AUSTRALIAN NAVAL INFRASTRUCTURE

ANNUAL REPORT 2020 - 2021

CONTENTS

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.

ISSN: 2208-9535

TRANSMITTAL LETTER

AUSTRALIAN
NAVAL
INFRASTRUCTURE

2/220 Commercial Road, Port Adelaide SA 5015 **E** enquiries@ani.com.au

PO Box 2404, Port Adelaide SA 5015 **T** +61 8 8131 9000

Senator the Hon Simon Birmingham
Minister for Finance
Parliament House
CANBERRA ACT 2600

The Hon Peter Dutton MP
Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Ministers,

Australian Naval Infrastructure Pty Ltd 2020-21 Annual Report

I am pleased to submit the 2020-21 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 2021 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 through:

- acquiring, holding, managing and developing the infrastructure and related facilities used in connection with this program, and
- 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 17 September 2021.

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

Yours sincerely

LUCIO DI BARTOLOMEO
Chair

17 September 2021

CHAIR AND CEO’S LETTER

We are pleased to present the 2020-21 Annual Report for Australian Naval Infrastructure (ANI).

ANI has continued to focus on its primary objective of supporting the Commonwealth’s continuous naval shipbuilding program by being the owner, developer and manager of infrastructure and related facilities, and by managing the infrastructure to ensure an integrated and coordinated approach to delivery of the shipbuilding program.

Ensuring the safety of our personnel and contractors is a key commitment for all at ANI. We have continued to invest to develop and maintain the right culture, systems, training and approach to ensure that operating safely and ensuring the wellbeing of our workforce is at the forefront of everything that we do. Safety performance across ANI’s operations during 2020-21 was excellent with no lost time injuries or high potential incidents recorded.

During the year ANI achieved a significant milestone with handover of the newly constructed Osborne South shipyard to BAE Systems Maritime Australia (BAESMA) in readiness for commencement of prototyping activities for the Hunter Class Frigate Program.

The shipyard boasts sophisticated equipment and capabilities which will enable the efficient ‘steel in, ships out’ construction of warships. The delivery of the yard on budget and in accordance with schedule requirements notwithstanding the impacts of Covid-19 was a testament to ANI, its managing contractor and the numerous suppliers and subcontractors involved.

At Osborne South, our focus has turned to working with BAESMA as they familiarise themselves with the new yard and equipment, undertake training of their workforce and operationalise the yard for their specific needs and build strategy.

A program of modernisation of existing facilities at Osborne South has also commenced, with the upgrade of an existing fabrication hall to a new pipe workshop being close to completion at year end, on schedule and within budget.

ANI continues to provide facilities and support to the Offshore Patrol Vessel (OPV) Program, with two vessels now in the process of being consolidated and completed at the Osborne South yard. A key milestone in the second half of 2021 will be the launch of the first OPV, facilitated by ANI’s operations team.

CHAIR AND CEO’S LETTER cont

On 16 September 2021, the Prime Minister of Australia, the Prime Minister of the United Kingdom and the President of the United States of America announced an enhanced trilateral security partnership between Australia, the UK and the US (AUKUS). The first major initiative under AUKUS is Australia’s acquisition of at least eight nuclear-powered submarines, to be built at Osborne.

Prior to the announcement, ANI had been progressing construction of the submarine construction yard for the Attack Class submarines at Osborne North. As a result of the announcement, ANI will complete construction of the combat systems physical integration facility (CSPIF) but place all other construction activity on hold, pending definition of the infrastructure requirements for the nuclear submarine program. The body of this report refers to the status of works on the submarine construction yard as at 30 June 2021, when the Attack Class Program was still on foot.

ANI has also continued to provide infrastructure facilities to the Collins Class program in support of the submarine full cycle dockings which are undertaken at Osborne North.

Since its formation just over four years ago, ANI has proven its ability to reliably deliver infrastructure and facilities with an unwavering focus on collaboration and accountability. With support from our stakeholders, we have consistently achieved favourable cost and schedule outcomes in support of the Commonwealth’s objectives.

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director and CEO

17 September 2021

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 coordinated 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 2021, ANI's Shareholder Ministers were the Minister for Defence and the Minister for Finance.

In FY21 ANI has continued to expand its team's operational capability and capacity, particularly to support the management of new infrastructure coming online.

Context: Naval Shipbuilding Plan

The *2016 Defence White Paper* sets 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.

Building on the 2016 Defence White Paper, in 2017 the Government launched the *Naval Shipbuilding Plan*, setting out a long-term vision for a strong, sustainable and innovative naval shipbuilding industry in Australia. The four years since launching

the Naval Shipbuilding Plan have seen solid progress in the delivery of this vision and additional shipbuilding programs flagged in the *2020 Force Structure Plan*.

Delivering the naval capabilities that the Government articulated in the 2017 Naval Shipbuilding Plan 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.

The two largest programs in the 2017 Naval Shipbuilding Plan, the Attack Class submarines and Hunter Class frigates are now both on contract and well into the design phase. The Arafura Class OPV Program is in production, with the first two vessels under construction at Osborne, South Australia and a further two vessels under construction at Henderson, Western Australia.

The Government has prioritised developing a sustainable, continuous shipbuilding industry to end the 'boom and bust' cycle of naval shipbuilding, delivering sovereign capability and certainty for industry.

ANI's principal contribution to the successful delivery of the Naval Shipbuilding Plan is its role as owner, developer and manager of critical shipyard infrastructure. ANI is positioned to provide modern, innovative and secure shipbuilding and sustainment infrastructure throughout the course of the Naval Shipbuilding Plan.

Organisational structure

ANI's team has continued to evolve over the last year to enhance ANI's capability in support of new facilities coming online and its precinct management approach across the Osborne Naval Shipyard (ONS). The organisational structure comprises three areas – corporate, operations/facilities and the project directorate. As at 30 June 2021, ANI had 44 employees.

Ongoing employees

	Male	Female	Indeterminate	Total	Total (%)
2020 - 2021					
Full time	26	9	-	35	80%
Part time / casual	3	6	-	9	20%
Total	**29**	**15**	**-**	**44**	
Percentage (%)	66%	34%			
2019 - 2020					
Full time	25	7	-	32	74%
Part time / casual	6	5	-	11	26%
Total	**31**	**12**	**-**	**43**	
Percentage (%)	72%	28%			

Non-ongoing employees

	Male	Female	Indeterminate	Total	Total (%)
2020 - 2021					
Full time	4	0	-	4	57%
Part time / casual	2	1	-	3	43%
Total	**6**	**1**	**-**	**7**	
Percentage (%)	86%	14%			
2019 - 2020					
Full time	2	0	-	2	33%
Part time / casual	3	1	-	4	67%
Total	**5**	**1**	**-**	**6**	
Percentage (%)	83%	17%			

All ANI staff are based in South Australia.

ANI does not have any subsidiaries.

ANI's assets

ANI's principal place of business is located within the ONS precinct, South Australia, where ANI owns the infrastructure necessary for naval vessel construction and sustainment. ANI's assets include the following sites.

Osborne North shipyard

The existing Osborne North shipyard is the location for the full-cycle docking and maintenance of the Royal Australian Navy's six existing Collins Class submarines (CCSM) which is undertaken by ASC Pty Ltd.

Osborne North Development Project (ONDP)

To facilitate the construction of the Attack Class submarines, a new yard is being built on land acquired by ANI to the west of the existing Osborne North shipyard. The design and construction is in accordance with functional specifications documented by Naval Group and Lockheed Martin Australia (LMA) and approved by Defence.

Construction of the test facilities including the CSPIF and the platform land-based test facility (PLBTF) commenced in 2019, and site works for the main fabrication halls commenced in September 2020.

Osborne South shipyard

The Osborne South shipyard was utilised for the build of three AWDs, the last of which was completed in April 2020. Since mid-2018, the yard has been utilised by Luerssen Australia (Luerssen) and its subcontractor, ASC OPV Shipbuilder Pty Ltd, for the construction of the first two OPVs, with the remaining 10 OPVs to be built in Henderson.

ANI commenced modernisation of the existing Osborne South shipyard in September 2020 as part of a progressive program of works to be undertaken when the relevant buildings are vacated by the OPV Program.

Osborne South Development Project (OSDP)

The Osborne South shipyard has been expanded to facilitate the construction of nine Hunter Class frigates by BAESMA.

The OSDP objective was 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 warships up to Destroyer size.

Practical completion of the new facilities was achieved on schedule and on budget in June 2020, with handover of the yard in readiness for the commencement of prototyping by BAESMA being finalised in late 2020.

Common User Facility (CUF)

ANI owns and operates the CUF and associated infrastructure at Osborne including the wharf, dry berth, transfer system, shiplift and a fleet of self-propelled modular transporters (SPMTs) and provides services to the continuous naval shipbuilding programs and other commercial users of the shipyard.

Other common use infrastructure owned and managed by ANI includes carparking areas surrounding the CUF and Osborne South shipyard, with new carparks to be established to the west of the OSDP and ONDP sites.

Naval Shipbuilding College

The Naval Shipbuilding College is partnering with education and training providers to grow Australia's naval shipbuilding workforce and is located in facilities leased from ANI at Osborne.

Corporate office

ANI's corporate office is currently located in Port Adelaide in leased premises. ANI is in the process of building a new office at Osborne, adjacent to the CUF, allowing the whole team to be co-located near ANI's tenants and project sites. ANI anticipates the new office will be functioning in early 2022.

Community engagement

ANI actively facilitates 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 2020-21 Corporate Plan have all been achieved.

These include:

- turnover of the new Osborne South shipyard to BAESMA in readiness for prototyping to commence in December 2020
- progressing Osborne South modernisation works, specifically the conversion of an existing fabrication hall (Building 2) into a new pipe workshop, on schedule and on budget
- progressing design and delivery of the ONDP Phase 1 (CSPIF and PLBTF) Works
- progressing ONDP Phase 2 planning and delivery of initial site works for the hull manufacturing facilities and submarine consolidation hall
- safely undertaking block moves in support of the OPV Program, and
- progressing access agreement negotiations.


Works are advancing on the ONDP

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

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

Under the PGPA Act, ANI is a Commonwealth Company, PnFC, and 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 2021, ANI's Shareholder Ministers were:

- Minister for Finance, Senator the Hon Simon Birmingham, and
- Minister for Defence, the Hon Peter Dutton MP.

At the commencement of FY21, 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 FY21.

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:

- determining and fostering a corporate culture within the organisation that is appropriate to ANI
- overseeing ANI, including control and accountability systems
- appointing and monitoring the performance of the CEO and the Company Secretary and, where appropriate, the removal of the CEO and the Company Secretary
- providing strategic advice to management
- approving and monitoring the progress of major capital expenditure projects, capital management, acquisitions and divestitures, as well as financial and other reporting
- approving the annual Corporate Plan (including budgets and key performance indicators), and reviewing ANI's performance against them and

monitoring the implementation of necessary corrective actions
- reviewing and interrogating systems of risk management, internal control and legal compliance to satisfy itself that appropriate compliance frameworks and controls are in place
- reviewing and overseeing the implementation of ANI's Code of Conduct
- appointing Board committees and approving the composition, and any charters, of Board committees
- monitoring and verifying compliance with legal and regulatory requirements, ethical standards and policies, and
- 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 last updated and approved by the Board in November 2020, sets out the matters relevant to the composition, responsibilities and administration of the Committee. The charter is published on ANI's website at www.ani.com.au.

The Audit and Risk Committee will meet as often as it considers necessary but at least three 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:
   i. financial reporting
   ii. performance reporting
   iii. systems of risk (financial and performance) oversight and management
   iv. systems of internal control, and
   v. the application of accounting policies
b. maintain and improve the quality, credibility and objectivity of the financial accountability process
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 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 FY21 has been undertaken though an external consultant.

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

During FY21, education of directors has focused on refresher training of directors' duties, and specifically, GBE governance and compliance obligations.

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 manager of critical shipyard infrastructure, and operates in conjunction with ANI's policies and procedures.

PGPA Act and PGPA 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 2021-22 Corporate Plan and SCI were developed in June 2021, with the SCI being published in August 2021 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 and safety

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 FY21, ANI did not have any notifiable incidents under Part 3 of the *Work Health and Safety Act 2011* (Cth), nor did ANI incur any lost time injuries (LTI) or any serious injury.

ANI's major construction projects, the OSDP and ONDP, have been 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. There were approximately 1.5 million hours worked on the OSDP, with zero notifiable incidents and two LTIs. The ONDP has recently reached 1 million hours worked, with one notifiable incident (a near miss incident) and no LTIs.

Environment

ANI is accredited to AS/NZS ISO 14001:2016 Environmental Management, and has environmentally friendly, sustainable practices in place in the operation and maintenance of the common use infrastructure, including:

- Solar charging of mobile plant and installation of PV panels on buildings
- Use of environmentally friendly lubricants and hydraulic oils
- Filtered drainage systems for cleaner stormwater management, and
- Internal and external LED lighting.

In the expansion and modernisation of the ONS, environmentally sustainable initiatives have been installed in the new Osborne South yard and are being considered in the design for other shipyard projects.

This includes:

- Energy efficient and renewable energy sources, including provision for the installation of solar panels on buildings and in carparks
- Changerooms in the new Osborne South yard are modularised to allow sections to be closed off, minimising energy usage to only the areas needed to accommodate current personnel numbers
- The installation of clear cladding to allow natural light into main production halls
- Rainwater harvesting as an alternative water source, including collection, storage and reuse around the yard. For example, rainwater is collected from roof spaces in the new Osborne South yard and is reused in the changerooms for toilet and urinal flushing purposes. Similar reuse opportunities are being incorporated into the design of other expansion and modernisation projects, where possible

- Pollution prevention measures to minimise emissions and the discharge of pollutants during construction and operations
- Sustainable planting using flora indigenous to the area, ensuring plants can flourish with minimal need for additional watering, and
- Material reuse, including the reuse of bulk materials excavated from ONS construction sites relocated for reuse as a base for the new carparks.

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 tax losses, equals 30% and is further detailed in Note 6 of the financial statements.
- **Identification of material temporary and non-temporary differences:** ANI's net deferred tax balance of $50.5 million comprises temporary differences, mainly attributable to revaluations of property, plant and equipment. This is further explained in Note 6(d) 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 tax 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 & Risk Committee	
	Held	Attended	Held	Attended
Mr Lucio Di Bartolomeo	8	8		
Mr Peter Iancov*	8	8	3	3
Ms Janice van Reyk*	8	7	3	3
Mr Jeremy Schultz*	8	8	3	3
Mr Alan (Jim) Whalley	8	8		
Mr Andrew Seaton	8	8		

*indicates Audit & Risk Committee member


ANI's Executive Management team
From left to right: Phil Cornish, Paul Bates, Adele Fraser, Andrew Seaton, Sally McLennan

The names and details of directors in office as at 30 June 2021 are as follows:

LUCIO DI BARTOLOMEO
BE (Civil), MEngSc

Chair and Non-Executive Director

Lucio was appointed as Chair on 26 June 2017. His current term will expire on 25 June 2023.

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 Chair of Australia Post and Health Infrastructure NSW as well as Deputy Chair of Moorebank Intermodal Company and non-executive 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.

JANICE VAN REYK
FAICD, CPA

Non-Executive Director

Janice was appointed on 14 August 2017. Her current term will expire on 13 August 2023.

Janice is a non-executive director serving on the boards of Lochard Energy Group, Ports Victoria, Tennis Australia, Melbourne and Olympic Park Trust and Northern Territory EPA and is an independent member of the Audit & Risk Committee of Victoria Police. Previously, she has served on a number of boards and committees in the infrastructure sector. Prior to her non-executive director career, she enjoyed a career as a senior executive in ASX 100 companies (BHP, Orica and National Foods).

She is a Fellow of the AICD, a CPA and a Leadership Victoria Fellow.

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 2022.

Peter is an experienced company director and executive with over 28 years' expertise gained in the energy infrastructure, mining, commercial construction, contracting and defence sectors. He is currently Managing Director of Zinfra, Chairman of Chronos Advisory and a non-executive director of Aerison Ltd and has previously held senior executive positions across Australian and multinational organisations.

In his previous and current roles, Peter has been instrumental in securing and delivering major infrastructure projects and has been responsible for the management, construction and operation of critical energy infrastructure assets across Australia.

Prior to joining ANI, Peter 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 2022.

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 a graduate of the AICD.

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 2023.

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

ANDREW SEATON

BE (Chem) (Hons), GradDip Bus Admin, GAICD

Managing Director and Chief Executive Officer

Andrew joined ANI in July 2017 and was appointed as Managing Director and Chief Executive Officer on 6 April 2020. His current term will expire on 5 April 2023.

Andrew has over 30 years' business experience encompassing a broad range of executive management, finance, investment banking, engineering and project management roles. Prior to joining ANI he was CFO of Santos Limited and was previously a Vice President in investment banking with Merrill Lynch. He is a non-executive director of Strike Energy Ltd, Homestart Finance Ltd, Cavpower Pty Ltd and Hydrocarbon Dynamics Ltd.

Andrew has an honours degree in Chemical Engineering, a Graduate Diploma in Business Administration and is a Graduate Member of the AICD.

BOARD AND MANAGEMENT cont

SALLY MCLENNAN

LLB (with Honours), GDLP, BMgt, MAICD

General Counsel and Company Secretary

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

Sally is an experienced in-house commercial and corporate lawyer and has over 30 years' business experience. 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 AICD.

PAUL BATES

BA, GradDip InfoMgt, 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 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).

Paul holds a Master 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
BE (Civil)

Project Director

Phil joined ANI on 15 January 2018 and is the Project Director for the ONDP and ANI's other significant design and construction projects within the ONS. He led ANI's project delivery team and managing contractor in the successful delivery of the OSDP in 2020 in readiness for the Hunter Class Frigate Program.

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 East Project with Sydney Motorway Corporation, and previously filled senior management roles with a number of Australian construction companies.

ADELE FRASER
B.Comm (Hons), GradDip CA, FCA

General Manager Finance

Adele was appointed as General Manager Finance on 6 April 2020.

Adele is a chartered accountant with over 20 years' business experience and commenced at ANI in 2018. Prior to joining ANI, Adele was a Senior Manager in the Assurance business at PwC, a firm where she started her career as an undergraduate in South Africa and enjoyed a long career spanning many roles across two countries.

She has an honours degree in Financial Reporting, Auditing, Taxation and Management Accounting, a Graduate Diploma of Chartered Accounting and is a Fellow of Chartered Accountants Australia and New Zealand.

ANI's Project team commenced modernisation works on Building 2, repurposing the facility into a pipe fabrication workshop

Your directors present their report, together with the financial report of Australian Naval Infrastructure Pty Ltd (ANI or the Company), for the year ended 30 June 2021 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
- Andrew Seaton

Principal activities

The Company holds property, plant and equipment at the Osborne Naval Shipyard in support of the Commonwealth's continuous naval shipbuilding program.

Review of operations

Revenue of $32.175 million was $13.615 million (73.4%) higher than the previous financial year due primarily to lease income from BAE Systems Maritime Australia (BAESMA) relating to the Hunter Class Frigate Program.

Land, buildings and infrastructure were subject to an external on-site valuation at 30 June 2021 resulting in a net revaluation increment in buildings and infrastructure of $21.837 million and a revaluation increment of $35.285 million in land. Refer to Note 8 of the financial statements for further details.

Capital expenditure cash flows of $224.416 million were $140.866 million (38.6%) lower than the previous financial year reflecting substantial completion of activity on the Osborne South Development Project (OSDP) and the ramp up of activity on the Osborne North Development Project (ONDP).

The impacts of Covid-19 on the Company have been minimal. Restrictions on international and domestic travel have resulted in delays to some aspects of equipment installation and testing for the Osborne South shipyard.

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs during the financial year ended 30 June 2021.

Significant events after the balance sheet date

On 16 September 2021, the Prime Minister of Australia, the Prime Minister of the United Kingdom and the President of the United States of America announced an enhanced trilateral security partnership between Australia, the UK and the US (AUKUS). The first major initiative under AUKUS is Australia's acquisition of at least eight nuclear-powered submarines, to be built at Osborne. This announcement means the Australian Government will no longer be proceeding with the Attack Class Submarine Program.

The ONDP has progressed based on the functional requirements specific to the Attack Class Submarine Program. Accordingly, the ONDP will be put on hold pending definition by Defence on the infrastructure requirements to support the build of the nuclear-powered submarines. Australia, the UK and the US have committed to a comprehensive program of work over the next 18 months to determine the optimal pathway to bring this capability into service. ANI will work with the Government to develop a detailed plan for the infrastructure required to build these nuclear-powered submarines at Osborne.

Since this condition was not present at 30 June 2021, this has not been treated as an adjusting event. ANI is unable to reliably estimate the future financial impact of this event at this time.

Likely developments and expected results of operations

During the year, the new shipyard was progressively licensed to BAESMA for the construction of the Hunter Class frigates. This resulted in a significant increase in the Company's lease income.

The Company is progressing the ONDP for the design and construction of the submarine yard to support the Attack Class Submarine Program. Site works commenced in the first half of FY20 for the Phase 1 Works comprising the test facilities, which are expected to be progressively tenanted from 2022, and the first half of FY21 for the Phase 2 Works. Phase 2 Works comprise the main submarine hull manufacturing hall, the submarine consolidation hall and associated workshops.

Dividends

No dividends have been paid or declared by the Company 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 and has accreditation for AS/NZS ISO 14001:2016 Environmental Management.

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.

Climate risk

Climate-related risks are usually characterised as either physical or transition risks. Physical risks include events like floods, cyclones and fires. Transition risks are those risks that result from the transition to a lower carbon economy and may include asset write-downs and devaluations for carbon intensive assets, litigation related to environmental damage and costs associated with increasing environmental regulation.

ANI considers climate risk in its decision making in relation to major projects and operations.

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 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) that may arise in their capacity as directors and officers of the Company, 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. 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.

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 29.

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

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director

17 September 2021

This report covers the Company'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	Term as KMP
Directors		
Lucio Di Bartolomeo	Independent, non-executive Chair	Full year
Peter Iancov[2]	Independent, non-executive director	Full year
Janice van Reyk[1]	Independent, non-executive director	Full year
Jeremy Schultz[2]	Independent, non-executive director	Full year
Alan (Jim) Whalley	Independent, non-executive director	Full year
Senior Executives		
Andrew Seaton	Managing Director and Chief Executive Officer	Full year
Paul Bates	General Manager Operations	Full year
Phil Cornish	Project Director	Full year
Adele Fraser	General Manager Finance	Full year
Sally McLennan	General Counsel and Company Secretary	Full year

(1) Janice van Reyk is the Chair of the Audit & Risk Committee

(2) Peter Iancov and Jeremy Schultz are Audit & Risk Committee members

Non-executive director fees

All non-executive directors of the Company 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. The Company is obliged to comply with the Tribunal's determinations and plays no role in the consideration of determination of non-executive director fees.

Fees for non-executive directors for FY21 and FY20 are shown in the following table:

Non-executive position	FY21	FY20
Chair	119,180	119,180
Member	59,590	59,590
Chair - Audit & Risk Committee	16,320	16,320
Member - Audit & Risk Committee	8,160	8,160

Remuneration for non-executive directors for FY21 and FY20 is shown in the following table:

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Directors' fees	Short-term incentive	Other benefits & allowances	Superannuation contributions	Long service leave	Other		
Non-executive directors		$	$	$	$	$	$	$	$
Lucio Di Bartolomeo	2021	119,180	-	-	11,322	-	-	-	130,502
	2020	119,180	-	-	11,322	-	-	-	130,502
Peter Iancov	2021	67,750	-	-	-	-	-	-	67,750
	2020	67,750	-	-	990	-	-	-	68,740
Janice van Reyk	2021	75,910	-	-	7,211	-	-	-	83,121
	2020	75,910	-	-	7,211	-	-	-	83,121
Jeremy Schultz	2021	67,750	-	-	-	-	-	-	67,750
	2020	67,750	-	-	-	-	-	-	67,750
Alan (Jim) Whalley	2021	59,590	-	-	5,661	-	-	-	65,251
	2020	59,590	-	-	5,661	-	-	-	65,251
Total non-executive directors	**2021**	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
	2020	**390,180**	**-**	**-**	**25,184**	**-**	**-**	**-**	**415,364**

Managing Director and Chief Executive Officer remuneration

The Company's Managing Director and Chief Executive Officer (MD & CEO), Andrew Seaton, 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). The Company'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).

For FY21, TFR was paid at the Remuneration Tribunal's "Total Remuneration Reference Rate" for the office, and the MD & CEO was eligible for STI of up to a maximum of 20% of TFR.

Senior Executive remuneration

The Company's approach to remuneration is designed to attract and retain the right people with the right expertise to deliver on the Company's objectives and targets set out in its Corporate Plan. In particular, the Company's executive team is comprised of individuals with the breadth and depth of experience required to deliver on the Company'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 in consultation with the Company's Board. For FY21, 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.

Consistent with Government policy, a freeze was applied to KMP TFR for FY21.

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 FY21, performance was assessed against the following measures:

Deliverable	Weighting	Outcome
Corporate KPIs set out in Corporate Plan	15%	Achieved
Safety (no serious incidents)	15%	Achieved
Operations availability	5%	Achieved
OSDP turnover	10%	Achieved (subject to Covid-19 impacts)[1]
Building 2 modernisation works progressed to plan	10%	Achieved (subject to Covid-19 impacts)[2]
ONDP Phase 1 Works progressed to plan	15%	Achieved
ONDP Phase 2 Works progressed to plan	15%	Achieved
Access agreements progressed	10%	Achieved
Financial (EBITDA)	5%	Achieved

1 Turnover was achieved progressively from July to December 2020, with set to work of specialised equipment and training of BAESMA personnel delayed due to Covid-19 travel restrictions on European OEM personnel.
2 Works substantially complete by 30 June 2021, with set to work of some items of equipment and training of BAESMA personnel on those items delayed due to Covid-19 travel restrictions on interstate equipment specialists.

Remuneration for the MD & CEO and Senior Executives for FY21 and FY20 is shown in the table below:

Name		Short-term benefits: Base salary[1]	Short-term benefits: Short-term incentive	Short-term benefits: Other benefits & allowances[2]	Post-employment benefits: Superannuation contributions[3]	Other long-term benefits: Long service leave[4]	Other long-term benefits: Other long-term benefits	Termination benefits	Total remuneration
Senior Executives		$	$	$	$	$	$	$	$
Andrew Seaton[5]	2021	567,523	93,395	-	8,130	17,310	-	-	686,358
	2020	533,886	85,584	-	12,000	15,127	-	-	646,597
David Knox[6]	2021	-	-	-	-	-	-	-	-
	2020	446,271	72,889	-	19,245	(19,457)	-	-	518,948
Paul Bates	2021	248,029	44,914	-	28,266	7,659	-	-	328,868
	2020	244,531	46,391	-	25,995	7,647	-	-	324,564
Phil Cornish	2021	359,386	60,112	6,000	25,000	9,765	-	-	460,263
	2020	360,082	63,360	5,500	25,000	7,241	-	-	461,183
Adele Fraser[7]	2021	208,890	36,662	-	22,259	4,234	-	-	272,045
	2020	52,740	29,301	-	5,151	2,695	-	-	89,887
Sally McLennan	2021	278,695	49,258	-	24,016	8,928	-	-	360,897
	2020	278,252	50,842	-	25,000	6,954	-	-	361,048
Total executives	**2021**	**1,662,523**	**284,341**	**6,000**	**107,671**	**47,896**	**-**	**-**	**2,108,431**
	2020	**1,915,762**	**348,367**	**5,500**	**112,391**	**20,207**	**-**	**-**	**2,402,227**
Total non-executive directors	**2021**	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
	2020	**390,180**	**-**	**-**	**25,185**	**-**	**-**	**-**	**415,364**
Total KMP	**2021**	**2,052,703**	**284,341**	**6,000**	**131,865**	**47,896**	**-**	**-**	**2,522,805**
	2020	**2,305,942**	**348,367**	**5,500**	**137,575**	**20,207**	**-**	**-**	**2,817,591**

1. Base salary includes accrued annual leave entitlements.
2. Car allowance for significant business use of a personal vehicle.
3. Where annual superannuation contributions from ANI and/or external sources exceed prevailing salary caps, executives can elect to have some or all of the superannuation contributions paid as salary rather than superannuation.
4. 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.
5. Andrew Seaton was appointed MD & CEO on 6 April 2020.
6. David Knox retired as the Company's MD & CEO on 3 April 2020. His part-year remuneration for 2020 is shown.
7. Adele Fraser became a KMP on 6 April 2020. Her part-year remuneration for 2020 is shown.

Australian National Audit Office

AUSTRALIAN NAVAL INFRASTRUCTURE PTY LTD

FINANCIAL REPORT 2020-21

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 2021, 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

Scott Sharp
Executive Director

Delegate of the Auditor-General

Canberra

17 September 2021

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Australian National
Audit Office

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 2021 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 2021 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 as at 30 June 2021 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 (including Independence Standards)* (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 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 2021, 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
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

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.

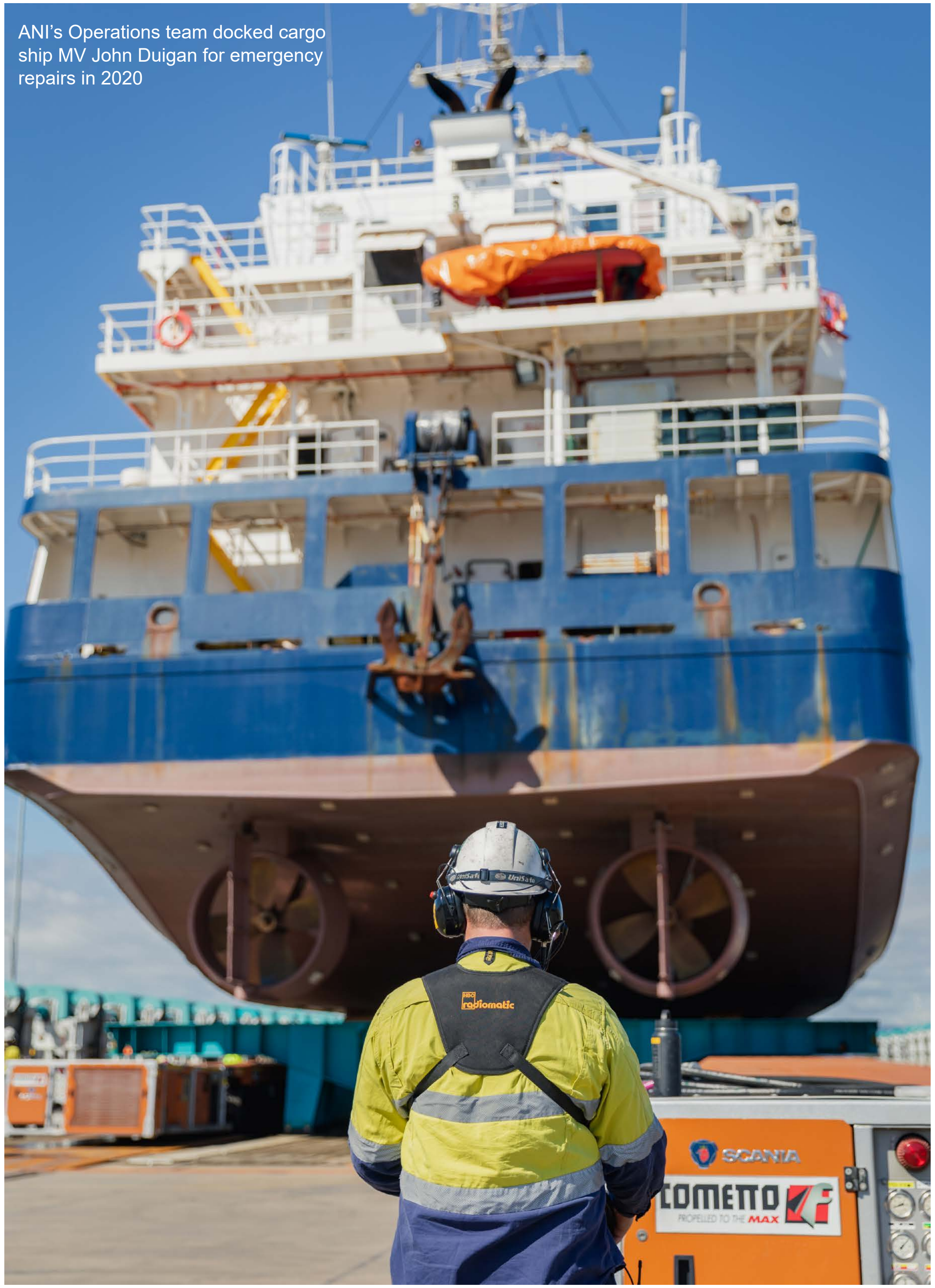
As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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

Scott Sharp
Executive Director
Delegate of the Auditor-General
Canberra
17 September 2021



ANI's Operations team docked cargo ship MV John Duigan for emergency repairs in 2020

DIRECTORS' DECLARATION

The directors declare that, in the directors' opinion:

a. the financial statements and notes set out on pages 35 to 70 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 Company's financial position as at 30 June 2021 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

ANDREW SEATON
Managing Director

17 September 2021

Created by Aboriginal artist, Elizabeth Close, ‘With; On; Within’ is an artwork that is site responsive to the natural environment around the ONS and acknowledges the traditional custodians of the land upon which it stands.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME / FOR THE YEAR ENDED 30 JUNE 2021

	Note	June 2021 $'000	June 2020 $'000
Revenue from continuing operations			
Facilities and service charges - revenue	5(a)	236	2,281
Lease income	5(a)	31,939	16,279
Other income	5(b)	232	-
Interest income		109	585
		32,516	**19,145**
Expenses			
Depreciation expense	5(b)	36,770	20,077
Utilities and statutory charges		2,171	1,907
Repairs and maintenance		2,022	1,078
Corporate costs		11,020	10,996
Net finance expense / (income)	5(b)	18	(14)
Gain on debt restatement	5(b)	-	(2,278)
Gain on debt forgiveness	5(b)	(13,135)	-
Net revaluation decrement - land, buildings and infrastructure	8(a)	2,111	6,752
Loss on disposal of property, plant and equipment		1,831	4,103
Loss before income tax		**(10,292)**	**(23,476)**
Income tax benefit	6(b)	5,031	5,381
Loss for the period		**(5,261)**	**(18,095)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land, buildings and infrastructure	8(a)	59,233	49,857
Income tax relating to these items	6(d)	(17,770)	(14,957)
Other comprehensive income for the period, net of tax		**41,463**	**34,900**
Total comprehensive income for the period		**36,202**	**16,805**
Loss for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		(5,261)	(18,095)
Total comprehensive income for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		36,202	16,805

The statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION / AS AT 30 JUNE 2021

	Note	June 2021 $'000	June 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	54,877	57,144
Trade and other receivables	7(b)	7,368	4,828
Prepayments	7(c)	45,011	43,834
Total current assets		**107,256**	**105,806**
Non-current assets			
Property, plant and equipment	8(a)	1,411,343	1,146,638
Total non-current assets		**1,411,343**	**1,146,638**
Total assets		**1,518,599**	**1,252,444**
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	26,746	16,721
Lease liability	7(e)	202	258
Provisions	8(b)	1,339	1,226
Other current liabilities	8(c)	1,078	1,086
Deferred income	8(d)	399	-
Total current liabilities		**29,764**	**19,291**
Non-current liabilities			
Deferred tax liabilities	6(e)	50,465	37,725
Non interest-bearing liabilities	7(f)	4	13,121
Lease liability	7(e)	-	21
Provisions	8(b)	209	113
Deferred income	8(d)	12,382	-
Total non-current liabilities		**63,060**	**50,980**
Total liabilities		**92,824**	**70,271**
Net assets		**1,425,775**	**1,182,173**
EQUITY			
Share capital	10(a)	1,395,823	1,188,423
Revaluation surplus	10(b)	106,730	65,939
Accumulated losses	10(c)	(76,778)	(72,189)
Total equity		**1,425,775**	**1,182,173**

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 2021

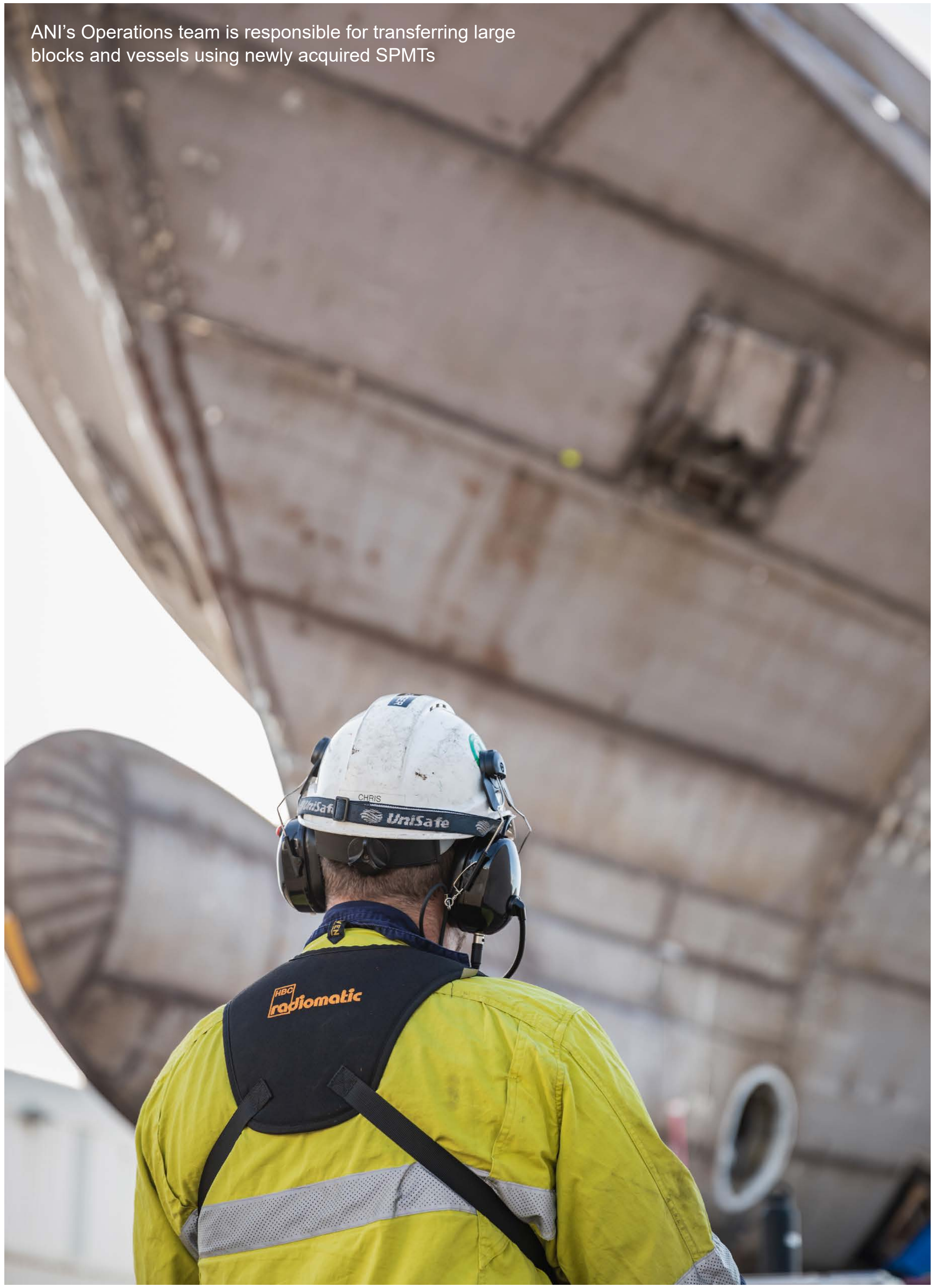
	Share capital $'000	Revaluation surplus $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	**867,673**	**31,039**	**(54,173)**	**844,539**
Adjustment to opening balance				
AASB 16 transition - lease incentive to accumulated losses	-	-	113	113
Income tax relating to these items	-	-	(34)	(34)
Adjusted balance at 1 July 2019	**867,673**	**31,039**	**(54,094)**	**844,618**
Loss for the year	-	-	(18,095)	(18,095)
Revaluation of land, buildings and infrastructure	-	49,857	-	49,857
Income tax relating to these items	-	(14,957)	-	(14,957)
Total comprehensive income for the year	**-**	**34,900**	**(18,095)**	**16,805**
Transactions with owners in their capacity as owners				
Contributions of equity	320,750	-	-	320,750
Balance at 30 June 2020	**1,188,423**	**65,939**	**(72,189)**	**1,182,173**
Balance at 1 July 2020	**1,188,423**	**65,939**	**(72,189)**	**1,182,173**
Loss for the year	-	-	(5,261)	(5,261)
Disposal of assets - revaluation surplus adjustment	-	(960)	960	-
Income tax relating to these items	-	288	(288)	-
Revaluation of land, buildings and infrastructure	-	59,233	-	59,233
Income tax relating to these items	-	(17,770)	-	(17,770)
Total comprehensive income for the year	**-**	**40,791**	**(4,589)**	**36,202**
Transactions with owners in their capacity as owners				
Contributions of equity	207,400	-	-	207,400
Balance at 30 June 2021	**1,395,823**	**106,730**	**(76,778)**	**1,425,775**

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

STATEMENT OF CASH FLOWS / FOR THE YEAR ENDED 30 JUNE 2021

	Note	June 2021 $'000	June 2020 $'000
Cash flows from operating activities			
Cash receipts from customers		52,025	32,125
Payments to suppliers and employees		(37,134)	(27,109)
Net cash inflow from operating activities	7(a)	**14,891**	**5,016**
Cash flows from investing activities			
Payments for property, plant and equipment		(224,416)	(365,282)
Proceeds from sale of property, plant and equipment		7	-
Interest received		109	585
Net cash outflow from investing activities		**(224,300)**	**(364,697)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	10(a)	207,400	320,750
Repayment of lease liability	7(a)	(258)	(248)
Interest paid	7(a)	-	(3)
Net cash inflow from financing activities		**207,142**	**320,499**
Net decrease in cash and cash equivalents		**(2,267)**	**(39,182)**
Cash and cash equivalents at the beginning of the financial year		**57,144**	**96,326**
Cash and cash equivalents at the end of the financial year	7(a)	**54,877**	**57,144**

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



ANI's Operations team is responsible for transferring large blocks and vessels using newly acquired SPMTs

Contents

1. About this report

ANI is a company incorporated and domiciled in Australia. It is wholly owned by the Commonwealth Government.

The Company 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:

- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB), and
- 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, buildings and infrastructure - 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. 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, buildings and infrastructure	8

d. Significant accounting policies

Accounting policies are selected and applied in a manner that ensures 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 16 (Other significant accounting policies).

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 the Company's business during the financial year ended 30 June 2021.

The financial position and performance of the Company was particularly affected by the following events and transactions during the reporting period:

Osborne South shipyard

The Company's new shipyard was handed over to BAESMA on a staged basis between July and December 2020 resulting in a significant increase to lease income for the year ended 30 June 2021. Assets under construction were transferred to buildings and infrastructure as a result and a corresponding increase in depreciation expense is reflected in the financial statements.

Transfer of OSTs

The transfer of ownership of outfit support towers (OSTs) from the Commonwealth (for nominal consideration) has been classified as deferred income in the balance sheet and will be recognised as income in the profit or loss on a systematic basis over the estimated useful lives of the OSTs.

PO2 Hall debt forgiveness

The PO2 Hall debt forgiveness from the Commonwealth has been classified as a gain and recognised in profit or loss.

5. Financial performance

a. Revenue

	June 2021 $'000	June 2020 $'000
Revenue from continuing operations		
Facilities and services charges	236	2,281
Lease income	31,939	16,279
Total	**32,175**	**18,560**

Revenue recognition

Under AASB 15 *Revenue from Contracts with Customers*, 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.

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

Revenue stream	Recognition	Applicable accounting standard
Facilities and services charges	Common Use Infrastructure (CUI) revenue (e.g. commercial dockings) is recognised at a point in time, upon satisfaction of performance obligations.	AASB 15
Lease income	Annual commercial property rental charges are recognised on a straight-line basis over the period to which the charge relates. Licences with Luerssen Australia Pty Ltd (Luerssen) and BAESMA are classified as operating leases, where the Company is the lessor. Income from ASC Pty Ltd (ASC) comprises a capital charge and a pass-through of depreciation. The capital charge 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 and the depreciation charge is recognised based on the depreciation of critical infrastructure assets provided by the Company. Both this capital charge and depreciation charge are treated as lease income under AASB 16 Leases.	AASB 16

b. Other income and expense items

Items included in loss before income tax:

	June 2021 $'000	June 2020 $'000
Other income		
Deferred income recognised in profit or loss	232	-
Depreciation		
Buildings	25,950	13,757
Plant and equipment	10,567	6,067
Right of use asset	253	253
	36,770	**20,077**
Net finance expense / (income)	18	(14)
Gain on debt restatement		
Gain on deferred purchase obligation restatement	-	(2,278)
Gain on debt forgiveness		
Gain on deferred purchase obligation forgiveness	(13,135)	-

Accounting Policy

Item	Policy
Other income	The deferred income balance is released to the profit or loss as other income on a systematic basis. Refer to Note 8(d).
Depreciation	Accounting policies for depreciation and amortisation are described in Note 8(a).
Net finance expense / (income)	Net finance expense / (income) incurred during the financial year is taken to profit or loss.
Gain on debt restatement	Gain on the remeasurement of a financial liability is taken to profit or loss. Refer to Note 14(d).
Gain on debt forgiveness	Gain on the forgiveness of a financial liability is taken to profit or loss. Refer to Note 7(f).

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 2021 $'000	June 2020 $'000
Loss from continuing operations before income tax	**(10,292)**	**(23,476)**
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	3,088	7,043
Non-deductible expenses	(7)	(1,197)
Reversal of unrecognised temporary difference	1,950	-
Restatement of deferred balances	-	(465)
Income tax benefit	**5,031**	**5,381**

c. Numerical reconciliation of accounting profit to tax loss

	June 2021 $'000	June 2020 $'000
Loss from continuing operations before income tax	**(10,292)**	**(23,476)**
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	3,088	7,043
Permanent differences	(7)	(1,197)
Temporary differences - property, plant and equipment	(3,571)	(481)
Unrecognised temporary differences - property, plant and equipment	1,950	-
Debt forgiveness	3,940	-
Restatement of deferred balances	-	(465)
Temporary differences - other	(143)	(261)
Income tax loss	**5,257**	**4,639**

d. 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 2021 $'000	June 2020 $'000
Recognised in revaluation surplus		
Net deferred tax on revaluation	(17,770)	(14,957)
Net deferred tax on disposals	288	-
	(17,482)	**(14,957)**

e. Deferred tax balances

Net position as presented in the statement of financial position

	June 2021 $'000	June 2020 $'000
Net deferred tax liabilities		
Deferred tax assets	23,720	22,459
Deferred tax liabilities	(74,185)	(60,184)
	(50,465)	**(37,725)**

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

i. Deferred tax assets

	June 2021 $'000	June 2020 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	13,940	14,116
Tax losses carried forward	9,020	7,704
Sundry items	760	639
	23,720	**22,459**

Movements	Property, plant and equipment $'000	Tax losses $'000	Other items $'000	Total $'000
At 1 July 2019	15,491	3,065	353	18,909
Adjusted on adoption of AASB 16	(34)	-	-	(34)
Adjusted opening balance at 1 July 2019	**15,457**	**3,065**	**353**	**18,875**
Charged / (credited)				
- to profit or loss	(1,341)	4,639	286	3,584
At 30 June 2020	**14,116**	**7,704**	**639**	**22,459**
At 1 July 2020	14,116	7,704	639	22,459
Charged / (credited)				
- to profit or loss	(176)	1,316	121	1,261
At 30 June 2021	**13,940**	**9,020**	**760**	**23,720**

ii. Deferred tax liabilities

	June 2021 $'000	June 2020 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	74,066	60,043
Sundry items	119	141
	74,185	**60,184**

Movements	Property, plant and equipment $'000	Other items $'000	Total $'000
At 1 July 2019	**46,908**	**116**	**47,024**
Charged/(credited)			
- to profit or loss	(1,822)	25	(1,797)
- to other comprehensive income	14,957	-	14,957
At 30 June 2020	**60,043**	**141**	**60,184**
At 1 July 2020	**60,043**	**141**	**60,184**
Charged/(credited)			
- to profit or loss	(3,747)	(22)	(3,769)
- to other comprehensive income	17,482	-	17,482
- to accumulated losses	288	-	288
At 30 June 2021	**74,066**	**119**	**74,185**

iii. Net deferred tax

	June 2021 $'000	June 2020 $'000
Property, plant and equipment	(60,126)	(45,927)
Tax losses	9,020	7,704
Other items	641	498
	(50,465)	**(37,725)**

7. Financial assets and financial liabilities

a. Cash and cash equivalents

	June 2021 $'000	June 2020 $'000
Current assets		
Cash and cash equivalents	**54,877**	**57,144**

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 after income tax to net cash inflow from operating activities

	June 2021 $'000	June 2020 $'000
Loss for the year	(5,261)	(18,095)
Adjustment for:		
Depreciation	36,770	20,077
Net finance expense / (income)	18	(14)
Other income	(232)	-
Interest income	(109)	(585)
Income tax benefit	(5,031)	(5,381)
Gain on debt forgiveness	(13,135)	-
Loss on disposal of non-current assets	1,831	4,103
Revaluation decrement - land, buildings and infrastructure	2,111	6,752
Change in operating assets and liabilities*		
(Increase) / decrease in trade and other debtors	(715)	820
Decrease in trade creditors and other liabilities	(1,215)	(3,148)
Increase in prepayments	(141)	(32)
Movement in current and deferred taxes	-	519
Net cash inflow from operating activities	**14,891**	**5,016**

*The changes in operating assets and liabilities do not include movements of trade debtors and trade payables categorised as investing activities.

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

	Lease liabilities $'000	Share capital $'000	Total $'000
Year ended 30 June 2020			
Proceeds from issue of share capital – Note 10(a)	-	320,750	320,750
Repayment of lease liability – Note 7(e)	(248)	-	(248)
Interest paid	(3)	-	(3)
Net cash inflow from financing activities	**(251)**	**320,750**	**320,499**
Year ended 30 June 2021			
Proceeds from issue of share capital – Note 10(a)	-	207,400	207,400
Repayment of lease liability – Note 7(e)	(258)	-	(258)
Net cash inflow from financing activities	**(258)**	**207,400**	**207,142**

b. Trade and other receivables

Current assets	June 2021 $'000	June 2020 $'000
Trade and other receivables	4,910	3,445
GST receivable	2,458	1,383
	7,368	**4,828**

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 45 days. The expected credit loss provision was nil at 30 June 2021 (30 June 2020: nil).

Included in trade and other receivables is an amount of $1.200 million which relates to a State Government claim. At the time of acquiring several parcels of land located at Osborne from Defence SA, the contract provided that Defence SA's liability for contamination in respect of the land would be capped at $1.200 million (excl GST). Having identified contamination and undertaken remediation works, ANI submitted its claim for compensation up to the maximum amount claimable.

c. Prepayments

Current assets	June 2021 $'000	June 2020 $'000
Advance on land acquisition	43,364	43,364
Other prepayments	1,647	470
	45,011	**43,834**

d. Trade and other payables

Current liabilities	June 2021 $'000	June 2020 $'000
Trade payables	22,166	15,643
Other payables	4,580	1,078
	26,746	**16,721**

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

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

e. Lease liability

	June 2021 $'000	June 2020 $'000
Opening balance on 1 July	279	527
Repayment of liability	(258)	(248)
Extension of lease	181	-
Closing balance 30 June	**202**	**279**
Classification		
Current	202	258
Non-current	-	21
	202	**279**

The lease liability relates to the Port Adelaide office lease which is accounted for under AASB 16 *Leases*.

At the commencement or modification of a contract that contains a lease the Company recognises a right-of-use asset and a lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in index or rate or if the Company changes its assessment of whether it will exercise an extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Company has extended the Port Adelaide office lease by eight months from 1 August 2021. This is reflected in the restated right-of-use asset and corresponding lease liability.

f. Borrowings

Non-interest-bearing liabilities

	June 2021 $'000	June 2020 $'000
Current		
Deferred purchase obligation	-	-
	-	-
Non-current		
Term loan	4	4
Deferred purchase obligation	-	13,117
	4	**13,121**

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

Under this arrangement, ASC AWD had an obligation to purchase the facility within three months of the acceptance of the last AWD by the Commonwealth 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 Osborne South shipyard.

During the financial year ended 30 June 2021, the Commonwealth released the Company from its obligation to pay the financial liability. This transaction is reflected in the profit or loss as a gain on debt forgiveness ($13.135 million).

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 $0.200 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 2021 (2020: $0.004 million) in accordance with AASB 9 *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

8. Non-financial assets and liabilities

a. Property, plant and equipment

	June 2021 $'000	June 2020 $'000
Land, at valuation	111,715	76,195
Buildings and infrastructure		
At valuation	763,736	374,976
Accumulated depreciation	-	-
	763,736	374,976
Plant and equipment		
At historical cost	225,576	105,043
Accumulated depreciation	(30,281)	(19,840)
	195,295	85,203
Right-of-use lease asset		
At cost	708	527
Accumulated depreciation	(506)	(253)
	202	274
Assets under construction		
At cost	340,395	609,990
Total property, plant and equipment	**1,411,343**	**1,146,638**

As summarised in the following table, a revaluation increment of $35.285 million was recorded against the balance sheet carrying value of land while the carrying value of buildings and infrastructure was increased by a net revaluation increment of $21.837 million, following an external valuation conducted at 30 June 2021.

The net $35.285 million land revaluation increment was driven by the independent valuation expert's assumptions regarding the market value of land. The revaluation increment of net $21.837 million on buildings and infrastructure relates mainly to an assessed increase in the value of CUF yard infrastructure and wharf assets of $26.796 million.

	Land $'000	Buildings and infrastructure $'000	Plant and equipment $'000	Right-of-use lease asset $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2020						
Opening net book amount	83,693	328,488	91,437	-	304,129	807,747
Revaluation increment*	4,005	58,418	-	-	-	62,423
Revaluation decrement*	(12,893)	(6,425)	-	-	-	(19,318)
Additions	1,390	8,710	3,391	527	305,948	319,966
Transfers	-	122	(35)	-	(87)	-
Depreciation charge	-	(13,757)	(6,067)	(253)	-	(20,077)
Disposals	-	(580)	(3,523)	-	-	(4,103)
Closing net book amount	**76,195**	**374,976**	**85,203**	**274**	**609,990**	**1,146,638**
Year ended 30 June 2021						
Opening net book amount	76,195	374,976	85,203	274	609,990	1,146,638
Revaluation increment*	35,285	42,103	-	-	-	77,388
Revaluation decrement*	-	(20,266)	-	-	-	(20,266)
Additions	235	13,479	2,195	181	230,101	246,191
Transfers	-	381,015	118,681	-	(499,696)	-
Depreciation charge	-	(25,950)	(10,567)	(253)	-	(36,770)
Disposals	-	(1,621)	(217)	-	-	(1,838)
Closing net book amount	**111,715**	**763,736**	**195,295**	**202**	**340,395**	**1,411,343**

*Revaluation increment / (decrement)

	At 30 June 2021			At 30 June 2020		
	Land $'000	Buildings and infrastructure $'000	Total $'000	Land $'000	Buildings and infrastructure $'000	Total $'000
To revaluation surplus (pre-tax)	29,017	30,216	59,233	(2,620)	52,477	49,857
To profit or loss	6,268	(8,379)	(2,111)	(6,268)	(484)	(6,752)
	35,285	**21,837**	**57,122**	**(8,888)**	**51,993**	**43,105**

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

i. Assets in the course of construction

The carrying value of property, plant and equipment includes the following expenditure on assets which are in the course of construction for the listed projects below:

- the OSDP shipyard of $12.108 million (2020: $496.434 million)
- the OSDP modernisation works of $26.366 million (2020: $nil)
- the ONDP of $296.331 million (2020: $111.811 million), and
- precinct projects of $5.551 million (2020: $1.746 million).

These assets are to be funded through Company generated cash flows and capital injections from Shareholders under an equity funding agreement. As these assets are not ready for use, no depreciation is charged.

ii. Recognition and Measurement

Fair value

Land, buildings and infrastructure 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.

Revaluation

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.

Cost

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.

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.

Depreciation

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. In the case of leasehold improvements and certain leased plant and equipment, the item is depreciated over the shorter of the asset's useful life and the lease term.

Assets are depreciated over the following useful lives:

- Freehold buildings and infrastructure: 5 - 60 years
- Plant and equipment: 3 - 40 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.

Disposals

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.

Assets under construction and capitalisation

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. Costs that are not directly attributable are recorded as an expense in profit or loss.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

iv. Valuation of land, buildings and infrastructure

An independent on-site valuation of all land, buildings and infrastructure of the Company was carried out by Griffin Valuation Advisory (Griffin) as at 30 June 2021. The fair value of the land is based on recent market transactions on arm's length terms and the fair value of buildings and infrastructure is based on the depreciated replacement cost approach.

The report from Griffin indicates that the real estate market contains a significant amount of market uncertainty, particularly given the impact of the Covid-19 pandemic. The fair values provided to the Company at 30 June 2021 therefore contain a corresponding level of volatility.

v. Carrying amounts that would have been recognised if land, buildings and infrastructure were stated at cost

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

	June 2021 $'000	June 2020 $'000
Land		
Cost	56,539	56,304
Buildings and infrastructure		
Cost	726,335	335,763
Accumulated depreciation	(131,112)	(111,713)
Net book amount	**595,223**	**224,050**

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 had capital expenditure commitments of $176.887 million (2020: $43.653 million). Included in this amount is the last $2.000 million payable to a vendor as part of a property acquisition. $43.464 million of milestone payments have already been paid and are recorded as an 'Advance on land acquisition' in prepayments. Refer to Note 7(c).

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 and the amount of the obligation has been reliably estimated. 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 2021 $'000	June 2020 $'000
Employee benefits		
Current	1,339	1,226
Non-current	209	113
	1,548	**1,339**

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. Short-term employee benefits are expensed as the related service is provided. All other short-term employee benefit obligations are presented as payables.

ii. Other long-term employee benefit obligations

The liability for long service leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. It is 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 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

c. Other current liabilities

	June 2021 $'000	June 2020 $'000
Deferred income – government grants	704	704
Other liabilities	374	383
	1,078	**1,086**

Other liabilities comprise government grants and other sundry liabilities.

Government grants

Government grants received from federal, state, or local government (other than when the Commonwealth is acting in its capacity as a shareholder) are accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.*

Government grants are recognised in the statement of financial position as deferred income when the grant is received. Grants that compensate the Company for expenses incurred are recognised in profit or loss in the same period as the relevant expenses. Grants related to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised.

During FY20, local government compensated ANI $777,000 for future dredging of the CUF river channel as part of an agreement that was in place when the Company purchased the Techport Australia business from Defence SA. This grant was recognised in the statement of financial position as deferred grant income and is released to the profit or loss when CUF dredging is undertaken, offsetting the expense in profit or loss.

d. Deferred income

	June 2021 $'000	June 2020 $'000
Current		
Deferred income – OST transfer	399	-
	399	**-**
Non-current		
Deferred income – OST transfer	12,382	-
	12,382	**-**

During FY21, the Commonwealth transferred ownership of two OSTs to the Company (fair value of $13.014 million) for nominal consideration. This transaction was recognised in the statement of financial position as deferred income. This balance is released to the profit or loss as other income on a systematic basis over the estimated remaining useful lives of the buildings (refer to Note 5 (b)). At 30 June 2021, the OSTs have estimated remaining useful lives of 32 years.

e. Recognised fair value measurements

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

Land, buildings and infrastructure

i. Fair value hierarchy

AASB 13 *Fair Value Measurement* 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 (observable inputs) (level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value as at 30 June 2021 and 30 June 2020.

Recurring fair value measurements

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020					
Non-financial assets					
Land	8(a)	-	76,195	-	76,195
Buildings and infrastructure	8(a)	-	-	374,976	374,976
Total non-financial assets		**-**	**76,195**	**374,976**	**451,171**
30 June 2021					
Non-financial assets					
Land	8(a)	-	-	111,715	111,715
Buildings and infrastructure	8(a)	-	-	763,736	763,736
Total non-financial assets		**-**	**-**	**875,451**	**875,451**

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 its 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 report from Griffin indicates that the real estate market contains a significant amount of market uncertainty, particularly given the impact of the Covid-19 pandemic. The fair values provided to the Company at 30 June 2021 therefore contain a corresponding level of volatility.

The best evidence of fair value is current prices in an active market for similar properties. The 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. In the most recent independent valuation, the price per square metre (a level 2 input) has included significant adjustments by the valuer, as follows:

- **Premium based on hub location:**

  The inputs have been adjusted to account for the land being associated with being a leading naval industry hub.

- **Overall increase of industrial property values in the area:**

  A premium has been applied to account for the overall increase industrial property prices in the region.

Management has determined these adjustments are based on unobservable inputs, resulting in land being fair valued using level 3 inputs for the period ended 30 June 2021.

As in previous periods, fair value estimates for buildings are included in level 3 as their level 2 inputs are adjusted for depreciation which is an unobservable input.

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 2021 and 30 June 2020 for recurring fair value measurements:

Land

	June 2021 $'000	June 2020 $'000
Opening balance on 1 July	76,195	83,693
Additions	235	1,390
Revaluation increment	36,390	4,005
Revaluation decrement	(1,105)	(12,893)
Closing balance 30 June	**111,715**	**76,195**

The premiums applied to the price per square metre input (as mentioned in Note 8(e)(ii)) resulted in the average price per square metre increasing to $111/m² (2020: $77/m²). In FY20, the valuation of land was based on level 2 inputs.

Buildings and infrastructure

	June 2021 $'000	June 2020 $'000
Opening balance on 1 July	**374,976**	**328,488**
Additions	13,479	8,710
Revaluation increment	42,103	58,418
Revaluation decrement	(20,266)	(6,425)
Depreciation	(25,950)	(13,757)
Disposals	(1,621)	(580)
Transfers	381,015	122
Closing balance 30 June	**763,736**	**374,976**

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. Refer to Note 8(e)(ii) above for the valuation techniques adopted.

	Fair value at			Range of inputs (probability - weighted average)		
Description	**June 2021 $'000**	**June 2020 $'000**	**Unobservable inputs**	**FY21**	**FY20**	**Relationship of unobservable inputs to fair value**
Buildings and infrastructure	763,736	374,976	Depreciation rates	3.58%	3.25%	The higher the depreciation rate, the lower the fair value
Land	111,715	76,195	Premium hub location	20%	N/A	The association with the naval hub increases the fair value
			Overall market increase	13%	N/A	The overall increase of industrial land values in the area increases the fair value

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. As the Company does not carry any external debt facilities, financial risk is assessed as low.

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 2021 $'000	June 2020 $'000
Financial assets		
Cash and cash equivalents	54,877	57,144
Trade and other receivables	7,368	4,828
	62,245	**61,972**
Financial liabilities		
Trade and other payables	26,746	16,721
Non-interest-bearing liabilities	4	13,121
Lease liability	202	279
	26,952	**30,121**

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 income is from three Commonwealth-backed customers, ASC, BAESMA and Luerssen. The Company therefore has immaterial exposure to credit risk in its operations.

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 and ONDP. 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 in the statement of financial position, is the carrying amount, net of any provision for doubtful debts as summarised below.

	June 2021 $'000	June 2020 $'000
Trade receivables		
AAA (Commonwealth of Australia)	3,612	3,074
Counterparties without an external credit rating	3,756	1,754
	7,368	**4,828**
Aa3 rated cash at bank		
Cash and cash equivalents	54,877	57,144
	54,877	**57,144**

vi. Off statement of financial position financial instruments:

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

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.

The table below analyses 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 $'000	Carrying amount $'000
At 30 June 2020							
Non-derivatives							
Trade and other payables	16,721	-	-	-	-	16,721	16,721
Lease liability	11	11	258	-	-	280	279
Non-interest-bearing	-	-	13,135	-	200	13,335	13,121
Total non-derivatives	**16,732**	**11**	**13,393**	**-**	**200**	**30,336**	**30,121**
At 30 June 2021							
Non-derivatives							
Trade and other payables	26,746	-	-	-	-	26,746	26,746
Lease liability	152	50	-	-	-	202	202
Non-interest-bearing	-	-	-	-	200	200	4
Total non-derivatives	**26,898**	**50**	**-**	**-**	**200**	**27,148**	**26,952**

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 2021 $'000	Effective interest rate	30 June 2020 $'000	Effective interest rate
Financial assets				
Cash and cash equivalents	54,877	0.21%	57,144	0.99%
Trade and other receivables	7,368	0%	4,828	0%
Total financial assets	**62,245**		**61,972**	
Financial liabilities				
Trade and other payables	26,746	0%	16,721	0%
Non-interest-bearing liabilities	4	0%	13,121	0%
Lease liability	202	1.02%	279	1.02%
Total financial liabilities	**26,952**		**30,121**	

The effective interest rate of the lease liability reflects the effective discount rate applied in calculating the present value.

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 shares

	Number of shares	$'000
Opening balance 1 July 2019	867,672,826	867,673
Equity injection from Shareholders	320,750,000	320,750
Balance 30 June 2020	**1,188,422,826**	**1,188,423**
Opening balance 1 July 2020	1,188,422,826	1,188,423
Equity injection from Shareholders	207,400,000	207,400
Balance 30 June 2021	**1,395,822,826**	**1,395,823**

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 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 (2020: Nil).

b. Revaluation surplus

	June 2021 $'000	June 2020 $'000
Opening balance on 1 July	65,939	31,039
Disposal of buildings and infrastructure - gross	(960)	-
Deferred tax	288	-
Revaluation - gross	59,233	49,857
Deferred tax	(17,770)	(14,957)
Other comprehensive income	40,791	34,900
Closing balance on 30 June	**106,730**	**65,939**
Revaluation surplus		
Land	26,163	5,851
Buildings and infrastructure	80,567	60,088
	106,730	**65,939**

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of land and buildings. Further detail of current year impacts of the 30 June 2021 external valuation is outlined in Note 8(a).

c. Accumulated losses

Movements in accumulated losses were as follows:

	June 2021 $'000	June 2020 $'000
Opening balance on 1 July	(72,189)	(54,173)
IFRS 16 transition - lease incentive, net of tax	-	79
Revaluation surplus on disposed assets	672	-
Net loss for the period	(5,261)	(18,095)
Closing balance on 30 June	**(76,778)**	**(72,189)**

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 Hunter Class frigates and offshore patrol vessels (OPVs).

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

12. Contingent asset

There are no contingent assets for the financial year ended 30 June 2021 (2020: $1.264 million).

13. Events occurring after the reporting period

On 16 September 2021, the Prime Minister of Australia, the Prime Minister of the United Kingdom and the President of the United States of America, announced an enhanced trilateral security partnership between Australia, the UK and the US (AUKUS). The first major initiative under AUKUS is Australia's acquisition of at least eight nuclear-powered submarines, to be built at Osborne. This announcement means the Australian Government will no longer be proceeding with the Attack Class Submarine Program.

The ONDP has progressed based on the functional requirements specific to the Attack Class Submarine Program. Accordingly, the ONDP will be put on hold pending definition by Defence on the infrastructure requirements to support the build of the nuclear-powered submarines. Australia, the UK and the US have committed to a comprehensive program of work over the next 18 months to determine the optimal pathway to bring this capability into service. ANI will work with the Government to develop a detailed plan for the infrastructure required to build these nuclear-powered submarines at Osborne.

Since this condition was not present at 30 June 2021, this has not been treated as an adjusting event. ANI is unable to reliably estimate the future financial impact of this event at this time.

14. Related party transactions

a. Key management personnel compensation

Disclosures relating to the Company's KMP are set out below:

	June 2021 $	June 2020 $
Short-term employee benefits	2,343,044	2,659,810
Post-employment benefits	131,865	137,576
Other long-term benefits	47,896	20,207
	2,522,805	**2,817,593**

Detailed remuneration disclosures are provided in the remuneration report on pages 25 to 28.

b. Directors

The following were directors of the Company during the whole of the financial year:

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

c. Other related parties

i. Australian Government Ministers

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

ii. Shareholders

The following transactions occurred with related parties:

	June 2021 $	June 2020 $
Equity injections		
Equity injections from the Commonwealth	**207,400,000**	**320,750,000**

d. Loans from the Commonwealth and its related parties

i. Deferred purchase obligation

	June 2021 $	June 2020 $
Opening balance on 1 July	13,117,606	15,412,644
Fair value adjustment		
Finance (income) / expense	17,053	(17,053)
Remeasurement of financial liability	-	(2,277,985)
	17,053	(2,295,038)
Debt forgiveness	(13,134,659)	-
Closing balance on 30 June	**-**	**13,117,606**

Refer to Note 7(f)(i) for further background on this financial liability.

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2021

15. Remuneration of auditors

During the year, the following fees were paid or payable for assurance and other non-assurance related services:

	June 2021 $	June 2020 $
Auditors of the Company - ANAO (contracted to KPMG)		
Audit and review of financial statements	90,000	88,000
Total services provided by ANAO	**90,000**	**88,000**
Other Auditors		
Other assurance services - KPMG	15,000	3,105
Total services provided by other auditors	**15,000**	**3,105**

16. 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 section 254T of the *Corporations Act 2001* (Cth).

e. 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 2021 reporting periods and have not been adopted early by the Company. They are not expected to have a material impact on the Company's financial statements.

INDEX OF REQUIREMENTS

This list of requirements has been prepared in accordance with Resource Management Guide 137, 'Annual reports for Commonwealth companies' published by the Department of Finance on 14 July 2021.

PGPA Rule Reference	Part of Report (page ref)	Description	Requirement
28E	**Contents of annual report**		
28E(a)	4	The purposes of the company as included in the company's corporate plan for the reporting period	Mandatory
28E(aa)	8, 27	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period	Mandatory
28E(b)	10	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
28E(c)	N/A	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period	If applicable, mandatory
28E(d)	N/A	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(e)	N/A	Particulars of noncompliance with: a. a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period, or b. a government policy order that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(f)	15-18	Information on each director of the company during the reporting period	Mandatory
28E(g)	6	An outline of the organisational structure of the company (including any subsidiaries of the company)	Mandatory
28E(ga)	6	Statistics on the entity's employees on an ongoing and nonongoing basis, including the following: a. statistics on fulltime employees b. statistics on parttime employees c. statistics on gender d. statistics on staff location.	Mandatory
28E(h)	7	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Mandatory
28E(i)	10-14	Information in relation to the main corporate governance practices used by the company during the reporting period	Mandatory

PGPA Rule Reference	Part of Report (page ref)	Description	Requirement
28E(j), 28E(k)	N/A	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): a. the decision-making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company, and b. the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
28E(l)	22	Any significant activities or changes that affected the operations or structure of the company during the reporting period	If applicable, mandatory
28E(m)	N/A	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company	If applicable, mandatory
28E(n)	N/A	Particulars of any reports on the company given by: a. the Auditor General, or b. a Parliamentary Committee, or c. the Commonwealth Ombudsman, or d. the Office of the Australian Information Commissioner, or e. the Australian Securities and Investments Commission	If applicable, mandatory
28E(o)	N/A	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report	If applicable, mandatory
28E(oa)	25-28	Information about executive remuneration	Mandatory
28E(ob)		The following information about the audit committee for the company:	Mandatory
	11	a. a direct electronic address of the charter determining the functions of the audit committee	
	11	b. the name of each member of the audit committee	
	16-18	c. the qualifications, knowledge, skills or experience of each member of the audit committee	
	15	d. information about each member's attendance at meetings of the audit committee	
	25	e. the remuneration of each member of the audit committee	

PGPA Rule Reference	Part of Report (page ref)	Description	Requirement
28F		**Disclosure requirements for government business enterprises**	
28F(1)(a)(i)	22-23	An assessment of significant changes in the company's overall financial structure and financial conditions	If applicable, mandatory
28F(1)(a)(ii)	22, 67	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition	If applicable, Mandatory
28F(1)(b)	23, 70	Information on dividends paid or recommended	If applicable, mandatory
28F(1)(c)	N/A	Details of any community service obligations the government business enterprise has including: a. an outline of actions taken to fulfil those obligations, and b. an assessment of the cost of fulfilling those obligations	If applicable, mandatory
28F(2)	13	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory

CORPORATE DIRECTORY

Directors

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

Company Secretary

Sally McLennan

Auditors

ANAO and KPMG (as agent for ANAO)

Bankers

Westpac Banking Corporation

Registered office

Level 2
220 Commercial Road
Port Adelaide SA 5015

Place of business

61 Veitch Road
Osborne SA 5017

Website

www.ani.com.au

Media enquiries

enquiries@ani.com.au

ABN 45 051 762 639

A copy of the ANI Annual Report will be on our website at www.ani.com.au and available via the Transparency Portal at www.transparency.gov.au.

AUSTRALIAN
NAVAL
INFRASTRUCTURE

Level 2, 220 Commercial Road
Port Adelaide SA 5015

E enquiries@ani.com.au
T +61 8 8131 9000

ani.com.au