AUSTRALIAN NAVAL INFRASTRUCTURE

ANNUAL REPORT 2018 - 2019

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In defining ANI's corporate identity, ANI has adopted Morse code, a communication method still used as an important tool today on seafaring vessels as a means of silent communication, or as a fall back when other methods are unavailable or disabled. The Morse graphic literally translates as ANI.

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TRANSMITTAL LETTER

AUSTRALIAN NAVAL INFRASTRUCTURE

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Senator the Hon Mathias Cormann
Minister for Finance
Parliament House CANBERRA ACT 2600

Senator the Hon Linda Reynolds CSC
Minister for Defence
Parliament House CANBERRA ACT 2600

Dear Ministers,

Australian Naval Infrastructure Pty Ltd 2018-19 Annual Report

I am pleased to submit the 2018-19 Annual Report for Australian Naval Infrastructure Pty Ltd (ANI or the Company), which has been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

The Annual Report includes the financial statements for the financial year ended 30 June 2019 and reports on ANI's progress during the financial year.

The Company's primary purpose is to support the Commonwealth's continuous naval shipbuilding program (Program) through:

1) acquiring, holding, managing and developing the infrastructure and related facilities used in connection with this program, and

2) efficiently and effectively managing this infrastructure (including providing access) in a manner that ensures an integrated and coordinated approach to the delivery of all aspects of this program.

ANI's Board has approved this report in accordance with a resolution on 12 September 2019.

I would be grateful if you could endorse this document for tabling in Parliament.

Yours sincerely,

LUCIO DI BARTOLOMEO

Chair

12 September 2019

CHAIR AND CEO'S LETTER

We are pleased to present the 2018-19 Annual Report for Australian Naval Infrastructure Pty Ltd.

Since its formation in March 2017, ANI's primary objective has been to support the Commonwealth's continuous naval shipbuilding program by being the owner and developer of infrastructure and related facilities. In addition, ANI has been tasked with providing access, and efficiently and effectively managing the infrastructure in a manner that ensures an integrated and coordinated approach to Program delivery.

The past year has seen ANI transition from an establishment and consolidation phase towards an operational steady state. In addition, ANI's role as principal for the development of the future submarine yard infrastructure on behalf of the Department of Defence was confirmed by Shareholder Ministers. This project is referred to as the Osborne North Development Project (ONDP).

In support of its objectives, ANI has progressed the acquisition of land and roads at Osborne, South Australia to facilitate the ONDP. All property acquisitions required for the ONDP are now contracted. The ONDP involves the construction of new facilities at Osborne North to support the construction of the future Attack class submarine fleet by Naval Group. A significant milestone for the year included the appointment of Laing O'Rourke as Managing Contractor for the ONDP on 27 November 2018, following a competitive tender process.

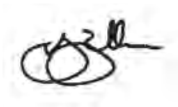
In support of the Commonwealth's finalisation of the Strategic Partnering Agreement with Naval Group, ANI executed preliminary access arrangements with Naval Group in February 2019. Access agreements were also executed with the Air Warfare Destroyer (AWD) Program and the Offshore Patrol Vessel (OPV) Program in April 2019 for the Osborne South shipyard.

Significant progress has been made on the Osborne South Development Project (OSDP), which is being delivered with the Managing Contractor, Lendlease. Works have progressed to schedule and are tracking to achieve cost targets. As at 30 June 2019, the main works were 61% complete on the critical path. The main works remain on schedule for completion by the end of March 2020. In addition, ANI has progressed planning for the modernisation of existing facilities at Osborne South, and the implementation of precinct wide utilities relocation works.

ANI is progressing negotiations with ASC Shipbuilding for an access agreement for the Osborne South shipyard for the Hunter class Frigate Program, in readiness for access upon completion of the new facilities.

The past year has also seen ANI continue to build its organisational capability through the recruitment of key personnel in support of its major projects, and the continued development of its systems and processes, including achievement of Defence Industry Security Program (DISP) accreditation.

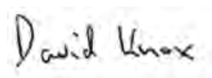
In fulfilling its primary object as the owner, developer and manager of critical shipyard infrastructure, ANI has made significant progress in the last year, and is on track to deliver the new shipyard to facilitate the commencement of the Hunter class Frigate Program in 2020.



LUCIO DI BARTOLOMEO

Chair

12 September 2019



DAVID KNOX

Managing Director and CEO

INTRODUCTION TO ANI

ANI is a Commonwealth company and a Government Business Enterprise (GBE), classified as a Public non-Financial Corporation (PnFC).

The creation of ANI followed a strategic review of the ASC Group in 2015-16, which resulted in ASC Engineering Pty Ltd (as ANI was formerly known) being separated from ASC Pty Ltd on 26 March 2017.

ANI's primary object is to support the Commonwealth's continuous naval shipbuilding program through:

- acquiring, holding, managing and developing the infrastructure and related facilities used in connection with this program; and
- efficiently and effectively managing the infrastructure (including providing access) in a manner that ensures an integrated and co-ordinated approach to delivery of all elements of this program.

All the share capital in ANI is owned by the Commonwealth of Australia and, as at 30 June 2019, ANI's Shareholder Ministers were the Minister for Defence and the Minister for Finance.

In the 2018-19 financial year, ANI has expanded its operational capability and capacity, including staffing, corporate functions, systems and processes.

Context: Naval Shipbuilding Plan

The *2016 Defence White Paper* set out the Australian Government's plan for a significant recapitalisation of the Royal Australian Navy, alongside a commitment to build a sustainable naval shipbuilding capability in Australia.

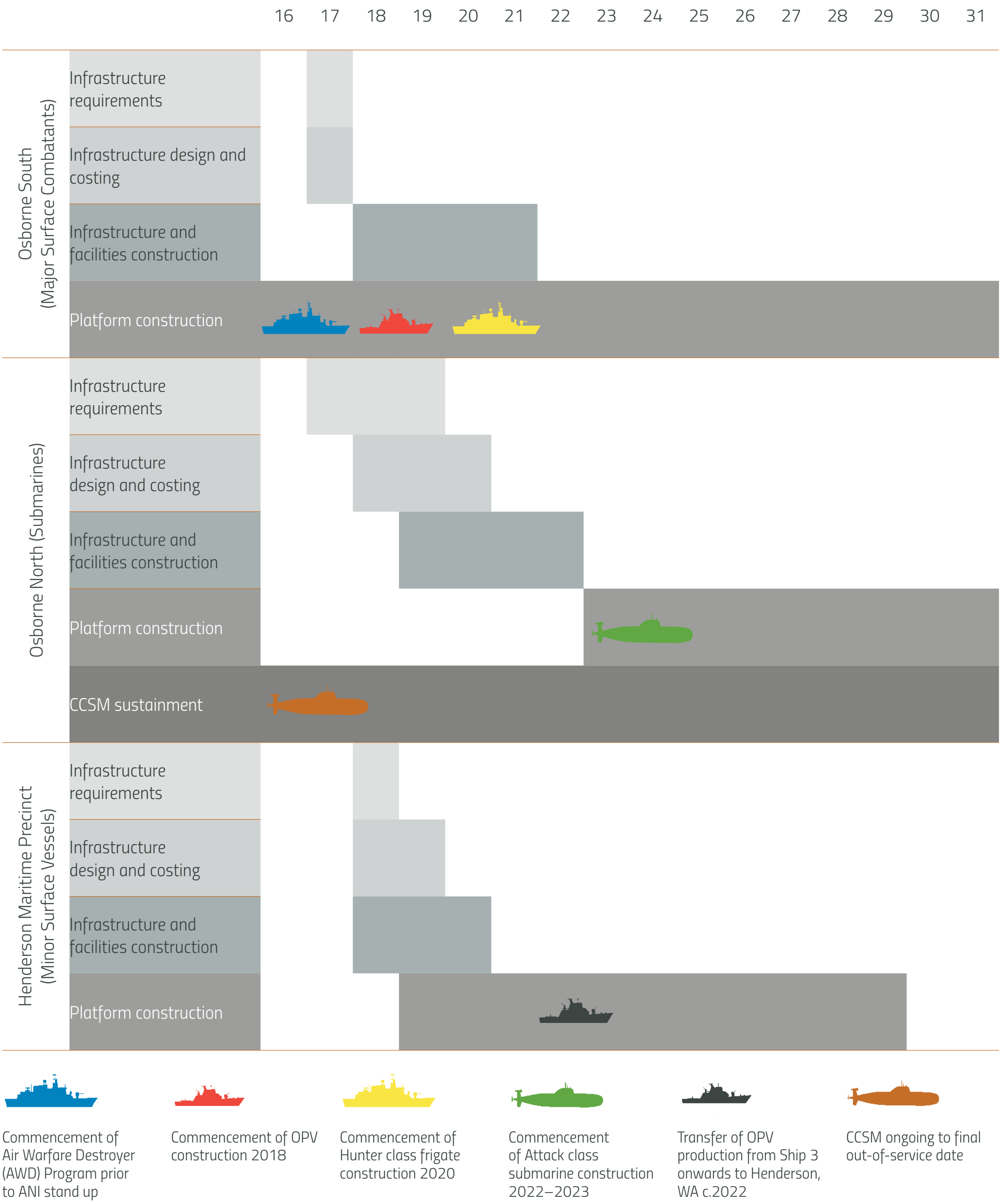
Delivering the naval capabilities that the Government announced in the 2016 Defence White Paper is predicated on four key enablers:

- a modern, innovative and secure naval shipbuilding and sustainment infrastructure;
- a highly capable, productive and skilled naval shipbuilding and sustainment workforce;
- a motivated, innovative, cost-competitive and sustainable Australian industrial base, underpinned initially by experienced international ship designers and builders who transfer these attributes to Australian industry; and
- a national approach to delivering the Naval Shipbuilding Plan.

ANI's principal contribution to the successful delivery of the Naval Shipbuilding Plan is its role as an owner, developer and manager of critical shipyard infrastructure.

A summary of the continuous naval shipbuilding program is depicted in the following diagram.

Continuous naval shipbuilding program summary



Organisational Structure

The ANI team has almost doubled in size over the last year as the Company has developed. As at 1 July 2018, ANI comprised 17 staff. As at 30 June 2019, the Company has grown to a total of 33 staff, including a corporate team, a facilities/operations team, and project management teams for both the OSDP and the ONDP. ANI's growth has largely resulted from ANI taking on the ONDP and insourcing previously outsourced functions. Current staff include four university students employed on a casual basis (all undertaking undergraduate engineering degrees) to work alongside ANI's project teams.

Ongoing Employees

	Male	Female	Total	Total (%)
Full time	20	6	26	79%
Part time / casual	3	4	7	21%
Total	23	10	33	100%
Total (%)	70%	30%		

Non-Ongoing Employees

	Male	Female	Total	Total (%)
Full time	2*	2	4	100%
Part time / casual	0	0	0	0%
Total	2	2	4	100%
Total (%)	50%	50%		

* Fixed term employees (student vacation placements).

All ANI staff are based in South Australia.

ANI's Assets

ANI's principal place of business is located within the shipyard precinct in Osborne, South Australia, where ANI owns the infrastructure necessary for ongoing naval vessel building and sustainment.

Assets held within ANI include:

Osborne North Shipyard (SA)

This is the location for the full-cycle docking and maintenance of the Royal Australian Navy's six existing Collins class submarines (CCSM) by ASC Pty Ltd.

To facilitate the construction of the new Attack class submarines by Naval Group, the existing submarine yard will be expanded and refurbished. Several parcels of land have been acquired from the State Government and private owners at Osborne North on which the ONDP will be progressed, as further described below. Planning for the completion of the design and construction is ongoing, in collaboration with Naval Group and the Commonwealth's Future Submarine Program (FSP).

Osborne South Shipyard (SA)

This is the location for the AWD Program being undertaken by the AWD Alliance (ASC AWD Shipbuilder Pty Ltd, Raytheon Australia and the Commonwealth) for the delivery of three vessels by 2020, and the location for the build of the first two OPVs by Luerssen Australia Pty Ltd (Luerssen) and ASC OPV Shipbuilder Pty Ltd (as a subcontractor to Luerssen).

The Osborne South shipyard, currently under expansion through the OSDP as further described below, is also the location for the construction of nine Hunter class frigates by ASC Shipbuilding commencing in 2020. To facilitate the expansion, land was previously acquired from the State Government at Osborne South.

Osborne Naval Shipyard precinct

Common Use Infrastructure (SA)

ANI acquired the Common Use Infrastructure (CUI, formerly known as the Common User Facility (CUF)) including wharf, dry berth, transfer system and shiplift from the State Government in 2017. ANI owns and operates this facility, and provides services to the Naval Shipbuilding Programs as required.

Naval Shipbuilding College (SA)

ANI acquired the facility previously known as the Maritime Skills Centre from the State Government in 2017. This facility is now leased to NSI (Aust) Pty Ltd and is the home of the Naval Shipbuilding College.

Henderson Shipyard (WA)

ANI owns minor assets in support of CCSM sustainment mid-cycle docking by ASC Pty Ltd.

Osborne South Development Project (OSDP)

The OSDP objective is to deliver a modern shipyard through the construction of new facilities and modernisation of existing facilities at Osborne South to support the continuous build of major surface combatants in their entirety. The facilities to be delivered under this project are being designed and built not only for the current planned capacity (Hunter class frigates) but to support a continuous build program for major surface combatant vessels up to Destroyer size.

The Commonwealth previously engaged Odense Maritime Technology (OMT) to undertake the design of the shipyard works based on the Programmatic Needs Statement and High Level Functional Requirements.

Following a comprehensive tender process ANI entered into a Managing Contractor Contract (MCC) on 12 October 2017 with Lendlease for the design and construction of the new facilities at the Osborne South shipyard on land acquired from the State Government.

Funding committed in 2017 for the ODSP was $535 million. The new yard will be completed and commissioned during the first half of 2020.

Activity as at 30 June 2019 can be summarised as follows:

Site progress	Status
Completion of piling for main works	August 2018
B18 Blast & Paint Hall	In progress – target completion Q1 2020
B20 Steel Fabrication and Unit Assembly Hall	In progress – target completion Q1 2020
B21 Block Assembly Hall	In progress – target completion Q1 2020
B22 Block Outfitting and Erection Hall	In progress – target completion Q1 2020
Ancillary buildings – office and amenities	In progress – target completion Q1 2020

Modernisation of the existing Osborne South shipyard will occur progressively from 2020. ANI will self-manage the modernisation, with the works to be undertaken when the relevant buildings are vacated by the OPV Program.

Osborne North Development Project (ONDP)

ANI was tasked by Shareholder Ministers with conducting a competitive tender to appoint a Managing Contractor for the future submarine yard in 2018. The design basis for the tender was provided by the Commonwealth's FSP. ANI awarded the MCC to Laing O'Rourke on 27 November 2018 on the basis of the 2018 FSP design.

ANI's role is to manage and deliver the design and construction of the future submarine yard to the functional specifications documented by Naval Group and approved by Defence. In addition, the functional specifications for the Combat System Physical Integration Facility (CS-PIF) have been specified by Lockheed Martin Australia and approved by Defence.

Access arrangements and infrastructure usage contracts

ANI provides critical shipyard infrastructure to builders and maintainers of naval vessels in return for access charges and operating cost recoveries for the use of that infrastructure.

OSDP construction in progress

In 2018-19, ANI entered into new licence agreements with ASC AWD Shipbuilder Pty Ltd and Luerssen for the Osborne South shipyard to undertake the AWD Program and OPV Program respectively.

Existing access arrangements remain in place for ASC Pty Ltd's occupation of the Osborne North yard for CCSM sustainment activities.

In early 2019, ANI signed a Term Sheet and Co-ordination Agreement with Naval Group in relation to access to the future submarine yard.

Corporate Office

In November 2018, ANI relocated its corporate office to leased premises at Port Adelaide. This new office complements the Company's original premises and principal place of business at Veitch Road, Osborne, which continues to be utilised by ANI operations and project personnel. The new corporate office is available to and used by representatives of the ONDP's Managing Contractor, Laing O'Rourke, and the Integrated Project Team (IPT), comprising representatives from Naval Group and Defence's FSP team.

Community engagement

ANI engaged a full time Community and Stakeholder Relations Manager in 2018 to provide two-way communications between residents, businesses and ANI. Community drop ins have provided the opportunity for members of the public to speak with ANI, while ANI's quarterly newsletter provides the local community with information on construction activities, project progress and recent and upcoming events.

Company performance

The key objectives outlined in ANI's 2018-19 Corporate Plan, including progression of the OSDP to cost and schedule, acquisition of property to enable the ONDP to be progressed and the precinct to be consolidated, appointment of the Managing Contractor and commencement of ONDP planning works, progression of access arrangements as described above, and securing ANI's DISP accreditation have all been achieved.

Governance structure

ANI is incorporated as a company under the *Corporations Act 2001* (Cth) (Corporations Act), limited by shares and is subject to the PGPA Act.

All the share capital of ANI is owned by the Commonwealth of Australia.

Under the PGPA Act, ANI is a Commonwealth Company, PnFC, prescribed as a GBE. While the Corporations Act is the primary regulatory framework, the PGPA Act sets the standards of governance and accountability and imposes specific duties on ANI's Board and executive relating to the use and management of resources.

Shareholder Ministers

ANI sits within the Finance portfolio of the Australian Government. Its Board reports to both the Minister for Finance and the Minister for Defence as Shareholder Ministers.

As at 30 June 2019, ANI's Shareholder Ministers were:

- Minister for Finance, Senator the Hon Mathias Cormann; and
- Minister for Defence, Senator the Hon Linda Reynolds CSC.

Ministerial directions

ANI did not receive any direction by a Minister, under its constitution, an Act or other instrument, or any government policy orders (under section 93 of the PGPA Act) in the 2018-19 financial year.

The Board

The ANI Board comprises six members. The Board is chaired by an independent non-executive director and the roles of Chair and Managing Director are separate. The Managing Director is the only executive director on the Board and is also the Chief Executive Officer. All other directors are independent non-executive directors.

The Board is responsible for the corporate governance of ANI and operates within an approved Board Charter. Each director is appointed by the Shareholder Ministers pursuant to a formal letter of appointment.

Chair

Lucio Di Bartolomeo was appointed Chair on 26 June 2017. The Chair is responsible for the leadership of the Board and for the efficient and proper functioning of the Board, including maintaining relationships with the Shareholders.

The Board's role and responsibilities

The Board acts in the best interests of ANI as a whole and on behalf of the Shareholder Ministers, representing the Commonwealth, and is accountable to the Shareholder Ministers for the overall strategic direction, management and corporate governance of ANI.

Subject to the PGPA Act, the constitution and directions from the Shareholder Ministers, the Board is responsible for:

a. determining and fostering a corporate culture within the organisation that is appropriate to ANI;

b. overseeing ANI, including control and accountability systems;

c. appointing and monitoring the performance of the CEO and the Company Secretary and, where appropriate, the removal of the CEO and Company Secretary;

d. providing strategic advice to management;

e. approving and monitoring the progress of major capital expenditure projects, capital management, acquisitions and divestitures, as well as financial and other reporting;

f. approving annual budgets and key performance indicators, and reviewing ANI's performance against them and monitoring the implementation of necessary corrective actions;

g. reviewing and interrogating systems of risk management, internal control and legal compliance to satisfy itself that appropriate compliance frameworks and controls are in place;

h. reviewing and overseeing the implementation of ANI's Code of Conduct;

i. appointing Board committees and approving the composition, and any charters, of Board committees;

j. monitoring and verifying compliance with legal and regulatory requirements, ethical standards and policies; and

k. exercising due diligence to ensure that ANI complies with its work, health and safety obligations.

Board Committees

Audit and Risk Committee

The Board established an Audit and Risk Committee in August 2017, to assist the Board in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail.

The Audit and Risk Committee's charter, which was updated and approved by the Board in November 2018, sets out the matters relevant to the composition, responsibilities and administration of the Committee.

The Audit and Risk Committee will meet as often as it considers necessary but at least four times a year.

A quorum for an Audit and Risk Committee meeting is two Audit and Risk Committee members.

The objectives of the Audit and Risk Committee are to:

a. help the Board achieve its objectives in relation to reviewing the appropriateness of the:
   i. financial reporting;
   ii. performance reporting;
   iii. systems of risk (financial and performance) oversight and management;
   iv. systems of internal control;
   v. annual budgeting; and
   vi. application of accounting policies;

b. maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);

c. assess ANI's risk management principles, policies, processes and practices so that it can satisfy itself that:
   i. adequate systems are in place for the effective identification and assessment of all areas of potential material business risk;
   ii. adequate policies, processes and procedures have been designed and implemented to manage identified material risks;
   iii. appropriate action is undertaken to bring the identified material risks within ANI's risk tolerance levels;
   iv. a culture of compliance is being promoted; and
   v. compliance strategies and functions are effective;

d. establish and maintain effective internal and external audit functions, and communication between the Board and the internal and external auditor; and

e. verify financial compliance strategies and financial compliance functions are effective.

As at the date of this report, the Audit and Risk Committee comprises Janice van Reyk (Chair), Peter Iancov and Jeremy Schultz.

Conflicts

Directors are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations. Directors must:

a. disclose to the Board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises;

b. take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and

c. comply with the *Corporations Act 2001* (Cth) and the constitution in relation to disclosing material personal interests and any restrictions on voting.

The Board reviews all directors' disclosures at each meeting of the Board.

Delegations of authority and risk management

Clear delegated authorities consistent with maintaining efficiency of operations and effective management of risks have been implemented by the Board.

ANI's enterprise risk management framework and risk register is periodically reviewed by the Board and Audit and Risk Committee to ensure risks are being effectively managed.

Board performance and education

The Board assesses the performance of the Board and the Chair on an annual basis. A performance review process in respect of the 2018-19 financial year has been undertaken by an independent external adviser.

The Board comprises experienced directors, including some directors with prior GBE experience.

To date education of directors has focused on ensuring familiarity with GBE requirements and ANI's major projects. As ANI transitions from an establishment and consolidation phase towards an operational steady state, the focus of Board education will initially target the WHS obligations of directors.

Code of Conduct

ANI's Code of Conduct (Code) sets out the standards of conduct expected of ANI's directors, employees and contractors (ANI personnel).

The Code articulates the high standards of honesty, integrity, ethical and law-abiding behaviour expected of ANI personnel and encourages the observance of those standards to protect and promote the interests of ANI, its shareholders and other stakeholders.

Compliance with the Code will assist ANI in creating a safe, healthy and productive work environment and preserve and enhance ANI's reputation in the community. The Code supports ANI's purpose to be the owner, developer and asset manager of shipyard infrastructure in the Osborne precinct and other associated activities throughout Australia.

View from Kardi Yarta Playground

This Code operates in conjunction with ANI's policies and procedures.

Public Governance, Performance and Accountability Act and Rule

ANI operates within the PGPA Act which sets out the requirements for the governance, reporting and accountability of Commonwealth entities and Commonwealth companies.

GBE requirements

ANI is prescribed as a GBE within the definitions outlined in the PGPA Act. As a GBE, ANI is required to follow the GBE guidelines.

Wholly owned GBEs (including ANI) are required to prepare a Corporate Plan and Statement of Corporate Intent (SCI) in consultation with Shareholder Ministers. These documents focus on the purpose and corporate outlook of the GBE, and express the expectations of its management in relation to future financial and non-financial performance.

ANI's second full Corporate Plan and SCI were developed in 2019, with the SCI being published in August 2019 on ANI's website at www.ani.com.au.

Community service obligations

The Company does not operate under any specific community service obligations.

Decisions affecting the Company and particulars of reports on the Company during the period

During the period, there were no judicial or administrative tribunal decisions applicable or reports on the Company.

Commercially sensitive information excluded from the annual report

The directors have excluded from the annual report any information that is considered to be commercially sensitive and would be likely to result in unreasonable commercial prejudice to the Company.

Work Health Safety and Environment

ANI takes a proactive approach to the management of work health and safety, and protection of the environment through appropriate management systems and programs, including employee health checks, inductions and safety related training.

In 2018-19, ANI had one notifiable incident under Part 10 of the *Work Health and Safety Act 2011* (Cth) which was notified to Comcare. No-one was injured and Comcare elected not to investigate. ANI conducted its own investigation and an action plan has been implemented to prevent reoccurrence. There were two lost time injuries (LTIs), both of which were of a relatively low severity. ANI has not experienced a serious injury.

The OSDP are ONDP are major construction projects, being undertaken by ANI's Managing Contractors, Lendlease and Laing O'Rourke respectively, under their safety management systems. ANI monitors the projects' safety performance to ensure that safety systems are operationalised and provide a safe place to work. Since commencing the projects in late 2017 (Lendlease) and late 2018 (Laing O'Rourke) there have been no notifiable incidents on these projects.

Voluntary Tax Transparency Code (TTC)

ANI has complied with the requirements of the TTC as follows:

- *A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable:* Being in a loss-making position, ANI is yet to pay income tax. The tax benefit, based on accounting losses, equals 30% and is further detailed in note 6(b) of the financial statements.
- *Identification of material temporary and non-temporary differences:* ANI's net deferred tax balance of $28.1m comprises temporary differences, mainly attributable to revaluations of property, plant and equipment. This is further explained in note 6 (d)(iii) of the financial statements.
- *Accounting effective company tax rates for Australian and global operations:* ANI does not have a global presence and, from its Australian perspective, the tax benefit, based on accounting losses equals 30%.

Board and Management

The below table details Board and Committee meetings and director attendance during the reporting period.

	Board of Directors		Audit and Risk Committee	
	Held	Attended	Held	Attended
Mr Lucio Di Bartolomeo	9	9		
Mr Peter Iancov*	9	8	4	4
Mr Jim Whalley	9	6		
Mr Jeremy Schultz*	9	9	4	4
Ms Janice van Reyk*	9	9	4	4
Mr David Knox	9	9		

* indicates Audit and Risk Committee member

Lifting the first roof section of the 50m high Ship Assembly Hall

The names and details of the directors in office as at 30 June 2019 are as follows:

LUCIO DI BARTOLOMEO

B.E (Civil), M.Eng.Sc

Chair and Non-Executive Director

Lucio was appointed as Chair on 26 June 2017. His current term will expire on 25 June 2020.

With over 40 years' experience in the transport industry, Lucio brings extensive knowledge in rail, infrastructure and engineering fields to the ANI Board as a non-executive director. He is currently the Chairman of Northwest Rapid Transit and Health Infrastructure NSW as well as Deputy Chair of Moorebank Intermodal Company and director of Australian Super. He was previously a non-executive director of Australian Rail Track Corporation. Prior to taking on non-executive director roles, Lucio was the Managing Director of ADI Limited, Country Director of Thales (Australia) and Managing Director of FreightCorp.

PETER IANCOV

FIEAust, FAIB, FAIM, SMIEEE, MAICD, CSE

Non-Executive Director

Peter was appointed on 13 February 2017 and reappointed on 26 June 2017. His current term will expire on 25 June 2020.

Peter is an experienced executive with over 25 years' expertise gained in the energy infrastructure, mining, commercial construction, contracting and defence sectors. He is currently Managing Director of Zinfra, and has previously held senior executive positions across Australian and multinational organisations.

In his previous executive roles, Peter has been instrumental in securing and delivering major infrastructure projects and was responsible for the management, construction and operation of $4.3 billion of critical energy infrastructure assets.

Peter is a non-executive director of Western Power, and prior to joining ANI, was a non-executive director of ASC Pty Ltd.

ALAN (JIM) WHALLEY

MBA(Adel), BSc(NSW), MRAeS, GAICD

Non-Executive Director

Jim was appointed on 26 June 2017. His current term will expire on 25 June 2020.

Jim is a co-founder and executive Chairman of Nova Systems, one of Australia's largest privately owned defence professional service providers. He is a former air force fighter pilot and a graduate of the Royal Air Force Empire Test Pilots' School.

Amongst other qualifications, he holds a Masters of Business Administration, a science degree and completed the Harvard Business School OPM Executive Education Program. He is a member of the Sir Ross and Keith Smith Advisory Committee and the University of South Australia Council, and a director of AMCHAM and the Adelaide Festival.

Jim is also South Australia's Chief Entrepreneur and Chair of the Entrepreneurship Advisory Board and a graduate of the Australian Institute of Company Directors.

JEREMY SCHULTZ

LLB (HONS), LLM, GDLP, FAICD, MAIE

Non-Executive Director

Jeremy was appointed on 13 February 2017 and reappointed on 26 June 2017. His current term will expire on 25 June 2020.

Jeremy was formerly Managing Partner and Chair of Partners at Finlaysons. He is currently a Partner and heads up the firm's Corporate and Energy practice areas.

He is an Australian Institute of Company Directors Fellow, a former Deputy Chair, Law Council of Australia, Business Law Section – Corporations Committee and Clean Energy Council – Founding Board Member, current director of RUAG Australia Pty Ltd, Chair of St Peter's Girls' School Board of Governors (including St Peters's Collegiate Girls' School Foundation Inc and CSC South Australia Inc), Australian Institute of Energy Board Member, Chair and Trustee of Les Favell Cricket Foundation and Board Member of Lisa Fahey Foundation Inc.

JANICE VAN REYK

FAICD, CPA

Non-Executive Director

Janice was appointed on 14 August 2017. Her current term will expire on 13 August 2020.

Janice is a non-executive director serving on the boards of Lochard Energy Group, Citywide, Victorian Ports Corporation, Tennis Australia, Melbourne and Olympic Park Trust and Northern Territory EPA. Previously, she enjoyed a career as a senior executive in ASX 100 companies (BHP, Orica, National Foods).

She also serves as an independent member of Vic Roads Risk Audit and Governance Committee. She is a Fellow of the AICD, a CPA and a Leadership Victoria Fellow.

DAVID KNOX

BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD

Managing Director and CEO

David was appointed interim MD and CEO on 13 June 2017 and appointed MD and CEO on 13 September 2017. His current term will expire on 12 September 2020.

Prior to his appointment at ANI, David was MD and CEO of Santos Limited from 2008 to 2015. David was previously the Managing Director for BP Developments in Australasia from 2003 to 2007. He has worked for BP in the United Kingdom and Pakistan, and has held management and engineering positions at ARCO and Shell in the USA, Netherlands, United Kingdom and Norway.

David is Chair of TACSI and i3 Energy (UK Ltd) and a director of Red Flow Ltd, CSIRO, Adelaide Festival and the Migration Council and a council member of RiAus. David holds a Bachelor of Science (Honours) in Mechanical Engineering, a Masters of Business Administration and is a Graduate of the Australian Institute of Company Directors.

ANDREW SEATON

BE (Chem) Hons, Grad Dip Bus Admin, GAICD

Chief Financial and Commercial Officer

Andrew was appointed Chief Financial and Commercial Officer on 20 July 2017.

Andrew has had an extensive career encompassing a broad range of finance, strategy, commercial, investment banking, engineering and project management roles. He was most recently the CFO of Santos Limited, a significant Australian producer of oil, domestic gas and LNG and he previously worked in investment banking with Merrill Lynch.

Andrew has an Honours degree in Chemical Engineering, a Graduate Diploma in Business Administration and is a graduate of the Australian Institute of Company Directors.

SALLY MCLENNAN

LLB (with Honours), GDLP, BMgt, MAICD

General Counsel and Company Secretary

Sally was appointed General Counsel and Company Secretary on 21 August 2017.

Sally is an experienced in-house commercial and corporate lawyer. Prior to joining ANI, she held senior legal roles at ASC Pty Ltd and Santos Limited. Sally's prior experience includes commercial and human resources roles across industries, including oil and gas, telecommunications and manufacturing sectors.

Sally has a Bachelor of Laws (with Honours), Graduate Diploma in Legal Practice and a Bachelor of Management (Labour Relations), and is a Member of the Australian Institute of Company Directors.

PAUL BATES

BA, Grad Dip Information Mgt, Dip Leadership and Mgt, MBA

General Manager, Operations

Paul was appointed General Manager, Operations on 1 December 2017.

Paul has substantial maritime operations experience. Prior to his appointment at ANI, Paul was General Manager - Infrastructure of the Defence SA Techport Common User Facility (CUF), ensuring the successful delivery of the CUF and other contracted services to the AWD Program since 2009. From 2006, Paul was Project and Bid Manager for DMS Maritime Pty Ltd (now Serco Defence), leading a number of successful tenders for that company.

Paul holds a Masters of Business Administration and is a graduate of the Australian Defence Force Academy. He served for 18 years in the Royal Australian Navy, holding a variety of operations roles both at sea and ashore.

PHIL CORNISH

B.Eng (Civil)

Project Director

Phil was appointed as Project Director for the OSDP on 15 January 2018, and is now also Project Director for the ONDP.

Phil has more than 30 years' experience in project and construction management of major infrastructure projects such as highway and major arterial roads, road and rail tunnels, public transport systems, marine structures and major transit systems for airports and railway stations.

Prior to joining ANI, Phil was Construction Manager for the $4B Westconnex M4 Project with Sydney Motorway Corporation, and previously filled senior management roles with a number of Australian construction companies.

For increased safety and efficiency, the 50m high Ship Assembly Hall was built on the ground in sections. Walls and roof sections were then rotated and lifted into place.

Your directors present their report, together with the financial report of the Company, for the year ended 30 June 2019 and the auditor's report thereon.

Directors

The following were directors of the Company during the whole of the financial year and up to the date of this report:

- Lucio Di Bartolomeo
- Peter Iancov
- Janice van Reyk
- Jeremy Schultz
- Alan (Jim) Whalley
- David Knox

Principal activities

The Company holds property, plant and equipment utilised for the maintenance of the Collins Class submarines and construction of the AWDs and OPVs and is undertaking an expansion and refurbishment of the Osborne Naval Shipyard in support of the Commonwealth's continuous naval shipbuilding program.

Review of operations

The review of operations is contained in the Chair and CEO's letter and the Overview of Operations in the Company's annual report.

Significant changes in the state of affairs

There were no significant changes in ANI's state of affairs during the financial period ended 30 June 2019.

Significant events after the balance sheet date

The directors are not aware of any matters or circumstances that have arisen since 1 July 2019 which have significantly affected, or may significantly affect:

- ANI's operations in future financial years;
- the results of those operations in future financial years; or
- ANI's state of affairs in future financial years.

Likely developments and expected results of operations

ANI is undertaking the OSDP to significantly expand and upgrade the existing shipyard for the construction of surface combatants. ANI expects that most of the works associated with the 'new-build' aspects of the project will be completed and handed over to the shipyard tenant for the construction of the Hunter class frigates prior to 30 June 2020, which will result in a significant increase in ANI's revenue.

In addition, ANI is progressing the planning and design for the ONDP to build a new submarine yard to support the construction of the Attack class submarines. Construction activities are expected to commence by 31 December 2019 with the new facilities to be progressively tenanted from 2021.

Dividends

No dividends have been paid or declared by ANI since the end of the previous financial year.

Environmental regulation

The operations of the Company are subject to environmental regulation under both Commonwealth and State legislation in relation to activities undertaken on site in South Australia. The Company is committed to achieving a high standard of environmental performance consistent with the requirements of AS/NZ ISO 14001. ANI's CUI has accreditation for AS/NZ ISO 14001: Environmental Management Systems.

The Company has complied with all applicable environmental regulations and site specific environmental licence requirements, and there have been no environmental incidents in the reporting period requiring official regulatory notification.

Directors' benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than reimbursement of expenses and the aggregate amount of remuneration received or due and receivable by directors shown in the accounts) because of a contract made by the Company, or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Indemnification and insurance of directors and officers

a. Indemnification

The Company has agreed to indemnify the current and previous directors and officers of the Company for all liabilities to another person (other than the Company or a related body corporate) that may arise in their capacity as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet, to the extent permitted by law, the full amount of any such liabilities, including costs and expenses.

b. Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts for current and former directors and officers, including executive officers of the Company and directors. The insurance premiums cover directors and officers for actual losses incurred in their capacity as directors and officers of the Company, which are not indemnified by the Company and which the director or officer becomes legally obligated to pay on account of certain claims made against him/her individually or otherwise. The terms of the insurance policy prohibit disclosure of the amounts of the premium payable.

Lead auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* (Cth), is set out on page 28.

This report is made in accordance with a resolution of directors.

LUCIO DI BARTOLOMEO	DAVID KNOX
Chair	Managing Director
12 September 2019	

This report covers ANI's Key Management Personnel (KMP) who have authority and responsibility for planning, directing and controlling the activities of the Company directly and indirectly throughout the year.

	Title	Status	Appointment Date
Directors			
Lucio Di Bartolomeo	Independent, Non-Executive Chair	Current	26 June 2017
Peter Iancov	Independent, Non-Executive Director	Current	13 February 2017
Janice van Reyk	Independent, Non-Executive Director	Current	14 August 2017
Jeremy Schultz	Independent, Non-Executive Director	Current	13 February 2017
Alan (Jim) Whalley	Independent, Non-Executive Director	Current	26 June 2017
Senior executives			
David Knox	Managing Director and Chief Executive Officer	Current	13 June 2017
Paul Bates	General Manager, Operations	Current	1 December 2017
Phil Cornish	Project Director	Current	15 January 2018
Sally McLennan	General Counsel and Company Secretary	Current	21 August 2017
Andrew Seaton	Chief Financial and Commercial Officer	Current	20 July 2017

Non-executive director fees

All non-executive directors of ANI are appointed by the Commonwealth Government through the Shareholder Ministers.

Fees for non-executive directors are set through the determinations of the Commonwealth Remuneration Tribunal, an independent statutory body overseeing the remuneration of key Commonwealth offices. ANI is obligated to comply with the Tribunal's determinations and plays no role in the consideration or determination of non-executive director fees.

Remuneration for non-executive directors for FY 2019 and FY 2018 is shown in the table below:

		Short-term benefits	Post-employment benefits	Total remuneration
		Directors' fees	Superannuation contributions	
Non-executive directors		$	$	$
Lucio Di Bartolomeo	2019	121,245	11,518	132,763
	2018	116,743	11,091	127,834
Peter Iancov	2019	68,924	6,548	75,472
	2018	66,359	6,304	72,663
Janice van Reyk	2019	77,226	7,336	84,562
	2018	64,532	6,130	70,662
Jeremy Schultz	2019	66,420	-	66,420
	2018	66,166	-	66,166
Alan (Jim) Whalley	2019	60,623	5,759	66,382
	2018	58,371	5,545	63,916
Total non-executive directors	2019	394,438	31,161	425,599
	2018	372,171	29,070	401,241

Managing Director/Chief Executive Officer remuneration

ANI's Managing Director and Chief Executive Officer (MD/CEO) was appointed by the Commonwealth Government through the Shareholder Ministers.

The MD/CEO role has been declared by the Commonwealth Remuneration Tribunal as a Principal Executive Office (PEO) Band D under the *Remuneration Tribunal Act 1973* (Cth). ANI's MD/CEO remuneration has been determined and paid in accordance with the Remuneration Tribunal's guidance and comprised two components - total fixed remuneration (TFR) and at-risk performance pay (Short Term Incentive or STI). TFR for FY 2019 was paid at the Remuneration Tribunal's "Total Remuneration Reference Rate" (RR) for the office, and the MD/CEO was eligible for STI of up to a maximum of 20% of TFR.

Senior executive remuneration

ANI's approach to remuneration is designed to attract and retain the right people with the right expertise to deliver on ANI's objectives and targets set out in its Corporate Plan. In particular, ANI's executive team is comprised of individuals with the breadth and depth of experience required to deliver on ANI's major projects and commercial outcomes, and to build a performance culture.

Remuneration of executive KMPs reporting to the MD/CEO (Senior Executives) is set by the MD/CEO and the ANI Board. For FY 2019, Senior Executive remuneration comprised TFR, and STI of up to a maximum of 20% of TFR.

TFR is set having regard to market factors, technical expertise, role scope and industry benchmarks, and has been informed by external benchmarking undertaken by remuneration consultants, AON Hewitt.

STI for the MD/CEO and Senior Executives is determined by the ANI Board having regard to company and individual performance in the achievement of the company scorecard. The company scorecard is set by the Board at the start of the financial year, and is aligned to the measures in ANI's Corporate Plan endorsed annually by the Shareholder Ministers. For FY 2019, performance was assessed against the following measures:

Deliverable	Weighting	Outcome
Corporate KPIs set out in the Corporate Plan	20%	Achieved
Operations and safety	15%	Scored at 0% due to one high potential incident
OSDP on schedule	20%	Achieved
OSDP on budget	10%	Achieved
Future Submarine Yard planning progressing to plan	15%	Achieved
Access agreements signed	10%	Achieved
Financial (EBITDA)	10%	Achieved

Remuneration for MD/CEO and Senior Executives for FY 2019 and FY 2018 is shown in the table below [1]:

		Short-term benefits		Post-employment	Other long-term benefits	Total remuneration
		Base salary[2]	STI	Superannuation contributions	Long service leave[3]	
Senior executives		$	$	$	$	$
David Knox	2019	558,798	91,392	20,531	15,499	686,220
	2018	510,529	81,348	54,066	3,957	649,900
Paul Bates [4]	2019	238,554	41,811	26,192	14,722	321,278
	2018	131,783	36,822	15,591	3,778	187,974
Phil Cornish [5]	2019	336,097	57,699	25,000	4,695	423,491
	2018	149,630	24,110	15,504	515	189,759
Sally McLennan [6]	2019	265,468	46,473	25,000	5,334	342,275
	2018	204,893	38,388	22,182	736	266,199
Andrew Seaton [7]	2019	469,347	75,849	19,500	9,242	573,938
	2018	442,127	70,155	22,335	1,492	536,109
Total executives	2019	1,868,264	313,224	116,223	49,492	2,347,203
	2018	1,438,962	250,823	129,678	10,478	1,829,941
Total KMP	2019	2,262,702	313,224	147,384	49,492	2,772,802
	2018	1,811,133	250,823	158,748	10,478	2,231,182

(1) No payments were made to Senior Executives in relation to other benefits and allowances, other long-term benefits or termination benefits during the periods shown.

(2) Base salary includes accrued annual leave entitlements.

(3) Long service leave amounts relate to the movement in the provision for long service leave during the relevant period, which is calculated in accordance with Australian Accounting Standards.

(4) Paul Bates became a KMP on 1 December 2017. His part-year remuneration for 2018 is shown.

(5) Phil Cornish became a KMP on 15 January 2018. His part-year remuneration for 2018 is shown.

(6) Sally McLennan became a KMP on 21 August 2017. Her part-year remuneration for 2018 is shown.

(7) Andrew Seaton became a KMP on 20 July 2017. His part-year remuneration for 2018 is shown.

Australian National
Audit Office

Mr Lucio Di Bartolomeo
Chairman of the Board
Australian Naval Infrastructure Pty Ltd
PO Box 2404,
Port Adelaide SA 5015

AUSTRALIAN NAVAL INFRASTRUCTURE PTY LTD
FINANCIAL REPORT 2018-19
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of Australian Naval Infrastructure Pty Ltd for the year ended 30 June 2019, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

CRJago

Carla Jago
Group Executive Director

Delegate of the Auditor-General

Canberra

12 September 2019

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

The directors declare that, in the directors' opinion:

a. the financial statements and notes set out on pages 33 to 65 are in accordance with the *Corporations Act 2001* (Cth), including:

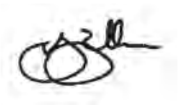
   i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

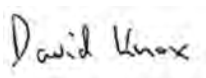
   ii. giving a true and fair view of the entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of directors.





LUCIO DI BARTOLOMEO

Chair

DAVID KNOX

Managing Director

12 September 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Naval Infrastructure Pty Ltd

Opinion

In my opinion, the financial report of Australian Naval Infrastructure Pty Ltd ('the Company') for the year ended 30 June 2019 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of the Company, which I have audited, comprises the following statements as at 30 June 2019 and for the year then ended:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT

Directors' responsibility 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 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 Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 Company'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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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.

I 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 I identify during my audit.

Australian National Audit Office

Carla Jago

Group Executive Director

Delegate of the Auditor-General

Canberra

12 September 2019

Installation of gantry cranes in the Steel Fabrication and Unit Assembly Hall

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME / FOR THE YEAR ENDED 30 JUNE 2019

	Note	June 2019 $'000	June 2018 $'000
Revenue from continuing operations			
Total revenue from continuing operations	5(a)	19,663	18,153
Interest income		1,696	516
		21,359	18,669
Depreciation and amortisation expense	5(b)	(20,972)	(15,467)
Utilities and statutory charges		(1,946)	(568)
Repairs and maintenance		(943)	(598)
Corporate costs		(9,497)	(7,270)
Finance income / (expense)	5(b)	331	(189)
Gain on disposal of property, plant and equipment		4	-
Loss before income tax		**(11,664)**	**(5,423)**
Income tax benefit	6(b)	3,427	1,627
Loss for the period		(8,237)	(3,796)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Gain on revaluation of land and buildings	8(a)	-	6,318
Income tax relating to these items		-	(1,895)
Other comprehensive income for the period, net of tax		**-**	**4,423**
Total comprehensive income for the period		**(8,237)**	**627**
Loss is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		(8,237)	(3,796)
Total comprehensive income of the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		(8,237)	627

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	June 2019 $'000	June 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	96,326	30,855
Trade and other receivables	7(b)	6,336	4,834
Prepayments	7(c)	10,390	264
Current tax receivable		485	981
Total current assets		**113,537**	**36,934**
Non-current assets			
Property, plant and equipment	8(a)	807,747	573,780
Total non-current assets		**807,747**	**573,780**
Total assets		**921,284**	**610,714**
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	31,103	11,543
Provisions	8(b)	989	287
Non interest-bearing liabilities	7(e)	15,413	-
Other current liabilities		1,038	233
Total current liabilities		**48,543**	**12,063**
Non-current liabilities			
Provisions	8(b)	83	36
Deferred tax liabilities	6(d)	28,115	31,542
Non interest-bearing liabilities	7(e)	4	15,747
Total non-current liabilities		**28,202**	**47,325**
Total liabilities		**76,745**	**59,388**
Net assets		**844,539**	**551,326**
EQUITY			
Share capital	10(a)	867,673	566,223
Revaluation surplus	10(b)	31,039	31,039
Accumulated losses	10(c)	(54,173)	(45,936)
Total equity		**844,539**	**551,326**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY / FOR THE YEAR ENDED 30 JUNE 2019

	Share capital $'000	Revaluation surplus $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	**286,723**	**26,616**	**(42,140)**	**271,199**
Loss for the year	-	-	(3,796)	(3,796)
Revaluation of land and buildings	-	6,318	-	6,318
Income tax relating to these items	-	(1,895)	-	(1,895)
Total comprehensive income for the year	**-**	**4,423**	**(3,796)**	**627**
Transactions with owners in their capacity as owners				
Contributions of equity	279,500	-	-	279,500
Balance at 30 June 2018	**566,223**	**31,039**	**(45,936)**	**551,326**
Balance at 1 July 2018	**566,223**	**31,039**	**(45,936)**	**551,326**
Loss for the year	-	-	(8,237)	(8,237)
Total comprehensive income for the year	**-**	**-**	**(8,237)**	**(8,237)**
Transactions with owners in their capacity as owners				
Contributions of equity	301,450	-	-	301,450
Balance at 30 June 2019	**867,673**	**31,039**	**(54,173)**	**844,539**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	June 2019 $'000	June 2018 $'000
Cash flows from operating activities			
Cash receipts from customers		31,771	20,011
Payments to suppliers and employees		(22,296)	(11,738)
Net cash inflow from operating activities	7(a)	**9,475**	**8,273**
Cash flows from investing activities			
Acquisition of Techport business		-	(230,000)
Payments for property, plant and equipment		(247,242)	(68,943)
Proceeds from sale of property, plant and equipment		92	-
Interest received		1,696	516
Net cash (outflow) from investing activities		**(245,454)**	**(298,427)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	10(a)	301,450	279,500
Net cash inflow from financing activities	7(a)	**301,450**	**279,500**
Net increase / (decrease) in cash and cash equivalents		**65,471**	**(10,654)**
Cash and cash equivalents at the beginning of the financial year		30,855	41,509
Cash and cash equivalents at the end of the financial year	7(a)	**96,326**	**30,855**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 ABOUT THIS REPORT

ANI is a company incorporated and domiciled in Australia. It is wholly-owned by the Commonwealth Government. The financial report is presented in Australian dollars.

ANI is a for-profit entity for the purpose of preparing the financial report.

2 BASIS OF PREPARATION

(a) Statement of compliance

This general purpose financial report has been prepared in accordance with:

1. Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB); and
2. The *Corporations Act 2001* (Cth).

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- land and buildings - measured at fair value; and
- financial assets and liabilities (including derivative instruments) - measured at fair value.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates or judgements which are material or have the potential to be material to the financial report are found in the following notes:

Accounting estimates and judgements	Note
Fair value of land and buildings	8

(d) Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. Unless otherwise stated, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

Significant accounting policies are contained in the notes to the financial statements to which they relate and Note 15 (Other Significant Accounting Policies).

The Company has initially applied AASB 15 (see Note 5(a)) and AASB 9 (see Note 7) from 1 July 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards has impacted disclosure and presentation only.

3 FUNCTIONAL AND PRESENTATION CURRENCY

The Company's financial statements are presented in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in *ASIC legislative Instrument 2016/191* dated 1 April 2016 and, in accordance with the Legislative Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

4 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

There were no significant changes in ANI's business during the financial period ended 30 June 2019.

5 FINANCIAL PERFORMANCE

(a) Revenue

	June 2019 $'000	June 2018 $'000
Revenue from continuing operations		
Facilities and services charges	9,228	17,831
Lease income	10,435	322
Total	**19,663**	**18,153**

Revenue recognition

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

5 FINANCIAL PERFORMANCE (cont)

(a) Revenue (Cont)

The following table summarises the Company's approach to each relevant revenue stream:

Revenue stream	Recognition	Applicable accounting standard
Facilities and services charge	The charge is made up of a capital charge, depreciation charge and priority access fee. In the prior year the capital and depreciation charges related to ASC Pty Ltd (ASC) and ASC AWD Shipbuilder Pty Ltd (AWD). This arrangement continued for invoicing to ASC however, a new licence was signed with AWD and this income has now been captured under AASB 117 Leases. **Capital charge** Revenue is recognised based on a percentage of the depreciated historic cost of critical infrastructure assets that have not been funded by a program or project. **Depreciation charge** Revenue is recognised based on the depreciation of critical infrastructure assets provided by the Company. **Priority access fee** Annual priority access fee revenue is recognised on a straight-line basis over the period to which the charge relates.	AASB 15
Lease income	Annual commercial property rental charges are recognised on a straight-line basis over the period to which the charge relates. New lease agreements were signed with AWD and Luerssen with effective dates, for purposes of access charges, of 1 July 2018. These leases are classified as operating leases and the income has been accounted for under AASB 117.	AASB 117

(b) Other income and expense items

Items included in profit before tax

	June 2019 $'000	June 2018 $'000
Depreciation		
Buildings	14,735	11,747
Plant and equipment	6,237	3,720
	20,972	15,467
Finance costs		
Net finance income / (expense)	331	(189)

5 FINANCIAL PERFORMANCE (cont)

(b) Other income and expense items (cont)

Accounting policy

Item	Policy
Depreciation	Accounting policies for depreciation and amortisation are described in Note 8(a).
Net finance income / (expense)	Net finance income / (expense) incurred during the financial year is taken to profit and loss.

6 TAXATION

(a) Income tax (benefit)/expense

Accounting policy

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Expense	Policy
Current tax	Represents the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.
Deferred tax	Represents the expense relating to future tax consequences of all transactions undertaken in the current year regardless of when their tax impact may occur.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	June 2019 $'000	June 2018 $'000
(Loss) / profit from continuing operations before income tax	(11,664)	(5,423)
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	3,499	1,627
Non-deductible expenses	(127)	-
Tax adjustments relating to prior years	55	-
Income tax benefit / (expense)	3,427	1,627

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity.

	June 2019 $'000	June 2018 $'000
Net deferred tax	-	1,895

6 TAXATION (cont)

(d) Deferred tax balances

Net position as presented in the statement of financial position:

	June 2019 $'000	June 2018 $'000
Net deferred tax liabilities		
Deferred tax assets	18,909	16,470
Deferred tax liabilities	(47,024)	(48,012)
	(28,115)	(31,542)

(i) Deferred tax assets

	June 2019 $'000	June 2018 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	15,491	15,454
Tax losses carried forward	3,065	884
Sundry items	353	132
	18,909	16,470

	Property, plant and equipment $'000	Sundry items $'000	Total $'000
Movements			
At 1 July 2017	10,847	-	10,847
Charged/(credited) - profit or loss	(40)	926	886
Acquisition	4,647	90	4.737
At 30 June 2018	15,454	1,016	16,470
At 1 July 2018	15,454	1,016	16,470
Charged/(credited) - profit or loss	37	2,402	2.439
Acquisition	-	-	-
At 30 June 2019	15,491	3,418	18,909

6 TAXATION (cont)

(d) Deferred tax balances (cont)

(ii) Deferred tax liabilities

	June 2019 $'000	June 2018 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	46,908	47,895
Sundry items	116	117
	47,024	48,012

	Property, plant and equipment $'000	Sundry items $'000	Total $'000
Movements			
At 1 July 2017	46,740	118	46,858
Charged/(credited)			
- profit or loss	(740)	(1)	(741)
- to other comprehensive income	1,895	-	1,895
At 30 June 2018	47,895	117	48,012
At 1 July 2018	47,895	117	48,012
Charged/(credited)			
- profit or loss	(987)	(1)	(988)
- to other comprehensive income	-	-	-
At 30 June 2019	46,908	116	47,024

(iii) *Net deferred tax*

	June 2019 $'000	June 2018 $'000
The net balance comprises temporary differences attributable to:		
Property, plant and equipment	(31,417)	(32,441)
Sundry items	3,302	899
	(28,115)	(31,542)

7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	June 2019 $'000	June 2018 $'000
Current assets		
Cash and cash equivalents	96,326	30,855

Cash and cash equivalents include cash at bank and on hand as well as deposits held at call with financial institutions. The Company's exposure to interest rate risk is discussed in Note 9(d).

Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	June 2019 $'000	June 2018 $'000
(Loss)/Profit for the year	(8,237)	(3,796)
Adjustment for:		
Depreciation and amortisation	20,972	15,467
Net finance income / (expense)	(331)	187
Interest received	(1,696)	(516)
Income tax (benefit) / expense	(3,427)	(1,627)
(Gain) / loss on disposal of non-current assets	(4)	-
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other debtors	(1,504)	(2,294)
Increase / (decrease) in trade creditors and other liabilities	3,333	2,718
(Increase) / decrease in prepayments	(126)	(165)
Movement in current and deferred taxes	495	(1,701)
Net cash inflow from operating activities	9,475	8,273

Reconciliation of movements of liabilities and equity to cash flows arising from financing activities

	2019 $'000	2018 $'000
Proceeds from issue of share capital	301,450	279,500
Net cash inflow from financing activities	301,450	279,500

7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont)

(b) Trade and other receivables

	June 2019 $'000	June 2018 $'000
Current assets		
Trade receivables	3,869	3,106
Other receivables	2,467	1,728
	6,336	4,834

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss provision raised for doubtful debts. Trade receivables are generally due for settlement within 30 days. The expected credit loss provision was nil at 30 June 2019.

(c) Prepayments

	June 2019 $'000	June 2018 $'000
Prepayments		
Advance on land acquisition	10,000	-
Other prepayments	390	264
	10,390	264

(d) Trade and other payables

	June 2019 $'000	June 2018 $'000
Current liabilities		
Trade payables	30,837	11,543
Other payables	266	-
	31,103	11,543

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid and are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont)

(e) Borrowings

Non-interest-bearing liabilities

	June 2019 $'000	June 2018 $'000
Current		
Deferred purchase obligation	15,413	-
	15,413	-
Non-current		
Term loan	4	3
Deferred purchase obligation	-	15,744
	4	15,747

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(i) *Deferred purchase obligation*

As part of the AWD Program, AWD and ASC Engineering Pty Limited, subsidiaries of ASC Pty Ltd at the time, entered into an agreement with the Commonwealth of Australia where the Commonwealth of Australia made a contribution to build a production facility required for the construction of the AWDs.

Under this arrangement, AWD had an obligation to purchase the facility within three months of the completion of construction of the last AWD at an amount equal to the lesser of the written down value of the facility at an agreed depreciation rate, and the fair market value determined by a licensed valuer. No loss is expected to be incurred in relation to this deferred purchase obligation. As of 26 March 2017, this obligation transferred to the Company as owner of the critical infrastructure of the AWD shipyard.

The deferred purchase obligation is measured at fair value of $15.4 million at 30 June 2019 in accordance with AASB 9 *Financial Instruments.* The likely discharge date for the liability is within 12 months of this financial year end and the loan has been reclassified from non-current to current as a result.

(ii) *Term loan*

The term loan consists of an interest free 99-year loan to the Company from the Department of Manufacturing Industry, Small Business and Regional Development (SA), for expenditure on capital items and to assist with site development costs. The $0.2 million term loan is repayable in 2094 or at the option of the Company at any time prior to 2094. The term loan has been discounted to its present value of $0.004 million at 30 June 2019 (2018: $0.003 million) in accordance with AASB 9 *Financial Instruments.*

8 NON-FINANCIAL ASSETS AND LIABILITIES

(a) Property, plant and equipment

	June 2019 $'000	June 2018 $'000
Freehold land		
Freehold land	83,693	79,943
Freehold buildings and infrastructure		
Gross value	433,229	428,958
Accumulated depreciation	(104,741)	(90,169)
	328,488	338,789
Plant and equipment		
Gross value	105,651	103,716
Accumulated depreciation	(14,214)	(7,745)
	91,437	95,971
Assets under construction		
Assets under construction	304,129	59,077
Total property, plant and equipment	807,747	573,780

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(a) Property, plant and equipment (cont)

	Freehold land $'000	Freehold buildings and infrastructure $'000	Plant and equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2018					
Opening net book amount	31,500	239,289	8,450	163	279,402
Revaluation surplus	-	6,318	-	-	6,318
Acquisitions	16,418	2,321	544	58,682	77,965
Additions	32,025	98,122	90,698	4,717	225,562
Transfers	-	4,485		(4,485)	-
Depreciation charge	-	(11,746)	(3,721)	-	(15,467)
Closing net book amount	79,943	338,789	95,971	59,077	573,780
Year ended 30 June 2019					
Opening net book amount	79,943	338,789	95,971	59,077	573,780
Revaluation surplus	-	-	-	-	-
Additions	3,750	4,446	1,315	245,516	255,027
Transfers	-	-	464	(464)	-
Depreciation charge	-	(14,735)	(6,237)	-	(20,972)
Disposals	-	(12)	(76)	-	(88)
Closing net book amount	83,693	328,488	91,437	304,129	807,747

(i) *Assets in the course of construction*

The carrying value of property, plant and equipment includes $287 million (2018: $58 million) of expenditure on assets which are in the course of construction in relation to the OSDP and $17 million (2018: $nil) in relation to the ONDP, which are to be funded through capital injections from Shareholders, under an equity funding agreement. As these assets are not ready for use, no depreciation is charged on these assets.

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(a) Property, plant and equipment (cont)

(ii) *Recognition and measurement*

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Costs that relate directly to a project are capitalised to Assets under construction until such time as the project is commissioned and depreciation commences. Costs that relate directly to a specific project may include contractor costs, labour costs of project staff, utilities, statutory charges, costs of materials used in construction, costs of hiring plant and equipment and project related travel.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Freehold buildings and infrastructure 8 - 60 years;
- Plant and equipment 3 - 20 years

The cost of an individual item of property, plant and equipment with an acquisition cost of less than $1,000 will be considered a minor equipment purchase and will therefore not be depreciated but expensed at acquisition.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These amounts are included in the statement of comprehensive income. When revalued assets are sold, it is the Company's policy to transfer any amounts included in revaluation surplus in respect of those assets to retained earnings.

(iii) *Impairment*

The carrying amount of the Company's assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(a) Property, plant and equipment (cont)

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(iv) *Valuations of land and buildings*

An independent valuation of all land and buildings of the Company was last carried out by Griffin Valuation Advisory as at 30 June 2018 with the exception of assets acquired during the course of the reporting period. The fair value of the land is based on recent market transactions on arm's length terms and the fair value of buildings is based on the depreciated replacement cost approach.

(v) *Carrying amounts that would have been recognised if land and buildings were stated at cost*

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	June 2019 $'000	June 2018 $'000
Freehold land		
Cost	54,913	51,163
Buildings		
Cost	327,734	323,491
Accumulated depreciation	(101,458)	(89,770)
Net book amount	226,276	233,721

(vi) *Non-current assets pledged as security*

There are no non-current assets pledged as security by the Company.

(vii) *Capital expenditure commitments*

At reporting date, the Company has capital expenditure commitments of $242 million (2018: $267 million).

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(b) Provisions

A provision is recognised in the statement of financial position when the entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

	June 2019 $'000	June 2018 $'000
Employee benefits		
Current	989	287
Non-current	83	36
Total employee benefits	1,072	323

(i) *Short-term employee benefit obligations*

Liabilities for wages and salaries, including non-monetary benefits and leave entitlements expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

(ii) *Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(c) Recognised fair value measurements

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

Land and buildings

(i) *Fair value hierarchy*

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(c) Recognised fair value measurements (cont)

(i) *Fair value hierarchy (cont)*

The following table presents the Company's assets and liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

Recurring fair value measurements

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2018					
Non-financial assets					
Buildings	8(a)	-	-	338,789	338,789
Freehold land	8(a)	-	79,943	-	79,943
Total non-financial assets		-	79,943	338,789	418,732
30 June 2019					
Non-financial assets					
Buildings	8(a)	-	-	328,490	328,490
Freehold land	8(a)	-	83,693	-	83,693
Total non-financial assets		-	83,693	328,490	412,183

Disclosed fair values

The carrying amounts of trade receivables, trade payables and interest and non-interest-bearing liabilities are approximately their fair values.

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Company obtains independent valuations for its land and buildings (classified as property, plant and equipment) at least triennially. At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. The level 2 fair value of land has been derived using the sales comparison approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach for land and buildings is price per square metre. All resulting fair value estimates for buildings are included in level 3 as their level 2 inputs are adjusted for depreciation which is an unobservable input.

8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(c) Recognised fair value measurements (cont)

(iii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the periods ended 30 June 2019 and 30 June 2018 for recurring fair value measurements:

	Buildings $'000
Opening balance 1 July 2017	239,289
Acquisitions	104,928
Revaluation increment	6,318
Depreciation and impairment	(11,746)
Disposals	-
Transfers	-
Closing balance 30 June 2018	338,789
Opening balance 1 July 2018	338,789
Acquisitions	4,446
Revaluation increment	-
Depreciation and impairment	(14,735)
Disposals	(12)
Transfers	-
Closing balance 30 June 2019	328,488

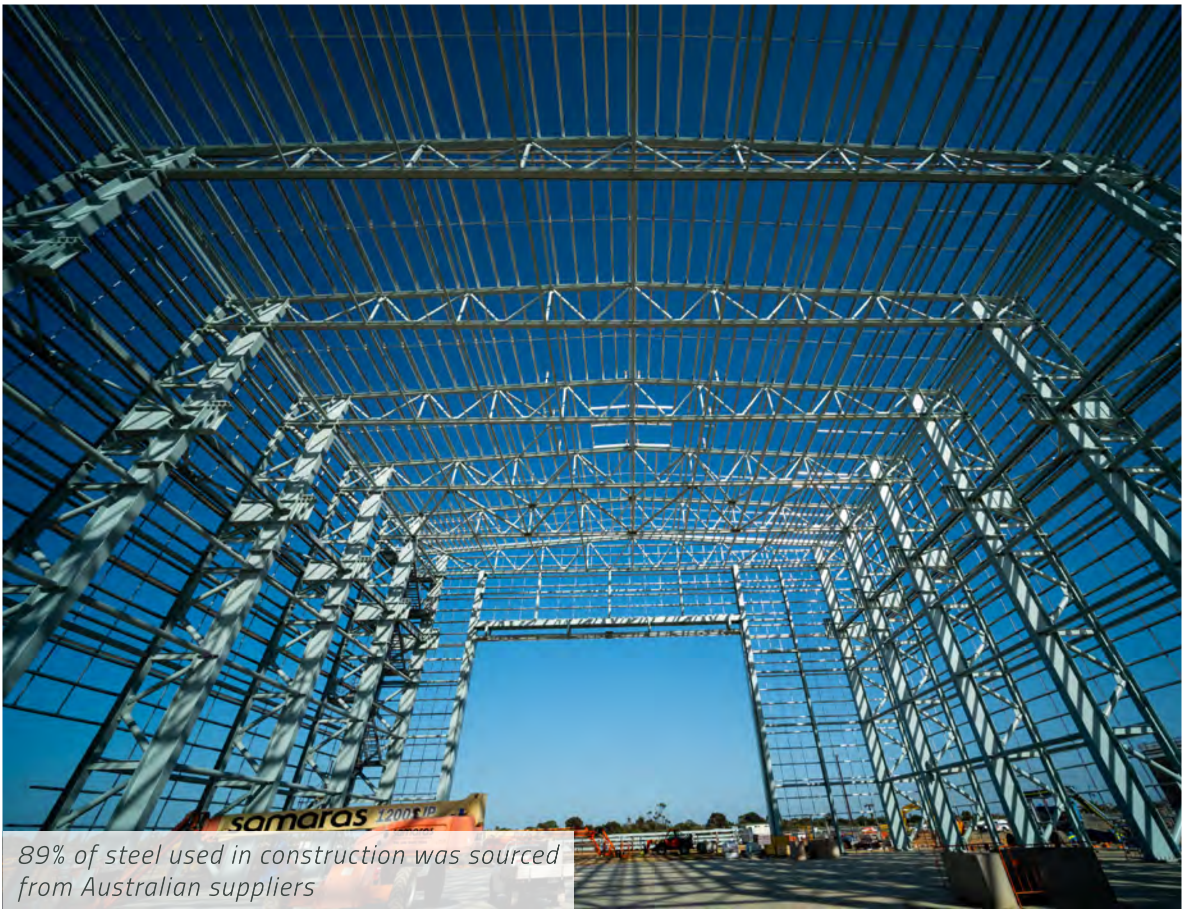
8 NON-FINANCIAL ASSETS AND LIABILITIES (cont)

(c) Recognised fair value measurements (cont)

(iv) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See Note 8(c)(ii) above for the valuation techniques adopted.

	Fair value at			Range of inputs (probability – weighted average)		
Description	**June 2019 $'000**	**30 June 2018 $'000**	**Unobservable inputs**	**2019**	**2018**	**Relationship of unobservable inputs to fair value**
Buildings	328,488	338,789	Depreciation rates	3.20%	3.21%	The higher the depreciation rate, the lower the fair value



89% of steel used in construction was sourced from Australian suppliers

9 FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial risk management

The Company's activities expose it to a variety of financial risks. This note presents information about the Company's exposure to financial risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has tasked the Audit and Risk Committee to oversee how management monitors compliance with the Company's financial risk management policies and procedures. It also reviews the adequacy of the financial risk management framework of the Company.

	June 2019 $'000	June 2018 $'000
Financial assets		
Cash and cash equivalents	96,326	30,855
Trade and other receivables	6,336	4,834
	102,662	35,689
Financial liabilities		
Trade and other payables	31,103	11,543
Non-interest-bearing liabilities	15,417	15,747
	46,520	27,290

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(i) *Trade and other receivables*

The Company's credit exposures to customers, including outstanding receivables and committed transactions, are minimal. The majority of current year revenue is from three customers, two of which are ASC Pty Ltd and its wholly owned subsidiary, ASC AWD Shipbuilder Pty Ltd. ASC Pty Ltd is a Government Business Enterprise owned by the Commonwealth of Australia which has a "AAA" credit rating from Standard & Poor's. The Company therefore has immaterial exposure to credit risk in its operations.

9 FINANCIAL AND CAPITAL RISK MANAGEMENT (cont)

(b) Credit risk (cont)

(ii) *Cash and cash equivalents*

The Company limits its exposure to credit risk by placing its cash with a counterparty that has a credit rating of "Aa3" from Moody's. Given the high credit rating, management does not expect the counterparty to fail to meet its obligations.

(iii) Guarantees

The Company has not issued any financial guarantees to any party during the period.

(iv) *Financial securities received*

The Company has received securities over assets under construction relating to the OSDP. The Company has not received financial securities from any other parties during the period.

(v) *Recognised financial instruments*

The credit risk on financial assets of the Company which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts as summarised below.

	June 2019 $'000	June 2018 $'000
Financial assets		
Trade receivables		
AAA (Commonwealth of Australia)	3,529	4,515
Counterparties without an external credit rating	2,807	319
	6,336	4,834
Aa3- rated cash at bank		
Cash and cash equivalents	96,326	30,855
	96,326	30,855

Off statement of financial position financial instruments

The Company has not entered into any off statement of financial position financial instruments during the period.

9 FINANCIAL AND CAPITAL RISK MANAGEMENT (cont)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
At 30 June 2019							
Non-derivatives							
Non-interest-bearing	31,103	15,413	-	-	200	46,716	46,520
Total non-derivatives	31,103	15,413	-	-	200	46,716	46,520
At 30 June 2018							
Non-derivatives							
Non-interest-bearing	11,543	-	18,686	-	200	30,429	27,290
Total non-derivatives	11,543	-	18,686	-	200	30,429	27,290

9 FINANCIAL AND CAPITAL RISK MANAGEMENT (cont)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) *Interest rate risk*

As the Company holds cash in bank and no term interest-bearing assets, its exposure to changes in market interest rates is minimal.

The exposures of the Company to interest rate risk as well as the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	30 June 2019		30 June 2018	
	$'000	**Effective interest rate**	**$'000**	**Effective interest rate**
Financial assets				
Cash and cash equivalents	96,326	1.78%	30,855	1.25%
Trade and other receivables	6,336	0%	4,834	0%
Total financial assets	**102,662**		**35,689**	
Financial liabilities				
Trade and other payables	31,103	0%	11,543	0%
Non-interest-bearing liabilities	15,747	0%	15,747	2.05%
Total financial liabilities	**46,520**		**27,290**	

The effective interest rate of the non-interest-bearing liabilities reflects the effective discount rate applied in calculating the present value of the liabilities. No discount rate was applied to the deferred purchase obligation of $15.4 million in the current year due to the loan being reclassified from non-current to current liabilities.

(ii) *Sensitivity*

There are no material changes or sensitivities related to market risk.

(iii) *Capital risk management*

The objectives of the Company in managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for its Shareholder and benefits for other stakeholders and to sustain future development of the business. The Company monitors the return on capital.

There were no changes in the approach adopted by the Company in capital management during the year.

10 EQUITY

(a) Share capital

Ordinary shares are classified as equity.

(i) *Movements in ordinary share*

	Number of shares	$'000
Opening balance 1 July 2017	286,722,826	286,723
Equity injection from shareholder	279,500,000	279,500
Balance 30 June 2018	566,222,826	566,223
Opening balance 1 July 2018	566,222,826	566,223
Equity injection from shareholder	301,450,000	301,450
Balance 30 June 2019	867,672,826	867,673

(ii) *Recognition and measurement*

Issued and paid up capital is recognised at the fair value of consideration received by the Company. Transactions with the Commonwealth Government, as owner that are designated as equity injections for the financial year are recognised directly in contributed equity and do not form part of the Company's comprehensive income in the financial year.

(iii) *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

No dividends were declared or paid during the period (2018: Nil).

10 EQUITY (cont)

(b) Revaluation surplus

	Revaluation Surplus
	$'000
Opening balance at 1 July 2017	26,616
Revaluation - gross	6,318
Deferred tax	(1,895)
Other comprehensive income	4,423
Closing balance at 30 June 2018	31,039
Opening balance at 1 July 2018	31,039
Revaluation - gross	-
Deferred tax	-
Other comprehensive income	-
Closing balance at 30 June 2019	31,039

(i) *Nature and purpose of Revaluation surplus - property, plant and equipment*

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of land and buildings.

	June 2019 $'000	June 2018 $'000
Revaluation surplus		
Land	7,685	7,685
Buildings	23,354	23,354
	31,039	31,039

(c) Accumulated losses

Movements in accumulated losses were as follows:

	June 2019 $'000	June 2018 $'000
Balance 1 July	(45,936)	(42,140)
Net (loss) / profit for the period	(8,237)	(3,796)
Balance 30 June	(54,173)	(45,936)

11 ECONOMIC DEPENDENCY

The normal trading activities of the Company depend on the access charge revenue and lease income arising from the provision of critical infrastructure assets for the maintenance of the Collins Class submarines and construction of the AWDs and OPVs. The dependencies existed for all of the financial year for the maintenance of the Collins Class submarines and the construction of the AWDs and OPVs.

The Company is dependent on the Commonwealth for funding of major projects, being the OSDP and the ONDP.

12 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no other matters that have arisen between the end of the financial year and the date of this report including any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly its operations, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

13 RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Disclosures relating to ANI's key management personnel are set out below:

	June 2019 $	June 2018 $
Short-term employee benefits	2,575,926	2,061,956
Post-employment benefits	147,384	158,748
Other long-term benefits	49,492	10,478
	2,772,802	2,231,182

Detailed remuneration disclosures are provided in the Remuneration Report on pages 24 to 27.

(b) Directors

The directors are listed in the Directors' Report on page 22 of this report.

(c) Other related parties

(i) *Australian Government Ministers*

There have been no transactions with any Australian Government Ministers during the financial year.

13 RELATED PARTY TRANSACTIONS (cont)

(c) Other related parties (cont)

(ii) *Shareholders*

The following transactions occurred with related parties:

	June 2019 $	June 2018 $
Equity injections		
Equity injections from the Commonwealth Government into ANI	301,450,000	279,500,000

(d) Loan to / from the Commonwealth of Australia and its related parties

	June 2019 $	June 2018 $
Deferred purchase obligation		
Balance at beginning of period	15,743,591	15,556,824
Fair value adjustment	(330,947)	186,767
Closing balance 30 June	15,412,644	15,743,591

14 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for audit and assurance related services:

	June 2019 $	June 2018 $
Audit and assurance services		
Auditors of the Company - ANAO		
Audit and review of financial statements	87,700	84,280
Other auditors		
Provision of taxation services - KPMG	-	6,000

15 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(b) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Impairment of assets

Financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant assets are tested for impairment individually. The remaining financial assets are assessed in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The loss is recognised in profit or loss.

(d) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Provision must be made in compliance with s254T of the *Corporations Act 2001* (Cth).

(e) Revised standards and interpretations applied

The Company has applied the following revised standards and interpretations for the first time in the financial year commencing 1 July 2018.

(i) *AASB 15 Revenue from Contracts with Customers*

AASB 15 introduces a 5-step process for revenue recognition from contracts with customers. The standard requires that revenue be recognised when the performance obligation is met, namely when the promised good or service is transferred to the customer. AASB 15 replaces all previous revenue related accounting standards. AASB 15 was applied by the Company from 1 July 2018.

Revenue from services is recognised at the point the services are provided. Revenues are accounted for net of discounts, rebates and returns.

Revenue generated from commercial dockings and that received from ASC (via depreciation pass-through and capital charge) meet the definition of revenue under this new revenue standard. There will be no significant impact to ANI's financial statements for these revenue streams.

In prior years, depreciation pass through and capital charge income from AWD was recorded as revenue (under AASB 118). New licences were signed with both AWD and Luerssen, effective July 2018, and are classified as operating leases under AASB 117 Leases.

This is a change in presentation from the prior year and the composition of revenue from continuing operations is reflected in Note 5(a).

(ii) *AASB 9 Financial Instruments*

This standard addresses the classification, measurement and derecognition of financial assets that are designated at fair value through profit and loss and the change in the fair value of the financial liabilities is not due to the change in the Company's own credit risk.

The adoption of AASB 9 has not had a significant effect on the Company.

(b) Impact of standards issued but not yet applied

Certain new accounting standards, interpretations and amendments have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Company, including AASB 16 Leases. The Company's assessment of the impact of this new standard is set out below.

AASB 16 Leases (effective for the 30 June 2020 financial year)

This standard will replace AASB 117 Leases. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets are of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The leases impacted by the new standard are:

- the 3-year lease of office space in Port Adelaide where ANI is the lessee
- commercial property leases where ANI is the lessor
- licences with AWD and Luerssen where ANI is the lessor.

The impact of the new standard on the financials is not expected to be significant.

INDEX OF REQUIREMENTS

This list of requirements has been prepared in accordance with Resource Management Guide No. 137, Annual Report for corporate Commonwealth entities published by the Department of Finance (Public Management Reform Agenda group) in May 2018.

Description	Page(s)
(a) the purposes of the company as included in the company's corporate plan for the period;	2-3
(b) the names of the persons holding the position of responsible Minister or responsible Ministers during the period, and the titles of those responsible Ministers;	10
(c) any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the period;	10
(d) any government policy orders that applied in relation to the company during the period under section 93 of the Act;	10
(e) if, during the period, the company has not complied with a direction or order referred to in paragraph (c) or (d)—particulars of the non compliance;	N/A
(f) information on each director of the company during the period, including: (i) the name of the director; and (ii) the qualifications of the director; and (iii) the experience of the director; and (iv) the number of meetings of the board of the company attended by the director during the period; and (v) whether the director is an executive director or non executive director;	15-18
(g) an outline of the organisational structure of the company (including any subsidiaries of the company)	6
(ga) statistics on the number of employees of the entity (including by reference to ongoing employees and non-ongoing employees) at the end of that and the previous reporting period in relation to each of the following: (i) full time employees; (ii) part time employees, (iii) gender; and (iv) location	6
(h) an outline of the location (whether or not in Australia) of major activities or facilities of the company	6-9
(i) information in relation to the main corporate governance practices used by the company during the period	10-14
(j) the decision making process undertaken by the directors of the company for making a decision if: (i) the decision is to approve the company paying for a good or service from a Commonwealth entity or a company, or providing a grant to a Commonwealth entity or a company; and (ii) the company, and the Commonwealth entity or the company, are related entities; and (iii) the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than $10,000 (GST inclusive);	N/A

Description	Page(s)
(k) if the annual report includes information under paragraph (j): (i) if there is only one transaction—the value of the transaction; and (ii) if there is more than one transaction—the number of transactions and the aggregate of value of the transactions;	N/A
(l) any significant activities and changes that affected the operations or structure of the company during the period	22
(m) particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the company	10-14
(n) particulars of any report on the company given during the period by: (i) the Auditor General; or (ii) a Committee of either House, or of both Houses, of the Parliament; or (iii) the Commonwealth Ombudsman; or (iv) the Office of the Australian Information Commissioner; or (v) the Australian Securities and Investments Commission	N/A
(o) if the directors have been unable to obtain information from a subsidiary of the company that is required to be included in the annual report—an explanation of the information that was not obtained and the effect of not having the information on the annual report	N/A
(oa) information about executive remuneration in accordance with sections 28EA to 28EC	24-27
(p) an index identifying where the requirements of this section and section 28F (if applicable) are to be found.	66-67
Changes in financial conditions and community service obligations (a) an assessment of: (i) significant changes in the company's overall financial structure and financial condition during the reporting period; and (ii) any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition; (b) dividends paid or recommended in relation to the reporting period; (c) details of any community service obligations the government business enterprise has, including: (i) an outline of actions the government business enterprise has taken to fulfil those obligations; and (ii) an assessment of the cost of fulfilling those obligations.	13, 22-23
Information that is commercially prejudicial Information may be excluded if the directors of the government business enterprise believe, on reasonable grounds, that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise. The annual report must state whether such information has been excluded.	14

CORPORATE DIRECTORY

Directors

- Lucio Di Bartolomeo (Chair)
- Peter Iancov
- Janice van Reyk
- Jeremy Schultz
- Alan (Jim) Whalley
- David Knox

Company Secretary

Sally McLennan

Auditors

ANAO and KPMG (as agent for ANAO)

Bankers

Westpac Banking Corporation

Registered office

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Port Adelaide SA 5015

Place of Business

61 Veitch Road
Osborne SA 5017

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NAVAL
INFRASTRUCTURE

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