to September 2021 when appointed permanently. The STI Awarded in both years represents the full year award.
6. Mr Geoff Buchanan was appointed as Interim CFO on 22 November 2021. Mr Geoff Buchanan was not apart of the STI award opportunity. The FY2022 STI accrued represents a service bonus.
7. Mr David Singleton resigned effective 31 December 2020.
8. Mr Ian McMillan was appointed as Chief Operating Officer on 1 January 2021.
9. Mr Craig Perciavalle resigned effective 22 February 2021.

## VIII. Reconciliation of realised remuneration and statutory remuneration

The following table reconciles the realised remuneration received by Executive KMP during FY2022 and FY2021 with the statutory remuneration disclosures for those years.

| FY2022                     | Remuneration   |                 |                | Explanation of Variance                |                                          |                                      |             |
|----------------------------|----------------|-----------------|----------------|----------------------------------------|------------------------------------------|--------------------------------------|-------------|
|                            | Realised<br>\$ | Statutory<br>\$ | Variance<br>\$ | LTI Vesting<br>versus<br>Expense<br>\$ | Long Service<br>Leave<br>Provision<br>\$ | Leave<br>Provision<br>Movement<br>\$ | Total<br>\$ |
| <b>KMP</b>                 |                |                 |                |                                        |                                          |                                      |             |
| Mr Paddy Gregg             | 1,673,125      | 2,067,151       | (394,026)      | (332,735)                              | (20,558)                                 | (40,733)                             | (394,026)   |
| Mr Greg Jason <sup>1</sup> | 614,828        | 261,302         | 353,526        | 378,023                                | (4,623)                                  | (19,874)                             | 353,526     |
| Mr Ian McMillan            | 759,189        | 854,170         | (94,981)       | (81,930)                               | (1,474)                                  | (11,577)                             | (94,981)    |
| Mr Rusty Murdaugh          | 1,605,635      | 1,823,285       | (217,650)      | (182,043)                              | -                                        | (35,607)                             | (217,650)   |
| Mr Geoff Buchanan          | 520,176        | 531,843         | (11,667)       | -                                      | (702)                                    | (10,965)                             | (11,667)    |

1. Mr Greg Jason'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 and FY2021 grants within the Statutory Remuneration table.

| FY2021                            | Remuneration   |                 |                | Explanation of Variance                |                                         |                                      |             |
|-----------------------------------|----------------|-----------------|----------------|----------------------------------------|-----------------------------------------|--------------------------------------|-------------|
|                                   | Realised<br>\$ | Statutory<br>\$ | Variance<br>\$ | LTI Vesting<br>versus<br>Expense<br>\$ | Long Service<br>Leave<br>Movement<br>\$ | Leave<br>Provision<br>Movement<br>\$ | Total<br>\$ |
| <b>KMP</b>                        |                |                 |                |                                        |                                         |                                      |             |
| Mr David Singleton                | 1,160,356      | 1,115,593       | 44,763         | -                                      | 35,650                                  | 9,113                                | 44,763      |
| Mr Paddy Gregg                    | 1,276,769      | 1,408,871       | (132,102)      | (65,399)                               | (16,434)                                | (50,269)                             | (132,102)   |
| Mr Greg Jason                     | 984,655        | 1,159,757       | (175,102)      | (156,069)                              | (10,663)                                | (8,370)                              | (175,102)   |
| Mr Ian McMillan                   | 333,826        | 352,977         | (19,151)       | -                                      | (500)                                   | (18,651)                             | (19,151)    |
| Mr Craig Perciavalle <sup>1</sup> | 797,115        | 139,310         | 657,805        | 662,331                                | -                                       | (4,526)                              | 657,805     |
| Mr Rusty Murdaugh                 | 646,467        | 620,075         | 26,392         | 38,987                                 | -                                       | (12,595)                             | 26,392      |

1. Mr Craig Perciavalle'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 FY2019 and FY2020 grants within the Statutory Remuneration table.

## 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 (AFL) 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 FY2022.
- NED remuneration was last externally benchmarked in FY2020. The fees were adjusted for CPI in FY2022.
- 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:

| FY2022                              | Role        |                    |              |
|-------------------------------------|-------------|--------------------|--------------|
|                                     | Chair<br>\$ | Deputy Chair<br>\$ | Member<br>\$ |
| Board of Directors                  | 203,360     | 111,760            | 101,600      |
| Audit & Risk Committee              | 20,000      | N/A                | 10,000       |
| Nomination & Remuneration Committee | 20,000      | N/A                | 10,000       |

| FY2021                              | Role        |                    |              |
|-------------------------------------|-------------|--------------------|--------------|
|                                     | Chair<br>\$ | Deputy Chair<br>\$ | Member<br>\$ |
| Board of Directors                  | 200,000     | 110,000            | 100,000      |
| Audit & Risk Committee              | 20,000      | N/A                | 10,000       |
| Nomination & Remuneration Committee | 20,000      | N/A                | 10,000       |

## 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 Mr Giles Everist, Mrs Sarah Adam-Gedge and Mr Chris Indermaur were approved by shareholders during the 2021 Annual General Meeting.

| KMP                  | Earned<br>Number | Average fair<br>value per right<br>\$ | Fair value<br>\$ |
|----------------------|------------------|---------------------------------------|------------------|
| Mr Giles Everist     | 13,142           | 1.93                                  | 25,400           |
| Mrs Sarah Adam-Gedge | 14,456           | 1.93                                  | 27,940           |
| Mr Chris Indermaur   | 13,142           | 1.93                                  | 25,400           |

#### IV. NED remuneration in FY2022

The following table outlines the remuneration received by NED of the Company during FY2022 and the previous year, prepared according to statutory disclosure requirements and applicable accounting standards:

|                                 | Board Fees     |                 |               |                | Committee Fees |                 |                | Total          |
|---------------------------------|----------------|-----------------|---------------|----------------|----------------|-----------------|----------------|----------------|
|                                 | Cash           | Super-annuation | Share Rights  | Total          | Cash           | Super-annuation | Total          | Total          |
|                                 | \$             | \$              | \$            | \$             | \$             | \$              | \$             | \$             |
| Mr John Rothwell                | 184,869        | 18,487          | -             | 203,356        | 9,091          | 909             | 10,000         | 213,356        |
| Mr Giles Everist <sup>1</sup>   | 92,364         | 9,236           | 25,400        | 127,000        | 27,273         | 2,727           | 30,000         | 157,000        |
| Mrs Sarah Adam-Gedge            | 81,233         | 2,587           | 27,940        | 111,760        | 30,000         | -               | 30,000         | 141,760        |
| Mr Chris Indermaur <sup>1</sup> | 92,364         | 9,236           | 25,400        | 127,000        | 18,182         | 1,818           | 20,000         | 147,000        |
| Mr Mick McCormack <sup>2</sup>  | 69,273         | 6,927           | -             | 76,200         | 18,182         | 1,818           | 20,000         | 96,200         |
| <b>Total</b>                    | <b>520,103</b> | <b>46,473</b>   | <b>78,740</b> | <b>645,316</b> | <b>102,728</b> | <b>7,272</b>    | <b>110,000</b> | <b>755,316</b> |

|                                | Board Fees     |                 |               |                | Committee Fees |                 |               | Total          |
|--------------------------------|----------------|-----------------|---------------|----------------|----------------|-----------------|---------------|----------------|
|                                | Cash           | Super-annuation | Share Rights  | Total          | Cash           | Super-annuation | Total         | Total          |
|                                | \$             | \$              | \$            | \$             | \$             | \$              | \$            | \$             |
| Mr John Rothwell               | 182,648        | 17,352          | -             | 200,000        | 9,132          | 868             | 10,000        | 210,000        |
| Mr Giles Everist               | 81,811         | 7,772           | 10,417        | 100,000        | 27,397         | 2,603           | 30,000        | 130,000        |
| Mrs Sarah Adam-Gedge           | 80,060         | 2,440           | 27,500        | 110,000        | 30,000         | -               | 30,000        | 140,000        |
| Mr Chris Indermaur             | 68,493         | 6,507           | 25,000        | 100,000        | 18,265         | 1,735           | 20,000        | 120,000        |
| Mr Mick McCormack <sup>3</sup> | 57,838         | 5,495           | 16,667        | 80,000         | 4,168          | 396             | 4,564         | 84,564         |
| <b>Total</b>                   | <b>470,850</b> | <b>39,566</b>   | <b>79,584</b> | <b>590,000</b> | <b>88,962</b>  | <b>5,602</b>    | <b>94,564</b> | <b>684,564</b> |

1. 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 the year. In FY2023 Mr Giles Everist and Mr Chris Indermaur will repay the \$25,400.
2. Mr Mick McCormack's FY2022 board fees paid were \$25,400 below the NED rates due to an administrative error. The shortfall will be paid in full in FY2023.
3. Mr Mick McCormack became a NED in September 2020.

## 6. Equity instruments held by KMP

### I. FY2020 performance rights vesting

Further information relating to the FY2020 Performance Rights vesting is provided on page 36.

### II. FY2021 performance rights

#### i. Performance rights

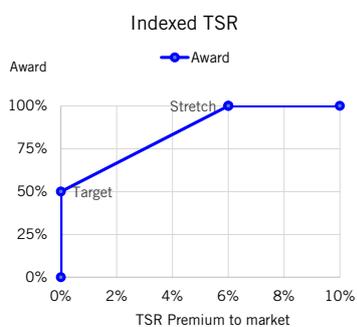
250,562 Performance rights were granted to KMP in FY2021, who were still employed by Austal and whose rights were not lapsed, forfeited or vested at 30 June 2022.

#### ii. Measurement period

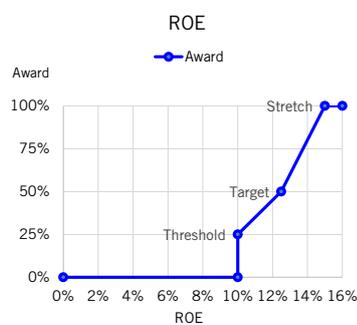
100% of the Performance rights granted in FY2021 have a 3 year Measurement period from 1 July 2020 – 30 June 2023.

#### iii. Performance criteria

The performance criteria relating to the FY2021 grant of Performance rights to KMP are detailed below:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSG = CAGR EPS<sup>1</sup> (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

### III. FY2022 performance rights grant

#### i. Performance rights grant

Performance rights granted to KMP in FY2022 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 2022 award opportunities on page 31.

| Name                       | Rights granted |                |                | Total            | Value @ grant date (\$) |
|----------------------------|----------------|----------------|----------------|------------------|-------------------------|
|                            | iTSR           | ROE            | EPSP           |                  |                         |
| Fair Value per right       | \$ 0.88        | \$ 1.74        | \$ 1.74        | \$ 1.45          | \$ 1.45                 |
| Mr Paddy Gregg             | 153,145        | 153,145        | 153,145        | 459,435          | 666,334                 |
| Mr Greg Jason <sup>1</sup> | 63,938         | 63,938         | 63,938         | 191,814          | 278,194                 |
| Mr Ian McMillan            | 56,646         | 56,646         | 56,646         | 169,938          | 246,467                 |
| Mr Rusty Murdaugh          | 105,282        | 105,282        | 105,282        | 315,846          | 458,082                 |
| Total                      | <u>379,011</u> | <u>379,011</u> | <u>379,011</u> | <u>1,137,033</u> | <u>1,649,077</u>        |

1. Mr Greg Jason's FY2022 LTI grant was forfeited in accordance with his resignation on 10 December 2021.

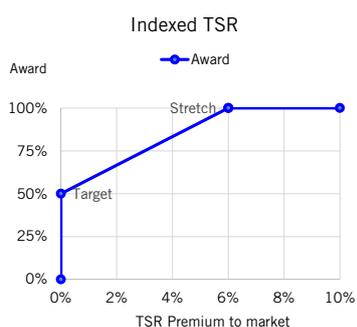
945,219 Performance rights were granted to KMP in FY2022, who were still employed by Austal and whose rights were not lapsed, forfeited or vested at 30 June 2022.

#### ii. Measurement period

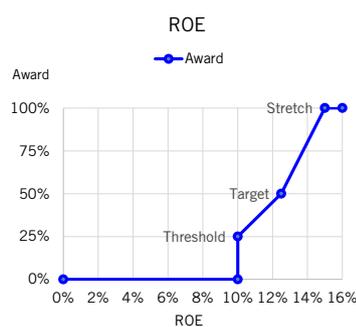
100% of the Performance rights granted in FY2022 have a 3 year Measurement period from 1 July 2021 – 30 June 2024.

#### iii. Performance criteria

The performance criteria relating to the FY2022 grant of Performance rights to KMP are detailed below:



Indexed TSR = Austal TSR Premium to Market



ROE = NPAT / Equity (Excluding Reserves)



EPSP = CAGR EPS<sup>1</sup> (Base Year) to EPS (Final Year)

1. CAGR = Compound Annual Growth Rate.

#### IV. Changes in equity held by KMP

|                                   | Balance at<br>30 June 2021 | FY2022 Movements |          |           |                       |                  | Balance at<br>30 June 2022 | Vested            | Unvested       |
|-----------------------------------|----------------------------|------------------|----------|-----------|-----------------------|------------------|----------------------------|-------------------|----------------|
|                                   |                            | Granted          | Vested   | Exercised | Lapsed /<br>Forfeited | Bought<br>(Sold) |                            |                   |                |
| <b>Executives</b>                 |                            |                  |          |           |                       |                  |                            |                   |                |
| <b>Mr Paddy Gregg</b>             |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 242,399                    | -                | -        | -         | -                     | -                | 242,399                    | 242,399           | -              |
| Indeterminate Rights <sup>2</sup> | 190,253                    | 60,446           | 41,831   | -         | -                     | -                | 292,530                    | 292,530           | -              |
| Performance Rights                | 281,939                    | 459,435          | (41,831) | -         | (51,690)              | -                | 647,853                    | -                 | 647,853        |
| <b>Total</b>                      | <b>714,591</b>             | <b>519,881</b>   | <b>-</b> | <b>-</b>  | <b>(51,690)</b>       | <b>-</b>         | <b>1,182,782</b>           | <b>534,929</b>    | <b>647,853</b> |
| <b>Mr Greg Jason</b>              |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 287,592                    | -                | -        | 266,992   | -                     | (103,380)        | (451,204)                  | -                 | -              |
| Indeterminate Rights <sup>2</sup> | 220,958                    | 46,034           | -        | (266,992) | -                     | -                | -                          | -                 | -              |
| Performance Rights                | 227,411                    | 191,814          | -        | -         | (419,225)             | -                | -                          | -                 | -              |
| <b>Total</b>                      | <b>735,961</b>             | <b>237,848</b>   | <b>-</b> | <b>-</b>  | <b>(419,225)</b>      | <b>(103,380)</b> | <b>(451,204)</b>           | <b>-</b>          | <b>-</b>       |
| <b>Mr Ian McMillan</b>            |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | -                          | -                | -        | -         | -                     | -                | -                          | -                 | -              |
| Indeterminate Rights <sup>2</sup> | -                          | 20,582           | -        | -         | -                     | -                | 20,582                     | 20,582            | -              |
| Performance Rights                | -                          | 169,938          | -        | -         | -                     | -                | 169,938                    | -                 | 169,938        |
| <b>Total</b>                      | <b>-</b>                   | <b>190,520</b>   | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>190,520</b>             | <b>20,582</b>     | <b>169,938</b> |
| <b>Mr Rusty Murdaugh</b>          |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 44,157                     | -                | -        | 96,571    | -                     | (48,285)         | 92,443                     | 92,443            | -              |
| Share Rights                      | 96,571                     | -                | 22,249   | (96,571)  | -                     | -                | 22,249                     | 22,249            | -              |
| Performance Rights                | 111,886                    | 315,846          | (22,249) | -         | (27,493)              | -                | 377,990                    | -                 | 377,990        |
| <b>Total</b>                      | <b>252,614</b>             | <b>315,846</b>   | <b>-</b> | <b>-</b>  | <b>(27,493)</b>       | <b>(48,285)</b>  | <b>492,682</b>             | <b>114,692</b>    | <b>377,990</b> |
| <b>Non-Executive Directors</b>    |                            |                  |          |           |                       |                  |                            |                   |                |
| <b>Mr John Rothwell</b>           |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 32,761,692                 | -                | -        | -         | -                     | -                | 32,761,692                 | 32,761,692        | -              |
| <b>Total</b>                      | <b>32,761,692</b>          | <b>-</b>         | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>32,761,692</b>          | <b>32,761,692</b> | <b>-</b>       |
| <b>Mr Giles Everist</b>           |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 30,441                     | -                | -        | -         | -                     | -                | 30,441                     | 30,441            | -              |
| Share Rights                      | 4,618                      | 13,142           | -        | -         | -                     | -                | 17,760                     | 17,760            | -              |
| <b>Total</b>                      | <b>35,059</b>              | <b>13,142</b>    | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>48,201</b>              | <b>48,201</b>     | <b>-</b>       |
| <b>Mrs Sarah Adam-Gedge</b>       |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 20,000                     | -                | -        | -         | -                     | -                | 20,000                     | 20,000            | -              |
| Share Rights                      | 38,388                     | 14,456           | -        | -         | -                     | -                | 52,844                     | 52,844            | -              |
| <b>Total</b>                      | <b>58,388</b>              | <b>14,456</b>    | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>72,844</b>              | <b>72,844</b>     | <b>-</b>       |
| <b>Mr Chris Indermaur</b>         |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | -                          | -                | -        | -         | -                     | -                | -                          | -                 | -              |
| Share Rights                      | 23,265                     | 13,142           | -        | -         | -                     | -                | 36,407                     | 36,407            | -              |
| <b>Total</b>                      | <b>23,265</b>              | <b>13,142</b>    | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>36,407</b>              | <b>36,407</b>     | <b>-</b>       |
| <b>Mr Mick McCormack</b>          |                            |                  |          |           |                       |                  |                            |                   |                |
| Shares                            | 100,000                    | -                | -        | 6,920     | -                     | -                | 106,920                    | 106,920           | -              |
| Share Rights                      | 6,920                      | -                | -        | (6,920)   | -                     | -                | -                          | -                 | -              |
| <b>Total</b>                      | <b>106,920</b>             | <b>-</b>         | <b>-</b> | <b>-</b>  | <b>-</b>              | <b>-</b>         | <b>106,920</b>             | <b>106,920</b>    | <b>-</b>       |

1. Denotes the shares held by Mr Greg Jason at the time of his resignation, 10 December 2021.

2. Further information on Indeterminate rights is provided in the Executive KMP remuneration policy.

## V. Minimum equity holdings of KMP employed at 30 June 2022

Some KMP and all NED 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.

|                                | <u>Equity Holding at 30 June 2022</u> |                   | <u>FY2022</u>                        | <u>Equity Holding % of TFR</u> |               | <u>Target</u>     |
|--------------------------------|---------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------|-------------------|
|                                | <u>Equiv't Shares</u>                 | <u>Value (\$)</u> | <u>TFR (\$)</u>                      | <u>30 Jun 2022</u>             | <u>Target</u> | <u>Introduced</u> |
| <b>Value / share</b>           |                                       | 1.80              |                                      |                                |               |                   |
| <b>Executives</b>              |                                       |                   |                                      |                                |               |                   |
| Mr Paddy Gregg                 | 534,929                               | 962,872           | 970,000                              | 99%                            | 100%          | Jan 2021          |
| <b>Non-Executive Directors</b> |                                       |                   |                                      |                                |               |                   |
|                                |                                       |                   | <b><u>Board Fees<sup>1</sup></u></b> |                                |               |                   |
| Mr John Rothwell               | 32,761,692                            | 58,971,046        | 203,360                              | 28998%                         | 100%          | Nov 2017          |
| Mr Giles Everist               | 48,201                                | 86,762            | 101,600                              | 85%                            | 100%          | Nov 2017          |
| Mrs Sarah Adam-Gedge           | 72,844                                | 131,119           | 111,760                              | 117%                           | 100%          | Nov 2017          |
| Mr Chris Indermaur             | 36,407                                | 65,533            | 101,600                              | 65%                            | 100%          | Oct 2018          |
| Mr Mick McCormack              | 106,920                               | 192,456           | 101,600                              | 189%                           | 100%          | Sep 2020          |

1. Includes Board Fees and excludes Committee Fees.

## 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 NRC has recommended that the current practice of maintaining at least three independent NED on the Board should remain following the FY2021 review.

The Committee also undertook an annual review of the position of Chairman at Austal, in part because he is aged over 70 years. The Board (excluding the Chairman) unanimously agreed that the Chairman's intimate knowledge of the shipbuilding industry, of Austal and its major customers, together with his demonstrated high level of commitment, meant that he remains a significant asset to the Group and he was requested to remain as Chairman, to which he has agreed.

### II. Details of contractual provisions for KMP

| <u>Name</u>       | <u>Employer</u>      | <u>Duration</u> | <u>Termination Notice Period</u> |                   | <u>Termination Benefits<sup>1</sup></u> |
|-------------------|----------------------|-----------------|----------------------------------|-------------------|-----------------------------------------|
|                   |                      |                 | <u>Group</u>                     | <u>Individual</u> |                                         |
| 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                                |
| Mr Rusty Murdaugh | Austal USA LLC       | Unlimited       | None                             | None              | None                                    |
| Mr Geoff Buchanan | Austal Limited       | 10 months       | 1 month                          | 1 month           | Nil                                     |

1. The Termination Benefit Limit under the Corporations Act is 12 months of the average prior 3 years salary unless Shareholder approval is obtained.

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. 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. GRG**

GRG were engaged for the following services during FY2022:

- Benchmarking for NED remuneration in FY2022 (\$3,500 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.

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Brookfield Place, Tower 2  
123 St Georges Terrace  
Perth WA 6000  
GPO Box A46  
Perth WA 6837 Australia

Tel: +61 8 9365 7000  
Fax: +61 8 9365 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

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

25 August 2022

Dear Board Members,

### 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 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,



DELOITTE TOUCHE TOHMATSU



A T Richards  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte Network

# Consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2022

|                                                                                 | Notes | 2022<br>\$'000 | 2021<br>\$'000  |
|---------------------------------------------------------------------------------|-------|----------------|-----------------|
| <b>Continuing operations</b>                                                    |       |                |                 |
| Revenue                                                                         | 4     | 1,429,044      | 1,572,175       |
| Cost of sales                                                                   |       | (1,198,762)    | (1,349,610)     |
| <b>Gross Profit</b>                                                             |       | <u>230,282</u> | <u>222,565</u>  |
| Other income and expenses                                                       | 5     | 7,612          | 8,129           |
| Administration expenses                                                         |       | (94,546)       | (95,055)        |
| Marketing expenses                                                              |       | (22,686)       | (21,020)        |
| Finance income                                                                  | 5     | 135            | 368             |
| Finance costs                                                                   | 5     | (8,369)        | (7,745)         |
| <b>Profit before income tax</b>                                                 |       | <u>112,428</u> | <u>107,242</u>  |
| Income tax expense                                                              | 9     | (32,863)       | (26,185)        |
| <b>Profit after tax</b>                                                         |       | <u>79,565</u>  | <u>81,057</u>   |
| <b>Other comprehensive income (OCI)</b>                                         |       |                |                 |
| <b>Amounts that may subsequently be reclassified to profit and loss:</b>        |       |                |                 |
| Cash flow hedges                                                                |       |                |                 |
| - Net gain                                                                      |       | 2,458          | 7,494           |
| - Income tax expense                                                            | 9     | (752)          | (1,830)         |
| - Total                                                                         |       | <u>1,706</u>   | <u>5,664</u>    |
| Foreign currency translations                                                   |       |                |                 |
| - Net gain / (loss)                                                             |       | 53,680         | (53,216)        |
| - Total                                                                         |       | <u>53,680</u>  | <u>(53,216)</u> |
| <b>Amounts not to be reclassified to profit and loss in subsequent periods:</b> |       |                |                 |
| Asset revaluation reserve                                                       |       |                |                 |
| - Net gain                                                                      |       | 54,773         | 26,117          |
| - Income tax expense                                                            | 9     | (13,858)       | (6,757)         |
| - Total                                                                         |       | <u>40,915</u>  | <u>19,360</u>   |
| <b>Other comprehensive income / (loss) for the period</b>                       |       | <u>96,301</u>  | <u>(28,192)</u> |
| <b>Total comprehensive income for the year</b>                                  |       | <u>175,866</u> | <u>52,865</u>   |
| <b>Earnings per share (\$ per share)</b>                                        |       |                |                 |
| Basic earnings per share                                                        | 6     | 0.220          | 0.226           |
| Diluted earnings per share                                                      | 6     | 0.219          | 0.224           |

# Consolidated statement of financial position as at 30 June 2022

|                                                    | Notes  | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------------|--------|----------------|----------------|
| <b>Assets</b>                                      |        |                |                |
| <b>Current</b>                                     |        |                |                |
| Cash and cash equivalents                          | 10     | 240,113        | 346,899        |
| Inventories and work in progress                   | 4, 17  | 263,070        | 178,329        |
| Trade and other receivables                        | 15     | 132,085        | 138,282        |
| Prepayments                                        | 16     | 13,012         | 11,588         |
| Derivatives                                        | 29, 30 | 5,835          | 4,088          |
| Income tax receivable                              | 9      | 16,955         | 3,468          |
| Assets held for sale                               | 26     | -              | 1,729          |
| Total                                              |        | 671,070        | 684,383        |
| <b>Non - current</b>                               |        |                |                |
| Property, plant and equipment                      | 20     | 799,364        | 644,210        |
| Intangible assets and goodwill                     | 22     | 37,525         | 37,571         |
| Prepayments                                        | 16     | 3,959          | 3,203          |
| Derivatives                                        | 29, 30 | 64             | 162            |
| Right of use lease assets                          | 21     | 152,513        | 55,993         |
| Other financial assets                             | 25     | 14,933         | 14,991         |
| Deferred tax assets                                | 9      | 10,017         | 9,002          |
| Total                                              |        | 1,018,375      | 765,132        |
| <b>Total</b>                                       |        | 1,689,445      | 1,449,515      |
| <b>Liabilities</b>                                 |        |                |                |
| <b>Current</b>                                     |        |                |                |
| Interest bearing loans and borrowings              | 11     | -              | (32,205)       |
| Progress payments received in advance              | 4      | (99,084)       | (123,250)      |
| Trade and other payables                           | 18     | (151,726)      | (133,380)      |
| Provisions                                         | 19     | (98,325)       | (98,824)       |
| Derivatives                                        | 29, 30 | (1,734)        | (1,680)        |
| Income tax payable                                 | 9      | (195)          | (689)          |
| Lease liabilities                                  | 21     | (4,198)        | (4,635)        |
| Deferred grant income                              | 14     | (9,728)        | (2,968)        |
| Total                                              |        | (364,990)      | (397,631)      |
| <b>Non - current</b>                               |        |                |                |
| Interest bearing loans and borrowings              | 11     | (124,515)      | (114,999)      |
| Provisions                                         | 19     | (2,182)        | (2,376)        |
| Derivatives                                        | 29, 30 | (584)          | (1,048)        |
| Lease liabilities                                  | 21     | (105,406)      | (52,758)       |
| Deferred grant income                              | 14     | (93,306)       | (64,832)       |
| Deferred tax liabilities                           | 9      | (74,177)       | (41,833)       |
| Total                                              |        | (400,170)      | (277,846)      |
| <b>Total</b>                                       |        | (765,160)      | (675,477)      |
| <b>Net assets</b>                                  |        | 924,285        | 774,038        |
| <b>Equity attributable to owners of the parent</b> |        |                |                |
| Contributed equity                                 | 13     | 143,932        | 141,666        |
| Reserves                                           |        | 302,454        | 205,264        |
| Retained earnings                                  |        | 477,899        | 427,108        |
| Total                                              |        | 924,285        | 774,038        |

# Consolidated statement of changes in equity for the year ended 30 June 2022

|                                                 | Issued<br>Capital<br>\$'000 | Reserved<br>Shares <sup>1</sup><br>\$'000 | Retained<br>Earnings<br>\$'000 | Foreign<br>Currency<br>Transl'n<br>Reserve<br>\$'000 | Employee<br>Benefits<br>Reserve<br>\$'000 | Cash Flow<br>Hedge<br>Reserve<br>\$'000 | Common<br>Control<br>Reserve<br>\$'000 | Asset<br>Reval'n<br>Reserve<br>\$'000 | Total<br>Equity<br>\$'000 |
|-------------------------------------------------|-----------------------------|-------------------------------------------|--------------------------------|------------------------------------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------|---------------------------|
| <b>Equity at 1 July 2020</b>                    | <b>136,696</b>              | <b>(1,356)</b>                            | <b>378,416</b>                 | <b>119,347</b>                                       | <b>9,655</b>                              | <b>(3,589)</b>                          | <b>(17,594)</b>                        | <b>127,303</b>                        | <b>748,878</b>            |
| <b>Comprehensive income</b>                     |                             |                                           |                                |                                                      |                                           |                                         |                                        |                                       |                           |
| Profit for the year                             | -                           | -                                         | 81,057                         | -                                                    | -                                         | -                                       | -                                      | -                                     | 81,057                    |
| Other comprehensive income                      | -                           | -                                         | -                              | (53,216)                                             | -                                         | 5,664                                   | -                                      | 19,360                                | (28,192)                  |
| Total                                           | -                           | -                                         | 81,057                         | (53,216)                                             | -                                         | 5,664                                   | -                                      | 19,360                                | 52,865                    |
| <b>Other equity transactions</b>                |                             |                                           |                                |                                                      |                                           |                                         |                                        |                                       |                           |
| Shares issued for dividend reinvestment plan    | 1,097                       | -                                         | -                              | -                                                    | -                                         | -                                       | -                                      | -                                     | 1,097                     |
| Dividends declared                              | -                           | -                                         | (32,374)                       | -                                                    | -                                         | -                                       | -                                      | -                                     | (32,374)                  |
| Share based payments expense                    | -                           | -                                         | -                              | -                                                    | 3,017                                     | -                                       | -                                      | -                                     | 3,017                     |
| Shares issued to employee share trust           | 9,440                       | (9,440)                                   | -                              | -                                                    | -                                         | -                                       | -                                      | -                                     | -                         |
| Shares or proceeds transferred to beneficiaries | (4,675)                     | 9,904                                     | -                              | -                                                    | (5,229)                                   | -                                       | -                                      | -                                     | -                         |
| Remeasurement gain on retirement benefits       | -                           | -                                         | -                              | -                                                    | 546                                       | -                                       | -                                      | -                                     | 546                       |
| Other                                           | -                           | -                                         | 9                              | -                                                    | -                                         | -                                       | -                                      | -                                     | 9                         |
| Total                                           | 5,862                       | 464                                       | (32,365)                       | -                                                    | (1,666)                                   | -                                       | -                                      | -                                     | (27,705)                  |
| <b>Movement</b>                                 | <b>5,862</b>                | <b>464</b>                                | <b>48,692</b>                  | <b>(53,216)</b>                                      | <b>(1,666)</b>                            | <b>5,664</b>                            | <b>-</b>                               | <b>19,360</b>                         | <b>25,160</b>             |
| <b>Equity at 30 June 2021</b>                   | <b>142,558</b>              | <b>(892)</b>                              | <b>427,108</b>                 | <b>66,131</b>                                        | <b>7,989</b>                              | <b>2,075</b>                            | <b>(17,594)</b>                        | <b>146,663</b>                        | <b>774,038</b>            |
| <b>Comprehensive income</b>                     |                             |                                           |                                |                                                      |                                           |                                         |                                        |                                       |                           |
| Profit for the year                             | -                           | -                                         | 79,565                         | -                                                    | -                                         | -                                       | -                                      | -                                     | 79,565                    |
| Other comprehensive income                      | -                           | -                                         | -                              | 53,680                                               | -                                         | 1,706                                   | -                                      | 40,915                                | 96,301                    |
| Total                                           | -                           | -                                         | 79,565                         | 53,680                                               | -                                         | 1,706                                   | -                                      | 40,915                                | 175,866                   |
| <b>Other equity transactions</b>                |                             |                                           |                                |                                                      |                                           |                                         |                                        |                                       |                           |
| Dividends declared                              | -                           | -                                         | (28,870)                       | -                                                    | -                                         | -                                       | -                                      | -                                     | (28,870)                  |
| Share based payments expense                    | -                           | -                                         | -                              | -                                                    | 2,850                                     | -                                       | -                                      | -                                     | 2,850                     |
| Shares issued to employee share trust           | 3,675                       | (3,675)                                   | -                              | -                                                    | -                                         | -                                       | -                                      | -                                     | -                         |
| Shares or proceeds transferred to beneficiaries | 3                           | 2,263                                     | -                              | -                                                    | (2,266)                                   | -                                       | -                                      | -                                     | -                         |
| Remeasurement gain on retirement benefits       | -                           | -                                         | -                              | -                                                    | 305                                       | -                                       | -                                      | -                                     | 305                       |
| Other                                           | -                           | -                                         | 96                             | -                                                    | -                                         | -                                       | -                                      | -                                     | 96                        |
| Total                                           | 3,678                       | (1,412)                                   | (28,774)                       | -                                                    | 889                                       | -                                       | -                                      | -                                     | (25,619)                  |
| <b>Movement</b>                                 | <b>3,678</b>                | <b>(1,412)</b>                            | <b>50,791</b>                  | <b>53,680</b>                                        | <b>889</b>                                | <b>1,706</b>                            | <b>-</b>                               | <b>40,915</b>                         | <b>150,247</b>            |
| <b>Equity at 30 June 2022</b>                   | <b>146,236</b>              | <b>(2,304)</b>                            | <b>477,899</b>                 | <b>119,811</b>                                       | <b>8,878</b>                              | <b>3,781</b>                            | <b>(17,594)</b>                        | <b>187,578</b>                        | <b>924,285</b>            |

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

# Consolidated statement of cash flows for the year ended 30 June 2022

|                                                     | <u>Notes</u> | <u>2022<br/>\$'000</u> | <u>2021<br/>\$'000</u> |
|-----------------------------------------------------|--------------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>         |              |                        |                        |
| Receipts from customers                             |              | 1,331,964              | 1,574,270              |
| Payments to suppliers and employees                 |              | (1,261,203)            | (1,450,018)            |
| Income tax paid                                     |              | (28,339)               | (26,692)               |
| Interest paid                                       |              | (5,058)                | (4,464)                |
| Interest received                                   | 5            | 135                    | 368                    |
| Net cash from operating activities                  | 7            | <u>37,499</u>          | <u>93,464</u>          |
| <b>Cash flows from investing activities</b>         |              |                        |                        |
| Purchase of property, plant and equipment           | 20           | (116,329)              | (76,257)               |
| Payment for intangible assets                       | 22           | (767)                  | (895)                  |
| Payment for right-of-use asset                      | 21           | (47,820)               | -                      |
| Proceeds from sale of property, plant and equipment |              | 1,398                  | 985                    |
| Proceeds from disposal of assets held for sale      |              | 4,383                  | -                      |
| Acquisition of subsidiaries, net of cash acquired   |              | -                      | (20,952)               |
| Receipts of government infrastructure grants        |              | 31,625                 | 18,469                 |
| Net cash used in investing activities               |              | <u>(127,510)</u>       | <u>(78,650)</u>        |
| <b>Cash flows from financing activities</b>         |              |                        |                        |
| Dividends paid                                      |              | (28,870)               | (31,277)               |
| Principal component of lease payments               |              | (8,638)                | (7,585)                |
| Repayment of borrowings                             | 12           | -                      | (7,265)                |
| Payment of borrowing costs                          | 12           | (823)                  | (187)                  |
| Net cash used in financing activities               |              | <u>(38,331)</u>        | <u>(46,314)</u>        |
| <b>Net decrease in cash and cash equivalents</b>    |              | <u>(128,342)</u>       | <u>(31,500)</u>        |
| <b>Cash and cash equivalents</b>                    |              |                        |                        |
| Cash and cash equivalents at beginning of year      |              | 346,899                | 396,667                |
| Net decrease in cash and cash equivalents           |              | (128,342)              | (31,500)               |
| Net foreign exchange differences                    |              | 21,556                 | (18,268)               |
| Cash and cash equivalents at end of year            | 10           | <u>240,113</u>         | <u>346,899</u>         |

# 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 2022 was authorised for issue in accordance with a resolution of the Directors on 25 August 2022.

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 8 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 2022.

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 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:

| <b>Key accounting judgements and estimates</b>                                      | <b>Note</b> |
|-------------------------------------------------------------------------------------|-------------|
| Contract revenue, expected construction profits at completion and onerous contracts | 4           |
| Research and development tax credits                                                | 5           |
| Deferred tax assets                                                                 | 9           |
| Tax treatment for royalties on intellectual property                                | 9           |
| Estimation of useful lives of assets                                                | 20, 22      |
| Impairment of non-financial assets                                                  | 20, 23      |
| Leases                                                                              | 21          |
| Provisions                                                                          | 19          |
| Share based payments                                                                | 37          |

## 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 2021, including:

- Interest Rate Benchmark Reform - Phase 2 - AASB 2020-8 Amendments to Australian Accounting Standards
- COVID-19-Related Rent Concessions beyond 30 June 2021 - AASB 2021-3 Amendments to Australian Accounting Standards

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:

- Insurance Contracts - AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - AASB 2014-10 Amendments to Australian Accounting Standards
- Effective Date of Amendments to AASB 10 and AASB 128 - AASB 2015-10 Amendments to Australian Accounting Standards
- Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections - AASB 2017-5 Amendments to Australian Accounting Standards
- Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections – AASB 2021-7 Amendments to Australian Accounting Standards
- Classification of Liabilities as Current or Non-current - AASB 2020-1 Amendments to Australian Accounting Standards
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date - AASB 2020-6 Amendments to Australian Accounting Standards
- Annual Improvements 2018-2020 and Other Amendments - AASB 2020-3 Amendments to Australian Accounting Standards
- Disclosure of Accounting Policies and Definition of Accounting Estimates - AASB 2021-2 Amendments to Australian Accounting Standards
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – AASB 2021-5 Amendments to Australian Accounting Standards
- Initial Application of AASB 17 and AASB 9 – Comparative Information – AASB 2022-1 Amendments to Australian Accounting Standards

# Current year performance

## Note 3 Operating segments

### I Disclosures

|                                          | USA                    |                   |                  | Australasia            |                   |                 | Unallocated     | Elimination /<br>Adjustments | Total            |
|------------------------------------------|------------------------|-------------------|------------------|------------------------|-------------------|-----------------|-----------------|------------------------------|------------------|
|                                          | Shipbuilding<br>\$'000 | Support<br>\$'000 | Total<br>\$'000  | Shipbuilding<br>\$'000 | Support<br>\$'000 | Total<br>\$'000 |                 |                              |                  |
| <b>Year ended 30 June 2022</b>           |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| <b>Revenue</b>                           |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| External customers                       | 880,101                | 175,821           | 1,055,922        | 278,727                | 94,356            | 373,083         | -               | 39                           | 1,429,044        |
| Inter-segment <sup>1</sup>               | -                      | -                 | -                | 6,978                  | 3,905             | 10,883          | -               | (10,883)                     | -                |
| <b>Total</b>                             | <b>880,101</b>         | <b>175,821</b>    | <b>1,055,922</b> | <b>285,705</b>         | <b>98,261</b>     | <b>383,966</b>  | <b>-</b>        | <b>(10,844)</b>              | <b>1,429,044</b> |
| <b>Profit / (loss) before tax</b>        |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| Earnings before interest and tax         | 122,105                | 11,636            | 133,741          | 11,863                 | 2,755             | 14,618          | (27,905)        | 208                          | 120,662          |
| Finance income                           | -                      | -                 | -                | -                      | -                 | -               | 135             | -                            | 135              |
| Finance expenses                         | -                      | -                 | -                | -                      | -                 | -               | (8,369)         | -                            | (8,369)          |
| <b>Profit / (loss) before income tax</b> | <b>122,105</b>         | <b>11,636</b>     | <b>133,741</b>   | <b>11,863</b>          | <b>2,755</b>      | <b>14,618</b>   | <b>(36,139)</b> | <b>208</b>                   | <b>112,428</b>   |
| Depreciation and amortisation            | (20,648)               | (5,026)           | (25,674)         | (13,599)               | (5,415)           | (19,014)        | -               | -                            | (44,688)         |
| Impairment loss                          | -                      | -                 | -                | (2,556)                | -                 | (2,556)         | -               | -                            | (2,556)          |
| <b>Balance sheet</b>                     |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| Segment assets                           | 1,025,103              | 186,937           | 1,212,040        | 291,595                | 111,504           | 403,099         | 76,895          | (2,589)                      | 1,689,445        |
| Segment liabilities                      | (467,017)              | (71,081)          | (538,098)        | (93,830)               | (66,119)          | (159,949)       | (81,280)        | 14,167                       | (765,160)        |

|                                          | USA                    |                   |                  | Australasia            |                   |                 | Unallocated     | Elimination /<br>Adjustments | Total            |
|------------------------------------------|------------------------|-------------------|------------------|------------------------|-------------------|-----------------|-----------------|------------------------------|------------------|
|                                          | Shipbuilding<br>\$'000 | Support<br>\$'000 | Total<br>\$'000  | Shipbuilding<br>\$'000 | Support<br>\$'000 | Total<br>\$'000 |                 |                              |                  |
| <b>Year ended 30 June 2021</b>           |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| <b>Revenue</b>                           |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| External customers                       | 1,012,983              | 163,621           | 1,176,604        | 301,779                | 93,660            | 395,439         | -               | 132                          | 1,572,175        |
| Inter-segment <sup>1</sup>               | -                      | -                 | -                | 8,276                  | 2,121             | 10,397          | -               | (10,397)                     | -                |
| <b>Total</b>                             | <b>1,012,983</b>       | <b>163,621</b>    | <b>1,176,604</b> | <b>310,055</b>         | <b>95,781</b>     | <b>405,836</b>  | <b>-</b>        | <b>(10,265)</b>              | <b>1,572,175</b> |
| <b>Profit / (loss) before tax</b>        |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| Earnings before interest and tax         | 105,396                | 26,257            | 131,653          | 16,020                 | 1,288             | 17,308          | (34,136)        | (206)                        | 114,619          |
| Finance income                           | -                      | -                 | -                | -                      | -                 | -               | 368             | -                            | 368              |
| Finance expenses                         | -                      | -                 | -                | -                      | -                 | -               | (7,745)         | -                            | (7,745)          |
| <b>Profit / (loss) before income tax</b> | <b>105,396</b>         | <b>26,257</b>     | <b>131,653</b>   | <b>16,020</b>          | <b>1,288</b>      | <b>17,308</b>   | <b>(41,513)</b> | <b>(206)</b>                 | <b>107,242</b>   |
| Depreciation and amortisation            | (19,239)               | (2,942)           | (22,181)         | (17,110)               | (5,269)           | (22,379)        | (1,147)         | -                            | (45,707)         |
| Impairment loss                          | -                      | -                 | -                | -                      | -                 | -               | -               | -                            | -                |
| <b>Balance sheet</b>                     |                        |                   |                  |                        |                   |                 |                 |                              |                  |
| Segment assets                           | 865,801                | 150,717           | 1,016,518        | 286,085                | 93,374            | 379,459         | 55,538          | (2,000)                      | 1,449,515        |
| Segment liabilities                      | (383,615)              | (20,031)          | (403,646)        | (169,547)              | (62,850)          | (232,397)       | (53,515)        | 14,081                       | (675,477)        |

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

|                                              | 2022<br>\$'000   | 2021<br>\$'000   |
|----------------------------------------------|------------------|------------------|
| <b>Group Revenue from external customers</b> |                  |                  |
| <b>By geographical location of customers</b> |                  |                  |
| USA                                          | 1,055,922        | 1,176,604        |
| Australia                                    | 292,293          | 247,482          |
| Europe                                       | 59,867           | 70,056           |
| Asia                                         | -                | 5,256            |
| South America                                | 5,713            | 58,043           |
| Middle East                                  | 2,830            | 2,203            |
| Other                                        | 12,419           | 12,531           |
| Total                                        | <u>1,429,044</u> | <u>1,572,175</u> |

|                                   | 2022<br>\$'000  | 2021<br>\$'000  |
|-----------------------------------|-----------------|-----------------|
| <b>Analysis of unallocated</b>    |                 |                 |
| <b>Profit / (loss) before tax</b> |                 |                 |
| Administration expenses           | (17,810)        | (22,814)        |
| Marketing expenses                | (11,395)        | (14,486)        |
| Research and development credits  | 642             | 3,278           |
| Foreign exchange gains / (losses) | 658             | (114)           |
| Finance expenses                  | (8,369)         | (7,745)         |
| Finance income                    | 135             | 368             |
| Total                             | <u>(36,139)</u> | <u>(41,513)</u> |
| <b>Segment assets</b>             |                 |                 |
| Cash                              | 41,085          | 36,512          |
| Deferred tax assets               | 9,648           | 8,561           |
| Other receivables                 | 3,196           | 2,350           |
| Income tax receivable             | 16,955          | -               |
| Other                             | 6,011           | 8,115           |
| Total                             | <u>76,895</u>   | <u>55,538</u>   |
| <b>Segment liabilities</b>        |                 |                 |
| Deferred tax liabilities          | (70,870)        | (39,281)        |
| Creditors and provisions          | (10,410)        | (14,234)        |
| Total                             | <u>(81,280)</u> | <u>(53,515)</u> |

|                                              | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------|----------------|----------------|
| <b>Group Non-current assets <sup>1</sup></b> |                |                |
| <b>Geographical location</b>                 |                |                |
| USA                                          | 792,753        | 509,211        |
| Australia                                    | 127,471        | 161,614        |
| Asia                                         | 69,178         | 66,949         |
| Total                                        | <u>989,402</u> | <u>737,774</u> |
| <b>Composition</b>                           |                |                |
| Property, plant and equipment                | 799,364        | 644,210        |
| Intangible assets                            | 37,525         | 37,571         |
| Right of use lease assets                    | 152,513        | 55,993         |
| Total                                        | <u>989,402</u> | <u>737,774</u> |

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, operating results 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 financial instruments, prepayments, 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 U.S. Navy and Coast Guard.

### 2. USA Support

The USA provides on-going support and maintenance of Austal and non-Austal vessels to the U.S. 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

|                | <b>2022</b>      | <b>2021</b>      |
|----------------|------------------|------------------|
|                | <b>\$'000</b>    | <b>\$'000</b>    |
| <b>Revenue</b> |                  |                  |
| Shipbuilding   | 1,158,867        | 1,314,894        |
| Support        | 270,177          | 257,281          |
| Total          | <u>1,429,044</u> | <u>1,572,175</u> |

#### II Recognition and measurement

##### 1. Vessel construction

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

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.

##### 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 and attributable margin are 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 contracts

Expected losses are recognised immediately as an expense when it is probable that total contract costs will exceed total contract revenue (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:

- Prospectively as an additional, separate contract;
- Prospectively as a termination of the existing contract and creation of a new contract; or
- 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.

## 2. Vessel support

### Vessel support revenue

Revenue from support contracts is recognised in the Profit and Loss statement when the performance obligations are considered to have been met. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to receive, net of goods and services tax or similar tax.

### Vessel finance for Cape Class Patrol Boats 9 & 10 [CCPB 9 & 10]

Austal entered into a finance arrangement with National Australia Bank (NAB) and the Royal Australian Navy (RAN) for the construction of CCPB 9 & 10 in December 2015.

NAB financed the purchase of the vessels and chartered the vessels to RAN for an initial 3 year term which was subsequently extended to April 2022 for CCPB 9 and May 2022 for CCPB 10.

This arrangement results in non-cash entries being recorded in Austal's statutory reporting during the charter period for notional revenue, notional depreciation and notional interest. Notional revenue of \$3.3 million was reported in FY2022 up to 28 October 2021 when Austal was released from the buyback guarantee (FY2021: \$9.9 million).

Further information is provided in Note 11.

## III Remaining performance obligations [work in hand]

The transaction price allocated to remaining performance obligations (unsatisfied or partially satisfied) at 30 June 2022 is set out below:

### Transaction price allocated to remaining performance obligations pursuant to customer contracts

|                                                      | 2022<br>\$'000   | 2021<br>\$'000   |
|------------------------------------------------------|------------------|------------------|
| Committed but not recognised as liabilities payable: |                  |                  |
| - Within one year                                    | 1,474,991        | 1,307,089        |
| - One to five years                                  | 1,493,467        | 1,217,064        |
| Total                                                | <u>2,968,458</u> | <u>2,524,153</u> |

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

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| <b>Net carrying amount</b>            |                |                |
| Work in progress                      | 255,566        | 171,605        |
| Progress payments received in advance | (99,084)       | (123,250)      |
| Total due from customers              | <u>156,482</u> | <u>48,355</u>  |

## 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 \$88.2 million recognised in the current period was included in the progress payments received in advance (PPIA) balance at the beginning of the period (FY2021: \$119.7 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 has continued to improve however 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. Vessel specific risks include vessel weight and associated financial penalties, achievement of progress milestones, adherence to launch schedules, sea trials performance and remediation of trial issues, and adherence to delivery schedules.

USA applies a consistent methodology for setting a contingency for each vessel which includes allocating the contingency to these risks and milestones.

#### LCS

Contingencies after shareline (risk sharing mechanism) held for LCS vessels at 30 June 2022 was \$98 million (FY2021: \$152 million). This was equivalent to 11.8% of the Total Cost Estimate to Completion (ETC) (FY2021: 11.6%).

Significant design modifications were introduced on LCS 28 which was delivered in June 2021. Cost performance for LCS 28 and LCS 30 (delivered in December 2021) resulted in accelerated reductions in the remaining program contingencies during FY2022. A further re-assessment of the level of contingencies required is expected to occur after the scheduled delivery of LCS 34, during FY2023.

## **EPF**

Contingencies after shareline held for EPF vessels at 30 June 2022 was \$16 million (FY2021: \$18 million). This was equivalent to 4.5% of the ETC (FY2021: 5.6%)

Design modifications were similarly introduced on EPF 13 which will be delivered during FY2023. The cost performance and expiry of unrequired risks resulted in accelerated reductions in the remaining program contingencies during FY2022.

The above contingencies held take into account the potential for reductions in vessel prices that may arise through the risk sharing mechanism embedded in those U.S. Navy shipbuilding programs if the cost contingencies are ultimately not consumed or required.

Future judgments about the appropriate level of contingencies to be held for each vessel could result in an increase or decrease in the profit recognised on relevant vessels in FY2023 and future reporting periods.

## **Australasia**

Australasia is completing a number of vessels under both single vessel and 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 2022 for undelivered vessels in the Australasia business unit were \$16 million (FY2021: \$14 million). This was equivalent to 3.1% of ETC (FY2021: 3.6%).

## Note 5 Other profit and loss

### I Disclosure

|                                                      | 2022<br>\$'000   | 2021<br>\$'000   |
|------------------------------------------------------|------------------|------------------|
| <b>Other income and expenses</b>                     |                  |                  |
| Government infrastructure grants amortised           | 3,707            | 3,340            |
| Training reimbursement grants                        | -                | 295              |
| Sale of scrap materials                              | 3,644            | 2,705            |
| Sundry income                                        | 1,576            | 2,836            |
| Gain on sale of Aulong JV                            | 2,654            | -                |
| Vessel warranties                                    | (3,776)          | 942              |
| Loss on disposal of plant and equipment              | (563)            | (1,314)          |
| Net foreign exchange gain / (loss)                   | 370              | (675)            |
| Total                                                | <u>7,612</u>     | <u>8,129</u>     |
| <b>Finance income</b>                                |                  |                  |
| Interest income                                      | 135              | 368              |
| <b>Finance costs</b>                                 |                  |                  |
| Interest payable to unrelated parties                | (7,996)          | (6,871)          |
| Amortisation of capitalised loan origination costs   | (373)            | (874)            |
| Total                                                | <u>(8,369)</u>   | <u>(7,745)</u>   |
| <b>Net finance costs</b>                             | <u>(8,234)</u>   | <u>(7,377)</u>   |
| <b>Depreciation and amortisation</b>                 |                  |                  |
| Depreciation of property, plant & equipment          | (35,180)         | (38,257)         |
| Depreciation of right of use assets                  | (7,771)          | (4,854)          |
| Amortisation of intangible assets                    | (1,737)          | (2,596)          |
| Total                                                | <u>(44,688)</u>  | <u>(45,707)</u>  |
| <b>Impairment loss</b>                               |                  |                  |
| Impairment loss on plant and equipment               | (2,556)          | -                |
| <b>Employee benefits <sup>1</sup></b>                |                  |                  |
| Wages and salaries                                   | (382,942)        | (382,246)        |
| Annual leave expense                                 | (22,194)         | (25,526)         |
| Post-retirement benefits                             | (10,332)         | (10,178)         |
| Workers' compensation costs                          | (2,545)          | (4,337)          |
| Share based payments expense                         | (2,850)          | (3,017)          |
| Long service leave expense                           | (2,114)          | (2,590)          |
| Total                                                | <u>(422,977)</u> | <u>(427,894)</u> |
| <b>Research and development credits <sup>2</sup></b> |                  |                  |
| Research and development credits                     | 4,712            | 7,075            |

1. Disclosed within cost of sales and administrative expenses.

2. Disclosed within cost of sales.

|                                                                                                                    | 2022<br>\$'000     | 2021<br>\$'000     |
|--------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Auditors' remuneration <sup>1</sup></b>                                                                         |                    |                    |
| <b>Amounts received or due and receivable by Deloitte Touche Tohmatsu Australia and related network firms for:</b> |                    |                    |
| Audit or review of the financial statements                                                                        |                    |                    |
| Group                                                                                                              | (425,500)          | (387,750)          |
| Controlled entities                                                                                                | (933,966)          | (825,797)          |
| Total                                                                                                              | <u>(1,359,466)</u> | <u>(1,213,547)</u> |
| Other assurance services                                                                                           | -                  | (7,500)            |
| Non-audit services                                                                                                 |                    |                    |
| Taxation advice and compliance services                                                                            | (175,239)          | (196,861)          |
| Consulting services                                                                                                | -                  | (8,030)            |
| Total                                                                                                              | <u>(175,239)</u>   | <u>(204,891)</u>   |
| Total                                                                                                              | <u>(1,534,705)</u> | <u>(1,425,938)</u> |
| <b>Other auditors and firms:</b>                                                                                   |                    |                    |
| Audit or review of the financial reports                                                                           |                    |                    |
| Subsidiaries                                                                                                       | (25,121)           | (23,841)           |
| Non-audit services                                                                                                 |                    |                    |
| Taxation advice and compliance services                                                                            | (27,883)           | (25,407)           |
| Total                                                                                                              | <u>(53,004)</u>    | <u>(49,248)</u>    |
| <b>Total</b>                                                                                                       | <u>(1,587,709)</u> | <u>(1,475,186)</u> |

1. The portion of the auditor's remuneration payable in USD was converted at a USD / AUD exchange rate of 0.7254 in FY2022 (FY2021: 0.7472).

## 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**

R&D tax credit incentives are accounted for in accordance with the Group's accounting policies as a Government grant under AASB 120 rather than as an income tax benefit under AASB 112.

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 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 FY2022 was \$4.7 million (FY2021: \$7.1 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 27.

## **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 FY2022.

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

|                                                                  |            | <u>2022</u>        | <u>2021</u>        |
|------------------------------------------------------------------|------------|--------------------|--------------------|
| <b>Net profit / (loss) after tax</b>                             |            |                    |                    |
| Net profit attributable to ordinary equity holders of the parent | \$'000     | 79,565             | 81,057             |
| <b>Weighted average number of ordinary shares</b>                |            |                    |                    |
| Basic                                                            | Number     | 361,337,051        | 359,410,147        |
| Effect of dilution                                               | Number     | 1,867,104          | 2,109,432          |
| Diluted                                                          | Number     | <u>363,204,155</u> | <u>361,519,579</u> |
| <b>Earnings per share</b>                                        |            |                    |                    |
| Basic earnings per share                                         | \$ / share | 0.220              | 0.226              |
| Diluted earnings per share                                       | \$ / share | 0.219              | 0.224              |

### 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.

### 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 1,582,526 performance rights that were potentially dilutive at 30 June 2022.

Further information relating to the performance rights is provided in Note 37.

#### 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 37.

#### 3. Service Rights

Service rights are included in the determination of diluted EPS. There were 284,578 service rights that were potentially dilutive at 30 June 2022.

Further information relating to the service rights is provided in Note 37.

#### 4. Other equity transactions

Austal issued 1,963,866 shares to the Employee Share trust during October 2021 in relation to the vesting of the FY2019 LTI plan and 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

|                                                            | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------------------|----------------|----------------|
| <b>Net profit after tax</b>                                | 79,565         | 81,057         |
| <b>Adjustments for non cash profit and loss items:</b>     |                |                |
| Depreciation and amortisation                              | 44,688         | 45,707         |
| Impairment of plant and equipment                          | 2,556          | -              |
| Net loss on disposal of property, plant and equipment      | 563            | 1,314          |
| Share based payments expense                               | 2,850          | 3,017          |
| Net foreign exchange differences                           | -              | 304            |
| CCPB 9 & 10 notional charter income                        | (3,316)        | (9,948)        |
| Interest expense                                           | 3,559          | 2,407          |
| Gain on disposal of assets held for sale                   | (2,654)        | -              |
| Amortisation of borrowing costs                            | 373            | 874            |
| Deferred government grant income                           | (3,707)        | (3,340)        |
| Research and development tax credits recognised            | (4,712)        | (7,705)        |
| Non-cash mark to market revaluations                       | 389            | (1,702)        |
| Total                                                      | 40,589         | 30,928         |
| <b>Changes in assets and liabilities:</b>                  |                |                |
| Increase / (decrease) in income tax (current and deferred) | 4,524          | (8,579)        |
| (Increase) / decrease in provisions                        | (693)          | 18,547         |
| Decrease in trade and other receivables                    | 6,197          | 5,948          |
| (Increase) / decrease in inventories and work in progress  | (84,741)       | 26,542         |
| Increase in prepayments                                    | (2,180)        | (3,347)        |
| Decrease / (increase) in other financial assets            | 58             | (1,808)        |
| Increase / (decrease) in trade and other payables          | 18,346         | (23,680)       |
| Decrease in progress payments in advance                   | (24,166)       | (32,144)       |
| Total                                                      | (82,655)       | (18,521)       |
| <b>Net cash inflow from operating activities</b>           | 37,499         | 93,464         |

## Note 8 Dividends paid and proposed

### I Dividends on ordinary shares

|                                                                                             | 2022<br>\$'000  | 2021<br>\$'000  |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Dividends paid on ordinary shares</b>                                                    |                 |                 |
| Unfranked final dividend for the prior year, 4 cps (2021: unfranked, 5 cps)                 | (14,396)        | (17,978)        |
| Unfranked interim dividend for the current year, 4 cps (2021 unfranked, 4 cps)              | (14,474)        | (14,396)        |
| Total                                                                                       | <u>(28,870)</u> | <u>(32,374)</u> |
| <b>Dividend declared subsequent to the reporting period end (not recorded as liability)</b> |                 |                 |
| Unfranked final dividend for the current year 4 cps (2021: unfranked, 4 cps)                | (14,474)        | (14,396)        |

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

### II Franking credit balance

|                                                                     | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| <b>Opening balance</b>                                              | 2,966          | 1,170          |
| Franking credits movement from the payment / (refund) of income tax | 437            | (673)          |
| Franking credits from acquisition of subsidiaries                   | -              | 2,469          |
| Movement                                                            | <u>437</u>     | <u>1,796</u>   |
| <b>Closing balance</b>                                              | <u>3,403</u>   | <u>2,966</u>   |

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 9V13.

## Note 9 Income and other taxes

### I Income tax expense

|                                                                                                                                                                        | 2022<br>\$'000         | 2021<br>\$'000         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Major components of tax (expense) / benefit are:</b>                                                                                                                |                        |                        |
| <b>Consolidated profit and loss</b>                                                                                                                                    |                        |                        |
| <b>Current income tax</b>                                                                                                                                              |                        |                        |
| Current income tax charge                                                                                                                                              | (18,538)               | (38,453)               |
| Adjustments in respect of current income tax of the previous year                                                                                                      | (2,020)                | 1,514                  |
| Total                                                                                                                                                                  | <u>(20,558)</u>        | <u>(36,939)</u>        |
| <b>Deferred income tax</b>                                                                                                                                             |                        |                        |
| Relating to origination and reversal of temporary differences                                                                                                          | (10,924)               | 10,826                 |
| Adjustments in respect of deferred income tax of the previous year                                                                                                     | (1,381)                | (72)                   |
| Total                                                                                                                                                                  | <u>(12,305)</u>        | <u>10,754</u>          |
| <b>Total income tax expense</b>                                                                                                                                        | <u><b>(32,863)</b></u> | <u><b>(26,185)</b></u> |
| <b>Other comprehensive income (OCI)</b>                                                                                                                                |                        |                        |
| <b>Current and deferred income tax related items charged or credited directly to OCI</b>                                                                               |                        |                        |
| Current and deferred gains and losses on foreign currency contracts                                                                                                    | (752)                  | (1,830)                |
| Deferred gains on revaluation of property, plant and equipment                                                                                                         | (13,858)               | (6,757)                |
| <b>Total income tax expense charged to OCI</b>                                                                                                                         | <u><b>(14,610)</b></u> | <u><b>(8,587)</b></u>  |
| <b>A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:</b> |                        |                        |
| <b>Accounting profit before income tax from continuing operations</b>                                                                                                  | 112,428                | 107,242                |
| <b>Income tax at the Group's statutory income tax rate of 30% (2021: 30%)</b>                                                                                          | (33,728)               | (32,173)               |
| USA combined federal and state income tax rate of 25.27% (2021: 25.39%)                                                                                                | 9,046                  | 3,538                  |
| Philippines gross income tax (GIT) regime                                                                                                                              | 262                    | 309                    |
| Other foreign tax rate differences                                                                                                                                     | (65)                   | 1                      |
| USA revalued deferred balances for change in weighted average state rate                                                                                               | (2,364)                | 1,151                  |
| USA withholding tax leakage due to losses in Australia                                                                                                                 | (413)                  | -                      |
| Non-assessable R&D credits in cost of sales                                                                                                                            | 1,413                  | 2,122                  |
| Carry forward tax losses not recognised                                                                                                                                | (3,745)                | (160)                  |
| Transfer pricing adjustments in respect of intercompany royalties                                                                                                      | (954)                  | (2,679)                |
| Valuation of share based payments                                                                                                                                      | 245                    | 1,774                  |
| Other non-assessable or non-deductible items                                                                                                                           | (21)                   | (1,147)                |
| Non-deductible capital expenses                                                                                                                                        | 862                    | (363)                  |
| Adjustments in respect of current and deferred income tax of the previous year                                                                                         | (3,401)                | 1,442                  |
| Total Adjustments                                                                                                                                                      | <u>865</u>             | <u>5,988</u>           |
| <b>Income tax expense reported in the profit and loss</b>                                                                                                              | <u><b>(32,863)</b></u> | <u><b>(26,185)</b></u> |
| <b>Income tax receivable / (payable)</b>                                                                                                                               |                        |                        |
| Income tax receivable <sup>1</sup>                                                                                                                                     | 16,955                 | 3,468                  |
| Income tax payable                                                                                                                                                     | (195)                  | (689)                  |

1. The income tax receivable primarily relates to the USA tax group. The receivable relates to the FY2022 Q3 and Q4 instalments paid based on the forecast at the time of submission. The receivable is expected to be offset in FY2023 against instalments due.

## II Analysis of temporary differences

|                                                           | Statement of Financial Position |                 | Movement in Profit and Loss |               |
|-----------------------------------------------------------|---------------------------------|-----------------|-----------------------------|---------------|
|                                                           | 2022                            | 2021            | 2022                        | 2021          |
|                                                           | \$'000                          | \$'000          | \$'000                      | \$'000        |
| <b>Deferred income tax - USA</b>                          |                                 |                 |                             |               |
| <b>Deferred tax assets</b>                                |                                 |                 |                             |               |
| Deferred grant income                                     | 26,034                          | 17,213          | 6,934                       | 3,867         |
| Payables                                                  | 4,163                           | 5,309           | (1,518)                     | (72)          |
| Trade and Other Receivables                               | 118                             | 1,276           | (1,199)                     | 1,282         |
| Provisions                                                | 5,935                           | 4,460           | 1,024                       | 228           |
| Deferred gains and losses on foreign currency contracts   | 463                             | 503             | -                           | -             |
| Facility lease                                            | 371                             | 38              | 312                         | (3)           |
| Losses available for offset against future taxable income | 27                              | 25              | -                           | (6)           |
| Other                                                     | -                               | -               | -                           | (52)          |
| <b>Total</b>                                              | <b>37,111</b>                   | <b>28,824</b>   | <b>5,553</b>                | <b>5,244</b>  |
| <b>Deferred tax liabilities</b>                           |                                 |                 |                             |               |
| Property, plant and equipment                             | (94,258)                        | (65,496)        | (8,737)                     | 1,950         |
| Work in progress                                          | (16,259)                        | (4,298)         | (10,963)                    | (891)         |
| Intangibles                                               | (689)                           | (732)           | 100                         | 75            |
| Payables                                                  | (82)                            | (65)            | -                           | -             |
| Deferred gains and losses on foreign currency contracts   | -                               | (66)            | -                           | -             |
| <b>Total</b>                                              | <b>(111,288)</b>                | <b>(70,657)</b> | <b>(19,600)</b>             | <b>1,134</b>  |
| <b>Net deferred tax asset / (liability)</b>               | <b>(74,177)</b>                 | <b>(41,833)</b> | <b>(14,047)</b>             | <b>6,378</b>  |
| <b>Deferred income tax - Australia</b>                    |                                 |                 |                             |               |
| <b>Deferred tax assets</b>                                |                                 |                 |                             |               |
| Provisions                                                | 11,369                          | 12,184          | (815)                       | 3,598         |
| Payables                                                  | 406                             | 419             | (14)                        | (74)          |
| Cash                                                      | 489                             | 579             | (90)                        | 184           |
| Deferred gains and losses on foreign currency contracts   | 146                             | 225             | -                           | -             |
| Facility lease                                            | 520                             | 211             | 309                         | 203           |
| CCPB 9 & 10                                               | -                               | 7               | (7)                         | 34            |
| Other                                                     | 1,031                           | 341             | 698                         | 57            |
| <b>Total</b>                                              | <b>13,961</b>                   | <b>13,966</b>   | <b>81</b>                   | <b>4,002</b>  |
| <b>Deferred tax liabilities</b>                           |                                 |                 |                             |               |
| Property, plant and equipment                             | (332)                           | (2,613)         | 2,281                       | 1,598         |
| Deferred gains and losses on foreign currency contracts   | (2,261)                         | (1,345)         | -                           | -             |
| Prepayments                                               | (1,572)                         | (961)           | (611)                       | (961)         |
| Other                                                     | 51                              | (215)           | -                           | -             |
| <b>Total</b>                                              | <b>(4,114)</b>                  | <b>(5,134)</b>  | <b>1,670</b>                | <b>637</b>    |
| <b>Net deferred tax asset / (liability)</b>               | <b>9,847</b>                    | <b>8,832</b>    | <b>1,751</b>                | <b>4,639</b>  |
| <b>Deferred income tax - Other</b>                        |                                 |                 |                             |               |
| <b>Deferred tax assets</b>                                |                                 |                 |                             |               |
|                                                           | 170                             | 170             | (9)                         | (263)         |
| <b>Net deferred tax asset / (liability)</b>               | <b>(64,160)</b>                 | <b>(32,831)</b> | <b>(12,305)</b>             | <b>10,754</b> |

## 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 Audit & Risk Committee (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 and 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. 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.

## 5. 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.

In 2021, Austal completed a Combined Assurance Review (CAR) which related to the income tax years FY2016 – FY2019 and GST period FY2020. The ATO obtained confidence that Austal paid the right amount of income tax for the review period and issued Austal with a “High” overall level of assurance.

## 6. 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% and the weighted average of individual US states in which Austal operates was 4.3% for FY2022. 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 for 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 2022 were:

|                                                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------------------------------|----------------|----------------|
| <b>Unrecognised Australian tax losses (tax effected values)</b> |                |                |
| <b>Opening balance</b>                                          | 5,520          | 5,519          |
| True-up of prior year tax losses                                | (3,637)        | 1              |
| Losses incurred in the current year                             | 3,742          | -              |
| Total                                                           | <u>105</u>     | <u>1</u>       |
| <b>Closing balance</b>                                          | <u>5,625</u>   | <u>5,520</u>   |

Austal claimed R&D tax offsets for prior years in FY2022. The offset was claimed by adding back accounting expenditure subject to R&D tax incentive and reduced carried forward losses for those years.

The future tax benefit of carried forward research and development credits are recognised in Other Non-Current Assets in accordance with the Group's accounting policy of recognising research and development credits as government grants under AASB 120 Government Grants.

## 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 accepted Austal into 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.

Austal is currently engaging with the Competent Authorities on these programs and responding to the information requests issued by both competent authorities.

Austal has accounted for and paid tax in Australia based on the ATO's position and the outcomes of the MAP and BAPA processes may generate tax refunds or tax payable in either jurisdiction. Austal is currently unable to determine what the outcomes of these processes may be nor the timeline to resolution.

The total additional tax relating to royalties on vessels that have been delivered in all years up to 30 June 2022 was \$(22.0) million (FY2021: \$(21.1) million).

\$(7.6) million (FY2021: \$(7.6) million) of the \$(21.1) million has been paid in cash in periods up to and including FY2022.

The remaining \$(14.4) million (FY2021: \$(13.5) million) has not had a cash impact in all years up to 30 June 2022, because the additional royalty income arose in loss years or in years when tax losses or R&D credits were utilised to offset the additional tax liability.

The negative cash impact will be realised in future tax years if no double tax relief is realised because less carry forward tax losses and / or R&D credits will be available to offset future tax liability.

## VII 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

|                          | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------|----------------|----------------|
| <b>Cash</b>              |                |                |
| Cash at bank and in hand | 240,113        | 346,899        |
| Total                    | <u>240,113</u> | <u>346,899</u> |

#### 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) net of any cash held as a guarantee.

### Note 11 Interest bearing loans and borrowings

#### I Net carrying amount

|                                | 2022<br>\$'000   | 2021<br>\$'000   |
|--------------------------------|------------------|------------------|
| <b>Current</b>                 |                  |                  |
| Vessel finance for CCPB 9 & 10 | -                | (32,205)         |
| Total                          | <u>-</u>         | <u>(32,205)</u>  |
| <b>Non - current</b>           |                  |                  |
| Go Zone Bonds                  | (124,515)        | (114,999)        |
| Total                          | <u>(124,515)</u> | <u>(114,999)</u> |
| <b>Total</b>                   | <u>(124,515)</u> | <u>(147,204)</u> |

#### 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 Vessel finance for Cape Class Patrol Boats 9 & 10 (CCPB 9 & 10)

Austal entered into a finance arrangement with National Australia Bank (NAB) and the Royal Australian Navy (RAN) for the construction of CCPB 9 & 10 in December 2015. NAB financed the purchase of the vessels and chartered CCPB 9 to the RAN until April 2022 and CCPB 10 to the RAN until May 2022. The contract contained a put option granting NAB the right to sell the vessels back to Austal for \$24.3 million at the end of the lease term (buyback guarantee).

On October 28 2021, RAN extended its lease of CCPB 9 & 10 with NAB and as a result NAB confirmed that Austal was released from buyback guarantee. The corresponding asset (\$29.1 million) and liability (\$29.2 million) have been derecognised from the Company's Balance Sheet.

### IV Go Zone Bonds (GZB)

The 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 and FY2013.

GZB are tax-exempt municipal bonds in the United States and attracted an average interest rate of 0.10% in FY2022 (FY2021: 0.10%). The interest rates on GZB's are reset on a weekly basis. GZB bondholders are secured by letters of credit issued under Austal's Syndicated Facility Agreement.

Austal re-financed the GZB Syndicated Facility during FY2022. The letters of credit securing the GZB now mature in December 2024. All of the GZB debt is classified as non-current at 30 June 2022. The average cost of the letters of credit in FY2022 was 1.54% (FY2021: 1.54%).

Austal has redeemed a cumulative amount of US\$137 million and owed US\$87.5 million at 30 June 2022 (FY2021: US\$87.5 million). No GZB amounts were redeemed (repaid) during FY2022. 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.

### V Revolving credit facility – Cash Loans

|                                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>Revolving credit facility - cash loans</b> |                |                |
| Total facility Limit                          | 50,000         | 50,000         |
| Facilities used at reporting date             | -              | -              |
| Facilities unused at reporting date           | <u>50,000</u>  | <u>50,000</u>  |

Austal re-financed the Syndicated Facility Agreement during FY2022. The Syndicated Facility Agreement has a \$280 million revolving credit facility (RCF). The RCF has a \$50 million cash loan sub limit. The Syndicated Facility Agreement matures in December 2024.

## VI Performance guarantees [bonding] facilities

|                                            | 2022<br>\$'000   | 2021<br>\$'000   |
|--------------------------------------------|------------------|------------------|
| <b>Total facilities available</b>          |                  |                  |
| Revolving credit facility                  | 280,000          | 280,000          |
| Surety facilities                          | 250,000          | 250,000          |
| Total                                      | <u>530,000</u>   | <u>530,000</u>   |
| <b>Facilities used at reporting date</b>   |                  |                  |
| Revolving credit facility                  | (116,396)        | (162,161)        |
| Surety facilities                          | (835)            | (22,810)         |
| Total                                      | <u>(117,231)</u> | <u>(184,971)</u> |
| <b>Facilities unused at reporting date</b> |                  |                  |
| Revolving credit facility                  | 163,604          | 117,839          |
| Surety facilities                          | 249,165          | 227,190          |
| Total                                      | <u>412,769</u>   | <u>345,029</u>   |

Any unused portion of the entire \$280 million RCF can be used for non-financial performance guarantees, up to \$20 million of any unused portion can be used for financial performance guarantees, and up to \$50 million of any unused portion can be used for cash loans as described above.

Austal had a total of \$420 million of uncommitted and unsecured Surety facilities at 30 June 2022. However, only \$250 million of the Surety facilities are 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

| FY2022                      | 30 June 2021 | Cash charges        |                            | Non-cash changes                        |                                         |                            |                           |                                 | 30 June 2022 |
|-----------------------------|--------------|---------------------|----------------------------|-----------------------------------------|-----------------------------------------|----------------------------|---------------------------|---------------------------------|--------------|
|                             |              | Debt Repay / (Draw) | Payment of borrowing costs | Debt acquired from business combination | CCPB 9 & 10 Debt Reduction <sup>1</sup> | CCPB 9 & 10 De-recognition | Foreign exchange movement | Amortisation of borrowing costs |              |
|                             | \$'000       | \$'000              | \$'000                     | \$'000                                  | \$'000                                  | \$'000                     | \$'000                    | \$'000                          | \$'000       |
| Current borrowings          | (32,205)     | -                   | -                          | -                                       | 3,066                                   | 29,139                     | -                         | -                               | -            |
| Non-current borrowings      | (114,999)    | -                   | 823                        | -                                       | -                                       | -                          | (9,966)                   | (373)                           | (124,515)    |
| Total financing liabilities | (147,204)    | -                   | 823                        | -                                       | 3,066                                   | 29,139                     | (9,966)                   | (373)                           | (124,515)    |
| FY2021                      | 30 June 2020 | Cash charges        |                            | Non-cash changes                        |                                         |                            |                           |                                 | 30 June 2021 |
|                             |              | Debt Repay / (Draw) | Payment of borrowing costs | Debt acquired from business combination | CCPB 9 & 10 Debt Reduction <sup>1</sup> | CCPB 9 & 10 De-recognition | Foreign exchange movement | Amortisation of borrowing costs |              |
|                             | \$'000       | \$'000              | \$'000                     | \$'000                                  | \$'000                                  | \$'000                     | \$'000                    | \$'000                          | \$'000       |
| Current borrowings          | (8,719)      | 7,265               | -                          | (7,265)                                 | 8,719                                   | -                          | -                         | -                               | (32,205)     |
| Non-current borrowings      | (156,461)    | -                   | 187                        | -                                       | -                                       | -                          | 9,944                     | (874)                           | (114,999)    |
| Total financing liabilities | (165,180)    | 7,265               | 187                        | (7,265)                                 | 8,719                                   | -                          | 9,944                     | (874)                           | (147,204)    |

1. CCPB 9 & 10 debt reduction is equal to the difference between the notional charter income and the notional interest expense. Refer to Note 11.

## Note 13 Contributed equity and reserves

### I Contributed equity

#### 1. Net carrying amount

|                                                  | Shares             |                    | \$'000         |                |
|--------------------------------------------------|--------------------|--------------------|----------------|----------------|
|                                                  | 2022               | 2021               | 2022           | 2021           |
| <b>Ordinary shares on issue</b>                  |                    |                    |                |                |
| 1 July                                           | 359,894,288        | 356,708,489        | 142,558        | 136,696        |
| Shares issued for dividend reinvestment plan     | -                  | 336,233            | -              | 1,097          |
| Shares issued to Employee Share Trust            | 1,963,866          | 2,849,566          | 3,675          | 9,440          |
| Shares or proceeds transferred for beneficiaries | -                  | -                  | 3              | (4,675)        |
| 30 June                                          | 361,858,154        | 359,894,288        | 146,236        | 142,558        |
| <b>Reserved shares</b>                           |                    |                    |                |                |
| 1 July                                           | (278,528)          | (661,607)          | (892)          | (1,356)        |
| Shares issued to Employee Share Trust or sold    | (1,963,866)        | (2,849,566)        | (3,675)        | (9,440)        |
| Shares or proceeds transferred for beneficiaries | 1,153,719          | 3,232,645          | 2,263          | 9,904          |
| 30 June                                          | (1,088,675)        | (278,528)          | (2,304)        | (892)          |
| <b>Net</b>                                       | <b>360,769,479</b> | <b>359,615,760</b> | <b>143,932</b> | <b>141,666</b> |

## 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 Statement of 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 2022 is comprised of shares issued as part employee share plans.

The Group announced an unfranked FY2021 final dividend of 4.0 cents per share, followed by an unfranked FY2022 interim dividend of 4.0 cents per share which was announced on 24 February 2022.

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 1,963,866 shares to the trust during the year ended 30 June 2022 for the FY2019 LTI vesting, FY2021 indeterminate rights and NED TFR share rights.

## II Reserves

The reserves are shown within the Consolidated Statement of Changes in Equity for the year ended 30 June 2022.

### 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 37.

### 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

|                                  | 2022<br>\$'000   | 2021<br>\$'000  |
|----------------------------------|------------------|-----------------|
| <b>Deferred grant income</b>     |                  |                 |
| <b>Current</b>                   |                  |                 |
| Infrastructure development       | (9,728)          | (2,968)         |
| Total                            | <u>(9,728)</u>   | <u>(2,968)</u>  |
| <b>Non - current</b>             |                  |                 |
| Infrastructure development       | (93,306)         | (64,832)        |
| Total                            | <u>(93,306)</u>  | <u>(64,832)</u> |
| <b>Total</b>                     | <u>(103,034)</u> | <u>(67,800)</u> |
| <b>Movements in grants</b>       |                  |                 |
| <b>1 July</b>                    | (67,800)         | (57,278)        |
| Grants received during the year  | (31,625)         | (18,469)        |
| Amortised to the profit and loss | 3,707            | 3,340           |
| Foreign exchange rate adjustment | (7,316)          | 4,607           |
| Net movement                     | <u>(35,234)</u>  | <u>(10,522)</u> |
| <b>30 June</b>                   | <u>(103,034)</u> | <u>(67,800)</u> |

#### 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

|                                           | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| <b>Trade and other receivables</b>        |                |                |
| Trade amounts owing by unrelated entities | 132,553        | 143,177        |
| Expected credit losses                    | (468)          | (4,895)        |
| Total                                     | <u>132,085</u> | <u>138,282</u> |

#### 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 & other receivables

|                     |        | <u>Days outstanding</u> |              |              |            |                 |              |
|---------------------|--------|-------------------------|--------------|--------------|------------|-----------------|--------------|
|                     |        | <u>0-30</u>             | <u>31-60</u> | <u>61-90</u> | <u>90+</u> | <u>Impaired</u> | <u>Total</u> |
| <b>30 June 2022</b> | \$'000 | 111,170                 | 5,870        | 551          | 14,962     | (468)           | 132,085      |
| <b>30 June 2021</b> | \$'000 | 126,044                 | 11,081       | 100          | 5,952      | (4,895)         | 138,282      |

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.

#### 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

|                    | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Prepayments</b> |                |                |
| Current            | 13,012         | 11,588         |
| Non-current        | 3,959          | 3,203          |
| Total              | <u>16,971</u>  | <u>14,791</u>  |

### II Recognition and measurement

Prepayments represent goods or services which the Group has paid upfront but the underlying asset will not be consumed until a future period. The Group expenses the prepayment over the corresponding period that the asset is consumed.

## Note 17 Inventories and work in progress

### I Net carrying amount

|                                         | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>Inventories and work in progress</b> |                |                |
| Work in progress                        | 255,566        | 171,605        |
| Other inventory                         | 7,504          | 6,724          |
| Total                                   | <u>263,070</u> | <u>178,329</u> |

### 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 Inventories

Inventories 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. 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

|                                                                  | 2022<br>\$'000   | 2021<br>\$'000   |
|------------------------------------------------------------------|------------------|------------------|
| <b>Trade and other payables</b>                                  |                  |                  |
| Trade and other payables owed to unrelated entities <sup>1</sup> | (151,726)        | (133,380)        |
| Total                                                            | <u>(151,726)</u> | <u>(133,380)</u> |

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<br>Benefits<br>\$'000 | Workers'<br>Compensation<br>\$'000 | Warranty<br>\$'000 | Onerous<br>Contracts<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|--------------------|--------------------------------|-----------------|-----------------|
| <b>Provisions at 30 June 2021</b> | (62,473)                       | (4,630)                            | (12,965)           | (8,285)                        | (12,847)        | (101,200)       |
| Arising during the year           | (75,905)                       | (2,704)                            | (10,248)           | (9,604)                        | (8,792)         | (107,253)       |
| Utilised                          | 84,215                         | 2,230                              | 8,954              | 1,212                          | 5,757           | 102,368         |
| Unused amounts reversed           | 168                            | 239                                | 1,707              | 7,352                          | 1,023           | 10,489          |
| Effects of foreign exchange       | (3,256)                        | (235)                              | (69)               | (769)                          | (582)           | (4,911)         |
| Movement                          | 5,222                          | (470)                              | 344                | (1,809)                        | (2,594)         | 693             |
| <b>Provisions at 30 June 2022</b> | (57,251)                       | (5,100)                            | (12,621)           | (10,094)                       | (15,441)        | (100,507)       |

|                                   | Employee<br>Benefits<br>\$'000 | Workers'<br>Compensation<br>\$'000 | Warranty<br>\$'000 | Onerous<br>Contracts<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|--------------------|--------------------------------|-----------------|-----------------|
| <b>Provisions at 30 June 2021</b> |                                |                                    |                    |                                |                 |                 |
| Current                           | (60,097)                       | (4,630)                            | (12,965)           | (8,285)                        | (12,847)        | (98,824)        |
| Non-current                       | (2,376)                        | -                                  | -                  | -                              | -               | (2,376)         |
| Total                             | (62,473)                       | (4,630)                            | (12,965)           | (8,285)                        | (12,847)        | (101,200)       |
| <b>Provisions at 30 June 2022</b> |                                |                                    |                    |                                |                 |                 |
| Current                           | (55,069)                       | (5,100)                            | (12,621)           | (10,094)                       | (15,441)        | (98,325)        |
| Non-current                       | (2,182)                        | -                                  | -                  | -                              | -               | (2,182)         |
| Total                             | (57,251)                       | (5,100)                            | (12,621)           | (10,094)                       | (15,441)        | (100,507)       |

### 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 sick leave expected to be wholly settled within 12 months of the reporting date are recognised in other payables 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 and annual 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. 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.

#### 4. Onerous contracts

A provision for onerous contracts is recognised for contracts that are forecast to generate a loss. Significant judgment can be required in estimating the presence and magnitude of a loss for a vessel, including assessments of future labour and material costs, overhead rates and contingencies, that may subsequently increase or decrease through the period of construction to completion.

Austral was awarded its first steel construction contract by the United States Navy, a build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12), in September 2021. At 30 June 2022, an onerous provision of \$10.1 million was recorded on these vessels on the basis of full absorption of costs on the new steel line for which the potential future financial benefits are not yet virtually certain. Changes in specification and material quantities from the initial award contributed to the cost increase, and the Company is responding through submission of Requests for Equitable Adjustments (REAs). Austral has not taken any value attributable to the REAs into the loss calculation.

The T-ATS award provides an excellent opportunity to prove the Company's steel capability and is expected to support an uplift in profitability across OPC and future programs.

#### 5. Corporate investigations

The Group continues to engage with ASIC and US Regulatory Authorities into certain market disclosures made in late CY2015 and mid CY2016. An \$8.2 million provision has been recorded based on the best estimate of the probable incremental professional services costs relating to this matter. Although ASIC has now commenced formal civil proceedings which provides some additional insight into potential costs and/or penalties, the Group has had to apply significant judgement when considering whether, and how much, to provide for costs. The Company continues to engage with ASIC to explore alternative dispute resolution, however this provision could still change over time as (i) the formal civil proceedings commenced by ASIC develop; and (ii) feedback is received from US

regulators as to potential outcomes or resolutions in response to the Company's engagement with those authorities.

The Company remains in constructive discussions with its Directors' and Officers' insurer and has received confirmation that the majority of its legal costs incurred to date in Australia will be reimbursed under its Directors' and Officers' insurance cover. A substantial portion of the legal fees claimed to date have been reimbursed from the insurer and based on the level of reimbursement to date, the Company has made an estimate of what further reimbursements it considers are virtually certain to be made in future. The receipt of any further amount is dependent on the insurance claim approval process and the precise extent of coverage accepted by the insurer.

Whilst the commencement of formal proceedings by ASIC has provided additional clarity as to the potential outcomes from that investigation, the ongoing uncertainty as to likely or potential outcomes in the US investigation means that the Group is not in a position to make any provision for any penalties or damages that may arise from the investigations. Refer to Note 32 for further information.

## **6. 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. An interim dividend of 4.0 cents per share was issued for the half year 31 December 2021 (FY2021 H1: 4.0 cents per share).

An unfranked dividend of 4.0 cents per share has been declared post year end and is not recognised as a liability for the year ended 30 June 2022 (FY2021 H2: 4.0 cents per share).

## Infrastructure & other assets

### Note 20 Property, plant and equipment

#### I Net carrying amount

|                                         | Freehold<br>Land and<br>Buildings<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Capital<br>WIP<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|---------------------------------------------|-------------------------------------|----------------------------------|--------------------------|-----------------|
| <b>Balance 30 June 2021</b>             |                                             |                                     |                                  |                          |                 |
| Gross carrying amount at fair value     | 455,264                                     | -                                   | -                                | -                        | 455,264         |
| Gross carrying amount at cost           | -                                           | 45,920                              | 309,797                          | 21,819                   | 377,536         |
| Accumulated depreciation and impairment | -                                           | (10,555)                            | (178,035)                        | -                        | (188,590)       |
| Net carrying amount                     | 455,264                                     | 35,365                              | 131,762                          | 21,819                   | 644,210         |
| <b>Balance 30 June 2022</b>             |                                             |                                     |                                  |                          |                 |
| Gross carrying amount at fair value     | 742,999                                     | -                                   | -                                | -                        | 742,999         |
| Gross carrying amount at cost           | -                                           | 46,020                              | 323,504                          | 44,867                   | 414,391         |
| Accumulated depreciation and impairment | (165,636)                                   | (11,906)                            | (180,484)                        | -                        | (358,026)       |
| Net carrying amount                     | 577,363                                     | 34,114                              | 143,020                          | 44,867                   | 799,364         |

#### II Reconciliation of movement for the year

|                                            | Freehold<br>Land and<br>Buildings<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Capital<br>WIP<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------|---------------------------------------------|-------------------------------------|----------------------------------|--------------------------|-----------------|
| <b>Balance 1 July 2020</b>                 |                                             |                                     |                                  |                          |                 |
|                                            | 463,287                                     | 40,378                              | 104,193                          | 2,341                    | 610,199         |
| Additions                                  | 9,403                                       | -                                   | 34,481                           | 32,373                   | 76,257          |
| Acquisitions through business combinations | 3,164                                       | -                                   | 8,830                            | -                        | 11,994          |
| Transfer in / (out)                        | -                                           | -                                   | 12,810                           | (12,810)                 | -               |
| Disposals                                  | (28)                                        | -                                   | (1,519)                          | -                        | (1,547)         |
| Depreciation charge for the year           | (13,335)                                    | (1,867)                             | (23,055)                         | -                        | (38,257)        |
| Revaluation                                | 26,117                                      | -                                   | -                                | -                        | 26,117          |
| Effects of foreign exchange                | (33,344)                                    | (3,146)                             | (3,978)                          | (85)                     | (40,553)        |
| Total                                      | (8,023)                                     | (5,013)                             | 27,569                           | 19,478                   | 34,011          |
| <b>Balance 30 June 2021</b>                |                                             |                                     |                                  |                          |                 |
|                                            | 455,264                                     | 35,365                              | 131,762                          | 21,819                   | 644,210         |
| Additions                                  | 111                                         | -                                   | 41,638                           | 74,580                   | 116,329         |
| Transfer in / (out)                        | 43,382                                      | -                                   | 10,818                           | (54,200)                 | -               |
| Disposals <sup>1</sup>                     | (5)                                         | -                                   | (31,065)                         | -                        | (31,070)        |
| Depreciation charge for the year           | (14,978)                                    | (1,782)                             | (18,420)                         | -                        | (35,180)        |
| Impairment                                 | -                                           | (2,294)                             | (262)                            | -                        | (2,556)         |
| Revaluation                                | 54,773                                      | -                                   | -                                | -                        | 54,773          |
| Effects of foreign exchange                | 38,816                                      | 2,825                               | 8,549                            | 2,668                    | 52,858          |
| Total                                      | 122,099                                     | (1,251)                             | 11,258                           | 23,048                   | 155,154         |
| <b>Balance 30 June 2022</b>                |                                             |                                     |                                  |                          |                 |
|                                            | 577,363                                     | 34,114                              | 143,020                          | 44,867                   | 799,364         |

1. The disposal relates to the CCPB 9 & 10 derecognition. See note 11 for further information.

### 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 building would be recognised as detailed in the table below if they were measured using the historic cost model.

|                                                                              | <u>2022</u><br><u>\$'000</u> | <u>2021</u><br><u>\$'000</u> |
|------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Land and Buildings and Leasehold Improvements valued using cost model</b> |                              |                              |
| Cost                                                                         | 533,010                      | 441,986                      |
| Accumulated depreciation and impairment                                      | (160,696)                    | (131,459)                    |
| Net carrying amount                                                          | <u>372,314</u>               | <u>310,527</u>               |

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.

### 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 valuation methodology utilised a market comparison approach based on highest and best use which is consistent with the Group's current use of the assets.

The independent revaluation is renewed every three to five years. 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 fair value are observable.

The last independent revaluation of the Australia land and buildings occurred during FY2021. This resulted in a decrease in the valuation of \$(1.137) million recognised in Other Comprehensive Income.

The last independent revaluation of the USA land and buildings occurred during June 2022. This resulted in an increase in the valuation of \$54.8 million (before deferred tax) recognised in Other Comprehensive Income.

#### 4. Impairment of assets Australasia

The Austal Philippines shipyard and floating dry dock (Austal Lewek Hercules) sustained damage as a result of Typhoon Odette, which struck the Philippines in December 2021. Damages net of insurance proceeds of \$2.6 million have been recognised through an impairment charge in cost of sales. Further insurance proceeds for the shipyard damage are anticipated but have not been provided for as they do not meet the requirement of virtual certainty.

## Note 21 Leases

### I Amounts recognised in the statement of financial position

|                             | 2022<br>\$'000   | 2021<br>\$'000  |
|-----------------------------|------------------|-----------------|
| <b>Right-of-use assets</b>  |                  |                 |
| Properties                  | 152,377          | 55,818          |
| Equipment                   | 5                | 8               |
| Motor vehicles              | 131              | 167             |
| Total                       | <u>152,513</u>   | <u>55,993</u>   |
| <br>                        |                  |                 |
|                             | 2022<br>\$'000   | 2021<br>\$'000  |
| <b>Lease liability</b>      |                  |                 |
| Current lease liability     | (4,198)          | (4,635)         |
| Non-current lease liability | (105,406)        | (52,758)        |
| Total                       | <u>(109,604)</u> | <u>(57,393)</u> |

The difference between the right-of-use assets and lease liability is primarily driven by the purchase of Marine Group Boat Works lease for consideration of US\$33 million (\$47.8 million). An incremental borrowing rate (IBR) of 5.15% has been determined. Please see Note 24 for further information.

Additions to the right of use assets during the reporting period were \$104.3 million. (FY2021: \$52.1 million). The maturity analysis of lease liabilities is included in Note 28.

## II Amounts recognised in the statement of profit and loss

|                                                                                           | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Amounts recognised in the Profit and Loss</b>                                          |                |                |
| Depreciation for right-of-use assets                                                      |                |                |
| Properties                                                                                | (7,753)        | (4,755)        |
| Equipment                                                                                 | (4)            | (3)            |
| Motor vehicles                                                                            | (14)           | (96)           |
| Total                                                                                     | <u>(7,771)</u> | <u>(4,854)</u> |
| Interest expense (included in finance costs)                                              | (3,311)        | (1,179)        |
| Expense relating to short term leases, low value leases and leases with variable payments | (2,398)        | (3,431)        |
| Total cash flow for leases                                                                | (8,638)        | (7,585)        |

## 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 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<br>Software<br>\$'000 | Goodwill<br>\$'000 | Other<br>Intangibles<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|--------------------------------|--------------------|--------------------------------|-----------------|
| <b>Balance 1 July 2021</b>              |                                |                    |                                |                 |
| Cost                                    | 26,731                         | 31,131             | 3,830                          | 61,692          |
| Accumulated amortisation and impairment | (23,174)                       | -                  | (947)                          | (24,121)        |
| Net carrying amount                     | 3,557                          | 31,131             | 2,883                          | 37,571          |
| <b>Balance 30 June 2022</b>             |                                |                    |                                |                 |
| Cost                                    | 28,078                         | 31,643             | 4,161                          | 63,882          |
| Accumulated amortisation and impairment | (25,001)                       | -                  | (1,356)                        | (26,357)        |
| Net carrying amount                     | 3,077                          | 31,643             | 2,805                          | 37,525          |

### II Reconciliation of movement for the year

|                                            | Computer<br>Software<br>\$'000 | Goodwill<br>\$'000 | Other<br>Intangibles<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------|--------------------------------|--------------------|--------------------------------|-----------------|
| <b>Balance 1 July 2020</b>                 |                                |                    |                                |                 |
|                                            | 5,831                          | 12,904             | 3,457                          | 22,192          |
| Additions                                  | 895                            | -                  | -                              | 895             |
| Disposals                                  | (617)                          | -                  | -                              | (617)           |
| Acquisitions through business combinations | -                              | 18,739             | -                              | 18,739          |
| Amortisation for the year                  | (2,295)                        | -                  | (301)                          | (2,596)         |
| Effects of foreign exchange                | (257)                          | (512)              | (273)                          | (1,042)         |
| Total                                      | (2,274)                        | 18,227             | (574)                          | 15,379          |
| <b>Balance 30 June 2021</b>                |                                |                    |                                |                 |
|                                            | 3,557                          | 31,131             | 2,883                          | 37,571          |
| Additions                                  | 767                            | -                  | -                              | 767             |
| Disposals                                  | (31)                           | -                  | -                              | (31)            |
| Amortisation for the year                  | (1,426)                        | -                  | (311)                          | (1,737)         |
| Effects of foreign exchange                | 210                            | 512                | 233                            | 955             |
| Total                                      | (480)                          | 512                | (78)                           | (46)            |
| <b>Balance 30 June 2022</b>                |                                |                    |                                |                 |
|                                            | 3,077                          | 31,643             | 2,805                          | 37,525          |

### 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 straight-line basis over the estimated useful life of each asset. Computer software is amortised on a straight-line basis over 2 to 5 years.

#### 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

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 have been assessed at the CGU level as identified below:

- USA Shipbuilding.
- USA Support.
- Australasia Shipbuilding.
- Australasia Support.

### III Allocation of assets to CGU

Corporate assets have been allocated to CGU to the extent that they relate to the CGU.

Goodwill, acquired through business combinations has been allocated to the following segments:

- USA Support – a carrying amount of \$6.4 million.
- Australasia Support – a carrying amount of \$25.2 million.

### IV Assessment of recoverable amounts and sensitivity to changes in assumptions

The recoverable amount of the CGUs was determined based on value in use calculations using 5 year cash flow projections or qualitative assessments where applicable. Key inputs into the cash flow projection include the volume and profitability of contracted and projected projects. Changes in these inputs may have an impact on the cash flow projections. Any significant change in the key assumptions could lead to an impairment of the CGU.

#### 1. USA Shipbuilding

The Company performed an assessment for indicators of impairment and concluded that there were none present from an internal or external perspective. During FY2022 there were multiple shipbuilding awards replenishing the order book. There is no goodwill in the USA Shipbuilding CGU.

#### 2. USA Support

The Company performed a qualitative assessment at 30 June 2022 noting no material change in the USA Support CGU. Based on the assessment the recoverable amount is greater than the carrying amount of assets and that no impairment charge is required as a result of this analysis.

#### 3. Australasia Shipbuilding

The recoverable amount for the Australasia Shipbuilding CGU was assessed because of the diminished value of the contracted order book at 30 June 2022 and the negative impact of COVID-19 on the commercial vessel market.

The Company concluded that the recoverable amount is greater than the carrying amount of assets and that no impairment charge is required as a result of this analysis however the recoverable amount of the Australasia Shipbuilding CGU is contingent upon the successful award of future commercial and defence contracts.

Continued depression of commercial markets as a result of COVID-19 and or failure to secure defence shipbuilding contracts beyond completion of the Guardian Class Patrol Boats and Cape Class Patrol Boats 11 – 18 in FY2024 would be likely to result in an impairment loss.

#### 4. Australasia Support

The recoverable amount for the Australasia Support CGU was assessed as required under the accounting standards because goodwill has been allocated to the Australasia CGU.

The Company concluded that the recoverable amount is greater than the carrying amount of assets and that no impairment charge is required as a result of this analysis. A reasonable forecast risk factor of 20% has been applied to the revenue assumptions in the perpetuity element of the impairment assessment. The result of this factor being applied still leaves 20% headroom between the carrying value of the CGU assets and the Net Present Value of the discounted cash flows. The risk factor applied is in recognition that the CGU holds all the goodwill in Australasia.

This is contingent on the renewal of existing contracts and uncontracted awards. Refer above for the allocation of the goodwill.

### 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 Australasia CGU:

| <u>Concept</u>             | <u>Assumption</u> |
|----------------------------|-------------------|
| Growth assumptions         | Contract awards   |
| Perpetuity growth rate     | 0.0%              |
| Post tax discount rate     | 9.3%              |
| Average inflation on costs | 4.0%              |

#### 2. Growth assumptions

Growth assumptions are based on future vessel construction and service projects not yet awarded. The assumptions are based on historical experience of the size of the vessel that customers typically contract and the corresponding average tender pricing.

#### 3. Perpetuity growth rate

Austal has taken a conservative view and included a 0% perpetuity growth rate in calculation of the terminal value.

#### 4. 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 9.3% for the Australasian CGUs.

#### 5. 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 are used if data is publicly available, otherwise historical material price movements are used as an indicator of future price movements.

The Board was satisfied that no impairment was required for any of the CGUs as at 30 June 2022.

### Note 24 Marine Group Boat Works (MGBW) asset purchase

Austal USA acquired assets and leases through an asset acquisition from Marine Group Boat Works (MGBW) on 15 December 2021.

The acquisition of the long-term lease agreements in the Port of San Diego, USA are an important strategic step in expanding the support presence of Austal USA. Austal will establish a full-service ship repair capability, providing maintenance and modernisation for a wide variety of ships, including small surface combatants and autonomous vessels. Services will include technical and material support, topside work and dry docking.

The right of use asset and corresponding lease liability at acquisition was valued at US\$38.7 million. The right of use asset includes a commitment of US\$13.3 million to capital investments within the first five years of the lease. The IBR of 5.15% has been determined and applied to opening balances. The leases have a duration of 29 years to November 2050.

The purchase consideration of US\$33.5 million has been separately assigned to the net book value of the property, plant & equipment acquired of US\$0.5 million and an additional right of use asset of US\$33.0 million. The additional right-of-use asset is associated with the future economic benefits which the lease will provide in the expansion of Austal USA's Support business. The additional right-of-use asset is being depreciated on a straight-line basis over the term of the lease.

Austal has commissioned a dry dock to be built for use at the shipyard.

## Note 25 Investments and other financial assets

### I Net carrying amount

|                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Other financial assets</b> |                |                |
| Collateral <sup>1</sup>       | 14,025         | 14,013         |
| Security deposits             | 908            | 978            |
| Total                         | <u>14,933</u>  | <u>14,991</u>  |

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 cash at bank with an original maturity of 1 year or more. Collateral and security deposits are classified as receivables and measured at amortised cost.

## Note 26 Assets held for sale

|                                                        | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| <b>Current assets held for sale</b>                    |                |                |
| Investment in Aulong Shipbuilding Co Ltd Joint Venture | -              | 1,729          |
| Total                                                  | -              | 1,729          |

In April 2021, Austal agreed to sell its 40% shareholding in Aulong Shipbuilding Co. Ltd Joint Venture (within the Australasia shipbuilding segment) to its joint venture partner Guangdong Jianglong Shipbuilding Co Ltd (Jianglong Shipbuilding) who already owned the other 60% for \$4.4 million.

A gain on sale of \$2.7 million was recognised net of the investment in the joint venture (\$1.7 million) which at 30 June 2021 was classified as an asset held for sale.

The cash proceeds of the sale were \$4.2 million net of stamp duty and income tax in China.

## Note 27 Other non-current assets

### I Net carrying amount

|                                         | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>Research and development credits</b> |                |                |
| <b>Recognised</b>                       |                |                |
| USA                                     | -              | -              |
| Total                                   | -              | -              |
| <b>Unrecognised</b>                     |                |                |
| Australia                               | 18,983         | 1,451          |
| Total                                   | 18,983         | 1,451          |

### II Recognition and measurement

All USA R&D credits that were recognised have been utilised to partially offset the FY2022 income tax liability and hence there are no carried forward R&D credits as at 30 June 2022.

### III Unrecognised R&D credits

A non-current asset has not been recognised in relation to \$19 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 28 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.

| <b>Risk</b>                    | <b>Exposure arising from</b>                                                                                              | <b>Monitoring</b>                        | <b>Management</b>                                               |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------|
| Market risk - interest rate    | 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 significant 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:

|                              | 2022<br>\$'000   | 2021<br>\$'000   |
|------------------------------|------------------|------------------|
| <b>Financial assets</b>      |                  |                  |
| Cash and cash equivalents    | 240,113          | 346,899          |
| Derivative contracts         | 5,899            | 4,250            |
| Total                        | <u>246,012</u>   | <u>351,149</u>   |
| <b>Financial liabilities</b> |                  |                  |
| Interest bearing liabilities | (124,515)        | (147,204)        |
| Derivative contracts         | (2,318)          | (2,728)          |
| Total                        | <u>(126,833)</u> | <u>(149,932)</u> |
| <b>Net exposure</b>          | <u>119,179</u>   | <u>201,217</u>   |

## 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.

|                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Post tax gain / (loss)</b> |                |                |
| +1.00% (100 basis points)     | 1,352          | 1,729          |
| -1.00% (100 basis points)     | (1,352)        | (1,729)        |

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, 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 2022 were:

|                              | All values are stated in AUD equivalent |                            |                            |                 | Total<br>\$'000 |
|------------------------------|-----------------------------------------|----------------------------|----------------------------|-----------------|-----------------|
|                              | AUD<br>\$'000                           | USD <sup>1</sup><br>\$'000 | EUR <sup>2</sup><br>\$'000 | Other<br>\$'000 |                 |
| <b>Balance 30 June 2022</b>  |                                         |                            |                            |                 |                 |
| <b>Financial assets</b>      |                                         |                            |                            |                 |                 |
| Cash and cash equivalents    | 255                                     | 1,599                      | 32                         | 1,590           | 3,476           |
| Trade and other receivables  | -                                       | -                          | -                          | 692             | 692             |
| Derivatives                  | -                                       | 1                          | 5,769                      | 129             | 5,899           |
| <b>Total</b>                 | <b>255</b>                              | <b>1,600</b>               | <b>5,801</b>               | <b>2,411</b>    | <b>10,067</b>   |
| <b>Financial liabilities</b> |                                         |                            |                            |                 |                 |
| Trade and other payables     | (5)                                     | (9)                        | (7)                        | (523)           | (544)           |
| Derivatives                  | (836)                                   | (4)                        | (1,131)                    | (347)           | (2,318)         |
| <b>Total</b>                 | <b>(841)</b>                            | <b>(13)</b>                | <b>(1,138)</b>             | <b>(870)</b>    | <b>(2,862)</b>  |

|                              | All values are stated in AUD equivalent |                            |                            |                 | Total<br>\$'000 |
|------------------------------|-----------------------------------------|----------------------------|----------------------------|-----------------|-----------------|
|                              | AUD<br>\$'000                           | USD <sup>1</sup><br>\$'000 | EUR <sup>2</sup><br>\$'000 | Other<br>\$'000 |                 |
| <b>Balance 30 June 2021</b>  |                                         |                            |                            |                 |                 |
| <b>Financial assets</b>      |                                         |                            |                            |                 |                 |
| Cash and cash equivalents    | 132                                     | 622                        | 47                         | 620             | 1,421           |
| Trade and other receivables  | -                                       | -                          | -                          | 385             | 385             |
| Derivatives                  | 240                                     | 3                          | 3,882                      | 125             | 4,250           |
| <b>Total</b>                 | <b>372</b>                              | <b>625</b>                 | <b>3,929</b>               | <b>1,130</b>    | <b>6,056</b>    |
| <b>Financial liabilities</b> |                                         |                            |                            |                 |                 |
| Trade and other payables     | -                                       | (50)                       | -                          | (315)           | (365)           |
| Derivatives                  | (252)                                   | (575)                      | (1,822)                    | (79)            | (2,728)         |
| <b>Total</b>                 | <b>(252)</b>                            | <b>(625)</b>               | <b>(1,822)</b>             | <b>(394)</b>    | <b>(3,093)</b>  |

1. Spot USD / AUD exchange rate at 30 June 2022 was 0.6901 (30 June 2021: 0.7498).

2. Spot EUR / AUD exchange rate at 30 June 2022 was 0.6582 (30 June 2021: 0.6323).

## 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) |          |
|---------------------------------------------------|-----------------------|---------|-------------------------|----------|
|                                                   | 2022                  | 2021    | 2022                    | 2021     |
|                                                   | \$'000                | \$'000  | \$'000                  | \$'000   |
| <b>Judgement of reasonable possible movements</b> |                       |         |                         |          |
| USD / AUD - 10% lower                             | 2,240                 | 1,766   | 188,053                 | 103,585  |
| USD / AUD - 10% higher                            | (1,832)               | (1,445) | (155,425)               | (84,783) |
| EUR / AUD - 10% lower                             | 333                   | 1,648   | (3,258)                 | (4,968)  |
| EUR / AUD - 10% higher                            | (273)                 | (1,349) | 2,666                   | 4,064    |

1. Spot USD / AUD exchange rate at 30 June 2022 was 0.6901 (30 June 2021: 0.7498).
2. Spot EUR / AUD exchange rate at 30 June 2022 was 0.6582 (30 June 2021: 0.6323).

The foreign currency translation of USD denominated net assets would have significantly affected the equity at the reporting date. The Group had US\$484.1 million of USD denominated net assets at 30 June 2022 (FY2021: US\$485.9 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' amount represents the AUD equivalent of commitments to sell foreign currencies.

|                    | 2022                 |                       |                      |                       | 2021                 |                       |                      |                       |
|--------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
|                    | Buy                  |                       | Sell                 |                       | Buy                  |                       | Sell                 |                       |
|                    | Average Forward Rate | AUD Equivalent \$'000 |
| <b>USD</b>         |                      | Buy USD               |                      | (Sell USD)            |                      | Buy USD               |                      | (Sell USD)            |
| less than 3 months | 0.7102               | 12,491                | 0.7366               | (471)                 | 0.7212               | 14,551                | 0.7763               | (176)                 |
| 3 - 12 months      | 0.7307               | 12,789                | 0.7391               | (15,581)              | 0.7560               | 441                   | 0.7690               | (26,703)              |
| > 12 months        | -                    | -                     | 0.7310               | (4,769)               | -                    | -                     | 0.7657               | (24,826)              |
| Total              |                      | 25,280                |                      | (20,821)              |                      | 14,992                |                      | (51,705)              |
| <b>EUR</b>         |                      | Buy EUR               |                      | (Sell EUR)            |                      | Buy EUR               |                      | (Sell EUR)            |
| less than 3 months | 0.5714               | 177                   | 0.5987               | (11,089)              | 0.6424               | 77                    | 0.6003               | (20,086)              |
| 3 - 12 months      | 0.5846               | 3,331                 | 0.5983               | (43,756)              | 0.6667               | 25,790                | 0.5958               | (48,869)              |
| > 12 months        | 0.5616               | 2,628                 | 0.6313               | (298)                 | 0.6108               | 18,572                | -                    | -                     |
| Total              |                      | 6,136                 |                      | (55,143)              |                      | 44,439                |                      | (68,955)              |

## 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 |                 |               | Total <sup>1</sup><br>\$'000 |
|----------------------------------------------------|-------------------|-----------------|---------------|------------------------------|
|                                                    | 0 - 1<br>\$'000   | 1 - 5<br>\$'000 | > 5<br>\$'000 |                              |
| <b>Balance 30 June 2022</b>                        |                   |                 |               |                              |
| <b>Derivative financial assets / (liabilities)</b> |                   |                 |               |                              |
| Outflow                                            | (73,754)          | (5,710)         | -             | (79,464)                     |
| Inflow                                             | 78,531            | 5,077           | -             | 83,608                       |
| Net derivative financial assets / (liabilities)    | 4,777             | (633)           | -             | 4,144                        |
| <b>Non-derivative financial liabilities</b>        |                   |                 |               |                              |
| Trade and other payables                           | (127,942)         | -               | -             | (127,942)                    |
| Go Zone Bond facility                              | -                 | (125,211)       | -             | (125,211)                    |
| Lease liabilities                                  | (8,717)           | (30,712)        | (159,277)     | (198,706)                    |
| Total                                              | (136,659)         | (155,923)       | (159,277)     | (451,859)                    |
| <b>Balance 30 June 2021</b>                        |                   |                 |               |                              |
| <b>Derivative financial assets / (liabilities)</b> |                   |                 |               |                              |
| Outflow                                            | (123,606)         | (26,652)        | -             | (150,258)                    |
| Inflow                                             | 126,107           | 25,492          | -             | 151,599                      |
| Net derivative financial assets / (liabilities)    | 2,501             | (1,160)         | -             | 1,341                        |
| <b>Non-derivative financial liabilities</b>        |                   |                 |               |                              |
| Trade and other payables                           | (126,202)         | -               | -             | (126,202)                    |
| Go Zone Bond facility                              | -                 | (116,756)       | -             | (116,756)                    |
| Vessel finance for CCPB 9 & 10 <sup>2</sup>        | (32,206)          | -               | -             | (32,206)                     |
| Lease liabilities                                  | (7,377)           | (19,673)        | (75,646)      | (102,696)                    |
| Total                                              | (165,785)         | (136,429)       | (75,646)      | (377,860)                    |

1. Contractual cash flows include interest.

2. Contractual cashflows are equal to the residual value of the CCPB 9 & 10 vessels. Further information is provided in Note 11.

The Group had \$50.0 million (FY2021: \$50.0 million) of unused cash loan credit facilities available for immediate use at the reporting date and \$240.1 million (FY2021: \$346.9 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 29 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 30 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<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Balance 30 June 2022</b>  |                   |                   |                   |                 |
| <b>Financial assets</b>      |                   |                   |                   |                 |
| Derivatives                  | -                 | 5,899             | -                 | 5,899           |
| <b>Financial liabilities</b> |                   |                   |                   |                 |
| Derivatives                  | -                 | (2,318)           | -                 | (2,318)         |
| <b>Balance 30 June 2021</b>  |                   |                   |                   |                 |
| <b>Financial assets</b>      |                   |                   |                   |                 |
| Derivatives                  | -                 | 4,250             | -                 | 4,250           |
| <b>Financial liabilities</b> |                   |                   |                   |                 |
| Derivatives                  | -                 | (2,728)           | -                 | (2,728)         |

#### 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 \$124.5 million (30 June 2021: \$147.2 million) which equals their fair value. Further information is provided in Note 11.

## Unrecognised items

### Note 31 Commitments and contingencies

|                                          | 2022<br>\$'000   | 2021<br>\$'000   |
|------------------------------------------|------------------|------------------|
| <b>Capital commitments</b>               |                  |                  |
| Property, plant and equipment            | (13,566)         | (60,761)         |
| Total                                    | <u>(13,566)</u>  | <u>(60,761)</u>  |
| <b>Guarantees</b>                        |                  |                  |
| Bank performance guarantees <sup>1</sup> | (116,396)        | (162,161)        |
| Sureties                                 | (835)            | (22,810)         |
| Total                                    | <u>(117,231)</u> | <u>(184,971)</u> |

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.

##### 1. Vessel delivery postponement

Extended Government imposed comprehensive quarantine measures implemented as a result of COVID-19, have postponed a vessel's scheduled delivery by several months, which has triggered a potential cancellation right notwithstanding the absence of default by either party. Despite this contractual entitlement, both parties have agreed to extend the contractual delivery to January 2023.

The customer retains the right to cancel the contract if Austal does not deliver the vessel within an agreed period if the revised delivery date is not met. Both parties continue to cooperate constructively to ensure the revised contracted date is met.

Delivery outside the cancellation period would require Austal to repay milestone payments received to the date of cancellation which would be €62.4 million and Austal would then take possession of the vessel.

Austal would need to resell the vessel to an alternative buyer.

##### 2. Other

The Directors are not aware of any other material contingent liabilities in existence as at 30 June 2022 requiring disclosure in the financial statements.

## Note 32 Corporate investigations

As described in previous annual and half year reports and ASX announcements, the Group is assisting ASIC and US regulatory authorities (notably, the Department of Justice (DoJ) and the Securities Exchange Commission) in their investigations into historical matters concerning Austal's Littoral Combat Ship (LCS) program before July 2016.

In June 2021, ASIC formally advised Austal Limited (the Company) that (i) it would not commence criminal proceedings, and (ii) it has commenced civil proceedings against the Company and its prior CEO. The civil proceedings allege that although an announcement notifying the market of a write back of profits from the US business was made on 4 July 2016, the Company was aware as early as 4 June 2016 of the need to make a material write back of work in progress attributable to the LCS program. ASIC is seeking civil declarations that the Company contravened its continuous disclosure obligations as well as the relevant misleading and deceptive conduct provisions of the Corporations Act 2001 (Cth) and the Australian Securities and Investments Commission Act 2001 (Cth).

The matter has been scheduled for hearing in the Federal Court of Australia in October 2022. The Company is defending the allegations but has continued to engage with ASIC to explore alternative dispute resolution avenues and these continue to be explored. As at the date of this report, the Company is not in a position to provide any further detail in this regard however it will continue to prepare for hearing in the event that an alternative resolution cannot be reached.

The investigations by US regulatory authorities have been focussed primarily on Austal's USA operations, including the write back of work in progress (WIP) attributable to the LCS program in July 2016, the procurement of certain ship components for use in connection with US Government contracts and charging and allocation of labour hours.

The Company and its wholly owned subsidiary Austal USA, LLC (Austal USA) have been cooperating with the US regulatory authorities in relation to these investigations and engaged external lawyers in the US to conduct their own detailed investigation in relation to what they understand to be the focus of the US regulatory investigations.

Since the FY2021 Annual Report, the Company has made substantial progress in relation to 2 of the matters being investigated by US authorities:

- In relation to the investigation of potential misallocation of labour hours across different projects at Austal USA, the Company has completed its internal investigations and determined that there has not been any misallocation of labour hours or incorrect attribution of costs codes on its projects. The Company has made the DoJ aware of this and is not aware of DoJ looking to take this matter further.
- In relation to the procurement and installation of butterfly valves on board certain LCS vessels, it is noted that although the valves may not have met all relevant military specification requirements at the time of their procurement, they have since been accepted by the U.S. Navy on board these vessels and remain in use. The Company and DoJ have agreed 'in principle' to resolve this issue on confidential terms which include the payment by the Company of a settlement sum that is proportionate to the value of the valves. The exact sum cannot be disclosed at the time of this report.

In relation to the remaining issue regarding the investigation of the overstatement of profits during 2012 – 2016, the Company continues to work with the DoJ to assist it in closing out its investigation. The Company has not been advised when this investigation (or that of the SEC, proceeding in parallel) will be complete or what the outcome will be.

Austal USA has appointed a highly regarded independent compliance and risk management advisor in Washington DC to assist with the review of current compliance programs and practices, and the development and implementation of a significantly enhanced compliance regime to ensure this kind of issue does not arise again. Austal USA has made significant progress in updating its compliance program accordingly and it is anticipated this will be complete during 2022. The Group is confident that this and other proactive steps it has already implemented to strengthen its internal reporting and compliance practices will be taken into account in determining whether there are any potential consequences arising from matters identified by the investigation in the US, as well as ensuring such circumstances do not happen again.

Nevertheless, it is still possible that the US regulatory investigations could lead to civil or criminal proceedings resulting in the application of penalties, damages, and/or possibly suspension or debarment from future US Government contracts. The Group has not been advised whether such proceedings will be commenced in the US, or whether any fines or penalties may be levied (or if so, their likely magnitude). Hence the Group is not in a position to make any provision for such fines, penalties or other adverse outcomes at this stage. Any of these potential outcomes could have a material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

An \$8.2 million provision has been recorded based on the best estimate of the probable incremental professional services costs relating to the Australian civil proceedings and the US investigations. In light of uncertainty around the potential outcome, the Group has had to apply significant judgement when considering whether, and how much, to provide for costs. As a result of the high level of estimation uncertainty, the provision could change substantially over time as new facts emerge and the investigations progress. Refer to the Provisions Note 19 for further information.

### **Note 33**    **Events after the balance date**

#### **I**      **Dividend proposed**

An unfranked final dividend of 4.0 cents per share has been declared for FY2022 post 30 June 2022 (FY2021 final: 4.0 cents per share, unfranked).

#### **II**     **Other**

The Directors are not aware of any other significant events since the reporting date.

## The Group, management and related parties

### Note 34 Parent interests in subsidiaries

The consolidated financial statements include the financial statements of Austal Limited and the subsidiaries listed in the following table.

| Company                                   | Country        | Equity Interest |      |
|-------------------------------------------|----------------|-----------------|------|
|                                           |                | 2022            | 2021 |
| Austal Ships Pty Ltd                      | Australia      | 100%            | 100% |
| Austal Cyprus Ltd                         | Cyprus         | 100%            | 100% |
| Austal Egypt LLC                          | Egypt          | 100%            | 100% |
| Austal Muscat LLC <sup>1</sup>            | Oman           | 70%             | 70%  |
| Austal Service Pty Ltd                    | Australia      | 100%            | 100% |
| Austal Service Darwin Pty Ltd             | Australia      | 100%            | 100% |
| Hydraulink (NT) Pty Ltd                   | Australia      | 100%            | 100% |
| KM Engineering (NT) Pty Ltd               | Australia      | 100%            | 100% |
| Austal Systems Pty Ltd                    | Australia      | 100%            | 100% |
| Austal UK Ltd                             | United Kingdom | 100%            | 100% |
| Austal Holdings Vietnam Pty Ltd           | Australia      | 100%            | 100% |
| Austal Viet Nam Co Ltd                    | Vietnam        | 100%            | 100% |
| Austal Holdings Inc                       | USA            | 100%            | 100% |
| Austal USA LLC                            | USA            | 100%            | 100% |
| Austal USA Service LLC                    | USA            | 100%            | 100% |
| ElectraWatch Inc                          | USA            | 100%            | 100% |
| Austal Services Subic Bay Philippines Inc | Philippines    | 100%            | 100% |
| Austal Philippines Pty Ltd                | Australia      | 100%            | 100% |
| Austal Lewek Hercules Inc                 | Philippines    | 100%            | 100% |
| Austal Middle East Pty Ltd                | Australia      | 100%            | 100% |
| Austal Holdings China Pty Ltd             | Australia      | 100%            | 100% |
| Austal Subic Bay Holdings Pty Ltd         | Australia      | 100%            | 100% |
| Austal Australasia Pty Ltd                | Australia      | 100%            | 100% |
| Seastate Pty Ltd                          | Australia      | 100%            | 100% |
| BSE Maritime Group Pty Ltd                | Australia      | 100%            | 100% |
| Austal Cairns Pty Ltd                     | Australia      | 100%            | 100% |
| BSE Maritime Group Assets Pty Ltd         | Australia      | 100%            | 100% |
| Brisbane Slipways Holdings Pty Ltd        | Australia      | 100%            | 100% |
| Brisbane Slipways & Engineering Pty Ltd   | Australia      | 100%            | 100% |
| Austal Brisbane Pty Ltd                   | Australia      | 100%            | 100% |
| Brisbane Slipways Assets Pty Ltd          | Australia      | 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 35 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 36 Key management personnel [KMP] compensation

| KMP Compensation             | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 4,875          | 4,449          |
| Post-employment benefits     | 173            | 172            |
| Long term benefits           | 27             | (8)            |
| Share-based payments         | 463            | 184            |
| Total                        | <u>5,538</u>   | <u>4,797</u>   |

Detailed remuneration disclosures are provided in the Remuneration Report commencing on page 20.

## Note 37 Share based payments

### I Performance rights

The following changes in performance rights took place during the year:

| Grant Year | Balance at<br>30 June 2021 | Granted          | Vested           | Forfeited<br>/ Lapsed | Balance at<br>30 June 2022 | Expiry date |
|------------|----------------------------|------------------|------------------|-----------------------|----------------------------|-------------|
| FY2020     | 703,412                    | -                | (236,806)        | (466,606)             | -                          | 30 Jun 2022 |
| FY2021     | 955,539                    | -                | -                | (215,911)             | 739,628                    | 30 Jun 2023 |
| FY2022     | -                          | 2,302,302        | -                | (358,554)             | 1,943,748                  | 30 Jun 2024 |
| Total      | <u>1,658,951</u>           | <u>2,302,302</u> | <u>(236,806)</u> | <u>(1,041,071)</u>    | <u>2,683,376</u>           |             |

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<br>30 June 2021 | Granted        | Vested   | Forfeited<br>/ Lapsed | Balance at<br>30 June 2022 | Expiry date |
|------------|----------------------------|----------------|----------|-----------------------|----------------------------|-------------|
| FY2020     | 320,423                    | -              | -        | (22,313)              | 298,110                    | 30 Jun 2024 |
| FY2021     | 388,545                    | -              | -        | (23,213)              | 365,332                    | 30 Jun 2025 |
| FY2022     | -                          | 612,915        | -        | (31,443)              | 581,472                    | 30 Jun 2026 |
| Total      | <u>708,968</u>             | <u>612,915</u> | <u>-</u> | <u>(76,969)</u>       | <u>1,244,914</u>           |             |

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:

|                                                                      | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------------------------------|----------------|----------------|
| <b>Share-based payments expense</b>                                  |                |                |
| Expense arising from equity-settled share-based payment transactions | (2,850)        | (3,017)        |

## 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 38 Parent entity information

Information relating to Austal Limited, the parent entity, is detailed below:

|                            | 2022<br>\$'000  | 2021<br>\$'000  |
|----------------------------|-----------------|-----------------|
| <b>Balance sheet</b>       |                 |                 |
| <b>Assets</b>              |                 |                 |
| Current                    | 163,967         | 72,407          |
| Non - current              | 317,948         | 325,672         |
| Total                      | <u>481,915</u>  | <u>398,079</u>  |
| <b>Liabilities</b>         |                 |                 |
| Current                    | (11,239)        | (13,905)        |
| Non - current              | (1,275)         | (12,956)        |
| Total                      | <u>(12,514)</u> | <u>(26,861)</u> |
| <b>Net assets</b>          | <u>469,401</u>  | <u>371,218</u>  |
| <b>Equity</b>              |                 |                 |
| Contributed equity         | 143,932         | 141,666         |
| Employee benefits reserve  | 8,255           | 7,670           |
| Asset revaluation reserve  | 11,332          | 11,332          |
| Cash flow hedge reserve    | 90              | 50              |
| Retained earnings          | 305,792         | 210,500         |
| Total                      | <u>469,401</u>  | <u>371,218</u>  |
| <b>Income</b>              |                 |                 |
| Net profit after tax       | 124,010         | 69,072          |
| Total comprehensive income | 124,049         | 68,282          |

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.

## 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 2022 and of its performance for the year ended on that date; and
- Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- The financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

In the opinion of the Directors, 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.

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 2022.



John Rothwell AO  
Chairman

on behalf of the Board

25 August 2022

# Independent audit report to the members of Austal Limited



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Tower 2, Brookfield Place  
123 St Georges Terrace  
Perth WA 6000  
GPO Box A46  
Perth WA 6837 Australia

Tel: +61 8 9365 7000  
Fax: +61 8 9365 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

## 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 2022, the consolidated statement of profit or 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 financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2022 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.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Revenue recognition</b></p> <p>As disclosed in Note 4, Shipbuilding revenue for the year ended 30 June 2022 was \$1,159 million (USA Shipbuilding \$880 million, Australasia Shipbuilding \$279 million – refer Note 3).</p> <p>Vessel construction revenues are recognised over time as performance obligations are fulfilled after assessing all factors relevant to each contract, including specifically assessing the following, as applicable:</p> <ul style="list-style-type: none"> <li>• Determining the stage of completion and measurement of progress towards satisfaction of performance obligations;</li> <li>• Estimating total contract revenue and costs including the estimation of contingencies the most significant elements of which are in relation to the cost contingencies on the LCS and EPF programs in USA Shipbuilding;</li> <li>• Estimating the loss position on the T-ATS contract based on the inclusion of project risks and opportunities in the EAC forecast;</li> <li>• Determining the contractual entitlement and assessment of customer approval of contract modifications, variations and acceptance of claims; and</li> <li>• Estimation of project completion dates.</li> </ul> <p>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.</p> | <p>Our audit procedures performed included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of processes and controls in respect of the underlying project costs and the recognition of revenue and the operating effectiveness of relevant controls;</li> <li>• Discussions with key project managers on the risks and opportunities in relation to certain individual contracts;</li> <li>• Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may 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: <ul style="list-style-type: none"> <li>○ Utilising engineering specialists in the USA to assist in the assessment of the stage of completion of selected vessels in USA Shipbuilding given the significance of the revenue contribution to the Group;</li> <li>○ 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;</li> <li>○ Testing a sample of costs incurred to date and agreeing these to supporting documentation;</li> <li>○ Testing contractual entitlement relating to contract modifications, variations and claims recognised within contract revenue to supporting documentation and by reference to the underlying contracts;</li> <li>○ Evaluating the probability of recovery of contract assets by reference to the status of contract negotiations, historical recoveries and other supporting documentation;</li> <li>○ Assessing the level of cost contingencies on the LCS and EPF programs in USA Shipbuilding;</li> <li>○ Evaluating the reasonableness of the future overhead rates used in the estimation of costs in USA Shipbuilding by comparing the overhead assumptions to the estimate of future overheads and future workload in the order book;</li> </ul> </li> </ul> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>○ Challenging the sufficiency of the onerous loss provision on the T-ATS contract based on the project risks and opportunities in the EAC forecast;</li> <li>○ Evaluating significant exposures to liquidated damages for potential late delivery of vessels where relevant; and</li> <li>○ Evaluating historical accuracy of forecast costs to complete by comparing actual performance to budgets.</li> </ul> <p>We also assessed the adequacy of the relevant disclosures in the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Carrying amount of non-current assets - Australasia Shipbuilding and Australasia Support</b></p> <p>As at 30 June 2022, the carrying value of goodwill, other intangible assets and property, plant and equipment was \$836.9 million as disclosed in Notes 20 and 22.</p> <p>Long lived assets in relation to the Australasia Shipbuilding and Support Cash Generating Units (CGUs) was \$85 million and \$72 million, respectively.</p> <p>The Group prepared a value in use model to assess the recoverable value of these CGUs.</p> <p>This requires the Group to exercise significant judgement, with key assumptions including the level of uncontracted revenue included in the forecast and the operating margins.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>● Understanding the process that the Group undertakes to develop the value in use model;</li> <li>● Assessing historical forecasting accuracy by comparing actual performance to budgets;</li> <li>● In conjunction with our valuation specialists: <ul style="list-style-type: none"> <li>○ Challenging the forecast revenue with consideration of contracted work, uncontracted work (including the probability assigned to securing the forecast uncontracted work) and external industry data, where available;</li> <li>○ Evaluating the terminal growth rate with reference to market forecasts;</li> <li>○ Independently calculating the discount rate; and</li> <li>○ Evaluating the reasonableness of operating margins with reference to past performance and knowledge of the business.</li> </ul> </li> <li>● Testing the models for mathematical accuracy; and</li> <li>● Performing sensitivity analysis on the forecast revenue, operating margins, terminal growth assumptions and discount rate.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 20 and 22.</p> |
| <p><b>Provisions</b></p> <p>As disclosed in Note 19, the Group recognised a provision of \$8.2 million as at 30 June 2022 for the probable incremental professional services costs (“costs”) relating to the regulatory investigations.</p> <p>The Group had to apply significant judgement when considering whether and how much to</p>                                                                                                                                                                                                                                                                                                                                                                                             | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>● Discussing the potential costs with in-house legal counsel, other management and the directors;</li> <li>● Challenging the assumptions and the basis for the provision;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>provide for costs. As a result of the high level of estimation uncertainty, the provision could change substantially over time as new facts emerge and the investigations progress.</p> | <ul style="list-style-type: none"> <li>● Assessing the appropriateness of recognition of a contingent asset relating to the amounts expected to be recovered from the insurers; and</li> <li>● Where possible, corroborating the assumptions to external sources and input from the Group's professional advisors.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 19.</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### *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 2022 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view 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 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 20 to 46 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Austal Limited, for the year ended 30 June 2022, 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**



**A T Richards**

Partner

Chartered Accountants

Perth, 25 August 2022

# Shareholder information

The following information was extracted from the Company's share register at 30 June 2022:

## Distribution of shares

| Individual shareholding | Number of shares | % of Total issued capital | Number of holders |
|-------------------------|------------------|---------------------------|-------------------|
| 1 - 1000                | 2,083,279        | 0.58%                     | 3,666             |
| 1,001 - 5,000           | 14,044,164       | 3.88%                     | 5,161             |
| 5,001 - 10,000          | 13,942,608       | 3.85%                     | 1,824             |
| 10,001 - 100,000        | 45,938,852       | 12.70%                    | 1,863             |
| 100,001 and over        | 285,849,251      | 78.99%                    | 105               |
| Total                   | 361,858,154      | 100.00%                   | 12,619            |

## Twenty largest shareholders

| Rank  | Shareholder                                     | Number of shares | % of Total issued capital |
|-------|-------------------------------------------------|------------------|---------------------------|
| 1     | HSBC Custody Nominees (Australia) Limited       | 57,878,112       | 15.99%                    |
| 2     | Tattarang Ventures Pty Ltd                      | 51,203,428       | 14.15%                    |
| 3     | Citicorp Nominees Pty Limited                   | 37,467,566       | 10.35%                    |
| 4     | J P Morgan Nominees Australia Pty Limited       | 34,268,263       | 9.47%                     |
| 5     | Austro Pty Ltd                                  | 32,761,692       | 9.05%                     |
| 6     | National Nominees Pty Ltd                       | 14,526,025       | 4.01%                     |
| 7     | Washington H Soul Pattinson and Company Limited | 5,770,000        | 1.59%                     |
| 8     | Onyx (WA) Pty Ltd                               | 5,600,000        | 1.55%                     |
| 9     | Mr David Singleton                              | 2,533,162        | 0.70%                     |
| 10    | Mr Graham Wallace Ray                           | 2,503,900        | 0.69%                     |
| 11    | Pacific Custodians Pty Limited                  | 2,163,974        | 0.60%                     |
| 12    | Mr Gary Heys & Mrs Dorothy Heys                 | 2,044,670        | 0.57%                     |
| 13    | Ace Property Holdings Pty Ltd                   | 1,900,000        | 0.53%                     |
| 14    | UBS Nominees Pty Ltd                            | 1,672,959        | 0.46%                     |
| 15    | Mossisberg Pty Ltd                              | 1,517,029        | 0.42%                     |
| 16    | Mr Brenton Anthony Cook                         | 1,009,500        | 0.28%                     |
| 17    | Mr William Robert Chambers                      | 1,000,000        | 0.28%                     |
| 18    | Lavinia Shipping Limited                        | 931,061          | 0.26%                     |
| 19    | BNP Paribas NOMS (NZ) Ltd                       | 850,341          | 0.23%                     |
| 20    | Kenny Nominees (NT) Pty Ltd                     | 777,881          | 0.21%                     |
| Total |                                                 | 258,379,563      | 71.39%                    |

## Substantial shareholders

| Rank  | Shareholder                | Number of shares | % of Total issued capital |
|-------|----------------------------|------------------|---------------------------|
| 1     | Tattarang Ventures Pty Ltd | 51,203,428       | 14.15%                    |
| 2     | Austro Pty Ltd             | 32,761,692       | 9.05%                     |
| Total |                            | 83,965,120       | 23.20%                    |

## 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 John Rothwell  
Mr Giles Everist  
Mrs Sarah Adam-Gedge  
Mr Chris Indermaur  
Mr Mick McCormack

#### 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  
Perth 6000  
Australia  
Telephone: +61 1300 554 474

### ABN

73 009 250 266

Email: [info@austal.com](mailto:info@austal.com)

Tel: +61 8 9410 1111

**AUSTAL.COM**

