ANNUAL REPORT 2021 - 2022

AUSTRALIAN NAVAL INFRASTRUCTURE

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Launch of NUSHIP Arafura
December 2021 (photo: Luerssen
Australia Pty Ltd)

Front Cover:
Osborne Naval Shipyard, SA
April 2022

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TRANSMITTAL LETTER

AUSTRALIAN NAVAL INFRASTRUCTURE

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Senator the Hon Katy Gallagher
Minister for Finance
Parliament House
CANBERRA ACT 2600

The Hon Richard Marles MP
Deputy Prime Minister and Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Ministers,

Australian Naval Infrastructure Pty Ltd 2021-22 Annual Report

I am pleased to submit the 2021-22 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 2022 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 14 September 2022.

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

Yours sincerely

LUCIO DI BARTOLOMEO
Chair

14 September 2022

We are pleased to present the 2021-22 Annual Report for Australian Naval Infrastructure (ANI).

Through the financial year, ANI has continued to focus on its primary objective of supporting the Commonwealth's continuous naval shipbuilding program.

Since the release of the 2017 Naval Shipbuilding Plan and the 2020 Force Structure Plan, ANI has played an important role as the owner, developer and manager of critical shipyard infrastructure to ensure an integrated and coordinated approach to delivery of the shipbuilding program.

This has included delivering new and upgraded shipyard facilities to support the delivery of the Hunter Class Frigate Program (HCFP) and early works for the delivery of the Attack Class submarine construction yard (SCY) at the Osborne Naval Shipyard (ONS) in South Australia.

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 FY22 was excellent with no lost time injuries or high potential incidents recorded, which is a testament to our safety approach and culture. Our motto that "*safety never gets time off*" reflects the need for personnel to consider safety across all aspects of their lives, whether at work or at home.

At the Osborne South shipyard, BAE Systems Maritime Australia (BAE) continued with prototyping activities for the HCFP to familiarise themselves with the sophisticated equipment and capabilities inherent in the shipyard design, and to train their workforce and operationalise the shipyard for their specific build strategy.

ANI continues to provide facilities and support to the Offshore Patrol Vessel (OPV) Program being undertaken by Luerssen Australia. A major milestone was achieved in December 2021 when ANI facilitated the launch of the first of the OPVs, the NUSHIP Arafura. During the year the second of the OPVs was consolidated and is now being fitted out prior to launch.

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. With the Collins life of type extension (LOTE) program to be undertaken at Osborne in coming years, ANI is working with ASC Pty Ltd (ASC) to determine requirements for infrastructure refurbishments or upgrades.

During the year, ANI's operations team successfully completed eight dockings of commercial vessels. In addition to generating revenue, these dockings remain an essential activity for ANI personnel to retain the skills and competencies to undertake docking operations safely and competently.

Prior to the AUKUS announcement (referred to on page 5 of this report), ANI had been progressing the design and development of a new SCY for the Attack Class submarines at Osborne North. Following the announcement ANI completed construction of the Combat Systems Physical Integration Facility (CSPIF) and discontinued the remainder of the works. The site was made safe and preserved for future use, pending future decisions and definition of the infrastructure requirements at Osborne for the nuclear-powered submarine (NPS) program.

Since April 2022, ANI has been working closely with Commonwealth and WA Government representatives to progress our understanding of the Henderson precinct and the future capability requirements for a large vessel dry berth (LVDB).

Through the year, ANI has continued to demonstrate its ability to reliably develop and manage infrastructure and facilities with a clear focus on collaboration and accountability. ANI looks forward to continuing to support the Commonwealth, pending future Government decisions, in relation to the NPS and Henderson infrastructure requirements.

LUCIO DI BARTOLOMEO Chair	ANDREW SEATON Managing Director and CEO

14 September 2022

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

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

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 2022, ANI's Shareholder Ministers were the Minister for Defence and the Minister for Finance.

Context: Naval Shipbuilding Plan

As outlined in the 2017 Naval Shipbuilding Plan, and expanded under the 2020 Force Structure Plan, the Government announced investments to establish secure, sustainable, continuous naval shipbuilding. This includes establishing long-term Australian naval shipbuilding and sustainment capability and a commitment to the sustained development of the naval shipbuilding industry, infrastructure and workforce.

Since the release of the 2017 Naval Shipbuilding Plan, significant progress has been made in the development and upgrade of infrastructure. As outlined in the Chair and CEO's letter, ANI has played a principal role in this endeavour as the owner, developer and manager of critical shipyard infrastructure.

Photo: ASC

Photo: BAE

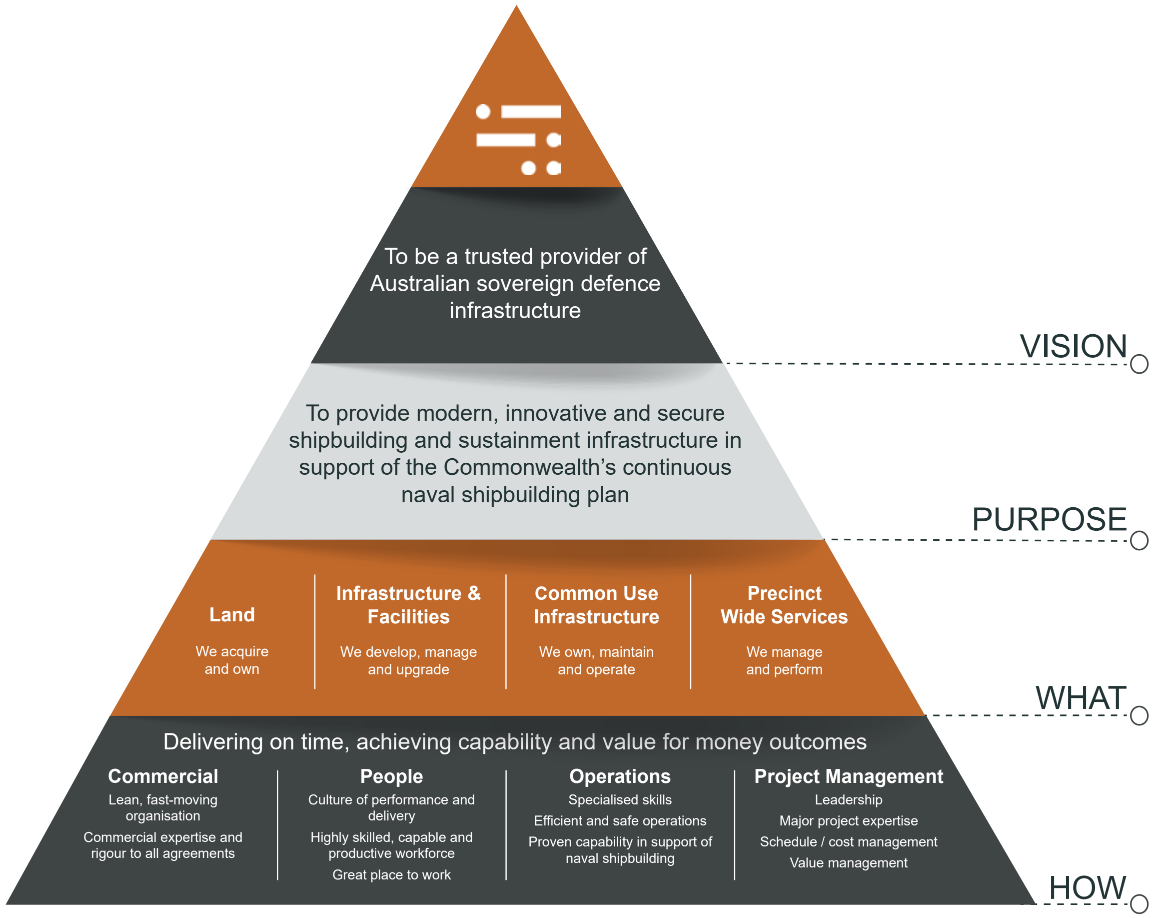
On 16 September 2021, the former Government announced AUKUS. The first initiative under AUKUS is to seek an optimal pathway for the acquisition of at least eight NPS for the Royal Australian Navy. As a result of this decision, the former Government decided not to proceed with the Attack Class Program for which the SCY was being developed.

The former Government established the NPS Task Force to facilitate Australia's role in AUKUS. The Task Force is examining the full suite of requirements that underpin nuclear stewardship, with a focus on safety, design, construction, operation, maintenance, disposal, regulation, training, environmental protection, installations and infrastructure, basing, workforce and force structure. ANI is assisting the NPS Task Force through participation in an Infrastructure Integrated Project Team.

On 15 March 2022, the former Government announced an investment of up to $4.3 billion to establish an LVDB and associated infrastructure at Henderson to be used to build and sustain large naval vessels and other commercial vessels, with ANI being selected to deliver that infrastructure on behalf of the Commonwealth.

Strategic plan

ANI's vision, purpose and strategy is depicted in the following diagram, and is underpinned by ANI's governance framework.



Organisational structure

ANI's team has continued to evolve and adapt over the last year to ensure ANI maintains the right capability to support continuous naval shipbuilding effectively and efficiently. ANI's capabilities in security and facilities management have been enhanced, while the cancellation of the Attack Class Program resulted in a reduced requirement for certain project roles.

ANI anticipates organisational growth as the Henderson LVDB and NPS projects progress.

The organisational structure comprises three areas – corporate, operations/facilities and the project directorate. As at 30 June 2022, ANI had 39 employees.

Ongoing employees

	Male	Female	Indeterminate	Total	Total (%)
2021 - 2022					
Full time	24	10	-	34	87%
Part time / casual	1	4	-	5	13%
Total	**25**	**14**	**-**	**39**	
Percentage (%)	64%	36%			
2020 - 2021					
Full time	26	9	-	35	80%
Part time / casual	3	6	-	9	20%
Total	**29**	**15**	**-**	**44**	
Percentage (%)	66%	34%			

Non-ongoing employees

	Male	Female	Indeterminate	Total	Total (%)
2021 - 2022					
Full time	5	0	-	5	56%
Part time / casual	3	1	-	4	44%
Total	**8**	**1**	**-**	**9**	
Percentage (%)	89%	11%			
2020 - 2021					
Full time	4	0	-	4	57%
Part time / casual	2	1	-	3	43%
Total	**6**	**1**	**-**	**7**	
Percentage (%)	86%	14%			

All ANI staff are based in South Australia.

ANI does not have any subsidiaries.

OVERVIEW OF OPERATIONS cont

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.

1. 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.

2. Osborne North SCY

This is the land on which the SCY was being developed as part of the Osborne North Development Project (ONDP) for the Attack Class Program prior to it being discontinued. This site comprises one completed building, the CSPIF, a high voltage (HV) substation and fire tanks to service the precinct, some partially constructed facilities and three existing buildings.

The partially developed aspects of the SCY site are being preserved for future needs pending determination of infrastructure requirements for the NPS program.

3. Osborne South shipyard

The shipyard at Osborne South comprises legacy assets which are home to the OPV Program for the build of the first two Arafura Class OPVs by Luerssen.

The shipyard was expanded with new facilities developed and some existing facilities refurbished by ANI between 2017 and 2021 (referred to as the Osborne South Development Project, or OSDP) to support the continuous build of major warships up to Destroyer size. This shipyard is home to the HCFP and has been occupied by BAE since 2020. BAE will progressively occupy the remainder of the shipyard following further modernisation and when the OPV Program at Osborne is complete.

4. 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 shipyard.

5. ANI's office

ANI constructed a new office at the entrance to the CUF to house ANI's own workforce, which it has occupied since January 2022. The office provides modern facilities co-locating the ANI team alongside the shipyard near ANI's tenants and project sites.

6. Naval Shipbuilding College

This facility, located alongside the Osborne South shipyard, is leased by ANI to the operator of the Naval Shipbuilding College who is partnering with education and training providers to grow Australia's naval shipbuilding workforce.

7. Osborne North vacant land

On behalf of the NPS Task Force, and in accordance with instructions from former Shareholder Ministers, ANI entered into a lease over 45.5 hectares of vacant land to the north of the SCY, owned by the State Government. This land is the potential future site for the NPS construction yard. The lease commenced on 1 July 2022.

The key objectives outlined in ANI's 2021-22 Corporate Plan have all been achieved

COMPANY PERFORMANCE

The key objectives outlined in ANI's 2021-22 Corporate Plan have all been achieved. These include:

- completing construction of the ANI office
- safely undertaking ship movements in support of the OPV Program, including undocking OPV1
- provision of services to the HCFP
- completion of building 2 modernisation works at Osborne South and handover of the facility to BAE
- completion of the CSPIF, HV substation and fire tank system as part of the ONDP
- safely winding down activities on the ONDP and close out of all associated commercial matters
- enhancing precinct security arrangements including upgrading access control systems and developing a security operations centre
- progressing the western carpark and associated pedestrian bridge developments to service the Osborne South shipyard, and
- progressing access agreements in support of program requirements.

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 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 2022, ANI's Shareholder Ministers were:

- Minister for Finance, Senator the Hon Katy Gallagher, and
- Deputy Prime Minister and Minister for Defence, the Hon Richard Marles MP.

At the commencement of FY21, ANI's Shareholder Ministers were:

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

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 FY22.

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 reviewed and approved by the Board in November 2021, sets out the matters relevant to the composition, responsibilities and administration of the Committee. The charter is published on ANI's website at About ANI [https://www.ani.com.au/wp-content/uploads/2023/01/Audit-Risk-Committee-Charter-approved-10-November-2022-R2.pdf]

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:

1. help the Board achieve its objectives in relation to reviewing the appropriateness of:
   a. financial reporting
   b. performance reporting
   c. system of risk (financial and performance) oversight and management
   d. systems of internal control, and
   e. the application of accounting policies.
2. maintain and improve the quality, credibility and objectivity of the financial accountability processes
3. assess ANI's risk management principles, policies, processes and practices so that it can satisfy itself that:
   a. adequate systems are in place for the effective identification and assessment of all areas of potential material business risk
   b. adequate policies, processes and procedures have been designed and implemented to manage identified material business risks
   c. appropriate action is undertaken to bring the identified material risks within ANI's risk tolerance levels
   d. a culture of compliance is being promoted, and
   e. compliance strategies and functions are effective.
4. establish and maintain effective internal and external audit functions, and communication between the Board and the internal and external auditor; and
5. verify that 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.

CORPORATE GOVERNANCE STATEMENT cont

The names and details of directors in office as at 30 June 2022 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.

He was previously the Deputy Chair of Moorebank Intermodal Company and a non-executive director of Australian Super and 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, FCPA

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, Tennis Australia, Australian Super, 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 and 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 2025.

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. Peter has previously held multiple board roles and 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.

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 2025.

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 AROSE. 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 and is currently Chair of St Peter's Girls' School Board of Governors (including St Peters' Collegiate Girls' School Foundation Inc and CSC South Australia Inc), President of the Australian Institute of Energy, 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 in 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, Hydrocarbon Dynamics Ltd and Rex Minerals 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 in 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 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. She is currently on the boards of the Botanic Gardens and State Herbarium and Guide Dogs SA/NT.

PAUL BATES

BA, GradDip InfoMgt, Dip Leadership and Mgt, MBA

General Manager Operations

Paul was appointed as General Manager Operations in 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. Prior to that, 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 was appointed as Project Director in January 2018.

Phil has been responsible for delivery of the OSDP, ONDP and other significant design and construction projects within the ONS, which will now expand to Henderson.

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 in April 2020.

Adele is a chartered accountant with over 20 years' business experience and commenced at ANI in 2018 as Financial Controller. 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.

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 FY22 has been undertaken internally.

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

During FY22, education of directors has focused on cyber security risks and mitigations.

Attendance at meetings

The table below 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	8	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

NUSHIP Arafura sits atop the ONS shiplift ahead of launch in December 2021

ESG has been described as[1]:

Environment

- Managing carbon and climate change vulnerabilities
- Water, waste and pollution management
- Transition to a circular economy
- Renewable energy and clean technology
- Consideration of the unique rights of First Nations peoples to access, maintain and protect their lands

Social

- Human capital development
- Health and safety
- Ethical supply chain and sourcing
- Human rights
- Privacy and data security
- Community engagement, including a focus on First Nations peoples

Governance

- ESG reporting
- Risk-mitigation and management
- Board diversity
- Executive pay
- Tax transparency
- Business ethics
- Policies that enhance corporate behaviour including protection of human rights

Governance

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 2022-23 Corporate Plan and SCI were developed in June 2022, with the SCI being published in August 2022 on ANI's website at www.ani.com.au.

Conflicts

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

1. 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
2. take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty, and
3. 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.

1 https://www.pwc.com.au/environment-social-governance.html

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.

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.

Values

During FY22, ANI's management and Board endorsed and published a set of values which represent the way the ANI team behaves and operates in pursuing its objectives.

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.

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:** ANI's reconciliation of accounting loss to income tax benefit is detailed in Note 6(b) of the financial statements, and the reconciliation of accounting loss to income tax loss is detailed in Note 6(c). Being in a loss-making position, ANI is yet to pay income tax.
- **Identification of material temporary and non-temporary differences:** ANI's net deferred tax balance of nil relates to a deferred tax liability of $78.806 million and a deferred tax asset of the same amount. These balances comprise temporary differences, mainly attributable to revaluations of property, plant and equipment. This is further explained in Note 6(e) 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%.

Environment

ANI places importance on protection of the environment and is conscious of the sensitive environs adjacent the ONS. The Company aims for environmental and sustainable benefits across its operations, and actively supports and participates in community initiatives and programs that support environmental protection.

Environmental regulation

ANI's operations in South Australia are subject to both Commonwealth and State legislation. The Company is committed to achieving a high standard of environmental performance and has accreditation for AS/NZS ISO 14001:2016 Environmental Management System.

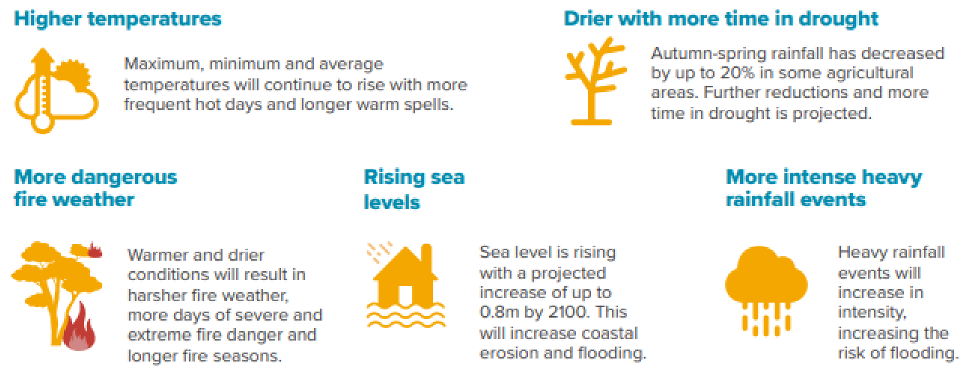
The Company has complied with all applicable environmental regulations and site-specific environmental licence requirements, and there have been no environmental incidents in the reporting period requiring official regulatory notification.

Climate-related risks

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's Board and management assesses climate risk at an enterprise level via the corporate risk register where risks are documented and monitored.

The Department for Environment and Water (DEW) has identified the following climate-related risks to be particularly relevant to South Australia[1]:



Given the location of the ONS and the nature of operations, fire dangers and rising sea levels are ANI's highest rated climate-related risks. Construction works and maintenance undertakings take consideration of these risks and development applications for new buildings and infrastructure works include such risk assessments, as required.

Greenhouse gas emissions

A company's greenhouse gas emissions are classified into three scopes:

- **Scope 1:** direct emissions from company-owned and controlled resources
- **Scope 2:** indirect emissions from the generation of purchased energy from a utility provider
- **Scope 3:** all indirect emissions not included in scope 2 that occur in a company's value chain, both upstream and downstream.

A controlling corporation must apply to be registered under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth) (NGER Act) if the corporation's group meets one or more of the thresholds detailed in the NGER Act. Registered corporations that exceed either a corporate group or a facility threshold must report their scope 1 and scope 2 emissions and energy production and consumption data to the Clean Energy Regulator under section 19 of the NGER Act.

With reference to the ONS, scope 1 emissions fall predominantly under the responsibility of ANI's tenants who exercise operational control over their respective facilities. Scope 1 emissions, attributable directly to ANI, relate to the CUF and are below the NGER Act reporting threshold.

Scope 1 emissions have been considered in each of the four categories:

- stationary combustion (e.g. fuels, heating sources)
- mobile combustion (e.g. vehicles, self-propelled modular transporters, boats)
- fugitive emissions (leaks from greenhouse gases e.g. refrigeration, air conditioning units), and
- process emissions (released during industrial processes and on-site manufacturing).

1 Department for Environment and Water: Directions for a Climate Smart South Australia, released in 2019

Sustainable procurement, operation & development

ANI aims to reduce adverse whole-of-life social, environmental and economic impacts of its activities. Examples include:

Product selection

- product substitution and use of local products to reduce emissions from transport and support local economy
- environmentally friendly hydraulic lubricants and oils, and
- native plantings to reduce maintenance and watering.

Renewable energy, recycling and clean technology

- solar charging of plant and equipment
- use of insulated roof and wall panels
- thermally glazed windows
- heat recovery mechanical ventilation systems, reducing demand on heating and cooling systems
- rainwater harvesting and reuse, and
- concrete mixes that incorporate recycled products.

Construction methodologies

- non-destructive direct piling to decrease dust and movement of potentially contaminated soils
- redistribution of soils excavated from one ONS site to other ONS sites, reducing costs, emissions from transport, and risks associated with imported material, and
- implementation of environmental management measures on all expansion and modernisations projects. Examples include:
  - clear separation of stormwater and contaminated groundwater
  - installation of erosion and sediment controls to protect stormwater systems, and
  - native fauna such as lizards and snakes are carefully relocated to safer locations nearby when discovered within construction zones.

Flora and fauna protection and restoration

ANI employs a range of approaches to assist in habitat restoration and the reduction of habitat loss both operationally at the shipyard and as participants in community-based initiatives.

Examples include:

Community-based projects

- Falie Reserve lies adjacent the ONS to the north. ANI has assisted the City of Port Adelaide and Enfield (CPAE) to protect this space through the installation of natural bollards to prevent illegal vehicle accesses, alerting to illegal dumping and burnt-out vehicles, and by funding community planting days.
- Mutton Cove is a 43ha reserve comprising mangrove wetlands and the last remaining vestiges of samphire bush in the area. The river-front levee was breached in 2016 and further erosion and breaches have resulted in the area being inundated with water causing habitat loss. ANI supports the project by working with local environmental groups, advocating the restoration project with local and state governments, and by participating on the project's steering committee. DEW is presenting the restoration project to State Cabinet for funding at the end of 2022.

Native flora and ecosystem restoration and protection

- sea grass investigations were undertaken as part of wharf extension planning to enable preservation and relocation if required. No sea grasses were found in the vicinity of the project zone.
- the Company funded a pilot study by Dr Mike Bossley and the Flinders University on the impact of sheet piling activities on marine life during construction of the ANI head office. No negative impacts were observed during these activities.
- the Company is contributing to habitat restoration, urban heat reduction and softening of the industrial environment through activities such as:
  - sponsorship and participation in a community planting day run by Trees for Life and the CPAE at Falie Reserve
  - installation of more than 5000 plants during construction on the OSDP and ANI's head office
  - additional plantings undertaken to common-use areas such as roadways and footpaths, and
  - collection and relocation of seeds and native frogs from a stormwater basin scheduled for reconstruction to an alternative detention pond in another part of the shipyard.

Social

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 FY22, ANI introduced a safety motto of 'safety never gets time off' as a constant reminder that safety should be at the forefront of employees' minds, both at work and at home. This message has also been incorporated into ANI's values referred to above. ANI has also increased its focus on the use of lead indicators.

In FY22, 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. There were two medical treatment injuries and two minor first aid incidents.

ANI's construction projects are undertaken by ANI's contractors 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 ONDP up until its conclusion at the end of March 2022, with one notifiable incident (a near miss incident) and two LTIs.

Human resource management

ANI seeks to foster a climate of respect, equality and diversity through an inclusive workplace culture which values the contribution of individuals and provides an environment in which they can thrive. This is reinforced by the values adopted by the Company, as described above.

Employment opportunities for new industry participants

During its short history, ANI has taken an active role in creating opportunities for undergraduates and graduates to obtain valuable work experience to give them a start in industry working on significant projects, alongside experienced personnel who are able to mentor them and aid their development. This has included providing vacation employment to assist students in meeting the industry placement requirements for their chosen qualification, and in many instances providing ongoing employment on either a casual, part-time or full-time basis.

ANI currently has three undergraduates working on a part-time basis (in engineering, construction management and commerce) and employs two engineering graduates on a full-time basis. Some graduates who have worked with ANI over the past 2-3 years have now moved on to develop the next stage of their career, with their experience at ANI providing a solid foundation for their future development.

Flexible working arrangements

ANI has continued with its approach to accommodate flexible working arrangements to suit the individual needs of employees where business needs can still be met. This assists employees in managing work/life balance.

Working from home arrangements continue to be used across the business, with some people working from home on an adhoc basis and others having a regular routine of working one or two days from home each week. Experience through the Covid-19 pandemic has demonstrated that employees can continue to collaborate and maintain productivity, such that this has become the new normal. This practice has been supported using appropriate technology and by developing a culture where people recognise that a person does not need to be physically present to productively contribute. ANI also has several employees who work part-time to fit in with their study or family responsibilities.

Diversity

ANI's relatively small workforce comprises a diverse range of people across age, gender, cultural backgrounds and life experiences. Gender diversity is strong having regard to the nature of construction and defence industries which tend to be male dominated, with females representing 40% of ANI's executive team and 36% in total.

Community engagement

Community engagement is a key focus for ANI. ANI employs a Community and Stakeholder Relations Manager to help build and manage ANI's relations with the communities in which it operates and the broader political environment. Several community and stakeholder-based initiatives have been implemented, examples of which include:

- Community drop-ins provide opportunity for communities to ask questions and discuss infrastructure construction activities with members of the project team.
- The Morse newsletter is distributed across the Lefevre Peninsula and via ANI's website providing updates and information about activities at the ONS.
- Regular meetings with resident and environmental groups, the CPAE, government departments and regulatory authorities to inform and engage on ONS activities.
- Presentations to local and industry associations and stakeholders, where appropriate, with recent presentations to the Northwest Business Alliance, CPAE, BAE and the Port Environment Centre.
- School tours in collaboration with ONS tenants and Defence - recent visits include Cowell Regional School and Clontarf College.

First Nations engagement

The region in which the ONS resides is significant to First Nations peoples, and ANI recognises the importance of preserving cultural heritage by acknowledging the past and working in collaboration with First Nations people towards a better future for all. Recent examples include:

- Recognition
  - First Nations artists were engaged to create artwork that reflected the cultural heritage of the site, illustrating cultural stories of the landscape and native fauna. This artwork has been installed across the precinct on all fire water tanks and as privacy and safety decals in all new and modernised areas of the ONS.
  - Permission was also gained from Kaurna Warra Karrpanthi (the leading group dedicated to Kaurna language revitalisation and maintenance) to use Kaurna language in various locations, including as meeting room names in ANI's offices and in the canteen of the Osborne South shipyard, providing opportunity for learning and awareness.
- Raising awareness
  - Members of ANI's executive and project team attended cultural awareness training which was provided through the ONDP to more than 90% of the construction workforce.
  - NAIDOC 2022 was celebrated as a precinct-wide initiative, with workshops offered to ANI and tenant workforces including learnings about native foods and tea blending, and club making.
- Engagement
  - The Company's procurement processes are aimed at providing fair and equitable opportunity for all individuals and businesses, including First Nations owned and managed businesses.

ENVIRONMENT, SOCIAL AND GOVERNANCE cont

  - First Nations businesses engaged by the Company or its project partners including companies such as Ochre Dawn (project management), Intract (civil construction), Zancott (recruitment and traffic control) and Killara Services (commercial cleaning).

Future ESG activities

Future ESG intiatives underway or planned by ANI include:

- The Company is in the process of developing its first Reconciliation Action Plan
- Solar panel installations are planned for installation at Osborne South in 2023. In FY22:
  - detailed assessment was undertaken by suitably qualified energy management consultant to determine feasibility and potential energy generation opportunities, and
  - a request for proposal was issued for scope development.
- In the design and construction of a new carpark to service the Osborne South shipyard, the following has been incorporated into the design:
  - provisions for future solar installations
  - stormwater swales to incorporate native flora plantings, and
  - treeline preservation and additional flora installations.
- The Company has commenced investigations into the feasibility of precinct-wide waste management solutions.

ANI is conscious of the sensitive environs adjacent the ONS

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 2022 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 South Australia in support of the Commonwealth of Australia's continuous naval shipbuilding program.

Review of operations

Revenue of $41.307 million was $9.132 million (28.4%) higher than the previous financial year due primarily to licence income from BAE Systems Maritime Australia (BAE) relating to the Hunter Class Frigate Program (HFCP).

An external valuation was conducted over land, buildings and infrastructure at 30 June 2022. This resulted in a net revaluation increment in buildings and infrastructure of $85.239 million and a revaluation decrement of $23.305 million in land. Refer to Note 8 of the financial statements for further details.

A significant impairment loss of $307.335 million was recognised during the financial year relating to the write down of Osborne North Development Project (ONDP) assets not expected to be immediately salvageable, re-sold or repurposed either for the potential nuclear-powered submarine (NPS) yard or elsewhere in the precinct.

Capital expenditure cash flows of $218.096 million were $6.320 million (2.8%) lower than the previous financial year reflecting the suspended works on the ONDP offset by increased activity relating to precinct projects at Osborne.

The impacts of Covid-19 on the Company continue to have a minimal impact on ANI's operations.

Significant changes in the state of affairs

Nuclear Powered Submarines

On 16 September 2021, the former Prime Minister of Australia, the former 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 NPS, intended to be built in South Australia. This announcement means the Australian Government is no longer proceeding with the Attack Class Submarine Program.

The ONDP was progressed based on the functional requirements specific to the Attack Class Submarine Program. Accordingly, the ONDP was put on hold pending definition by Defence on the infrastructure requirements to support the build of the NPS. Australia, the UK and the US have committed to a comprehensive program of work over an 18-month period to determine the optimal pathway to bring this capability into service.

Henderson

On 15 March 2022, the former Government announced an investment of up to $4.3 billion to establish a large vessel dry berth (LVDB) and associated infrastructure at Henderson to be used to sustain large naval vessels and other commercial vessels, with ANI being selected to deliver that infrastructure on behalf of the Commonwealth.

ANI is working with the Commonwealth and the WA Government to progress this project, noting it is still in early planning stages.

Significant events after the balance sheet date

There has not arisen, in the interval between the end of the financial year and date of this report, any other item, transaction, or event of a material or unusual nature likely, in the opinion of directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Likely developments and expected results of operations

During the year, additional shipyard assets were licenced to BAE for the HCFP. This resulted in an increase in the Company's lease income.

The Company is progressing with multiple precinct projects in order to increase overall shipyard functionality and further enhance security controls.

Dividends

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

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

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.

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 35.

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

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director

14 September 2022

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
Janice van Reyk[1]	Independent, non-executive director	Full year
Peter Iancov[2]	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
Sally McLennan	General Counsel and Company Secretary	Full year
Paul Bates	General Manager Operations	Full year
Phil Cornish	Project Director	Full year
Adele Fraser	General Manager Finance	Full year

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 FY22 and FY21 are shown in the following table:

Non-executive position	FY22	FY21
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

1 Janice van Reyk is the Chair of the Audit & Risk Committee
2 Peter Iancov and Jeremy Schultz are Audit & Risk Committee members

Remuneration for non-executive directors for FY22 and FY21 is shown in the following table:

		Short-term benefits			Post-employment benefits	Other long-term benefits			
		Directors' fees	Short-term incentive	Other benefits & allowances	Superannuation contributions	Long service leave	Other	Termination benefits	Total remuneration
Non-executive directors		$	$	$	$	$	$	$	$
Lucio Di Bartolomeo	2022	119,180	-	-	11,322	-	-	-	130,502
	2021	119,180	-	-	11,322	-	-	-	130,502
Janice van Reyk	2022	75,910	-	-	7,211	-	-	-	83,121
	2021	75,910	-	-	7,211	-	-	-	83,121
Peter Iancov	2022	67,750	-	-	-	-	-	-	67,750
	2021	67,750	-	-	-	-	-	-	67,750
Jeremy Schultz	2022	67,750	-	-	-	-	-	-	67,750
	2021	67,750	-	-	-	-	-	-	67,750
Alan (Jim) Whalley	2022	59,590	-	-	5,661	-	-	-	65,251
	2021	59,590	-	-	5,661	-	-	-	65,251
Total non-executive directors	**2022**	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
	2021	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**

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 FY22, TFR was paid at three percent above 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 FY22, Senior Executive remuneration comprised TFR and STI of up to a maximum of 20% of TFR.

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

STI for the MD & CEO and Senior Executives is determined by the ANI Board having regard to company and individual performance in the achievement of the Company scorecard. The Company scorecard is set by the Board at the start of the financial year and is aligned to the measures in ANI's Corporate Plan endorsed annually by the Shareholder Ministers.

Following the AUKUS announcement and noting the significant impacts to ANI as a result, the Company Scorecard was re-cast for the period 16 September 2021 to 30 June 2022.

Performance was assessed against the following measures:

Deliverable	Weighting	Outcome
Safety (no serious incidents)	15%	Achieved
Precinct and CUF (efficient and timely delivery of services to programs; progress and delivery of precinct projects)	20%	Achieved
OSDP and Osborne South modernisation	10%	Achieved
ONDP (delivery of CSPIF; make safe of Platform Land Based Test Facility (PLBTF) and Phase 2; close out Managing Contractor Contract)	20%	Achieved
Access agreements terms agreed	5%	Substantially achieved
Financial (EBITDA)	5%	Achieved
Shareholder satisfaction (culture, performance and delivery)	15%	Achieved
NPS Task Force (participation and feedback)	10%	Achieved

The Company component of the scorecard for FY22 was 88%. KMP are assessed at on a 60/40 company/ individual basis.

Remuneration for the MD & CEO and Senior Executives for FY22 and FY21 is shown in the table below:

		Short-term benefits			Post-employment benefits	Other long-term benefits			
		Base salary[1]	Short-term incentive	Other benefits & allowances[2]	Superannuation contributions[3]	Long service leave[4]	Other	Termination benefits	Total remuneration
Senior Executives		$	$	$	$	$	$	$	$
Andrew Seaton[(5)]	2022	599,066	95,257	-	-	18,200	-	-	712,523
	2021	567,523	93,395	-	8,130	17,310	-	-	686,358
Sally McLennan	2022	289,221	51,178	-	27,500	10,038	-	-	377,937
	2021	278,695	49,258	-	24,016	8,928	-	-	360,897
Paul Bates	2022	278,567	51,178	-	31,786	15,000	-	-	376,531
	2021	248,029	44,914	-	28,266	7,659	-	-	328,868
Phil Cornish	2022	370,280	63,560	6,000	27,500	11,918	-	-	479,258
	2021	359,386	60,112	6,000	25,000	9,765	-	-	460,263
Adele Fraser[(7)]	2022	229,437	41,273	-	24,618	6,004	-	-	301,332
	2021	208,890	36,662	-	22,259	4,234	-	-	272,045
Total executives	**2022**	**1,766,571**	**302,446**	**6,000**	**111,404**	**61,160**	**-**	**-**	**2,247,581**
	2021	**1,662,523**	**284,341**	**6,000**	**107,671**	**47,896**	**-**	**-**	**2,108,431**
Total non-executive directors	**2022**	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
	2021	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
Total KMP	**2022**	**2,156,751**	**302,446**	**6,000**	**135,598**	**61,160**	**-**	**-**	**2,661,955**
	2021	**2,052,703**	**284,341**	**6,000**	**131,865**	**47,896**	**-**	**-**	**2,522,805**

1 Base salary includes accrued annual leave entitlements and superannuation concessional cap excess amounts, where applicable.
2 Other benefits and allowances relate to a 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.

Australian National Audit Office

Lucio Di Bartolomeo
Chair
Australian Naval Infrastructure Pty Ltd

AUSTRALIAN NAVAL INFRASTRUCTURE PTY LTD

FINANCIAL REPORT 2021–22

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 2022, 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

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
14 September 2022

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

The directors declare that, in the directors' opinion:

a. the financial statements and notes set out on pages 42 to 78 are in accordance with the *Corporations Act 2001* (Cth), including:

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

iii. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year ended on that date, and

d. 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

14 September 2022

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 2022 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 2022 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 2022 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 director's report for the year ended 30 June 2022, 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.

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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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS cont / 30 JUNE 2022

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Australian National Audit Office

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
14 September 2022

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME / FOR THE YEAR ENDED 30 JUNE 2022

	Note	June 2022 $'000	June 2021 $'000
Revenue from continuing operations			
Facilities and service revenue	5(a)	493	236
Lease income	5(a)	40,814	31,939
Other income	5(b)	499	232
Interest income		81	109
		41,887	**32,516**
Expenses			
Depreciation expense	5(b)	39,848	36,770
Utilities and statutory charges		1,962	2,171
Repairs and maintenance		1,362	2,022
Corporate costs		12,192	11,020
Net finance expense	5(b)	-	18
Gain on debt forgiveness	5(b)	-	(13,135)
Net revaluation decrement - land, buildings and infrastructure	8(a)	31,115	2,111
Impairment of assets under construction	8(a)	307,335	-
(Gain) / loss on disposal of property, plant and equipment		(323)	1,831
Loss before income tax		**(351,604)**	**(10,292)**
Income tax benefit	6(b)	78,379	5,031
Loss for the period		**(273,225)**	**(5,261)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land, buildings and infrastructure	8(a)	93,049	59,233
Income tax relating to these items	6(d)	(27,915)	(17,770)
Other comprehensive income for the period, net of tax		**65,134**	**41,463**
Total comprehensive income for the period		**(208,091)**	**36,202**
Loss for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		(273,225)	(5,261)
Total comprehensive income for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		(208,091)	36,202

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

STATEMENT OF FINANCIAL POSITION / AS AT 30 JUNE 2022

	Note	June 2022 $'000	June 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	86,138	54,877
Trade and other receivables	7(b)	4,133	7,368
Prepayments	7(c)	707	45,011
Total current assets		**90,978**	**107,256**
Non-current assets			
Property, plant and equipment	8(a)	1,365,752	1,411,343
Total non-current assets		**1,365,752**	**1,411,343**
Total assets		**1,456,730**	**1,518,599**
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	1,629	26,746
Lease liability	7(e)	296	202
Provisions	8(b)	1,356	1,339
Other current liabilities	8(c)	1,130	1,078
Deferred income	8(d)	399	399
Total current liabilities		**4,810**	**29,764**
Non-current liabilities			
Deferred tax liabilities	6(e)	-	50,465
Non interest-bearing liabilities	7(f)	4	4
Provisions	8(b)	284	209
Deferred income	8(d)	11,983	12,382
Total non-current liabilities		**12,271**	**63,060**
Total liabilities		**17,081**	**92,824**
Net assets		**1,439,649**	**1,425,775**
EQUITY			
Share capital	10(a)	1,617,788	1,395,823
Revaluation surplus	10(b)	171,864	106,730
Accumulated losses	10(c)	(350,003)	(76,778)
Total equity		**1,439,649**	**1,425,775**

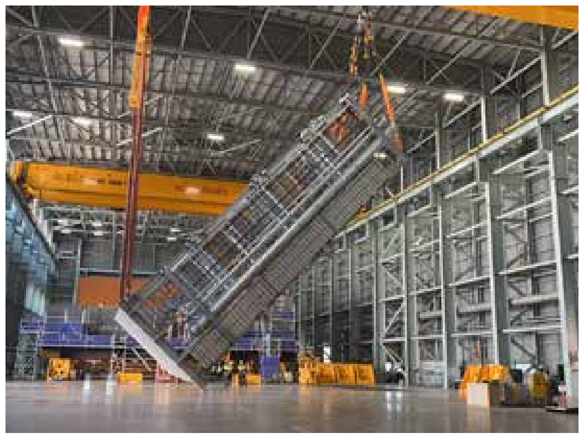
The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY / FOR THE YEAR ENDED 30 JUNE 2022

	Share capital $'000	Revaluation surplus $'000	Accumulated losses $'000	Total equity $'000
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**
Balance at 1 July 2021	**1,395,823**	**106,730**	**(76,778)**	**1,425,775**
Loss for the year	-	-	(273,225)	(273,225)
Revaluation of land, buildings and infrastructure	-	93,049	-	93,049
Income tax relating to these items	-	(27,915)	-	(27,915)
Total comprehensive income for the year	**-**	**65,134**	**(273,225)**	**(208,091)**
Transactions with owners in their capacity as owners				
Contributions of equity	221,965	-	-	221,965
Balance at 30 June 2022	**1,617,788**	**171,864**	**(350,003)**	**1,439,649**

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

ANI owns critical infrastructure to support naval shipbuilding programs



STATEMENT OF CASH FLOWS / FOR THE YEAR ENDED 30 JUNE 2022

	Note	June 2022 $'000	June 2021 $'000
Cash flows from operating activities			
Cash receipts from customers		59,647	52,025
Payments to suppliers and employees		(32,590)	(37,134)
Net cash inflow from operating activities	7(a)	**27,057**	**14,891**
Cash flows from investing activities			
Payments for property, plant and equipment		(218,096)	(224,416)
Proceeds from sale of property, plant and equipment		456	7
Interest received		81	109
Net cash outflow from investing activities		**(217,559)**	**(224,300)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	10(a)	221,965	207,400
Repayment of lease liability	7(a)	(202)	(258)
Net cash inflow from financing activities		**221,763**	**207,142**
Net increase / (decrease) in cash and cash equivalents		**31,261**	**(2,267)**
Cash and cash equivalents at the beginning of the financial year		**54,877**	**57,144**
Cash and cash equivalents at the end of the financial year	7(a)	**86,138**	**54,877**

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

More than 5000 natives have been planted around the ONS

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 2022.

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

Impairment of assets

An impairment loss was recognised by the Company relating to the write down of ONDP assets not expected to be immediately salvageable, reused or repurposed either for the NPS yard or elsewhere in the precinct. Refer to Note 8(a) for further details.

5. Financial performance

a. Revenue

	June 2022 $'000	June 2021 $'000
Revenue from continuing operations		
Facilities and services charges	493	236
Lease income	40,814	31,939
Total	**41,307**	**32,175**

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 BAE are classified as operating leases, where the Company is the lessor. Income from 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 2022 $'000	June 2021 $'000
Other income		
Deferred income recognised in profit or loss	399	232
Covid-19 cash flow boost payments	100	-
	499	**232**
Depreciation		
Buildings and infrastructure	26,370	25,950
Plant and equipment	13,221	10,567
Right of use asset	257	253
	39,848	**36,770**
Net finance expense / (income)	-	18
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). ATO Covid-19 cash flow boosts delivered as credits in the activity statement system, taken to profit or loss.
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 forgiveness	Gain on the forgiveness of a financial liability is taken to profit or loss.

6. Taxation

a. Income tax benefit / (expense)

Accounting policy

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

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

b. Numerical reconciliation of income tax expense to prima facie tax payable

	June 2022 $'000	June 2021 $'000
Loss from continuing operations before income tax	**(351,604)**	**(10,292)**
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	105,481	3,088
Non-deductible expenses	(2)	(7)
Reversal of unrecognised temporary difference	120	1,950
Prior year adjustment to deferred tax assets for losses	157	-
Derecognition of deferred tax assets	(27,377)	-
Income tax benefit	**78,379**	**5,031**

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future tax profits is probable and/or there are taxable temporary differences against which the deferred tax assets can be utilised. ANI has unrecognised deferred tax assets of $27.4 million at the balance sheet date (2021: nil) which can be carried forward and used to offset against future taxable income subject to meeting requirements of the tax law.

c. Numerical reconciliation of accounting profit to tax loss

	June 2022 $'000	June 2021 $'000
Loss from continuing operations before income tax	**(351,604)**	**(10,292)**
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	105,481	3,088
Permanent differences	(2)	(7)
Temporary differences - property, plant and equipment	(101,591)	(3,571)
Unrecognised temporary differences - property, plant and equipment	120	1,950
Debt forgiveness	-	3,940
Temporary differences - other	(87)	(143)
Income tax loss	**3,921**	**5,257**

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 2022 $'000	June 2021 $'000
Recognised in revaluation surplus		
Net deferred tax on revaluation	(27,915)	(17,770)
Net deferred tax on disposals	-	288
	(27,915)	**(17,482)**

e. Deferred tax balances

Net position as presented in the statement of financial position

	June 2022 $'000	June 2021 $'000
Net deferred tax liabilities		
Deferred tax assets	78,806	23,720
Deferred tax liabilities	(78,806)	(74,185)
	-	**(50,465)**

i. Deferred tax assets

	June 2022 $'000	June 2021 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	77,942	13,940
Tax losses carried forward	-	9,020
Sundry items	864	760
	78,806	**23,720**

Movements	Property, plant and equipment $'000	Tax losses $'000	Other items $'000	Total $'000
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**
At 1 July 2021	13,940	9,020	760	23,720
Charged/(credited)				
- to profit or loss	64,002	(9,020)	104	55,086
At 30 June 2022	**77,942**	**-**	**864**	**78,806**

ii. Deferred tax liabilities

	June 2022 $'000	June 2021 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	78,675	74,066
Sundry items	131	119
	78,806	**74,185**

Movements	Property, plant and equipment $'000	Other items $'000	Total $'000
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**
At 1 July 2021	**74,066**	**119**	**74,185**
Charged/(credited)			
- to profit or loss	(23,306)	12	(23,294)
- to other comprehensive income	27,915	-	27,915
At 30 June 2022	**78,675**	**131**	**78,806**

iii. Net deferred tax

	June 2022 $'000	June 2021 $'000
Property, plant and equipment	(733)	(60,126)
Tax losses	-	9,020
Other items	733	641
	-	**(50,465)**

7. Financial assets and financial liabilities

a. Cash and cash equivalents

	June 2022 $'000	June 2021 $'000
Current assets		
Cash and cash equivalents	**86,138**	**54,877**

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 addressed in Note 9(d).

Reconciliation of loss after income tax to net cash inflow from operating activities

	June 2021 $'000	June 2021 $'000
Loss for the year	(273,225)	(5,261)
Adjustment for:		
Depreciation	39,848	36,770
Net finance expense / (income)	-	18
Other income	(399)	(232)
Interest income	(81)	(109)
Income tax benefit	(78,379)	(5,031)
Gain on debt forgiveness	-	(13,135)
(Gain) / loss on disposal of non-current assets	(323)	1,831
Revaluation decrement - land, buildings and infrastructure	31,115	2,111
Impairment loss	307,335	-
Change in operating assets and liabilities*		
Decrease / (increase) in trade and other debtors	1,414	(715)
Decrease in trade creditors and other liabilities	(103)	(1,215)
Increase in prepayments	(145)	(141)
Net cash inflow from operating activities	**27,057**	**14,891**

*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 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 (outflow)/ inflow from financing activities	**(258)**	**207,400**	**207,142**
Year ended 30 June 2022			
Proceeds from issue of share capital – Note 10(a)	-	221,965	221,965
Repayment of lease liability – Note 7(e)	(202)	-	(202)
Net cash (outflow)/ inflow from financing activities	**(202)**	**221,965**	**221,763**

b. Trade and other receivables

Current assets	June 2022 $'000	June 2021 $'000
Trade and other receivables	4,165	4,910
GST receivable	(32)	2,458
	4,133	**7,368**

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 2022 (2021: nil).

c. Prepayments

Current assets	June 2022 $'000	June 2021 $'000
Advance on land acquisition	-	43,364
Other prepayments	707	1,647
	707	**45,011**

d. Trade and other payables

Current liabilities	June 2022 $'000	June 2021 $'000
Trade payables	46	22,166
Other payables	1,583	4,580
	1,629	**26,746**

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.

e. Lease liability

	June 2022 $'000	June 2021 $'000
Opening balance on 1 July	202	279
Repayment of liability	(202)	(258)
Extension of lease	-	181
Commencement of new lease	296	-
Closing balance 30 June	**296**	**202**
Classification		
Current	296	202
Non-current	-	-
	296	**202**

At the commencement or modification of a contract that contains a lease the Company recognises a right-of-use asset and a lease liability, except where there is a lease exclusion.

For short-term leases (lease term of 12 months or less, excluding those with purchase options present) and leases of low-value assets ($10,000 or less, when new), ANI has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by AASB 16 *Leases*.

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.

The lease liability is subsequently 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.

During the year, the Port Adelaide office lease ended on 31 March 2022. The new lease, which commenced 1 April 2022, relates to the car park to the north of the ONDP site.

Naval shipbuilding programs undertaken at the ONS


Hobart Class Destroyers


Collins Class Submarines

f. Borrowings

Non-interest-bearing liabilities

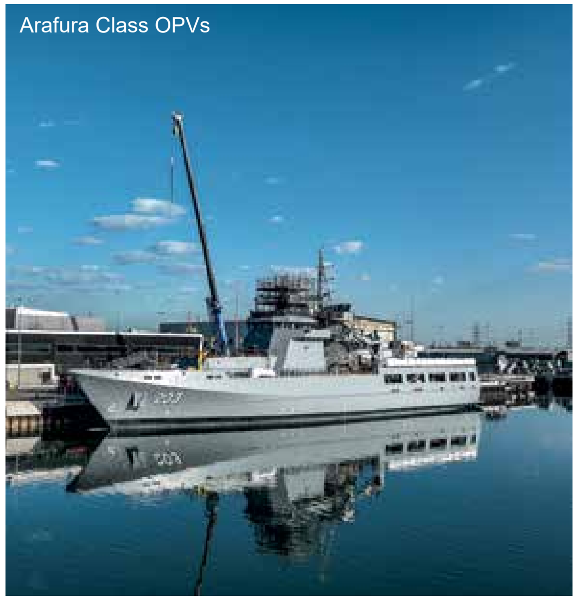
	June 2022 $'000	June 2021 $'000
Non-current		
Term loan	4	4

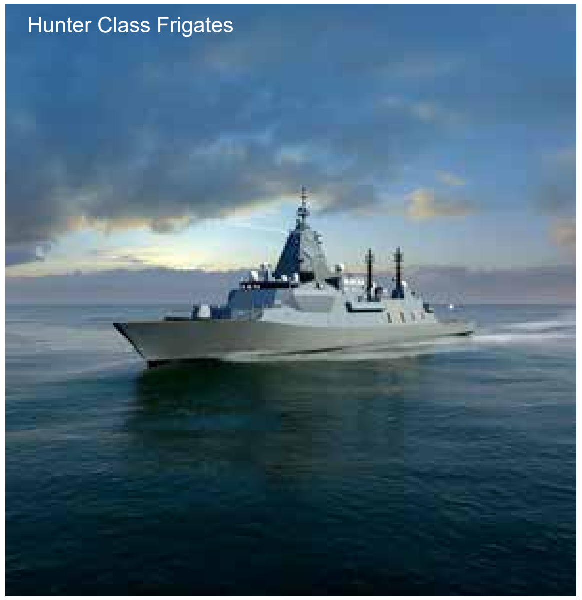
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using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

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 2022 (2021: $0.004 million) in accordance with AASB 9 *Financial Instruments*.


Arafura Class OPVs


Hunter Class Frigates

8. Non-financial assets and liabilities

a. Property, plant and equipment

	June 2022 $'000	June 2021 $'000
Land, at valuation	134,600	111,715
Buildings and infrastructure		
At valuation	858,807	763,736
Accumulated depreciation	-	-
	858,807	763,736
Plant and equipment		
At historical cost	246,046	225,576
Accumulated depreciation	(43,600)	(30,281)
	202,446	195,295
Right-of-use lease asset		
At cost	296	708
Accumulated depreciation	(55)	(506)
	241	202
Assets under construction		
At cost	169,658	340,395
Total property, plant and equipment	**1,365,752**	**1,411,343**

	Land	Buildings & infrastructure	Plant & equipment	Right-of-use lease assets	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
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**
Year ended 30 June 2022						
Opening net book amount	111,715	763,736	195,295	202	340,395	1,411,343
Revaluation increment*	8,500	98,136	-	-	-	106,636
Revaluation decrement*	(31,805)	(12,897)	-	-	-	(44,702)
Impairment loss	-	-	-	-	(307,335)	(307,335)
Additions	46,190	629	2,901	296	189,776	239,792
Transfers	-	35,573	17,605	-	(53,178)	-
Depreciation charge	-	(26,370)	(13,221)	(257)	-	(39,848)
Disposals	-	-	(134)	-	-	(134)
Closing net book amount	**134,600**	**858,807**	**202,446**	**241**	**169,658**	**1,365,752**

**Revaluation increment / (decrement)*

	At 30 June 2022			At 30 June 2021		
	Land	Buildings & infrastructure	Total	Land	Buildings & infrastructure	Total
	$'000	$'000	$'000	$'000	$'000	$'000
To revaluation surplus (pre-tax)	3,550	89,499	93,049	29,017	30,216	59,233
To profit or loss	(26,855)	(4,260)	(31,115)	6,268	(8,379)	(2,111)
	(23,305)	**85,239**	**61,934**	**35,285**	**21,837**	**57,122**

i. Recognition and measurement

Class of PPE	Accounting policy (AASB 116)	Valuation technique (AASB 13)	Fair value measurement hierarchy	Depreciation method	Useful life
Land	Revaluation model (Fair value)	Market approach	Level 3	Not depreciated	N/A
Buildings and infrastructure	Revaluation model (Fair value)	Cost approach (depreciated replacement cost)	Level 3	Straight-line	5 - 60 years
Plant and equipment	Cost model	N/A	N/A	Straight-line	3 - 40 years
Right-of-use lease assets	Cost model	N/A	N/A	Straight-line	Shorter of asset's useful life and lease term
Assets under construction	Cost model	N/A	N/A	Not depreciated	N/A

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.

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 and infrastructure. 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.

An independent desktop valuation of all land, buildings and infrastructure of the Company was carried out by Griffin Valuation Advisory (Griffin) at 30 June 2022. The fair value of the land is based on recent market transactions on arm's length terms, with necessary adjustments made to reflect location and merged improvements of land. The fair value of buildings and infrastructure is based on the depreciated replacement cost approach.

A revaluation decrement of $23.305 million was recorded against the balance sheet carrying value of land while a revaluation increment of $85.239 million was recorded against the balance sheet carrying value of buildings and infrastructure.

The net $23.305 million land revaluation decrement relates mainly to a parcel of land purchased during the financial year, where the settlement price included an additional payment for the relocation costs of the seller.

The revaluation increment of net $85.239 million on buildings and infrastructure relates mainly to an increase in the value of CUF infrastructure of $16.485 million and the Osborne South buildings listed below:

- Building 20 - Steel Fabrication and Unit Assembly $12.559 million
- Building 21 - Block Assembly Hall $ 9.534 million
- Building 22 - Block Outfitting and Erection Hall $18.038 million

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 is considered a minor purchase and is therefore not depreciated but expensed at acquisition.

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.

Project costs are capitalised to assets under construction from the point that the project has been formally approved and allocated a capital budget. All preliminary, planning and feasibility expenditure incurred prior to the project being approved is expensed in the period that it is incurred.

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 $4.635 million (2021: $12.108 million)
- the OSDP modernisation works of $1.685 million (2021: $26.366)
- the ONDP of $156.562 million (2021: $296.331 million), and
- precinct projects of $6.775 million (2021: $5.551 million).

These assets are 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.

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 from the commencement date of the lease 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.

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 of disposal, and
- value in use.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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.

Impairments are recorded as an impairment loss in profit or loss unless assets are carried at a revalued amount. The impairment loss on a revalued asset is recorded as a revaluation decrement in profit and loss. Where a revaluation surplus already exists for an asset, impairment loss is recorded as a reversal of the revaluation surplus in respect of that asset, with any remaining impairment loss recognised as a revaluation decrement in profit or loss.

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.

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 NPS, to be built at Osborne. This announcement means the Australian Government is no longer proceeding with the Attack Class Submarine Program.

The ONDP was progressed based on the functional requirements specific to the Attack Class Submarine Program. Accordingly, the ONDP was put on hold pending definition by Defence on the infrastructure requirements to support the build of the NPS. Australia, the UK and the US have committed to a comprehensive program of work over an 18-month period to determine the optimal pathway to bring this capability into service.

At 30 June 2022, ANI undertook an impairment assessment on ONDP assets under construction at an individual asset level. Assets likely to be repurposed for the potential NPS yard or used elsewhere within the precinct were measured using the value in use method and determined to be unimpaired. All other ONDP assets under construction were measured using the fair value less cost of disposal method and were fully impaired with the exception of some structural steel which was revalued to its estimated fair value less costs of disposal. The assessment has resulted in an impairment loss of $307.3 million (2021: nil) in profit or loss at 30 June 2022.

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.

Where individual assets, that were previously impaired, are subsequently disposed of, the Company reverses the impairment loss in the period the disposal was made, through profit or loss.

ii. 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 2022 $'000	June 2021 $'000
Land		
Cost	102,729	56,539
Buildings and infrastructure		
Cost	759,791	726,335
Accumulated depreciation	(153,107)	(131,112)
Net book amount	**606,684**	**595,223**

iii. Non-current assets pledged as security

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

iv. Capital expenditure commitments

At reporting date, the Company had capital expenditure commitments of $15.320 million (2021: $176.887 million).

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 2022 $'000	June 2021 $'000
Employee benefits		
Current	1,356	1,339
Non-current	284	209
	1,640	**1,548**

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 2022 $'000	June 2021 $'000
Deferred income – government grants	704	704
Other liabilities	426	374
	1,130	**1,078**

Other liabilities comprise government grants and other sundry liabilities.

Government grants

Government grants received from federal, state, or local government 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 2022 $'000	June 2021 $'000
Current		
Deferred income – OST transfer	399	399
Non-current		
Deferred income – OST transfer	11,983	12,382

During FY21, the Commonwealth transferred ownership of two outfit support towers (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 and 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)).

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2022

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 2022 and 30 June 2021.

Recurring fair value measurements

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
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**
30 June 2022					
Non-financial assets					
Land	8(a)	-	-	134,600	134,600
Buildings and infrastructure	8(a)	-	-	858,807	858,807
Total non-financial assets		**-**	**-**	**993,407**	**993,407**

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 2022 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 3 input) has included significant adjustments by the valuer, as follows:

- **Naval industry hub location:**

  The inputs have been adjusted up 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 in 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 2022.

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 2022 and 30 June 2021 for recurring fair value measurements:

Land

	June 2022 $'000	June 2021 $'000
Opening balance on 1 July	111,715	76,195
Additions	46,190	235
Revaluation increment	8,500	36,390
Revaluation decrement	(31,805)	(1,105)
Closing balance 30 June	**134,600**	**111,715**

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 $132/m^2 (2021: $111/m^2).

Buildings and infrastructure

	June 2022 $'000	June 2021 $'000
Opening balance on 1 July	**763,736**	**374,976**
Additions	629	13,479
Revaluation increment	98,136	42,103
Revaluation decrement	(12,897)	(20,266)
Depreciation	(26,370)	(25,950)
Disposals	-	(1,621)
Transfers	35,573	381,015
Closing balance 30 June	**858,807**	**763,736**

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 2022 $'000**	**June 2021 $'000**	**Unobservable inputs**	**FY22**	**FY21**	**Relationship of unobservable inputs to fair value**
Buildings and infrastructure	858,807	763,736	Depreciation rates	3.4%	3.6%	The higher the depreciation rate, the lower the fair value
Land	134,600	111,715	Premium hub location	20%	20%	The association with the naval hub increases the fair value
			Overall market increase	23%	13%	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 2022 $'000	June 2021 $'000
Financial assets		
Cash and cash equivalents	86,138	54,877
Trade and other receivables	4,133	7,368
	90,271	**62,245**
Financial liabilities		
Trade and other payables	1,629	26,746
Non interest-bearing liabilities	4	4
Lease liability	296	202
	1,929	**26,952**

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, BAE 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.

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iv. Financial securities received

The Company has received financial securities in the form of bank guarantees in relation to multiple capital projects currently in progress within the Osborne precinct.

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 2022 $'000	June 2021 $'000
Trade receivables		
AAA (Commonwealth of Australia)	4,022	3,612
Counterparties without an external credit rating	111	3,756
	4,133	**7,368**
Aa3 rated cash at bank		
Cash and cash equivalents	86,138	54,877
	86,138	**54,877**

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 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**
At 30 June 2022							
Non-derivatives							
Trade and other payables	1,629	-	-	-	-	1,629	1,629
Lease liability	127	127	42	-	-	296	296
Non interest-bearing	-	-	-	-	200	200	4
Total non-derivatives	**1,756**	**127**	**42**	**-**	**200**	**2,125**	**1,929**

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.

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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 2022 $'000	Effective interest rate	30 June 2021 $'000	Effective interest rate
Financial assets				
Cash and cash equivalents	86,138	0.21%	54,877	0.21%
Trade and other receivables	4,133	0%	7,368	0%
Total financial assets	**90,271**		**62,245**	
Financial liabilities				
Trade and other payables	1,629	0%	26,746	0%
Non interest-bearing liabilities	4	0%	4	0%
Lease liability	296	0%	202	1.02%
Total financial liabilities	**1,929**		**26,952**	

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 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**
Opening balance 1 July 2021	1,395,822,826	1,395,823
Equity injection from Shareholders	221,965,000	221,965
Balance 30 June 2022	**1,617,787,826**	**1,617,788**

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 (2021: Nil).

b. Revaluation surplus

	June 2022 $'000	June 2021 $'000
Opening balance on 1 July	106,730	65,939
Disposal of buildings and infrastructure - gross	-	(960)
Deferred tax	-	288
Revaluation - gross	93,049	59,233
Deferred tax	(27,915)	(17,770)
Other comprehensive income	65,134	40,791
Closing balance on 30 June	**171,864**	**106,730**
Revaluation surplus		
Land	28,648	26,163
Buildings and infrastructure	143,216	80,567
	171,864	**106,730**

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2022

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 2022 external valuation is outlined in Note 8(a).

c. Accumulated losses

Movements in accumulated losses were as follows:

	June 2022 $'000	June 2021 $'000
Opening balance on 1 July	(76,778)	(72,189)
Revaluation surplus on disposed assets	-	672
Net loss for the period	(273,225)	(5,261)
Closing balance on 30 June	**(350,003)**	**(76,778)**

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 CCSMs and construction of the Hunter Class frigates and offshore patrol vessels (OPVs).

The Company is dependent on the Commonwealth for funding of major projects.

12. Contingent liability

Demolition and dismantling costs associated with the ONDP

Infrastructure requirements for the NPS yard are under consideration by the NPS Task Force with outcomes expected in late FY23. As a result, it cannot be determined what current ONDP infrastructure will remain or require demolition or dismantling. Accordingly, ANI is not able to estimate a value for the dismantling and demolition of ONDP infrastructure, if any, and the salvage value of any items not retained. In addition to uncertainty surrounding the amount of these future cash outflows, the timing of such outflows is also uncertain.

13. Events occurring after the reporting period

There has not arisen, in the interval between the end of the financial year and date of this report, any other item, transaction, or event of a material or unusual nature likely, in the opinion of directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

14. Related party transactions

a. Key management personnel compensation

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

	June 2022 $	June 2021 $
Short-term employee benefits	2,465,197	2,343,044
Post-employment benefits	135,598	131,865
Other long-term benefits	61,160	47,896
	2,661,955	**2,522,805**

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 34.

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 2022 $	June 2021 $
Equity injections		
Equity injections from the Commonwealth	**221,965,000**	**207,400,000**

d. Loans from the Commonwealth and its related parties

i. Deferred purchase obligation

	June 2022 $	June 2021 $
Opening balance on 1 July	-	13,117,606
Fair value adjustment		
Finance (income) / expense	-	17,053
Debt forgiveness	-	(13,134,659)
Closing balance on 30 June	**-**	**-**

15. Remuneration of auditors

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

	June 2022 $	June 2021 $
Auditors of the Company - ANAO (contracted to KPMG)		
Audit and review of financial statements	93,000	90,000
Total services provided by ANAO	**93,000**	**90,000**
Other Auditors		
Other assurance services - KPMG	15,000	15,000
Total services provided by other auditors	**15,000**	**15,000**

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

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 2022 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.

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)	10, 33	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)	11	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)	14-16	Information on each director of the company during the reporting period	Mandatory
28E(g)	7	An outline of the organisational structure of the company (including any subsidiaries of the company)	Mandatory
28E(ga)	7	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)	7-9	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Mandatory
28E(i)	11-12, 20-21	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)	29	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)	31-34	Information about executive remuneration	Mandatory
28E(ob)		The following information about the audit committee for the company:	Mandatory
	12	a. a direct electronic address of the charter determining the functions of the audit committee	
	12, 19	b. the name of each member of the audit committee	
	14-16	c. the qualifications, knowledge, skills or experience of each member of the audit committee	
	19	d. information about each member's attendance at meetings of the audit committee	
	31	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)	28-29	An assessment of significant changes in the company's overall financial structure and financial conditions	If applicable, mandatory
28F(1)(a)(ii)	28-29	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)	29, 78	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)	21	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

61 Veitch Road
Osborne SA 5017

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.

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.

AUSTRALIAN NAVAL INFRASTRUCTURE

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