AUSTRALIAN NAVAL INFRASTRUCTURE

ANNUAL REPORT 2022 - 2023

At 50m high, Building 22 at the Osborne South shipyard is a landmark on the Lefevre Peninsula

Front Cover: ANI's Operations Team is responsible for the transfer of blocks and vessels around the shipyard

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TRANSMITTAL LETTER

AUSTRALIAN NAVAL INFRASTRUCTURE

61 Veitch Road, Osborne SA 5017 | E enquiries@ani.com.au

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

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

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

Dear Ministers,

Australian Naval Infrastructure Pty Ltd 2022-23 Annual Report

I am pleased to submit the 2022-23 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 2023 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:

1. acquiring, holding, managing and developing the infrastructure and related facilities used in connection with this program, and
2. efficiently and effectively managing this infrastructure (including providing access) in a manner that ensures an integrated and coordinated approach to the delivery of all aspects of this program.

ANI's Board has approved this report in accordance with a resolution on 5 September 2023.

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

Yours sincerely

LUCIO DI BARTOLOMEO
Chair

5 September 2023

It gives us great pleasure to present the 2022-23 Annual Report for Australian Naval Infrastructure (ANI).

Since its formation as a Government Business Enterprise (GBE) in 2017, ANI has supported the Commonwealth's naval shipbuilding and sustainment operations by being the owner, developer and manager of critical shipbuilding and sustainment infrastructure 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. Our motto that *safety never gets time off* reminds us that we all need to consider safety across all aspects of our lives, whether at work or at home. Pleasingly our excellent safety performance has continued in the past financial year, with no lost time injuries and only one medical treatment injury recorded.

During the year, our facilities at Osborne have been utilised by:

- ASC Pty Ltd (ASC) for the deep maintenance of Australia's fleet of Collins Class submarines
- BAE Systems Maritime Australia (BAE) for the prototyping phase of the Hunter Class Frigate Program (HCFP), and
- Luerssen Australia Pty Ltd (Luerssen) for the construction of two Arafura Class Offshore Patrol Vessels (OPVs).

ANI has also continued to undertake a small number of commercial dockings, providing an essential service to enable the maintenance of some local vessels such as ferries, tugs and barges, whilst ensuring that our workforce retains the skills and competencies to safely and efficiently undertake docking operations.

In March 2023, the Prime Minister joined with the President of the United States and the Prime Minister of the United Kingdom to announce the optimal pathway to support Australia acquiring conventionally-armed, nuclear-powered submarines (NPS).

The staged plan is designed to support Australia's development of the infrastructure, technical capabilities, industry and human capital necessary to produce, maintain, operate, and steward a sovereign fleet of NPS. Importantly for ANI, Osborne has been selected as the preferred site for the local construction of NPS, with the first submarine to be delivered in the early 2040s.

ANI is working closely with the Australian Submarine Agency (ASA) and our AUKUS partners to progress the design of the infrastructure required

at Osborne. Planning for a suite of enabling works including roadworks and the relocation of utilities has commenced in order to prepare the site for what will be a significant and complex infrastructure development spanning more than a decade.

ANI also notes the release of the Defence Strategic Review (DSR) in April 2023, which re-affirmed the Government's commitment to continuous naval shipbuilding. Amongst other recommendations, the DSR reinforced the need for infrastructure at Henderson in Western Australia to enable the docking of large vessels. In support of this project, ANI has commenced a program of environmental baseline monitoring works at Henderson and in surrounding waters, and we are working closely with Defence representatives to refine the capability requirements.

With these nationally significant projects on the horizon, ANI is well placed to support the Commonwealth through the provision of critical infrastructure to enable the construction and sustainment of Australia's fleet of surface ships and submarines.

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director and CEO

5 September 2023

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

ANI is a Commonwealth company and a 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. As at 30 June 2023, ANI's Shareholder Ministers were the Minister for Defence and the Minister for Finance.

Context: Naval Shipbuilding Plan

The 2017 Naval Shipbuilding Plan set out the long-term vision for a strong, sustainable and innovative naval shipbuilding industry in Australia. The Department of Defence (Defence) has indicated that this decade will see significant expansion of the National Naval Shipbuilding Enterprise as it continues to deliver the Government's continuous naval shipbuilding and sustainment program.

Since the release of the 2017 Naval Shipbuilding Plan, significant progress has been made in the development and upgrade of infrastructure. ANI has played a principal role in this endeavour as the owner, developer and manager of critical shipyard infrastructure, delivering the new and upgraded facilities to support the delivery of the HCFP at Osborne South, and early works for the development of the former Attack Class submarine construction yard (SCY) at Osborne North.

On 16 September 2021, the Government announced an enhanced trilateral security partnership between Australia, the United Kingdom, and the United States (AUKUS). The first initiative under AUKUS was 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 Government decided not to proceed with the Attack Class Program for which the SCY was being developed.

The Government established the NPS Taskforce to facilitate Australia's role in AUKUS. Over a period of 18 months, the Taskforce examined 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 assisted the Taskforce through participation in an Infrastructure Integrated Project Team.

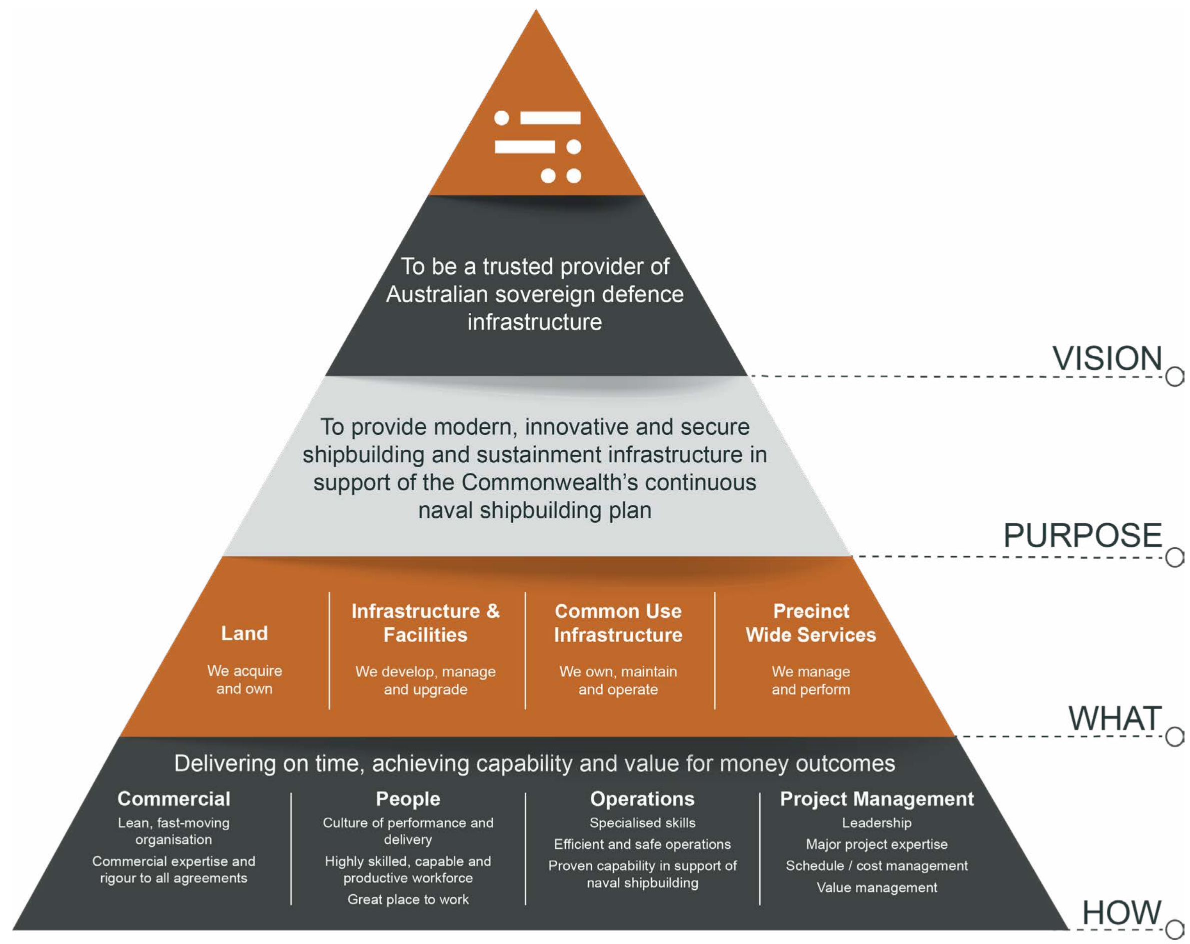
On 14 March 2023, the Government announced the optimal pathway for the acquisition of conventionally armed NPS capability for Australia, which is a complex, multi-decade undertaking, part of which involves Australia building NPS in South Australia.

Working closely with the newly established ASA, ANI will develop the NPS construction yard at Osborne, with enabling works to begin in late 2023.

On 24 April 2023, the Government released the DSR which was commissioned as an independent review "*to assess whether Australia had the necessary defence capability, posture and preparedness to best defend Australia and its interests in the strategic environment we now face*". The DSR confirmed the importance of naval shipbuilding as a sovereign industrial capability and reaffirmed the Government's commitment to continuous naval shipbuilding. As a response to the DSR, an updated National Naval Shipbuilding Enterprise strategy and supporting Naval Shipbuilding and Sustainment Plan are expected to be released during calendar year 2024.

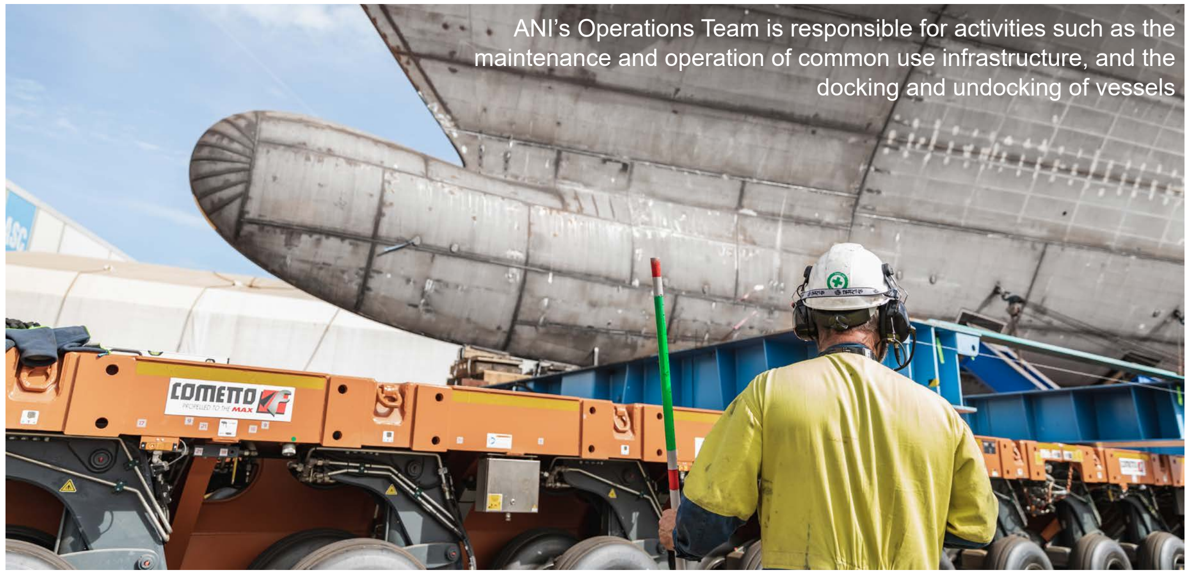
Strategic Plan

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



Organisational structure

ANI's organisational structure comprises three areas – corporate, operations/facilities and projects. ANI seeks to maintain the right capability to support continuous naval shipbuilding in an efficient and effective manner. The organisation has grown steadily over the last year to meet demands and expects to grow more in 2023-24, primarily to support the NPS project. Further expansion may be necessary, pending future Government decisions in respect of large vessel infrastructure and other works required to support naval shipbuilding and sustainment at the Henderson precinct.



ANI's Operations Team is responsible for activities such as the maintenance and operation of common use infrastructure, and the docking and undocking of vessels

ANI's Reconciliation Action Plan Working Group

As at 30 June 2023, ANI had 46 employees.

Ongoing

2022-2023	Man / Male	Woman / Female	Non-binary	Prefers not to answer	Uses a different term	Total	Total (%)
Full-time	29	11	0	0	0	40	87%
Part-time / casual	1	5	0	0	0	6	13%
Total	**30**	**16**	**0**	**0**	**0**	**46**	
Percentage	65%	35%					

2021-2022	Man / Male	Woman / Female	Non-binary	Prefers not to answer	Uses a different term	Total	Total (%)
Full-time	24	10	0	0	0	34	87%
Part-time / casual	1	4	0	0	0	5	13%
Total	**25**	**14**	**0**	**0**	**0**	**39**	
Percentage	64%	36%					

Non-ongoing

2022-2023	Man / Male	Woman / Female	Non-binary	Prefers not to answer	Uses a different term	Total	Total (%)
Full-time	4	2	0	0	0	6	67%
Part-time / casual	3	0	0	0	0	3	33%
Total	**7**	**2**	**0**	**0**	**0**	**9**	
Percentage	78%	22%					

2021-2022	Man / Male	Woman / Female	Non-binary	Prefers not to answer	Uses a different term	Total	Total (%)
Full-time	5	0	0	0	0	5	56%
Part-time / casual	3	1	0	0	0	4	44%
Total	**8**	**1**	**0**	**0**	**0**	**9**	
Percentage	89%	11%					

All ANI staff are currently 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 in 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 the Combat System Physical Integration Facility (CSPIF), a high voltage substation and fire tanks to service the precinct, some partially constructed facilities and three existing buildings.

Some of the partially developed aspects of the SCY site are being preserved for future needs pending determination of infrastructure requirements for the NPS construction yard, whilst other facilities have been, or will be, demolished.

The office areas of the CSPIF are tenanted by ASC, in support of the CCSM life-of-type extension (LOTE) activities, and another of the existing buildings is being tenanted by BAE for temporary warehousing.

3. Osborne South shipyard

The shipyard at Osborne South comprises legacy assets which are being utilised by 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 shipbuilding programs and other commercial users of the shipyard.

Other common use infrastructure owned and managed by ANI includes carparking areas associated with the ONS, including a newly constructed carpark to the west of the shipyard.

5. ANI's office

ANI's main office is located at the entrance to the CUF at Osborne. The office provides modern facilities co-locating the ANI team alongside the shipyard near ANI's tenants and project sites.

6. Building S101

This is an office and training facility, located alongside the Osborne South shipyard. It was previously tenanted by the Naval Shipbuilding College, and from September 2023 will be leased by ANI to BAE in support of the HCFP.

7. Osborne North vacant land

On behalf of the NPS Taskforce, and in accordance with instructions from former Shareholder Ministers, from 1 July 2022, ANI leased over 45.5 hectares of vacant land to the north of the SCY, owned by the South Australian Government. This land is the preferred site for the NPS construction yard. Subject to agreement between the South Australian and Commonwealth Governments, the intention is that this land will be transferred to ANI in 2023-24 as part of a strategic land swap.

Company performance

The key objectives outlined in ANI's 2022-23 Corporate Plan have been achieved. These include:

- safely undertaking operations
- providing services and ensuring availability of facilities to shipbuilding programs
- implementation of ONS security measures
- progressing improvements to Osborne South access
- progressing design and early contractor involvement activities for various facilities including wharf extension, shiplift upgrades and an outfitting support building and second blast and paint hall at Osborne South
- undertaking design activities for possible future upgrades and infrastructure at Osborne North
- supporting the Department of Finance and Defence in considering and reviewing options for infrastructure development at Henderson
- supporting the NPS Taskforce in developing infrastructure requirements and undertaking site assessments for future development of the NPS construction yard at the preferred site at Osborne
- completing construction of the western carpark and associated pedestrian bridge to service the Osborne South shipyard
- progressing access agreements in support of program requirements
- establishing debt facilities, and
- developing ANI's first Reconciliation Action Plan.

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 2023, 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.

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 FY23.

The Board

The ANI Board comprises six members with the seventh position currently being vacant. 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.

Construction of the western carpark and associated pedestrian bridge to service the Osborne South shipyard

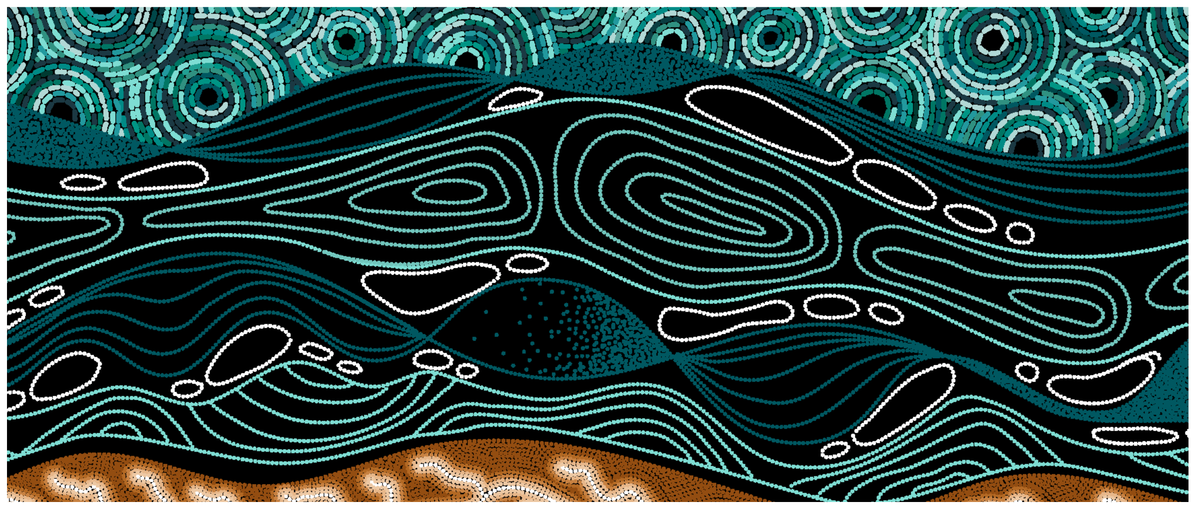
The key objectives outlined in ANI's 2022-23 Corporate Plan have been achieved

AUSTRALIAN NAVAL INFRASTRUCTURE

Reflect Reconciliation Action Plan

July 2023 - July 2024

RECONCILIATION ACTION PLAN REFLECT



ANI launched its first Reconciliation Action Plan during FY23

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.

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), reviewing ANI's performance against the Corporate Plan and monitoring the implementation of corrective actions where necessary
- 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
- establishing Board committees where required and approving the composition, and any charters, of Board committees
- monitoring and verifying compliance with legal and regulatory requirements, ethical standards and policies, and
- ensuring 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 in carrying out its responsibilities.

The Audit and Risk Committee's charter, which was last reviewed and approved by the Board in November 2022, sets out the matters relevant to the composition, responsibilities and administration of the Committee. The charter is published on ANI's website at 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 at least three times a year and as required. 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 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 comprised Janice van Reyk (Chair), Peter Iancov and Jeremy Schultz.

Undertaking operations safely at all times is a key objective - *safety never gets time off*

The names and details of directors and executive management in office as at 30 June 2023 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 September 2024.

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 Health Infrastructure NSW.

He was previously the Chair of Australia Post, 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 2024. 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, Janice 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

Non-Executive Director

Peter was appointed on 13 February 2017. His current term will expire on 25 June 2025.

Peter is an experienced company director and executive with over 29 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 Yamatji Enterprises Limited and the Tasmanian Development Board.

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 Pty Ltd.

ALAN (JIM) WHALLEY AO
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 Deputy Chair 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. His current term will expire on 25 September 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., and Steering Committee Member of Uniting Communities.

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 2028.

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.

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 Pty Ltd and Santos Limited. Sally's prior experience includes commercial and human resources roles across industries, including oil and gas, telecommunications and manufacturing sectors.

Sally has a Bachelor of Laws (with Honours), Graduate Diploma in Legal Practice and a Bachelor of Management (Labour Relations) and is a Member of the AICD. She is currently a non-executive director of the Botanic Gardens and State Herbarium and Guide Dogs SA/NT.

PAUL BATES
BA, GradDip InfoMgt, Dip Leadership and Mgt, MBA

Chief Operating Officer

Paul was appointed as Chief Operating Officer in April 2023, after previously holding the position of General Manager Operations.

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 joining Defence SA, Paul was Project and Bid Manager for DMS Maritime Pty Ltd (now Serco Defence) and he previously served for 18 years in the Royal Australian Navy, holding a variety of operations roles both at sea and ashore.

Paul holds a Master of Business Administration and is a graduate of the Australian Defence Force Academy.

JOHN MORTIMER

BE (Civil) (Hons), FIEAust, CPEng, EngExec, MAIPM

Director Major Projects

John joined ANI as Director Major Projects in June 2023.

With over 30 years' experience in the construction and development industries, John is a specialist in the delivery of complex infrastructure projects. Prior to joining ANI, he held senior leadership roles at Mott MacDonald Australia Pty Ltd including Major Projects Director for the Asia, Pacific, New Zealand & Australia Region and Managing Director of the Australian business.

John's prior project experience includes the development of the Port of Brisbane Terminal 11 and Port Botany Terminal 3 projects and numerous projects for the South Australian Government including the Adelaide Oval Redevelopment, Adelaide Convention Centre and the planning phases of the North South Corridor - Torrens to Darlington Project.

ADELE FRASER

BComm (Hons), GradDip CA, FCA, GAICD

Chief Financial Officer

Adele joined ANI in August 2018 and was appointed as Chief Financial Officer in April 2023.

Adele is a chartered accountant with over 20 years' business experience. Prior to joining ANI, Adele held management positions at PwC, initially in South Africa and later in Australia.

Adele has an honours degree in Financial Reporting, Auditing, Taxation and Management Accounting and a Graduate Diploma of Chartered Accounting. Adele is a Fellow of CAANZ, a Graduate Member of the AICD and is currently a non-executive director of Redflow Ltd.

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 FY23 has been undertaken through external consultants.

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

During FY23, 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	10	10		
Mr Peter Iancov*	10	9	3	3
Ms Janice van Reyk*	10	9	3	3
Mr Jeremy Schultz*	10	10	3	3
Mr Alan (Jim) Whalley	10	9		
Mr Andrew Seaton	10	10		

*indicates Audit & Risk Committee member

ANI's Executive Team

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

ANI is committed to developing sustainability strategies to deliver long-term stakeholder value.

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 requirement

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 2023-24 Corporate Plan and SCI were developed in June 2023, with the SCI being published in August 2023 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 Environment, Social and Governance (ESG) | PwC Australia

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

ANI has articulated 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.

OUR VALUES

CARE
The health, safety and wellbeing of our people and protecting the environment is our priority. We believe safety never gets time off.

INTEGRITY
We are open and authentic, share information and communicate with candour, honesty and respect.

TEAMWORK
We develop relationships built on trust and collaboration. We question the status quo and provide a safe environment for innovation.

ACCOUNTABLE
We are results oriented and focused on delivering quality outcomes for our stakeholders.

RESPONSIBLE
We honour our responsibility as a GBE for delivery and stewardship of public assets.

PROFESSIONAL
We demonstrate expertise and take pride in what we do.

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) 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 $2.626 million relates to a deferred tax liability of $115.725 million offset by a deferred tax asset of $113.099 million. 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 considers the protection of the environment is important 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

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

Given the location of the ONS and the nature of operations, fire dangers and rising sea levels remain ANI's highest rated climate-related risks. These risks are considered when designing and submitting development applications for new buildings and infrastructure.

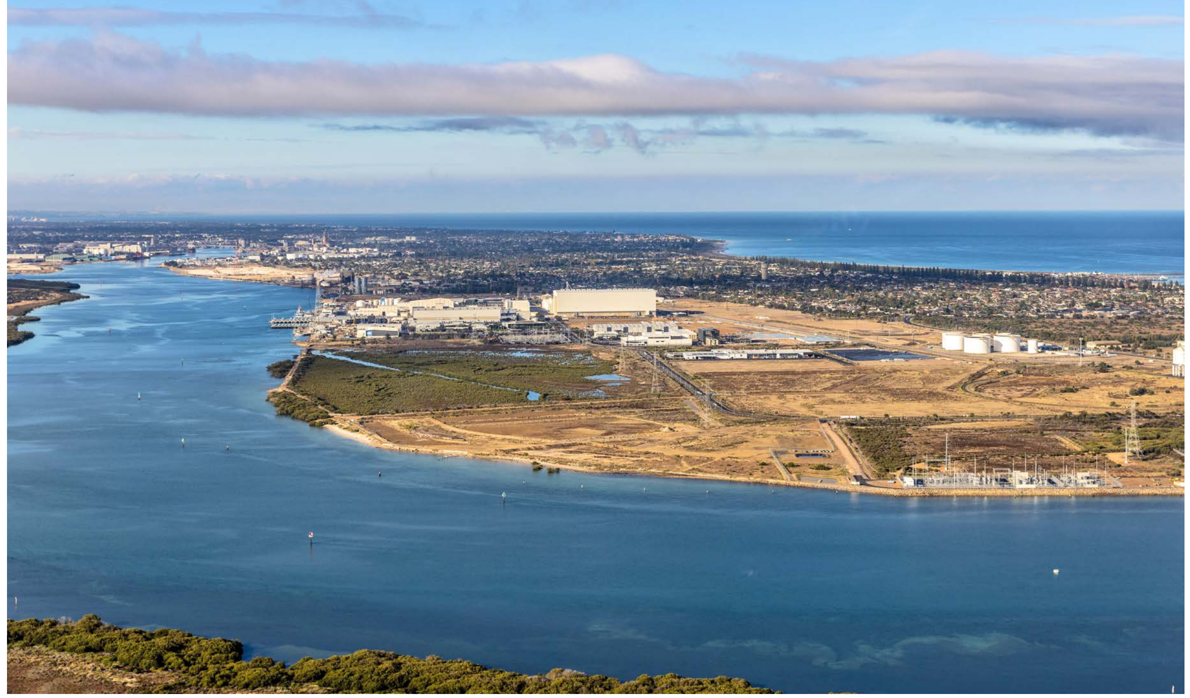
To ensure data remains relevant and current, ANI has contributed resources to support an application by the South Australian Department of Environment and Water (DEW) for a Disaster Risk Reduction (DRR) grant to undertake sea flood mapping and impact assessment for Port Adelaide surrounds.

The Port Adelaide area is experiencing substantial growth and is the location of defence, energy and freight assets of national and state significance. The area is subject to regular flooding and 2005 studies indicate an increased risk of flooding on account of rising sea levels. This work seeks to update the evidence base by undertaking modernised flood and risk modelling across the Port Adelaide area, including Osborne, for a 1% Annual Exceedance Probability storm event with a range of sea level rise scenarios.

DEW was successful in securing the grant, and ANI is a member of the steering committee for these activities. This work is a collaborative effort by the Coast Protection Board, City of Port Adelaide Enfield (CPAE), University of Adelaide, ANI and Flinders Port Holdings. Outputs from this study will be available through a public online interactive Coastal Flood Mapping Viewer.

ANI is also assisting in the reduction of rising urban heat by implementing the planting of vegetation

The ONS is located on the Lefevre Peninsula in South Australia



native to the area as part of its development activities. To date more than 5000 plants have been planted at Osborne South and ANI is currently developing designs and planting schedules for the recently completed Veitch Road and Eastern entrance upgrade and western carpark projects.

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 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, SPMTs, boats)
- fugitive emissions (leaks from greenhouse gases e.g. refrigeration, air conditioning units), and
- process emissions (released during industrial processes and on-site manufacturing).

Sustainability

ANI continues to implement environmentally sustainable practices in the development, operation and maintenance of the ONS and aims to reduce adverse whole-of-life social, environmental and economic impacts of its activities. Examples include:

- *Implementation of renewable energy, recycling and clean technology:* the implementation of environmentally sustainable systems and technology is considered at all stages of design, construction and operation. Recent implementation includes the installation of solar panels on four buildings, which commenced in 2023.
- *Production selection and construction methodologies:* sustainable product selection and construction methodologies that reduce or mitigate environmental impact are considered and implemented where possible at each stage of every project.

Meetings are also held with environmental authorities such as the Environmental Protection Authority, the State Commission Assessment Panel and local dolphin experts. Environmental assessments are undertaken early in the planning stage of projects to seek advice on environmental protection or offset measures for proposed works so that ANI has a complete understanding of how to approach a project or guide a contractor once project delivery commences.

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.

ANI has a safety motto of *safety never gets time off* to serve as a constant reminder that safety should be at the forefront of employees' minds, both at work and at home. This message has been incorporated into the ANI Values referred to on page 21. During FY23, ANI has continued its focus on the use of lead indicators, with the number of observations, inspections, hazard alerts, drills and audits reflecting a positive and proactive safety culture.

In FY23, 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 was one medical treatment injury.

ANI's contractors undertake ANI's construction projects under their own safety management systems. ANI monitors the safety performance of all projects to ensure safety systems are operationalised and provide a safe place to work.

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 Company's Values.

In FY23, ANI employed its first dedicated Human Resources Business Partner to support its growing business and provide additional support to management and employees.

ANI conducted its second employee engagement survey in FY23, which had an 88% participation rate and an employee engagement score of 82%.

Employment opportunities for new industry participants

ANI has continued with its practice of providing opportunities for undergraduates 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.

In FY23, ANI hosted three undergraduates on industry placements with one construction management undergraduate continuing beyond the placement in a full-time role. ANI has also employed two recently qualified mechanical tradespeople, including one person who had been placed at ANI through a group training provider while undertaking his apprenticeship.

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.

Commencing in March 2023, ANI undertook a 12-week trial of compressed hours working arrangements for full-time staff and has now formally adopted compressed hours in the form of a 9-day fortnight. Approximately half of the employees have a rostered day off (RDO) in one week, with the remainder having an RDO in the opposite week to ensure continuity of business operations and responsiveness to stakeholder needs. This initiative, combined with working from home arrangements, assists employees in managing work/life balance whilst maintaining productivity, and better positions ANI as an employer of choice. In addition, ANI has several employees who work on a part-time basis to fit in with their study commitments, family responsibilities or lifestyle preferences.

These contemporary work practices are critical to ANI being able to compete for talent in a tight labour market and to retain the quality people already employed.

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 35% in total.

Stakeholder engagement

ANI's approach to the engagement of stakeholders is to inform, consult and collaborate in a manner that is open and timely. Stakeholder groups include ANI's tenants, local community and businesses, the CPAE, State government authorities, and the general public.

ANI embodies a 'no surprises' approach where possible, keeping stakeholders updated and informed well ahead of planned construction or operational activities to provide ample time for feedback or questions.

Much of ANI's engagement activity is undertaken face to face, with ANI's Communications and Engagement Manager meeting regularly with representatives from local community groups, businesses, tenants, CPAE and State government representatives, empowering them to disseminate information to relevant parties without the need to chase information. ANI also meets with local Kaurna representatives, and has engaged several First Nations individuals and businesses to undertake cultural awareness activities.

ANI launched its Reflect Reconciliation Action Plan in 2023 to further raise cultural awareness within the organisation, and to review its systems, policies and processes to ensure they represent fair work practices and address the needs of First Nations businesses and individuals when applying to work with ANI.

Other methods of engagement include community drop-ins, presentations to community and industry organisations, distribution of a regular newsletter, and regular updates through ANI's website and social media channels. This approach has been well received with minimal complaints received during the past five years of development activities across the ONS.

Your directors present their report, together with the financial report of Australian Naval Infrastructure Pty Ltd, for the year ended 30 June 2023 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 $47.440 million was $6.133 million (14.8%) higher than the previous financial year due primarily to an increase in licence income from BAE Systems Maritime Australia (BAE) relating to the Hunter Class Frigate Program (HCFP).

An external valuation was conducted over land, buildings and infrastructure at 30 June 2023. This resulted in a net revaluation increase in buildings and infrastructure of $114.748 million and a revaluation increase in land of $9.980 million. Refer to Note 8 of the financial statements for further details.

Capital expenditure cash flows of $38.047 million were $180.049 million (82.6%) lower than the previous financial year reflecting the cancellation of the Attack Class submarine yard in September 2021, offset by activity relating to precinct projects at Osborne.

During the year, the Company negotiated a $110 million debt facility under a Syndicated Facility Agreement with two leading Australian financial institutions. The debt facility is structured as a four-year unsecured revolving credit facility. At 30 June 2023, the debt facility remained undrawn.

Significant changes in the state of affairs

Nuclear Powered Submarines (NPS)

In March 2023, the Australian government announced the optimal pathway for Australia to acquire a fleet of NPS proposed to be built at a new, fit for purpose and state of the art submarine construction yard at the preferred site at Osborne, South Australia. ANI will develop the NPS construction yard at Osborne, with planning and design for enabling works now underway.

Significant events after the balance sheet date

In the interval between the end of the financial year and date of this report, there has not arisen 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

Licencing

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

Precinct projects

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

Osborne North vacant land

On 15 March 2023, the Commonwealth and the South Australian Government entered into a Cooperation Agreement which sets out certain intended responsibilities of each party to support the delivery of Australia's NPS. The Cooperation Agreement contemplated, amongst other matters, an exchange of land to facilitate development of the NPS construction yard at Osborne. Negotiations are ongoing and the land parcels are expected to be transferred to ANI for nominal consideration with settlement in FY24.

Henderson

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

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 33.

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

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director and CEO

5 September 2023

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
Non-executive 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
Executive KMP		
Andrew Seaton	Managing Director and Chief Executive Officer	Full year
Sally McLennan	General Counsel and Company Secretary	Full year
Paul Bates[3]	Chief Operating Officer	Full year
Adele Fraser[4]	Chief Financial Officer	Full year
John Mortimer	Director Major Projects	Part year – appointment effective 5 June 2023
Phil Cornish	Project Director	Part year – resignation effective 3 March 2023

1. Janice van Reyk is the Chair of the Audit and Risk Committee
2. Peter Iancov and Jeremy Schultz are Audit and Risk Committee members
3. Paul Bates was appointed as Chief Operating Officer on 3 April 2023. He was previously General Manager Operations.
4. Adele Fraser was appointed as Chief Financial Officer on 3 April 2023. She was previously General Manager Finance.

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 FY23 and FY22 are shown in the following table:

Non-executive position	FY23 $	FY22 $
Chair	122,460	119,180
Member	61,230	59,590
Chair - Audit and Risk Committee	16,770	16,320
Member - Audit and Risk Committee	8,390	8,160

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

		Short-term benefits			Post-employment benefits	Other long-term benefits			
		Directors' Fees	Short-term incentive	Other benefits and allowances	Superannuation contributions	Long service leave	Other	Termination benefits	Total remuneration
Non-executive directors		$	$	$	$	$	$	$	$
Lucio Di Bartolomeo	2023	122,460	-	-	12,858	-	-	-	135,318
	2022	119,180	-	-	11,322	-	-	-	130,502
Janice van Reyk	2023	78,000	-	-	8,190	-	-	-	86,190
	2022	75,910	-	-	7,211	-	-	-	83,121
Peter Iancov	2023	69,620	-	-	-	-	-	-	69,620
	2022	67,750	-	-	-	-	-	-	67,750
Jeremy Schultz	2023	69,620	-	-	-	-	-	-	69,620
	2022	67,750	-	-	-	-	-	-	67,750
Alan (Jim) Whalley	2023	61,230	-	-	6,429	-	-	-	67,659
	2022	59,590	-	-	5,661	-	-	-	65,251
Total non-executive directors	**2023**	**400,930**	**-**	**-**	**27,477**	**-**	**-**	**-**	**428,407**
	2022	**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 FY23, TFR was paid at five 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.

Executive KMP 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 is set by the MD & CEO in consultation with the Company's Board. For FY23, executive KMP 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.

STI for the MD & CEO and executive KMP 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.

Performance was assessed against the following measures:

Deliverable	Weighting	Outcome
Safety (no serious incidents)	15%	Achieved
Precinct and CUF (efficient and timely deliver of services to programs; progress and delivery of precinct projects)	10%	Achieved
Precinct projects (schedule, budget and quality)	20%	Achieved
Henderson (support to Defence; positive stakeholder feedback)	20%	Achieved
NPS (Support to Taskforce; positive stakeholder feedback)	20%	Achieved
Corporate and commercial (access agreements; publish ANI's Reconciliation Action Plan)	10%	Achieved
Financial (EBITDA)	5%	Achieved
Total	**100%**	

The Company component of STI for FY23 as measured by performance against the scorecard was assessed as 90.2%. Executive KMP STI payments are determined based on a 60/40 company/ individual basis.

Remuneration for the executive KMP is shown in the table below:

		Short-term benefits			Post-employment benefits	Other long-term benefits			
Name		Base salary[1]	Short-term incentive	Other benefits and allowances[2]	Superannuation contributions[3]	Long service leave[4]	Other	Termination benefits	Total remuneration
Executive KMP		$	$	$	$	$	$	$	$
Andrew Seaton	2023	587,473	98,432	-	25,292	25,717	-	-	736,914
	2022	575,498	95,257	-	23,568	18,200	-	-	712,523
Sally McLennan	2023	306,561	55,076	-	27,500	19,288	-	-	408,425
	2022	289,221	51,178	-	27,500	10,038	-	-	377,937
Paul Bates	2023	301,420	55,997	-	36,493	25,480	-	-	419,391
	2022	278,567	51,178	-	31,786	15,000	-	-	376,531
Adele Fraser	2023	274,309	47,897	-	23,814	15,728	-	-	361,748
	2022	229,437	41,273	-	24,618	6,004	-	-	301,332
John Mortimer[5]	2023	36,386	-	-	-	88	-	-	36,474
	2022	-	-	-	-	-	-	-	-
Phil Cornish[6]	2023	242,066	-	4,000	27,500	(34,134)	-	-	239,432
	2022	370,280	63,560	6,000	27,500	11,918	-	-	479,258
Total executive KMP	**2023**	**1,748,215**	**257,402**	**4,000**	**140,600**	**52,167**	**-**	**-**	**2,202,384**
	2022	**1,743,003**	**302,446**	**6,000**	**134,972**	**61,160**	**-**	**-**	**2,247,581**
Total non-executive directors	**2023**	**400,930**	**-**	**-**	**27,477**	**-**	**-**	**-**	**428,407**
	2022	**390,180**	**-**	**-**	**24,194**	**-**	**-**	**-**	**414,374**
Total KMP	**2023**	**2,149,145**	**257,402**	**4,000**	**168,077**	**52,167**	**-**	**-**	**2,630,791**
	2022	**2,133,183**	**302,446**	**6,000**	**159,166**	**61,160**	**-**	**-**	**2,661,955**

1. Base salary includes accrued annual leave entitlements and superannuation concessional cap excess amounts, where applicable.
2. A car allowance is awarded where significant business use of a personal vehicle is required to perform a particular role.
3. The prior year comparative value of superannuation has been adjusted to include the proportionate expense for FY22 where applicable, with a corresponding decrease in base salary. Total remuneration for FY22 remains unchanged from amounts previously reported.
4. Long service leave amounts relate to the movement in the provision for long service leave during the relevant period, which is calculated in accordance with Australian Accounting Standards.
5. John Mortimer became a KMP on 5 June 2023.
6. Phil Cornish resigned effective 3 March 2023. His base salary includes annual leave paid out on termination.

Australian National Audit Office

Lucio Di Bartolomeo
Chair
Australian Naval Infrastructure Pty Ltd

AUSTRALIAN NAVAL INFRASTRUCTURE PTY LTD

FINANCIAL REPORT 2022–23

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 2023, 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
5 September 2023

DIRECTORS' DECLARATION

The directors declare that, in the directors' opinion:

a. the financial statements and notes set out on pages 39 to 73 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 2023 and of its performance for the year ended on that date, and

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

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

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

LUCIO DI BARTOLOMEO
Chair

ANDREW SEATON
Managing Director and CEO

5 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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 2023 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 2023 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 2023 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 2023, 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.

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

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.

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
5 September 2023

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME / FOR THE YEAR ENDED 30 JUNE 2023

	Note	June 2023 $'000	June 2022 $'000
Revenue from continuing operations			
Facilities and service revenue	5(a)	244	493
Lease income	5(a)	47,196	40,814
Other income	5(b)	402	499
Total revenue and other income		**47,842**	**41,806**
Expenses			
Depreciation expense	5(b)	45,155	39,848
Utilities and statutory charges		3,877	1,962
Repairs and maintenance		1,775	1,362
Corporate costs		15,102	11,938
Project costs		7,133	240
Net revaluation (increase) / decrease	8(a)	(563)	31,115
Net impairment (reversal) / loss	8(a)	(1,267)	307,335
Loss / (gain) on disposal of property, plant and equipment		2,313	(323)
Total expenses		**73,525**	**393,477**
Loss from operating activities		**(25,683)**	**(351,671)**
Finance income	5(b)	2,257	81
Finance costs	5(b)	(465)	(14)
Net finance costs		**1,792**	**67**
Loss before income tax		**(23,891)**	**(351,604)**
Income tax benefit	6(b)	34,625	78,379
Profit / (loss) for the period		**10,734**	**(273,225)**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of land, buildings and infrastructure	8(a)	124,165	93,049
Income tax relating to these items	6(d)	(37,249)	(27,915)
Other comprehensive income for the period, net of tax		**86,916**	**65,134**
Total comprehensive income for the period		**97,650**	**(208,091)**
Profit / (loss) for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		10,734	(273,225)
Total comprehensive income for the period is attributable to:			
Owners of Australian Naval Infrastructure Pty Ltd		97,650	(208,091)

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

STATEMENT OF FINANCIAL POSITION / AS AT 30 JUNE 2023

	Note	June 2023 $'000	June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	69,281	86,138
Trade and other receivables	7(b)	6,198	4,133
Prepayments	7(c)	11,737	707
Total current assets		**87,216**	**90,978**
Non-current assets			
Property, plant and equipment	8(a)	1,473,135	1,365,752
Total non-current assets		**1,473,135**	**1,365,752**
Total assets		**1,560,351**	**1,456,730**
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	5,639	1,629
Lease liability	7(e)	-	296
Provisions	8(b)	1,406	1,356
Other current liabilities	8(c)	1,067	1,130
Deferred income	8(d)	399	399
Total current liabilities		**8,511**	**4,810**
Non-current liabilities			
Deferred tax liabilities	6(e)	2,626	-
Non interest-bearing liabilities	7(f)	4	4
Provisions	8(b)	328	284
Deferred income	8(d)	11,583	11,983
Total non-current liabilities		**14,541**	**12,271**
Total liabilities		**23,052**	**17,081**
Net assets		**1,537,299**	**1,439,649**
EQUITY			
Share capital	10(a)	1,617,788	1,617,788
Revaluation surplus	10(b)	258,780	171,864
Accumulated losses	10(c)	(339,269)	(350,003)
Total equity		**1,537,299**	**1,439,649**

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 2023

	Share capital $'000	Revaluation surplus $'000	Accumulated losses $'000	Total equity $'000
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**
Balance at 1 July 2022	**1,617,788**	**171,864**	**(350,003)**	**1,439,649**
Profit for the year	-	-	10,734	10,734
Revaluation of land, buildings and infrastructure	-	124,165	-	124,165
Income tax relating to these items	-	(37,249)	-	(37,249)
Total comprehensive income for the year	**-**	**86,916**	**10,734**	**97,650**
Transactions with owners in their capacity as owners				
Contributions of equity	-	-	-	-
Balance at 30 June 2023	**1,617,788**	**258,780**	**(339,269)**	**1,537,299**

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

SPMTs enable flexible transfer of blocks and vessels around the yard

Photo credit: BAE

STATEMENT OF CASH FLOWS / FOR THE YEAR ENDED 30 JUNE 2023

	Note	June 2023 $'000	June 2022 $'000
Cash flows from operating activities			
Cash receipts from customers		61,432	59,647
Payments to suppliers and employees		(43,584)	(32,590)
Net cash inflow from operating activities	7(a)	**17,848**	**27,057**
Cash flows from investing activities			
Payments for property, plant and equipment		(38,047)	(218,096)
Proceeds from sale of property, plant and equipment		1,864	456
Interest received		2,257	81
Net cash outflow from investing activities		**(33,926)**	**(217,559)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	10(a)	-	221,965
Repayment of lease liability	7(a)	(314)	(202)
Interest paid	7(a)	(465)	-
Net cash (outflow) / inflow from financing activities		**(779)**	**221,763**
Net (decrease) / increase in cash and cash equivalents		(16,857)	31,261
Cash and cash equivalents at the beginning of the financial year		86,138	54,877
Cash and cash equivalents at the end of the financial year	7(a)	**69,281**	**86,138**

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

Inside Building 21 - the Block Consolidation Hall

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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 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

NPS

In March 2023, the Australian government announced the optimal pathway for Australia to acquire a fleet of NPS proposed to be built at a new, fit for purpose and state of the art submarine construction yard at the preferred site at Osborne, South Australia. ANI will develop the NPS construction yard at Osborne, with planning and design for enabling works now underway.

5. Financial performance

a. Revenue

	June 2023 $'000	June 2022 $'000
Revenue from continuing operations		
Facilities and service revenue	244	493
Lease income	47,196	40,814
	47,440	**41,307**

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.

Accounting policy

Item	Policy
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, in line with 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 Pty Ltd (ASC) comprises a capital charge and a pass-through of depreciation. The capital charge is recognised based on a percentage of the depreciated historic cost of critical infrastructure assets that have not been funded by a program or project and the depreciation charge is recognised based on the depreciation of critical infrastructure assets provided by the Company. Both this capital charge and depreciation charge are treated as lease income under AASB 16 Leases.

b. Other income and expense items

Items included in loss before income tax:

	June 2023 $'000	June 2022 $'000
Other income		
Deferred income recognised in profit or loss	402	399
Covid-19 cash flow boost payments	-	100
	402	**499**
Depreciation		
Buildings and infrastructure	30,420	26,370
Plant and equipment	14,513	13,221
Right of use asset	222	257
	45,155	**39,848**
Finance income		
Interest income	**2,257**	**81**
Finance costs		
Bank fees	(22)	(14)
Debt commitment fees	(443)	-
	(465)	**(14)**

Accounting policy

Item	Policy
Deferred income	The deferred income balance is released to the profit or loss as other income on a systematic basis. Refer to Note 8(d).
Depreciation	Accounting policies for depreciation and amortisation are described in Note 8(a).
Finance income / (costs)	Finance income and finance costs incurred during the financial year are 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 reporting 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 2023 $'000	June 2022 $'000
Loss from continuing operations before income tax	(23,891)	(351,604)
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	7,167	105,481
Non-deductible expenses	(39)	(2)
Reversal of unrecognised temporary difference	120	120
Prior year adjustment to deferred tax assets for losses	-	157
Recognition / (derecognition) of deferred tax assets	27,377	(27,377)
Income tax benefit	**34,625**	**78,379**

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. Previously unrecognised deferred tax assets of $27.377 million have been recognised in the current year and will be 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 2023 $'000	June 2022 $'000
Loss from continuing operations before income tax	(23,891)	(351,604)
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	7,167	105,481
Permanent differences	(39)	(2)
Temporary differences - property, plant and equipment	(333)	(101,591)
Unrecognised temporary differences - property, plant and equipment	120	120
Temporary differences - other	(1,266)	(87)
Income tax loss	**5,649**	**3,921**

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 2023 $'000	June 2022 $'000
Recognised in revaluation surplus		
Net deferred tax on revaluation	(37,249)	(27,915)

e. Deferred tax balances

Net position as presented in the statement of financial position

	June 2023 $'000	June 2022 $'000
Net deferred tax liabilities		
Deferred tax assets	113,099	78,806
Deferred tax liabilities	(115,725)	(78,806)
	(2,626)	**-**

i. Deferred tax assets

	June 2023 $'000	June 2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	92,014	77,942
Tax losses carried forward	18,779	-
Sundry items	2,306	864
	113,099	**78,806**

Movements	Property, plant and equipment $'000	Tax losses $'000	Other items $'000	Total $'000
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**
At 1 July 2022	77,942	-	864	78,806
Charged/(credited)				
- to profit or loss	14,072	18,779	1,442	34,293
At 30 June 2023	**92,014**	**18,779**	**2,306**	**113,099**

ii. Deferred tax liabilities

	June 2023 $'000	June 2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	115,660	78,675
Sundry items	64	131
	115,724	**78,806**

Movements	Property, plant and equipment $'000	Other items $'000	Total $'000
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**
At 1 July 2022	78,675	131	78,806
Charged/(credited)			
- to profit or loss	(264)	(67)	(331)
- to other comprehensive income	37,249	-	37,249
At 30 June 2023	**115,660**	**64**	**115,724**

iii. Net deferred tax

	June 2023 $'000	June 2022 $'000
Property, plant and equipment	(23,646)	(733)
Tax losses	18,779	-
Other items	2,242	733
	(2,625)	**-**

7. Financial assets and liabilities

a. Cash and cash equivalents

	June 2023 $'000	June 2022 $'000
Current assets		
Cash and cash equivalents	**69,281**	**86,138**

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

	June 2023 $'000	June 2022 $'000
Profit / (loss) for the year	10,734	(273,225)
Adjustment for:		
Depreciation	45,155	39,848
Finance cost	465	-
Other income	(399)	(399)
Interest income	(2,257)	(81)
Income tax benefit	(34,625)	(78,379)
Loss / (gain) on disposal of non-current assets	2,313	(323)
Net revaluation (increase) / decrease – land, buildings and infrastructure	(563)	31,115
Net impairment (reversal) / loss	(1,267)	307,335
*Change in operating assets and liabilities**		
Decrease / (increase) in trade and other debtors	(2,055)	1,414
Increase / (decrease) in trade creditors and other liabilities	473	(103)
(Increase) in prepayments	(126)	(145)
Net cash inflow from operating activities	**17,848**	**27,057**

*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 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**
Year ended 30 June 2023			
Proceeds from issue of share capital – Note 10(a)	-	-	-
Repayment of lease liability – Note 7(e)	(314)	-	(314)
Net cash (outflow)/ inflow from financing activities	**(314)**	**-**	**(314)**

b. Trade and other receivables

	June 2023 $'000	June 2022 $'000
Current assets		
Trade and other receivables	6,067	4,165
GST receivable	131	(32)
	6,198	**4,133**

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 2023 (2022: nil).

c. Prepayments

	June 2023 $'000	June 2022 $'000
Current assets		
Other prepayments	11,737	707

d. Trade and other payables

	June 2023 $'000	June 2022 $'000
Current liabilities		
Trade payables	4	46
Other payables	5,635	1,583
	5,639	**1,629**

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 2023 $'000	June 2022 $'000
Opening balance on 1 July	296	202
Remeasurement of liability	18	-
Repayment of liability	(314)	(202)
Commencement of new lease	-	296
Closing balance 30 June	**-**	**296**
Classification		
Current	-	296
Non-current	-	-
	-	**296**

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.

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2023

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.

f. Borrowings

Non-interest-bearing liabilities

	June 2023 $'000	June 2022 $'000
Non-current		
Term loan	4	4
Debt facility	-	-
	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.

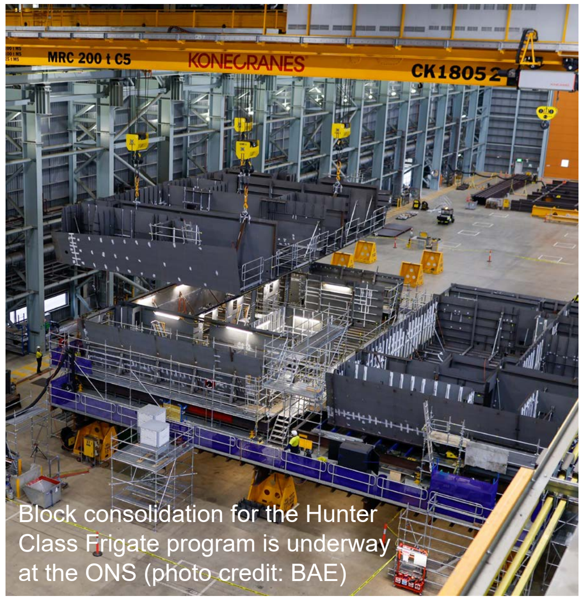
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Term loan

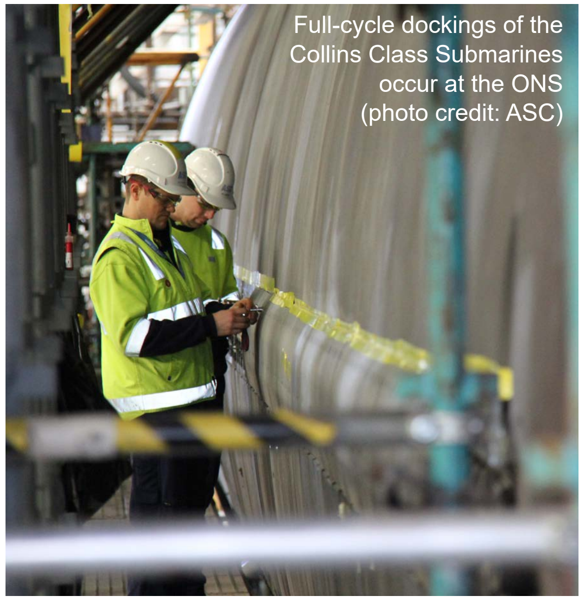
The term loan consists of an interest free 99-year loan to the Company from the Department of Manufacturing Industry, Small Business and Regional Development (SA), for expenditure on capital items and to assist with site development costs. The $0.200 million term loan is repayable in 2094 or at the option 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 2023 (2022: $0.004 million) in accordance with AASB 9 *Financial Instruments*.

Debt facility

During the year, the Company negotiated a $110 million debt facility under a Syndicated Facility Agreement with two leading Australian financial institutions. The debt facility is structured as a four-year unsecured revolving credit facility. At 30 June 2023, the debt facility is undrawn.



Block consolidation for the Hunter Class Frigate program is underway at the ONS (photo credit: BAE)


Full-cycle dockings of the Collins Class Submarines occur at the ONS (photo credit: ASC)

8. Non-financial assets and liabilities

a. Property, plant and equipment

	June 2023 $'000	June 2022 $'000
Land, at valuation	144,580	134,600
Buildings and infrastructure		
At valuation	1,096,521	858,807
Accumulated depreciation	-	-
	1,096,521	858,807
Plant and equipment		
At historical cost	258,214	246,046
Accumulated depreciation	(58,047)	(43,600)
	200,167	202,446
Right-of-use lease asset		
At cost	296	296
Accumulated depreciation	(277)	(55)
	19	241
Assets under construction		
At cost	31,848	169,658
Total property, plant and equipment	**1,473,135**	**1,365,752**

a. Property, plant and equipment (cont.)

	Land $'000	Buildings and infrastructure $'000	Plant and equipment $'000	Right-of-use lease asset $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2022						
Opening net book amount	111,715	763,736	195,295	202	340,395	1,411,343
Revaluation increase*	8,500	98,136	-	-	-	106,636
Revaluation decrease*	(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**
Year ended 30 June 2023						
Opening net book amount	134,600	858,807	202,446	241	169,658	1,365,752
Revaluation increase*	9,980	140,237	-	-	-	150,217
Revaluation decrease*	-	(25,489)	-	-	-	(25,489)
Reversal of impairment loss	-	-	-	-	1,267	1,267
Additions	-	900	2,468	-	27,364	30,732
Transfers	-	153,011	9,766	-	(162,777)	-
Depreciation charge	-	(30,420)	(14,513)	(222)	-	(45,155)
Disposals	-	(525)	-	-	(3,664)	(4,189)
Closing net book amount	**144,580**	**1,096,521**	**200,167**	**19**	**31,848**	**1,473,135**

**Revaluation increase / (decrease)*

	At 30 June 2023			At 30 June 2022		
	Land $'000	Buildings and infrastructure $'000	Total $'000	Land $'000	Buildings and infrastructure $'000	Total $'000
To revaluation surplus (pre-tax)	7,370	116,795	124,165	3,550	89,499	93,049
To profit or loss	2,610	(2,047)	563	(26,855)	(4,260)	(31,115)
	9,980	**114,748**	**124,728**	**(23,305)**	**85,239**	**61,934**

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	15 - 60 years
Plant and equipment	Cost model	N/A	N/A	Straight-line	2 - 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 on-site valuation of all land, buildings and infrastructure of the Company was carried out by Asset Valuation Advisory (AVA) at 30 June 2023. This is the same valuer engaged in previous years. 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.

The net revaluation increase for buildings and infrastructure of $114.748 million is largely influenced by adjustments to the estimated remaining useful lives of assets to more appropriately reflect the period over which ANI expects to generate economic benefits from these particular assets. Considerations taken into account include the bespoke or generic nature of the buildings, relative age of the buildings.

The revaluation increase for land of $9.980 million relates mainly to a strong industrial property market.

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: 15 - 60 years
- Plant and equipment: 2 - 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.

As these assets are not ready for use, no depreciation is charged.

During the year, the Combat System Physical Integration Facility (CSPIF), high voltage substation and fire tank system were commissioned and therefore transferred from assets under construction to buildings.

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.

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 decrease 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 decrease 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.

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 2023 $'000	June 2022 $'000
Land		
Cost	102,729	102,729
Buildings and infrastructure		
Cost	912,337	759,791
Accumulated depreciation	(181,296)	(153,107)
Carrying amount	**731,041**	**606,684**

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 $22.222 million (2022: $15.320 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 2023 $'000	June 2022 $'000
Employee benefits		
Current	1,406	1,356
Non-current	328	284
	1,734	**1,640**

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 2023 $'000	June 2022 $'000
Deferred income – government grants	704	704
Other liabilities	363	426
	1,067	**1,130**

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 2023 $'000	June 2022 $'000
Current		
Deferred income – OST transfer	399	399
Non-current		
Deferred income – OST transfer	11,583	11,983

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)).


The first two OPVs are being constructed at ONS (photo credit: Luerssen Australia)

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 2023 and 30 June 2022.

Recurring fair value measurements

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
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**
30 June 2023					
Non-financial assets					
Land	8(a)	-	-	144,580	144,580
Buildings and infrastructure	8(a)	-	-	1,096,521	1,096,521
Total non-financial assets		**-**	**-**	**1,241,101**	**1,241,101**

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 best evidence of fair value is current prices in an active market for similar properties.

The fair value of buildings and infrastructure is based on the depreciated replacement cost approach.

An independent on-site valuation of all land, buildings and infrastructure of the Company was carried out by AVA at 30 June 2023.

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 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 2023.

iii. 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 2023 $'000**	**June 2022 $'000**	**Unobservable inputs**	**FY23**	**FY22**	**Relationship of unobservable inputs to fair value**
Buildings and infrastructure	1,096,521	858,807	Depreciation rates	3.2%	3.4%	The higher the depreciation rate, the lower the fair value
			Construction cost increases	10%	11%	Increases to construction costs increases the fair value
Land	144,580	134,600	Shipyard location	20%	20%	The association with the ONS increases the fair value
			Overall market increase	7.4%	23%	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. At year end, as the Company had not drawn down on its debt facility, 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 2023	June 2022
	$'000	$'000
Financial assets		
Cash and cash equivalents	69,281	86,138
Trade and other receivables	6,198	4,133
	75,479	**90,271**

	June 2023	June 2022
	$'000	$'000
Financial liabilities		
Trade and other payables	5,639	1,629
Non-interest-bearing liabilities	4	4
Lease liability	-	296
	5,643	**1,929**

b. Credit risk management

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.

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 2023	June 2022
	$'000	$'000
Trade receivables		
AAA (Commonwealth of Australia)	5,487	4,022
Counterparties without an external credit rating	711	111
	6,198	**4,133**

	June 2023	June 2022
	$'000	$'000
Aa3 rated cash at bank		
Cash and cash equivalents	**69,281**	**86,138**

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 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**
At 30 June 2023							
Non-derivatives							
Trade and other payables	5,639	-	-	-	-	5,639	5,639
Non-interest-bearing	-	-	-	-	200	200	4
Total non-derivatives	**5,639**	**-**	**-**	**-**	**200**	**5,839**	**5,643**

d. Market risk

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

i. Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS cont / 30 JUNE 2023

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 2023 $'000	Effective interest rate	30 June 2022 $'000	Effective interest rate
Financial assets				
Cash and cash equivalents	69,281	2.99%	86,138	0.21%
Trade and other receivables	6,198	0%	4,133	0%
Total financial assets	**75,479**		**90,271**	
Financial liabilities				
Trade and other payables	5,639	0%	1,629	0%
Non-interest-bearing liabilities	4	0%	4	0%
Lease liability	-	0%	296	0%
Total financial liabilities	**5,643**		**1,929**	

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 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**
Opening balance 1 July 2022	1,617,787,826	1,617,788
Equity injection from Shareholders	-	-
Balance 30 June 2023	**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 (2022: Nil).

b. Revaluation surplus

	June 2023	June 2022
	$'000	$'000
Opening balance on 1 July	171,864	106,730
Revaluation - gross	124,165	93,049
Deferred tax	(37,249)	(27,915)
Other comprehensive income	86,916	65,134
Closing balance on 30 June	**258,780**	**171,864**
Revaluation surplus		
Land	33,807	28,648
Buildings and infrastructure	224,973	143,216
	258,780	**171,864**

The property, plant and equipment revaluation surplus is used to record increases and decreases on the revaluation of land and buildings. Further detail of current year impacts of the 30 June 2023 external valuation is outlined in Note 8(a).

c. Accumulated losses

Movements in accumulated losses were as follows:

	June 2023	June 2022
	$'000	$'000
Opening balance on 1 July	**(350,003)**	**(76,778)**
Net loss for the period	10,734	(273,225)
Closing balance on 30 June	**(339,269)**	**(350,003)**

11. Economic dependency

The normal trading activities of the Company depend on the access charge revenue and lease income arising from the provision of critical infrastructure assets for the maintenance of the Collins Class submarines and construction of the Hunter Class frigates and offshore patrol vessels.

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 ANI and the Australian Submarine Agency, with outcomes expected as ANI progresses the design of the new yard over the next few years. 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

In the interval between the end of the financial year and date of this report, there has not arisen 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 2023	June 2022
	$	$
Short-term employee benefits	2,410,547	2,441,629
Post-employment benefits	168,077	159,166
Other long-term benefits	52,167	61,160
	2,630,791	**2,661,955**

ANI has historically assisted employees to manage their annual concessional super caps by allocating excess super to ordinary earnings (subject to PAYG), at their request, once they reach their annual cap, either from ANI or other sources. Where employees elect for super not to be paid into their super account, they are required to apply for ATO opt-out certificates. ANI and affected employees were not aware of this administrative requirement until FY24. As a result, a payable of $84,000 to the ATO existed at year end, relating to superannuation guarantee shortfall for Mr Seaton, to be redirected to his superannuation fund. It was previously paid to Mr Seaton as ordinary earnings (rather than superannuation) during the last five financial years. A corresponding current receivable of $84,000 from Mr Seaton exists at year end.

Detailed remuneration disclosures are provided in the remuneration report on pages 29 to 32. The report has been updated to reflect Mr Seaton's adjusted superannuation and base salary, on an accrual basis, for FY22. Total remuneration for FY22 has not changed from amounts previously reported.

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 2023	June 2022
	$	$
Equity injections		
Equity injections from the Commonwealth	-	**221,965,000**

15. Remuneration of auditors

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

	June 2023	June 2022
	$	$
Auditors of the Company - ANAO (contracted to KPMG)		
Audit and review of financial statements	94,000	93,000
Total services provided by the ANAO	**94,000**	**93,000**
Other Auditors		
Other assurance services - KPMG	18,000	15,000
Total services provided by other auditors	**18,000**	**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 financial assets

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

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

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

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

d. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Provision must be made in compliance with section 254T of the *Corporations Act 2001* (Cth).

e. Impact of standards issued but not yet applied

Certain new accounting standards, interpretations and amendments have been published that are not mandatory for 30 June 2023 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	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period	Mandatory
28E(b)	10	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
28E(c)	N/A	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period	If applicable, mandatory
28E(d)	N/A	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(e)	N/A	Particulars of non-compliance 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)	6-7	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 non-ongoing basis, including the following: a. statistics on full-time employees b. statistics on part-time employees c. statistics on gender d. statistics on staff location	Mandatory

PGPA Rule Reference	Part of Report (page ref)	Description	Requirement
28E(h)	8-9	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Mandatory
28E(i)	12-13	Information in relation to the main corporate governance practices used by the company during the reporting period	Mandatory
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)	26-27	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

INDEX OF REQUIREMENTS cont

PGPA Rule Reference	Part of Report (page ref)	Description	Requirement
28E(oa)	29-32	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	
	13	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	
	29	e. the remuneration of each member of the audit committee	
28F	**Disclosure of requirements for government business enterprises**		
28F(1)(a)(i)	26-27	An assessment of significant changes in the company's overall financial structure and financial conditions	If applicable, mandatory
28F(1)(a)(ii)	26-27, 71	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)	27, 70	Information on dividends paid or recommended	If applicable, mandatory
28F(1)(c)	N/A	Details of any community service obligations the government business enterprise has including: a. an outline of actions taken to fulfil those obligations, and b. an assessment of the cost of fulfilling those obligations	If applicable, mandatory
28F(2)	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

61 Veitch Road
Osborne SA 5017

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

ani.com.au