



2005

CONCISE REPORT  
AUSTAL LIMITED



The Directors' Report, Concise Financial Report and Independent Audit Report contained within this document represent a Concise Report.

The 2005 Concise Report has been derived from Austal Limited's 2005 Annual Report. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of Austal Limited's financial performance, financial position and financing and investing activities as provided by the 2005 Annual Report.

#### **2005 ANNUAL REPORT**

A copy of Austal Limited's 2005 Annual Report, together with the Independent Audit Report and Corporate Governance Statement, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by telephone on +61 8 9410 1111.

#### **2005/2006 CALENDAR OF EVENTS**

##### **Annual General Meeting**

The Annual General Meeting of shareholders will be held at 3.00pm on 14 October 2005 at the Fremantle Sailing Club, "Success Harbour", Marine Terrace, Fremantle, Western Australia.

##### **Dividend Payment**

The final dividend will be paid to shareholders on 25 October 2005 to those registered at 5.00pm on 11 October 2005.



The 50 metre "True North" on location. *Picture courtesy of North Star Cruises Australia*



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# Chairman's Report



Operations for the 2005 financial year have pleasingly delivered a record end of year result as Austal continues to achieve international recognition as a quality supplier of high technology defence and commercial vessels.

Several significant deliveries were completed, including ten 37.5 metre patrol boats for the Republic of Yemen, the first of twelve Royal Australian Navy Armidale Class Patrol Boats and the 127 metre trimaran ferry for Fred. Olsen, S.A. of the Canary Islands. Whilst the Fred. Olsen, S.A. trimaran showcases our leading position in the large commercial ferry market, the patrol boat deliveries give valuable support to our ongoing sales efforts for these products.

The success in operation of the Fred. Olsen, S.A. trimaran enforces our confidence in the suitability of our Littoral Combat Ship (LCS) design for the US Navy, which is based on the 127 metre trimaran hull platform. To date, the US Navy has met every deadline and target regarding their commitment to acquiring an LCS fleet giving us strong reason to believe that current options in place for one or two initial vessels will be confirmed by the end of 2005. Based on the latest Navy reports, the initial uptake and total fleet requirement for Littoral Combat Ships may be significantly increased.

In January 2005 work commenced to expand Austal's US construction facilities in readiness for the LCS project. The new construction halls, when completed in October 2005, will almost quadruple the size of the existing facility. Funding for the expansion is largely being obtained via grants from the State of Alabama and City of Mobile and a loan from our LCS partner General Dynamics.

The potential is, therefore, strong for this important market sector whilst the continued success during the year for the mid size ferry range, patrol craft and cruise vessels underpins the Australian operations.

In closing, I would like to reflect on my pride in the Austal team as I have recently represented the company in Darwin at the traditional Navy Commissioning Ceremony for the first of the Armidale Class patrol boats. To witness first hand the success and appreciation surrounding this outstanding boat in front of experienced navy sailors, senior government and defence force leaders was a memorable occasion in the history of Austal.

On behalf of the Board and Management I would like to thank not only the Austal workforce but also all shareholders for your continued support and we look forward to sharing an exciting future.

A handwritten signature in white ink, appearing to read 'John Rothwell'.

JOHN ROTHWELL AO  
EXECUTIVE CHAIRMAN



NUSHIP Armidale Naming Ceremony, Austal, January 2005



"HMAS Armidale" ship's Company marches onboard at Commissioning Ceremony, Darwin, June 2005



The success in operation of the Fred. Olsen, S.A. trimaran enforces our confidence in the suitability of our Littoral Combat Ship (LCS) design for the US Navy, which is based on the 127 metre trimaran hull platform.

# Operation and Financial Overview

The Group operating profit after tax and outside equity interests for the year was \$35.5 million compared with the previous year of \$20.1 million.

The main improvement was in the Australian operations which concentrated on the production of commercial vessels and patrol boats.

The operations in the United States of America continued to operate at a loss of \$1.4 million (prior year \$1.0 million) as it prepared to expand its capacity to undertake the defence contracts for the US Navy.

## FINANCIAL SUMMARY

YEAR ENDED 30 JUNE	2005 \$M	2004 \$M
Revenue	321.3	310.1
EBITDA	44.7	28.3
Depreciation & Amortisation	(3.4)	(3.9)
EBIT	41.3	24.4
Net Interest Received	1.2	0.3
Operating Profit Before Tax	42.5	24.7
Tax Expense	(7.6)	(5.0)
Operating Profit After Tax	34.9	19.7
Outside Equity Interests	0.6	0.4
Net Profit After Tax and OEI	35.5	20.1
% EBIT/Revenue	12.9	7.9
Earnings Per Share (cps)	18.5	10.4
Net Assets	164.8	135.8
Return on Equity (%)	21.5	14.8

The main increase in capital expenditure was for the new production facilities under construction at Austal USA. This has been partially funded by a grant from the State of Alabama and a loan from our LCS partner.

During the year 3,554,884 shares were bought back at a cost of \$5.522 million. Subsequent to year end a further 366,036 shares were bought back for a total cost of \$0.623m.

A dividend of 9 cents per share fully franked is to be paid on 25 October 2005.

## COMMERCIAL VESSELS

Austal has continued to be the leading player in the market for high-speed vehicle-passenger ferries with the successful delivery of the 127 metre trimaran "Benchijigua Express".

With its origins in research and development work that first began in 2000, the success of the trimaran in adverse conditions experienced in both sea trials and during the delivery voyage is now being demonstrated in actual service where the incidence of sea sickness has been reduced. This not only provides a valuable reference for our US Navy LCS design but also in our ongoing discussions with ferry operators for similar vessels on routes where sea conditions or payload requirements do not suit catamaran designs.

Also during the year the 50 metre luxury tourism vessel, "True North" and a 38 metre Research vessel were completed. Nearing completion at the year end was the 85 metre vehicle-passenger catamaran for Hellenic Seaways of Greece.

New orders for the period included a 67 metre vehicle-passenger ferry for Virtu Ferries of Malta, two 45 metre catamarans for L'Express des Iles, a French company that operates in Guadeloupe and two orders for 37 and 58 metre cruise vessels for private and charter use.

## DEFENCE VESSELS

The first of the Royal Australian Navy's twelve new Armidale Class Patrol Boats was officially delivered in a commissioning ceremony held in Darwin in June. An additional two Armidale Class vessels have been announced by the Federal Government with formal contractual negotiations currently in progress. These vessels, once ordered, will be completed in late 2007.

In February the impressive sight of ten 37.5 metre patrol boats bound for Yemen as a single shipment heralded the successful completion of this project and a valuable reference for our sales efforts in the region.



Aerial pictures of the Mobile, Alabama Austal USA yard expansion works as at August 2005

The new construction halls, when completed in October 2005, will almost quadruple the size of the existing facility.

June saw the announcement of Austal as the selected builder for six patrol boats for the New South Wales Water Police. This order follows the successful delivery of nine similar vessels to the Water Police in 2000 for service on Sydney Harbour and surrounds.

#### AUSTAL USA

Following the delivery of a 31 metre demonstrator catamaran for the US Office of Naval Research, activity at the US shipyard has been focused on the construction of the 105 metre catamaran in anticipation of the Hawaii Superferry contract becoming unconditional. Finance for the project has been delayed due to additional requirements being imposed by the financiers, which are expected to be met during the first half of the 2006 financial year.

Design work on the LCS project is proceeding on schedule and we expect the option for the first vessel construction to be exercised by the end of 2005.

Work is anticipated to be completed on the expanded construction facilities by October 2005 to facilitate the construction of LCS vessels.

#### ENVIRONMENTAL PERFORMANCE

Environmental issues, including global and local regulations, are considered in the design and construction of clients' vessels. This includes ensuring that only approved paint and antifouling products are used and the development of hullforms, in particular the trimaran, that minimise wake wash generation to reduce possible adverse effects of these waves in environmentally sensitive areas. Research and development aimed at increasing vessel efficiency also has a positive environmental effect by reducing power requirements and engine exhaust emissions.



"Benchijigua Express" enters port in the Canary Islands. Photo courtesy of Fred. Olsen, S.A.

## PEOPLE

The company is committed to providing a safe and rewarding working environment. For the third year in a row there has been a favourable trend in safety, with the Lost Time Injury frequency rate reducing.

Demand for skilled workers in Western Australia, due to infrastructure development in the resources sector, is affecting the company's ability to recruit and retain labour. The impact has been felt in terms of increasing problems in meeting vessel delivery times, wages pressure and the difficulty in achieving a workforce size suited to current and future order potential. Effort in the current year has been directed to the expansion of recruitment campaigns further afield to meet future production demands in Australia.

The focus on advancing productivity gains of recent years continues with the staged implementation of new design software that is intended to simplify shop floor processes. This has, in part, been funded by a research and development grant. This will enable the uptake of a more diversified labour pool and allow the current skilled labour force to concentrate on high value-added tasks. With the primary benefit best realised on large multiple order contracts such as the LCS, early studies, using components of current vessels under construction, have provided encouraging results.

In Australia, Austal continues to invest in its future workforce through its apprenticeship programme that provides an important influx of specialist skills.

In the US the company is working with the City of Mobile and State of Alabama authorities to develop training programmes for aluminium welders. This is having good results as during the year the workforce in Mobile increased from 150 to nearly 300.

## OUTLOOK

The underlying benefits of Austal winning the Royal Australian Navy patrol boat contract are already providing the desired results of enhanced reputation, stable labour utilisation and the ability to strategically focus the company's efforts on winning future orders.

Several tenders are currently in progress for large vehicle – passenger ferries and defence vessels.

The future for the US facility is defence projects, not only with the LCS vessels but with high speed cargo and troop vessels.

Contracts on hand at 30 June 2005 amounted to \$288 million to be completed across the 2006 and 2007 financial years. Approximately 80 per cent of this is derived from defence-related projects and the remainder from commercial vessel construction.

**JOHN ROTHWELL AO**  
CHIEF EXECUTIVE OFFICER

An additional two Armidale Class vessels have been announced by the Federal Government with formal contractual negotiations currently in progress.



"HMAS Armidale" on sea trials



Representatives of the 64 first year apprentices recruited by Austal in 2005

Austal continues to invest in its future workforce through its apprenticeship programme that provides an important influx of specialist skills.

# Profile of Directors



John Rothwell



Michael Atkinson

## EXECUTIVE DIRECTORS

**JOHN ROTHWELL AO**  
Executive Chairman

Executive Director  
Director since 9 October 1987  
Last elected: 22 October 2004

With in excess of 30 years experience in boat and shipbuilding, John Rothwell has played a major role in the development of the Australian aluminium shipbuilding industry and is a founding director of Austal.

He is a member of Det Norske Veritas Australia and the Bureau Veritas Asia & Australia Committees, which are two Classification Societies used by Austal.

In January 2004, John Rothwell was appointed an Officer of the Order of Australia for services to the Australian shipbuilding industry through the development of trade links and for significant contributions to vocational education and training. In October 2002, John Rothwell was named the Ernst & Young "Australian Entrepreneur of the Year."

**ROBERT MCKINNON CPA, FCIS**  
Managing Director

Executive Director  
Director since 5 July 1999  
Last elected: 20 October 1999  
Resigned: 30 June 2005

Bob McKinnon joined Austal in early 1999 as General Manager after a long career with Capral Aluminium during which he held senior positions in finance, distribution and manufacturing operations. He has been a non executive director of Fleetwood Corporation Limited since June 2005.

Mr McKinnon was appointed to the Board of Directors in July 1999 and assumed the position of Managing Director in February 2000. He was responsible for the day to day operations of Austal and its subsidiaries. Mr McKinnon resigned as Managing Director effective as at 30 June 2005.

**MICHAEL ATKINSON CA (ZIM), CA (SA)**  
Executive Director, Finance & Company Secretary

Executive Director  
Director since 14 September 1994  
Last elected: 15 October 2002

Michael Atkinson joined Austal in 1990 as Financial Controller and was appointed to the Board in 1994. He is a qualified Chartered Accountant with 10 years experience in the accounting profession in Zimbabwe and South Africa. On leaving the profession, he entered the railway and construction industry where he served in a senior financial capacity and as a Board member. Upon arrival in Australia in 1986 he worked in the electronics manufacturing and boat building industries prior to joining Austal.



Christopher Norman



John Poynton



Robert Browning

#### NON EXECUTIVE DIRECTORS

##### CHRISTOPHER NORMAN (B.Eng Hons) Non Executive Director

Director since 9 October 1987  
Last elected: 24 October 2003

Christopher Norman is one of the founding directors of Austal. He graduated from the University of New South Wales in 1986 with first class honours in Naval Architecture and has previously been Austal's Technical Director. Mr Norman has been a driving force in the technical and marketing success of the company and, with extensive experience in international marketing and sales, held the position of Sales Director between 1993 and 2002.

In May 2000, Christopher was awarded the prestigious A.G.M. Michell Award in recognition of outstanding service in the profession of Mechanical Engineering. He is a member of both the Royal Institution of Naval Architects and the Germanischer Lloyd Asean Committee.

##### JOHN POYNTON B.Com, FSIA, FAIM, FAICD Independent Director

Director since 24 August 1998  
Last elected: 24 October 2003

John Poynton is Executive Chairman of Azure Capital, a corporate advisory firm based in Western Australia. He has been a non executive director of Burswood Ltd since September 2004, Multiplex Ltd since October 2003 and Alinta Limited since October 2000, and is a member of the Payments System Board of the Reserve Bank of Australia. He is also a member of the Business School at the University of Western Australia where he serves as an Adjunct Professor of Financial Management. John is Chairman of the Board of Governors at the Western Australian Museum Foundation.

John was appointed a member in the General Division of the Order of Australia in 2005.

##### ACHIM DRESCHER, B.Ec Independent Director

Director since 7 September 1998  
Last elected: 17 October 2001  
Resigned: 22 October 2004

Achim Drescher is the Chairman of Columbus Line Australia Pty Limited, a non executive director of Adsteam Marine Limited since September 2001, Leighton Holdings Limited since 1996 and Sword Securitisation Limited. Mr Drescher is also a non executive director of the Young Endeavour Youth Scheme (RAN).

Mr Drescher is a member of the Germanischer Lloyd Asean Committee. In 1997 Mr Drescher was awarded the "Cross of the Order of Merit" by the Federal Republic of Germany.

##### ROBERT BROWNING MSc, MBA, FAIM Independent Director

Director since 2 September 2003  
Last elected: 24 October 2003

Robert Browning has been Chief Executive Officer of Alinta Limited since March 2001, the operator and part owner of \$5.7 billion worth of energy infrastructure assets across Australia and New Zealand. He is also a non executive director of the Chamber of Commerce and Industry WA.

Prior to joining Alinta, Mr Browning was with global energy and services company, Aquila Inc, in a variety of vice president roles involved in strategic planning, operational and human resources management.

Mr Browning holds a Bachelor of Science degree from San Diego State University, an MBA from the University of Phoenix and a Master of Science from Massachusetts Institute of Technology, Sloan School of Management.

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

The maximum term of office for a Director on the Austal Board is three years, with the exception of the Managing Director who is exempted from retirement by rotation. Each year the longest serving one third of the Board must retire from office. A retiring Director is eligible for re-election.

# Directors' Report

The Board of Directors of Austal Limited submit their report for the financial year ended 30 June 2005.

The following persons were Directors during the year:

John Rothwell  
Robert McKinnon (resigned 30 June 2005)  
Christopher Norman  
Michael Atkinson  
John Poynton  
Achim Drescher (resigned 22 October 2004)  
Robert Browning

## PRINCIPAL ACTIVITIES

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

## RESULTS

The profit of the consolidated entity for the financial year was \$35.478 million after income tax and outside equity interests.

## OPERATING AND FINANCIAL REVIEW

A review of the operations and financial position of the consolidated entity is outlined in the Operation and Financial Overview on page 4.

## DIVIDENDS

A fully franked final dividend of \$17.009m (9 cents per share) has been declared for the year ended 30 June 2005 to be paid on 25 October 2005. No dividends were paid during the year.

## SIGNIFICANT EVENTS AFTER YEAR END

There were no significant events occurring after year end.

## LIKELY DEVELOPMENTS AND FUTURE RESULTS

A general discussion of the group outlook is included in the Chairman's Report on page 2 and Operation and Financial Overview on page 4.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

A review of the significant changes in the state of affairs of the consolidated entity is outlined in the Operation and Financial Overview on page 4.

## ENVIRONMENTAL PERFORMANCE

The consolidated entity 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 2005.

## TOTAL NUMBER OF EMPLOYEES

As at 30 June 2005, the consolidated entity employed a total of 1,273 full-time equivalents (2004: 1,209 full-time equivalents).

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of the Company, in connection with the management of the affairs of the entity and its subsidiaries, during the year to 30 June 2005.

### Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

There is no scheme to provide retirement benefits to any director, other than statutory superannuation contributions. Participation in the Austal Group Management Share Plan provides an incentive to the Directors and Executives which are aligned with increased returns to shareholders. Other than ex gratia bonuses, no element of remuneration is linked to performance conditions. There were no ex gratia bonuses paid in the year ended 30 June 2005.

To encourage the retention of employees, Non-Director employees of the Australian companies participate in a non-

performance related annual bonus which takes into account length of service and profits earned by the Australian enterprises. The bonus is paid at the discretion of the Nomination and Remuneration Committee. Ex gratia bonuses are paid to Executives in certain circumstances for exceptional performance as determined by the Chairman.

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors reviews the remuneration of all Directors and makes recommendations to the Board.

#### Directors' remuneration for the year ended 30 June 2005

Mr John Rothwell	Chairman & Chief Executive Officer
Mr Robert McKinnon	Managing Director resigned 30 June 2005
Mr Michael Atkinson	Executive Director, Finance & Company Secretary
Mr Christopher Norman	Director (Non Executive)
Mr John Poynton	Director (Non Executive)
Mr Achim Drescher	Director (Non Executive) resigned 22 October 2004
Mr Robert Browning	Director (Non Executive)

		PRIMARY			POST	EQUITY	OTHER	TOTAL	CONTRACT
		SALARY & FEES	NON MONETARY BENEFITS	INTEREST NOT CHARGED	EMPLOYMENT				TERM NOTE
		\$	\$	\$	\$	\$	\$	\$	
John Rothwell	2005	407,200	-	-	8,162	-	-	415,362	2
	2004	373,693	-	-	7,439	-	-	381,132	
Robert McKinnon	2005	375,797	13,309	48,244	32,897	-	-	470,247	N/A
	2004	332,053	32,791	52,200	29,351	-	-	446,395	
Michael Atkinson	2005	258,253	-	-	-	-	-	258,253	2
	2004	232,827	-	-	-	-	-	232,827	
Christopher Norman	2005	56,500	-	-	-	-	-	56,500	1
	2004	22,857	-	-	-	-	-	22,857	
John Poynton	2005	56,501	-	-	-	-	-	56,501	1
	2004	62,502	-	-	-	-	-	62,502	
Achim Drescher	2005	11,250	-	-	-	-	-	11,250	N/A
	2004	43,750	-	-	-	-	-	43,750	
Robert Browning	2005	62,500	-	-	-	-	-	62,500	1
	2004	45,833	-	-	-	-	-	45,833	



A team effort

Remuneration of the 5 named Executives who received the highest remuneration for the year ended 30 June 2005

Mr William Rotteveel	General Manager
Mr Greg Metcalf	General Manager
Mr Glenn Williams	Sales Manager
Mr Stewart Hill	Manufacturing Manager
Mr Chris Gerrard	Commercial Manager

		PRIMARY				POST	EQUITY	OTHER	TOTAL	CONTRACT
		SALARY & FEES	CASH BONUS	NON MONETARY BENEFITS	INTEREST NOT CHARGED	EMPLOYMENT				TERM NOTE
		\$	\$	\$	\$	\$	\$	\$	\$	
Greg Metcalf	2005	226,988	-	134,606	26,505	20,406	-	-	408,505	3
	2004	213,922	-	67,141	26,505	16,506	-	-	324,074	
Glenn Williams	2005	240,847	12,540	-	-	-	-	-	253,387	2
	2004	163,495	20,000	-	-	-	-	-	183,495	
William Rotteveel	2005	142,638	6,483	2,539	-	73,920	-	-	225,580	3
	2004	159,812	30,000	-	-	34,855	-	-	224,667	
Stewart Hill	2005	119,092	4,481	17,867	18,468	34,550	-	-	194,458	3
	2004	121,261	-	11,950	18,468	30,983	-	-	182,662	
Chris Gerrard	2005	171,333	-	-	-	15,208	-	-	186,541	3



### Contract Term Notes

- 1 Directors fees only.
- 2 Subcontract – no fixed notice period or duration.  
No termination entitlements.
- 3 Employment contract – no fixed notice period or duration.  
No non-statutory termination entitlements.

### DIRECTORS' INTERESTS

The Directors held the following direct and indirect shareholdings in the Company at the date of this report:

	DIRECT	INDIRECT	TOTAL
John Rothwell	33,724,685	-	33,724,685
Christopher Norman	26,595,621	6,600	26,602,221
Michael Atkinson	1,415,737	-	1,415,737
John Poynton	200,000	-	200,000

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

	LOAN (\$)	NUMBER OF SHARES
Robert McKinnon: resigned 30 June 2005	744,012	855,186
Michael Atkinson	279,827	285,062

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

### DIRECTORS' MEETINGS

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

	MEETINGS OF DIRECTORS	MEETINGS OF AUDIT COMMITTEE	MEETINGS OF NOMINATION AND REMUNERATION COMMITTEE
Number of meetings held	6	4	3
Number of meetings attended by:			
John Rothwell	6	-	3
Robert McKinnon	5	-	-
Michael Atkinson	6	-	-
Christopher Norman	5	3	-
John Poynton	6	2	3
Achim Drescher *	1	-	-
Robert Browning	6	4	3

\* Director for part of the year

Professor Derek Parkin FCA, FAICD, a former partner of Ernst & Young, is a member of the Audit and Risk Management Committee, although he is not a Director of the Company. During the year he attended all four of the Audit and Risk Management Committee meetings.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

During the financial year, the parent entity has paid premiums in respect of a contract insuring the Directors and officers of the consolidated entity in respect of liability resulting from these indemnities. The terms of the insurance arrangements and premiums payable are subject to a confidentiality clause.

### ROUNDING OF AMOUNTS

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

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young:



■ The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000  
Australia  
GPO Box M939  
Perth WA 6843

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

### Auditor's Independence Declaration to the Directors of Austal Limited

In relation to our audit of the financial report of Austal Limited for the year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



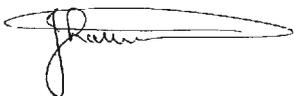
Robert Kirkby  
Partner  
15 August 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

## NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young, during the year.

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



JOHN ROTHWELL AO  
EXECUTIVE CHAIRMAN

Dated at Henderson this 15th day of August 2005.

## Statement of Financial Performance for the Year Ended 30 June 2005

	NOTE	CONSOLIDATED		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Revenues from ordinary activities	2	321,263	310,110	2,960	1,933
Expenses from ordinary activities		(278,358)	(285,896)	(4,500)	(1,740)
Borrowing costs		(1,786)	(1,904)	(53)	(55)
Reversal of provision for Austal Group Management Share Plan loans		1,348	2,365	1,348	2,365
<i>Profit/(loss) from ordinary activities before income tax expense</i>		42,467	24,675	(245)	2,503
Income tax (expense)/benefit relating to ordinary activities		(7,585)	(4,977)	2,360	(1,197)
<i>Net profit</i>		34,882	19,698	2,115	1,306
Net (loss) attributable to outside equity interests		(596)	(415)	-	-
<i>Net profit attributable to members of the parent entity</i>		35,478	20,113	2,115	1,306
Net exchange difference on translation of financial report of self-sustaining foreign operations		(259)	102	-	-
<i>Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity</i>		(259)	102	-	-
<i>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the parent entity</i>		35,219	20,215	2,115	1,306
Basic earnings per share (cents per share)	3	18.5	10.4	-	-
Diluted earnings per share (cents per share)	3	18.5	10.4	-	-

*The accompanying notes form an integral part of this Statement of Financial Performance.*

## Statement of Financial Position at 30 June 2005

	CONSOLIDATED		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Current Assets</b>				
Cash assets	80,571	79,595	177	216
Receivables	8,474	9,389	57,691	52,067
Inventories	73,182	50,631	-	-
Other financial assets	7,819	6,729	576	-
Other	9,972	2,937	-	-
<b>Total Current Assets</b>	<b>180,018</b>	<b>149,281</b>	<b>58,444</b>	<b>52,283</b>
<b>Non-Current Assets</b>				
Cash assets	522	2,623	-	-
Receivables	14,660	22,502	9,994	13,445
Other financial assets	1,214	3,902	2,175	2,175
Property, plant and equipment	74,340	59,842	17,157	17,627
Intangible assets	703	-	-	-
Other	6,233	12,334	-	-
<b>Total Non-Current Assets</b>	<b>97,672</b>	<b>101,203</b>	<b>29,326</b>	<b>33,247</b>
<b>Total Assets</b>	<b>277,690</b>	<b>250,484</b>	<b>87,770</b>	<b>85,530</b>
<b>Current Liabilities</b>				
Payables	32,354	27,867	20	36
Interest bearing liabilities	10,878	33,586	-	-
Deferred income	355	-	-	-
Provisions	22,816	19,484	-	-
Other	12,874	16,432	-	-
<b>Total Current Liabilities</b>	<b>79,277</b>	<b>97,369</b>	<b>20</b>	<b>36</b>
<b>Non-Current Liabilities</b>				
Payables	6,019	874	-	-
Interest bearing liabilities	13,209	15,052	-	-
Deferred tax liabilities	7,162	823	7,162	823
Deferred income	6,528	-	-	-
Provisions	710	536	-	-
<b>Total Non-Current Liabilities</b>	<b>33,628</b>	<b>17,285</b>	<b>7,162</b>	<b>823</b>
<b>Total Liabilities</b>	<b>112,905</b>	<b>114,654</b>	<b>7,182</b>	<b>859</b>
<b>Net Assets</b>	<b>164,785</b>	<b>135,830</b>	<b>80,588</b>	<b>84,671</b>
<b>Equity</b>				
Contributed equity	40,649	46,171	39,973	46,171
Reserves	225	557	-	-
Retained profits	123,710	88,232	40,615	38,500
Parent entity interest	164,584	134,960	80,588	84,671
Outside equity interest	201	870	-	-
<b>Total Equity</b>	<b>164,785</b>	<b>135,830</b>	<b>80,588</b>	<b>84,671</b>

The accompanying notes form an integral part of this Statement of Financial Position.

## Statement of Cash Flows for the Year Ended 30 June 2005

	CONSOLIDATED		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Cash flows from operating activities</b>				
Receipts from customers	332,677	309,546	3,799	5,198
Payments to suppliers and employees	(298,808)	(292,206)	(1,356)	(1,239)
Interest received	2,922	2,160	394	276
Borrowing costs paid	(2,022)	(4,115)	(53)	(55)
Dividends received	-	-	298	-
Grants received	8,081	-	-	-
GST refunded	4,416	8,769	67	53
Tax paid	(1,492)	(2,661)	(1,492)	(2,661)
<b>Net cash from/(to) operating activities</b>	<b>45,774</b>	<b>21,493</b>	<b>1,657</b>	<b>1,572</b>
<b>Cash flows from investing activities</b>				
Payments for plant and equipment	(1,776)	(1,200)	-	-
Payments for land	(13)	(174)	-	-
Payments for building additions	-	(10)	-	-
Payments for capital work in progress	(18,188)	(706)	-	-
Proceeds from sale of plant and equipment	75	87	-	-
Payments for intangible assets	(798)	(296)	-	-
Purchase of controlled entity	-	(90)	-	(386)
Purchase of shares in unlisted entities	-	(3,028)	-	-
Loan from controlled entities	-	-	(298)	(1,559)
Loan repayments – others	3,141	332	4,124	332
<b>Net cash from/(to) investing activities</b>	<b>(17,559)</b>	<b>(5,085)</b>	<b>3,826</b>	<b>(1,613)</b>
<b>Cash flows from financing activities</b>				
Costs of share buy-back	(2,680)	-	(5,522)	-
Repayment of borrowings	(34,106)	(40,445)	-	(35,000)
Proceeds from borrowings	15,518	70,878	-	35,000
<b>Net cash from/(to) financing activities</b>	<b>(21,268)</b>	<b>30,433</b>	<b>(5,522)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>6,947</b>	<b>46,841</b>	<b>(39)</b>	<b>(41)</b>
Cash at the beginning of the financial year	72,731	25,872	216	257
Effects of exchange rate changes on cash	(176)	18	-	-
<b>Cash at the end of the financial year</b>	<b>79,502</b>	<b>72,731</b>	<b>177</b>	<b>216</b>

The accompanying notes form an integral part of this Statement of Cash Flows.

## Notes to the Concise Financial Statements

	CONSOLIDATED		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 1. Basis of Preparation of the Concise Financial Report</b>				
This Concise Financial Report has been derived from the full 2005 Financial Report as presented in the Austal Limited Annual Report, which complies with the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views. This Concise Financial Report has been prepared in accordance with Accounting Standard AASB 1039 – "Concise Financial Reports", and the relevant provisions of the Corporations Act 2001. A full description of the accounting policies adopted by Austal Limited is provided in the full 2005 Financial Report.				
<b>Changes in Accounting Policies</b>				
The accounting policies adopted are consistent with those of the previous year.				
<b>Note 2. Profit and Loss Items</b>				
Profit from ordinary activities after crediting the following revenues:				
<b>Sales revenues:</b>				
Construction contract revenue and bounty income	301,136	286,308	-	-
Revenue from sale of goods	-	3,808	-	-
<b>Total sales revenues</b>	<b>301,136</b>	<b>290,116</b>	<b>-</b>	<b>-</b>
<b>Other revenues:</b>				
Dividends from:				
- Related parties	-	-	974	-
Interest from:				
- Other unrelated parties	2,922	2,160	394	276
Proceeds on sale of non-current assets (a)	75	87	-	-
Rent received	24	28	1,584	1,588
Charter income	14,100	15,135	-	-
Scrap sales	1,198	964	-	-
Grant income	1,198	-	-	-
Other revenue	610	1,620	8	69
<b>Total other revenue</b>	<b>20,127</b>	<b>19,994</b>	<b>2,960</b>	<b>1,933</b>
<b>Total revenues from ordinary activities</b>	<b>321,263</b>	<b>310,110</b>	<b>2,960</b>	<b>1,933</b>
(a) Net profit/(loss) on disposal of property, plant & equipment	(77)	(624)	-	-

## Notes to the Concise Financial Statements

	CONSOLIDATED		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 3. Earnings per Share</b>				
Basic earnings per share (cents per share)		18.5		10.4
Diluted earnings per share (cents per share)		18.5		10.4
Weighted average number of ordinary shares used in the calculation of basic earnings per share		191,414,946		192,911,873
Net profit		34,882		19,698
Adjustments:				
Net profit attributable to outside equity interests		(596)		(415)
Earnings used in calculating basic and diluted earnings per share		35,478		20,113

Austal Limited has only issued ordinary shares. There are no potential ordinary shares.

### Note 4. Dividends

A fully franked dividend of \$17.009m (9 cents per share) has been declared for the year ended 30 June 2005 (2004: nil) to be paid on 25 October 2005. No dividends were paid during the year.

### Note 5. Subsequent Events

There were no material subsequent events occurring after year end.

## Directors' Declaration

### DIRECTORS' DECLARATION

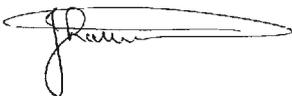
The Directors of Austal Limited declare that the accompanying Concise Financial Report is presented fairly in accordance with applicable Australian Accounting Standards and is consistent with the consolidated entity's 30 June 2005 financial report.

With regard to the 30 June 2005 financial report of Austal Limited, the Directors declared that:

- a) The financial statements and associated notes comply with the Accounting Standards and Urgent Issues Group consensus views;
- b) The financial statements and notes give a true and fair view of the financial position and performance as at 30 June 2005 and performance of the Company and consolidated entity for the year then ended; and
- c) In the Directors' opinion:
  - (i) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (ii) The financial statements and notes are in accordance with the Corporations Act 2001, including sections 296 and 297.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



**JOHN ROTHWELL AO**  
**DIRECTOR**

Dated at Henderson this 15th day of August 2005

# Independent Audit Report



■ The Ernst & Young Building  
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Perth WA 6000  
Australia

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

GPO Box M939  
Perth WA 6843

## Independent audit report to members of Austal Limited

### Scope

#### *The concise financial report and directors' responsibility*

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both Austal Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

#### *Audit approach*

We conducted an independent audit on the concise financial report in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2005. Our audit report on the full financial report was signed on 15 August 2005, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, signed on 15 August 2005, a copy of which is included in the Directors' Report.

### Audit opinion

In our opinion, the concise financial report of Austal Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Robert Kirkby  
Partner  
Perth  
15 August 2005

## Shareholder Information

The following information was extracted from the Company's register as at 1 August 2005.

### Distribution of shares

	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	824	573,593	0.30
1,001 – 5,000	2522	7,555,422	4.00
5,001 – 10,000	904	7,128,748	3.77
10,001 – 100,000	668	15,847,709	8.39
100,001 and over	64	157,885,481	83.54
<b>Total</b>	<b>4,982</b>	<b>188,990,953</b>	<b>100.00</b>

### Twenty largest shareholders

Rank	Shareholder	Total Units	% Issued Capital
1	Austro Pty Ltd	31,950,745	16.91
2	Longreach (WA) Pty Ltd	26,595,621	14.07
3	Citicorp Nominees Pty Limited	14,103,909	7.46
4	Onyx (WA) Pty Ltd	11,090,834	5.87
5	J P Morgan Nominees Australia Limited	10,209,116	5.40
6	National Nominees Limited	8,265,620	4.37
7	Austal Group Management Share Plan Pty Ltd	7,954,702	4.21
8	Westpac Custodian Nominees Limited	7,513,904	3.98
9	Mr V M O'Sullivan	7,250,000	3.84
10	ANZ Nominees Limited	4,113,656	2.18
11	RBC Global Services Australia Nominees	3,741,194	1.98
12	Garry Heys & Dorothy Heys	3,494,670	1.85
13	Lavinia Shipping Ltd	1,999,887	1.06
14	Citicorp Nominees Pty Limited	1,855,741	0.98
15	ANZ Nominees Limited	1,836,499	0.97
16	Zilon Pty Ltd	1,773,940	0.94
17	Pepperwood Holdings Pty Ltd	1,415,737	0.75
18	Argo Investments Limited	1,200,000	0.63
19	Government Superannuation Office	1,155,451	0.61
20	Health Super Pty Ltd	810,306	0.43
		<b>148,331,532</b>	<b>78.49</b>

### Substantial shareholders

	Number of Ordinary Shares
1 Austro Pty Ltd (J Rothwell)	31,950,745
2 Longreach (WA) Pty Ltd (C Norman)	26,595,621
3 Citicorp Nominees	14,103,909
4 Onyx (WA) Pty Ltd (G Heys)	11,090,834
5 J P Morgan Nominees Australia Limited	10,209,116

### Voting rights

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

# Corporate Directory

## DIRECTORS

### Executive Directors

John Rothwell  
Michael Atkinson

### Non Executive Directors

John Poynton  
Christopher Norman  
Robert Browning

## AUDITORS

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth 6000  
Western Australia

## COMPANY SECRETARY

Michael Atkinson

## REGISTERED OFFICE

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Henderson 6166  
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Telephone: +61 8 9410 1111  
Facsimile: +61 8 9410 2564

## SHARE REGISTRY

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands 6009  
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Telephone: +61 8 9389 8033  
Facsimile: +61 8 9389 7871



Austal's Henderson, Western Australia shipbuilding facilities.

1. Main facilities and Administration Offices
2. Austal - Image
3. Austal - Egmont Road



**AUSTAL**

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