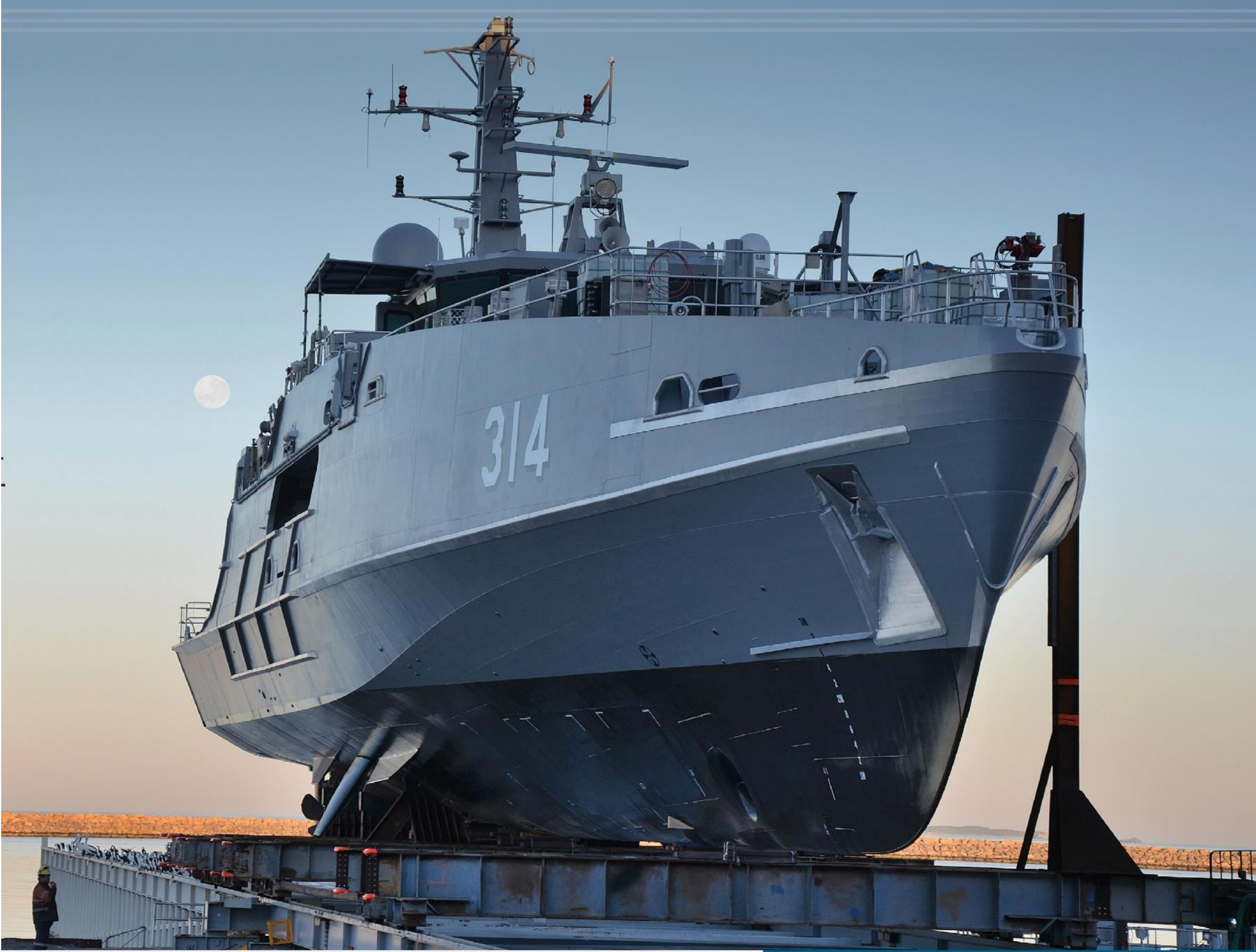



# **Austal Limited** Half Year Report

31 December 2021

AUSTAL

# Contents

Vanuatu's RVS Takuare Guardian-class Patrol Boat, delivered July 2021.

# Company Overview

Growing stronger and even more resilient in the face of the continuing global COVID-19 pandemic, Austal has achieved significant success, across all shipyards and all areas of operations, in the first six months of FY2022.

In addition to five ships being delivered, Austal received orders for an additional 3 ships, from defence and commercial operators around the world.

In Australia, Austal launched the first of six Evolved Cape-class Patrol Boats under construction for the Royal Australian Navy, and continued the delivery of the on-time, on-budget Pacific Patrol Boat Replacement Project (SEA3036) for the Australian Government. Two more Guardian-class Patrol Boats were delivered in the second half of 2021, bringing the total number of vessels delivered under the project to thirteen.

Austal Australia also joined a consortium of Australian companies to form the Australian Missile Corporation (AMC), with the aim of offering the Australian Department of Defence a sovereign capability to design and manufacture missiles in Australia.

Austal USA delivered the future USS Canberra (LCS30) to the United States Navy and won a contract to design and construct two steel hulled 'T-ATS' Towing, Salvage and Rescue ships for the Navy; the first vessels to be constructed in steel at the Mobile, Alabama shipyard from April 2022.

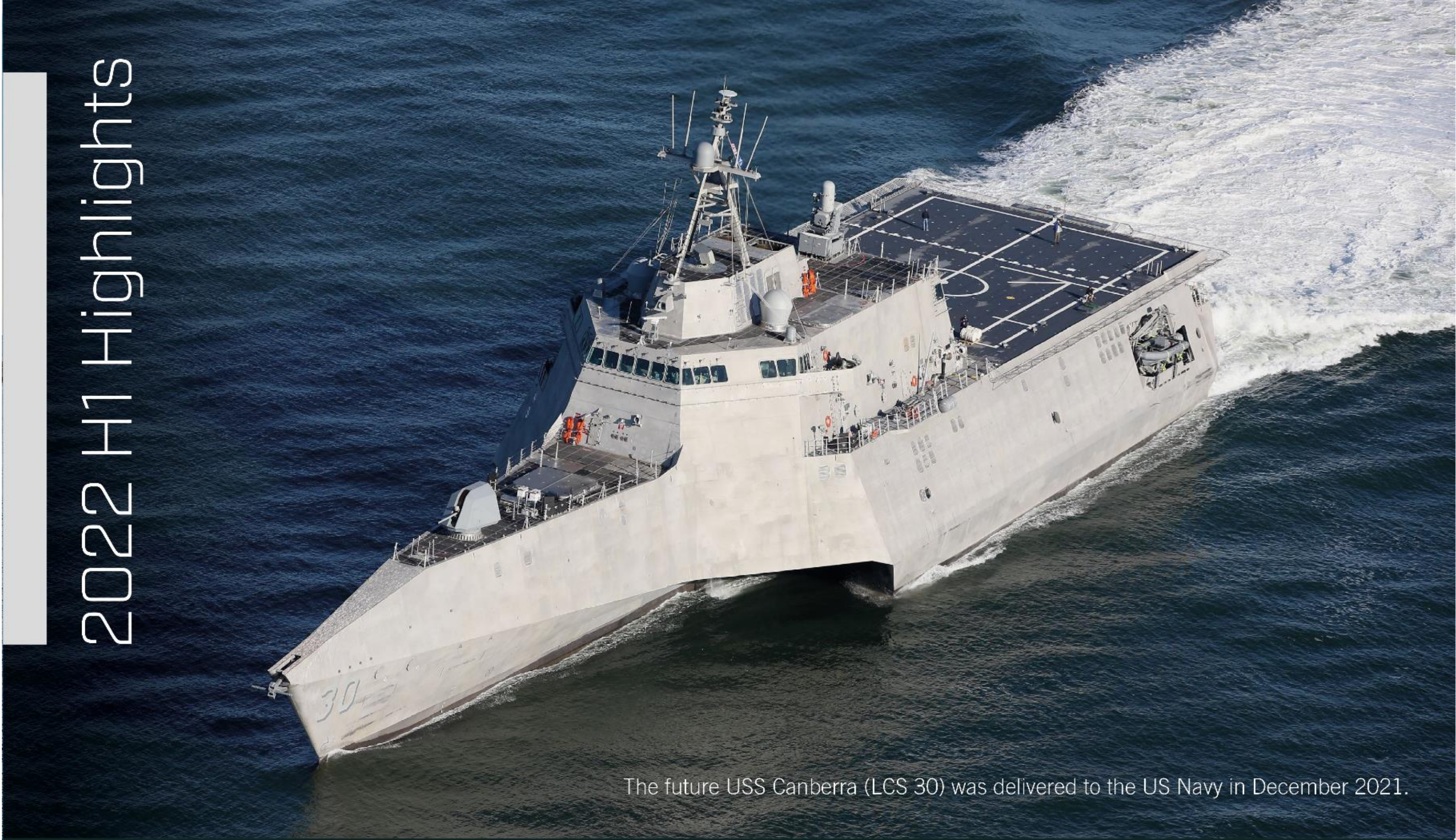
Austal USA also won contracts for design studies on the United States Navy's Next Generation Logistics Ship (NGLS) as well as multiple Sustainment Execution Contracts that will allow Austal USA to bid for repair, maintenance and modernisation work on Littoral Combat Ships on both the East and West Coasts of the USA. The company secured a lease on waterfront property and procured a new dry dock in San Diego that will facilitate this work.

Despite the challenges of both COVID-19 and a super typhoon which hit the shipyard in December 2021, Austal Philippines delivered the largest trimaran ever constructed in the Philippines, the 118 metre "Banaderos Express"; and continued work on the 115 metre high-speed catamaran ferry "Express 5", for repeat customer Molslinjen of Denmark.

Meanwhile, at Austal Vietnam, the team commenced construction on a new 66 metre high-speed catamaran ferry for The Degage Group of French Polynesia following a contract award in August 2021.

Austal's strategic priorities – shipbuilding, systems and support – continue to be the focus of our teams, guided by the company values of excellence, integrity, teamwork and customer focus.

# 2022 H1 Highlights



The future USS Canberra (LCS 30) was delivered to the US Navy in December 2021.

**$722 M**
Revenue

**$2.2 B**
Order Book

**25**
Ships scheduled or under construction

**5**
Ships delivered

**37**
Vessels under sustainment

**8** Service Centres

**4,900** Employees

# Directors' report

It is my pleasure to present the financial report for the half-year ended 31 December 2021 to you on behalf of the Board of Austal Limited.

## Directors

The Directors in office during the half-year and until the date of this report were:

- John Rothwell (Chairman)
- Patrick Gregg (Chief Executive Officer and Managing Director)
- Giles Everist (Non-Executive Director)
- Sarah Adam-Gedge (Non-Executive Director)
- Chris Indermaur (Non-Executive Director)
- Michael McCormack (Non-Executive Director)

## Principal Activities

The principal activities of entities within the consolidated entity during the reporting period were the design, manufacture and support of high performance vessels. These activities are unchanged from the previous reporting period.

## Results

Austal reported key financial results as follows:

- FY2022 H1 revenue was $722.378 million (FY2021 H1: $840.321 million).
- Earnings Before Interest and Tax (EBIT) was $71.080 million (FY2021 H1: $70.464 million).
- Profit Before Tax (PBT) was $67.458 million (FY2021 H1: $66.845 million).
- Net Profit After Tax (NPAT) was $45.060 million (FY2021 H1: $52.434 million).

### Reconciliation of EBIT and EBITDA (unaudited)

| | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|
| **Profit Before Tax** | 67,458 | 66,845 |
| Finance costs | 3,694 | 3,825 |
| Finance income | (72) | (206) |
| **EBIT** | 71,080 | 70,464 |
| Depreciation | 22,371 | 21,211 |
| Amortisation | 882 | 727 |
| **EBITDA** | 94,333 | 92,402 |

Austal uses a number of non-AASB measures to assess performance which are defined as follows:

- EBIT – earnings before interest and tax.
- EBITDA – earnings before interest, tax, depreciation and amortisation.

The information is unaudited but is extracted from the financial statements which have been reviewed by the auditor of the Group. EBIT and EBITDA are used to understand operating performance of the Group.

## Review of Operations

### USA Operations

USA total segment revenue was $531.897 million (FY2021 H1: $641.629 million), and EBIT was $76.654 million (FY2021 H1: $69.521 million).

Operational highlights of the reporting period include:

- Austal delivered the future USS Canberra (LCS 30) to the United States Navy in December 2021. The USS Canberra is the 15th Independence-class Littoral Combat Ship (LCS) delivered to the US Navy since 2010, and the second in calendar year 2021 after USS Savannah (LCS 28) was delivered in June 2021.

- Four LCS are presently under various stages of construction. LCS 32, the future USS Santa Barbara was launched in November 2021. LCS 34, the future USS Augusta, LCS 36, the future USS Kingsville and LCS 38, the future USS Pierre are under construction.

- EPF 13, the future USNS Apalachicola, and EPF 14, the future USNS Cody remain under construction. EPF 15, the future USNS Point Loma is under contract.

- Austal was awarded its first steel construction contract by the United States Navy, a US$144 million build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12), in September 2021, with an option for a further three vessels.

- Austal completed the purchase in December 2021 of a long-term lease of the Marine Group Boatworks facilities in the Port of San Diego, USA. This important strategic acquisition enables further growth of the Company's service and support business. The lease of the facility has a duration of 29 years. Refer to Note 7 for further information.

- Rusty Murdaugh was appointed as President of Austal USA, effective 9th September 2021. Rusty had been serving as the interim President since February 2021, and Chief Financial Officer since 2017.

## Australasia Operations

Australasia segment revenue was $196.716 million (FY2021 H1: $205.873 million), and EBIT was $4.953 million (FY2021 H1: $11.955 million).

Operational highlights of the reporting period include:

- Guardian Class Patrol Boats (GCPB) 12 and 13 were delivered on time to the Commonwealth of Australia in August 2021 and October 2021 respectively. GCPB 12 was then gifted to the Republic of Vanuatu and GCPB 13 was gifted to the Papua New Guinea Defence Force. Twelve Pacific Island nations including Papua New Guinea, Fiji, the Federated States of Micronesia, Tonga, Solomon Islands, Cook Islands, Kiribati, Marshall Islands, Palau, Samoa, Tuvalu, Vanuatu and Timor Leste will receive the 21 vessels through to 2023.

- Austal was awarded a €20.5 million (~$32.8 million) contract in August 2021 to build a 66 metre high-speed catamaran ferry for the Degage Group of French Polynesia. Construction commenced at Austal Vietnam in the period, with a scheduled delivery in the first half of 2023.

- Austal Philippines delivered Banaderos Express (Austal Hull 395), a 118 metre high-speed trimaran ferry, to Fred Olsen Express of the Canary Islands in October 2021. This completed the $190 million contract for two trimarans, announced in December 2018. The first vessel, Bajamar Express (Austal Hull 394) was constructed by Austal Australia and delivered in July 2020.

- Austal completed the sale of its 40% shareholding in Aulong Shipbuilding Co. Ltd to the joint venture partner, Jianglong Shipbuilding Company (Jianglong) for $4.383 million in December 2021. Austal will continue to provide Jianglong with ongoing design support on an ad hoc basis as the parties determine is appropriate. Please see Note 6 for further information.

- Construction progressed at Austal Philippines on the 115 metre high-speed vehicle-passenger catamaran for Danish ferry operator Molslinjen. The new 'Auto Express 115' will be the largest ferry (by volume) ever built by Austal and is a further design evolution of the distinctive 109 metre high-speed catamaran delivered to Molslinjen in January 2019. The vessel is due to be delivered in December 2022.

- Construction progressed well at Austal Australia on the six evolved Cape Class Patrol Boats (CCPB) for the Royal Australian Navy (RAN). All six vessels are under various stages of construction. The $324 million contract to design and construct the evolved CCPB is the largest vessel construction program contract awarded to Austal in Australia in the Company's 30+ year history.

- Australasia's EBIT was negatively impacted by a $6.7 million impairment charge taken to recognise damage sustained to the Austal Philippines shipyard and floating dry dock as a result of Typhoon Odette. Please see Note 4(ii)(2) for further information.

## Cash management & dividends

The net cash position as per the balance sheet was $188.677 million at 31 December 2021 (30 June 2021: $199.695 million).

Net cash in prior periods included the liability associated with the CCPB 9 & 10 residual value guarantees which were derecognised in October 2021. Net cash increased by $29.233 million as a result of the derecognition of the liability as outlined in Note 8. Cash balances were unchanged by the derecognition.

Austal has maintained a strong cash balance of $306.822 million at 31 December 2021 (30 June 2021: $346.899 million), demonstrating the ongoing cash generating strength of the business and ability to invest in strategic acquisitions whilst continuing to distribute dividends to shareholders. An unfranked interim dividend of 4 cents per share was declared post 31 December 2021.

$14.396 million cash was returned to shareholders following the declaration by the Board of a 4 cents per share unfranked dividend on 24 August 2021. The dividend was paid to shareholders on 21 October 2021.

### COVID-19 impact

It is testament to the commitment of Austal's workforce and supplier network that Austal has been able to continue ship construction and support activities and generate the reported results, however Austal has not been immune to the disruption of COVID-19 and has continued to experience some inefficiencies, restrictions and delays as a direct result of the global pandemic. Some examples of these impacts are:

- Commissioning of vessels in Australasia has taken longer than scheduled because of limitations on the global mobility of commissioning engineers which has induced additional costs and delays in the delivery of vessels.
- Restrictions on the global mobility of labour have also impeded the ability to conduct some vessel support activities. Austal's USA support business has been unable to send maintenance personnel to some locations which has impacted revenue generation.
- Many global commercial ferry operators are experiencing high levels of uncertainty about their short-term route requirements which has led to reduced tendering activity and contributed to just a single new vessel order being received during the half year.

## Rounding of Amounts

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191. The Company is an entity to which the instrument applies.

## Auditor's Declaration of Independence

Austal has obtained an independence declaration from its auditors, Deloitte Touche Tohmatsu, which is on page 9 and forms part of the Directors' Report.

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

John Rothwell

Chairman

25 February 2022

# Auditor independence

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

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Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Austal Limited
100 Clarence Beach Rd
Henderson, WA
6166, Australia

25 February 2022

Dear Board Members,

**Austal Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Austal Limited.

As lead audit partner for the review of the half year financial report of Austal Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

**A T Richards**
Partner
Chartered Accountants

# Consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2021

| | Notes | 2022 H1<br>$'000 | 2021 H1<br>$'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 4 | 722,378 | 840,321 |
| Cost of sales | 4 | (604,744) | (723,123) |
| **Gross Profit** | | 117,634 | 117,198 |
| Other income and expenses | | 5,454 | 3,170 |
| Administration expenses | | (41,842) | (41,498) |
| Marketing expenses | | (10,166) | (8,406) |
| Finance income | | 72 | 206 |
| Finance costs | | (3,694) | (3,825) |
| **Profit before income tax** | | 67,458 | 66,845 |
| Income tax expense | 10 | (22,398) | (14,411) |
| **Profit after tax** | | 45,060 | 52,434 |
| Other comprehensive income (OCI) | | | |
| **Amounts that may subsequently be reclassified to profit and loss:** | | | |
| Cash flow hedges | | | |
| - Net gain | | 999 | 6,140 |
| - Income tax expense | 10 | (331) | (1,546) |
| - Total | | 668 | 4,594 |
| Foreign currency translations | | | |
| - Net gain / (loss) | | 20,337 | (69,688) |
| - Total | | 20,337 | (69,688) |
| Total | | 21,005 | (65,094) |
| **Amounts not to be reclassified to profit and loss in subsequent periods:** | | | |
| Asset revaluation reserve | | | |
| - Income tax benefit / (expense) | 10 | 209 | (52) |
| - Total | | 209 | (52) |
| **Other comprehensive income for the period** | | 21,214 | (65,146) |
| Total comprehensive income for the year | | 66,274 | (12,712) |

| Earnings per share (cents per share) | cents / share | cents / share |
|---|---|---|
| Basic earnings per share | 12.5 | 14.6 |
| Diluted earnings per share | 12.5 | 14.5 |

# Consolidated statement of financial position as at 31 December 2021

| | Notes | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | | 306,822 | 346,899 |
| Inventories and work in progress | | 251,020 | 178,329 |
| Trade and other receivables | | 39,597 | 138,282 |
| Prepayments | | 12,365 | 11,588 |
| Derivatives | | 2,771 | 4,088 |
| Income tax refundable | | 1,381 | 3,468 |
| Assets held for sale | 6 | - | 1,729 |
| Total | | 613,956 | 684,383 |
| **Non - current** | | | |
| Property, plant and equipment | | 650,906 | 644,210 |
| Intangible assets and goodwill | | 37,435 | 37,571 |
| Prepayments | | 3,557 | 3,203 |
| Derivatives | | 2,445 | 162 |
| Right of use lease assets | 7 | 167,116 | 55,993 |
| Other financial assets | | 14,857 | 14,991 |
| Deferred tax assets | | 8,714 | 9,002 |
| Total | | 885,030 | 765,132 |
| **Total** | | 1,498,986 | 1,449,515 |
| **Liabilities** | | | |
| **Current** | | | |
| Interest bearing loans and borrowings | 8 | - | (32,205) |
| Progress payments received in advance | | (112,245) | (123,250) |
| Trade and other payables | | (103,277) | (133,380) |
| Provisions | | (82,370) | (98,824) |
| Derivatives | | (1,788) | (1,680) |
| Income tax payable | | (276) | (689) |
| Lease liabilities | 7 | (4,194) | (4,635) |
| Deferred grant income | | (2,928) | (2,968) |
| Total | | (307,078) | (397,631) |
| **Non - current** | | | |
| Interest bearing loans and borrowings | 8 | (118,145) | (114,999) |
| Provisions | | (2,586) | (2,376) |
| Derivatives | | (887) | (1,048) |
| Lease liabilities | 7 | (119,805) | (52,758) |
| Deferred grant income | | (76,798) | (64,832) |
| Deferred tax liabilities | | (46,219) | (41,833) |
| Total | | (364,440) | (277,846) |
| **Total** | | (671,518) | (675,477) |
| **Net assets** | | 827,468 | 774,038 |
| **Equity attributable to owners of the parent** | | | |
| Contributed equity | 9 | 143,730 | 141,666 |
| Reserves | | 225,966 | 205,264 |
| Retained earnings | | 457,772 | 427,108 |
| Total | | 827,468 | 774,038 |

# Consolidated statement of changes in equity for the half-year ended 31 December 2021

| | Issued Capital $'000 | Reserved Shares [1] $'000 | Retained Earnings $'000 | Foreign Currency Transl'n Reserve $'000 | Employee Benefits Reserve $'000 | Cash Flow Hedge Reserve $'000 | Common Control Reserve $'000 | Asset Reval'n Reserve $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Equity at 1 July 2020 | 136,696 | (1,356) | 378,281 | 119,347 | 9,655 | (3,589) | (17,594) | 127,303 | 748,743 |
| **Comprehensive income** | | | | | | | | | |
| Profit for the period | - | - | 52,434 | - | - | - | - | - | 52,434 |
| Other comprehensive income | - | - | - | (69,688) | - | 4,594 | - | (52) | (65,146) |
| Total | - | - | 52,434 | (69,688) | - | 4,594 | - | (52) | (12,712) |
| **Other equity transactions** | | | | | | | | | |
| Shares issued for dividend reinvestment plan | 1,097 | - | - | - | - | - | - | - | 1,097 |
| Dividends declared | - | - | (17,978) | - | - | - | - | - | (17,978) |
| Share based payments expense | - | - | - | - | 2,572 | - | - | - | 2,572 |
| Shares issued to employee share trust | 9,440 | (9,440) | - | - | - | - | - | - | - |
| Shares or proceeds transferred to beneficiaries | (4,440) | 9,474 | - | - | (5,034) | - | - | - | - |
| Total | 6,097 | 34 | (17,978) | - | (2,462) | - | - | - | (14,309) |
| **Movement** | 6,097 | 34 | 34,456 | (69,688) | (2,462) | 4,594 | - | (52) | (27,021) |
| Equity at 31 December 2020 | 142,793 | (1,322) | 412,737 | 49,659 | 7,193 | 1,005 | (17,594) | 127,251 | 721,722 |
| Equity at 1 July 2021 | 142,558 | (892) | 427,108 | 66,131 | 7,989 | 2,075 | (17,594) | 146,663 | 774,038 |
| **Comprehensive income** | | | | | | | | | |
| Profit for the period | - | - | 45,060 | - | - | - | - | - | 45,060 |
| Other comprehensive income | - | - | - | 20,337 | - | 668 | - | 209 | 21,214 |
| Total | - | - | 45,060 | 20,337 | - | 668 | - | 209 | 66,274 |
| **Other equity transactions** | | | | | | | | | |
| Dividends declared | - | - | (14,396) | - | - | - | - | - | (14,396) |
| Share based payments expense | - | - | - | - | 1,552 | - | - | - | 1,552 |
| Shares issued to employee share trust | 3,675 | (3,675) | - | - | - | - | - | - | - |
| Shares or proceeds transferred to beneficiaries | 12 | 2,052 | - | - | (2,064) | - | - | - | - |
| Total | 3,687 | (1,623) | (14,396) | - | (512) | - | - | - | (12,844) |
| **Movement** | 3,687 | (1,623) | 30,664 | 20,337 | (512) | 668 | - | 209 | 53,430 |
| Equity at 31 December 2021 | 146,245 | (2,515) | 457,772 | 86,468 | 7,477 | 2,743 | (17,594) | 146,872 | 827,468 |

1. Reserved shares are held in relation to an employee share trust.

# Consolidated statement of cash flows for the half-year ended 31 December 2021

| | Notes | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 745,546 | 869,260 |
| Payments to suppliers and employees (inclusive of GST) | | (687,631) | (773,701) |
| Income tax paid | | (12,520) | (9,545) |
| Interest paid | | (2,327) | (2,709) |
| Interest received | | 72 | 206 |
| Net cash from operating activities | | 43,140 | 83,511 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (43,397) | (39,501) |
| Payment for intangible assets | | (374) | (424) |
| Payment for right-of-use asset | 7 | (45,455) | - |
| Proceeds from sale of property, plant and equipment | | 70 | - |
| Proceeds from disposal of assets held for sale | 6 | 4,383 | - |
| Acquisition of subsidiaries, net of cash acquired | | - | (13,712) |
| Receipts of government infrastructure grants | | 11,182 | 9,966 |
| Net cash used in investing activities | | (73,591) | (43,671) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (14,396) | (16,881) |
| Principal component of lease payments | | (5,011) | (4,065) |
| Repayment of borrowings | | - | (7,265) |
| Payment of borrowing costs | | (688) | (18) |
| Net cash used in financing activities | | (20,095) | (28,229) |
| **Net increase / (decrease) in cash and cash equivalents** | | (50,546) | 11,611 |
| **Cash and cash equivalents** | | | |
| Cash and cash equivalents at beginning of year | | 346,899 | 396,667 |
| Net increase / (decrease) in cash and cash equivalents | | (50,546) | 11,611 |
| Net foreign exchange differences | | 10,469 | (36,385) |
| Cash and cash equivalents at end of year | | 306,822 | 371,893 |

# Notes to the consolidated financial statements for the half-year ended 31 December 2021

## Note 1 Corporate information

The half-year Financial Report of Austal Limited and its controlled entities (the Company, Group or consolidated entity) for the period ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 25 February 2022.

Austal Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

## Note 2 Basis of preparation

The half-year Financial Report is a general purpose condensed financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The half-year Financial Report does not include all of the notes normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the consolidated entity as the Annual Financial Report.

The half-year Financial Report should be read in conjunction with the 2021 Annual Financial Report and considered together with any public announcements made by Austal Limited and its controlled entities up to the release date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules.

The half-year Financial Report has been prepared using the same accounting policies as used in the Annual Financial Report for the year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021.

Amended standards adopted by the consolidated entity for the half year ended 31 December 2021 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods. These are listed below:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139]*

## Note 3 Reporting segments

| | USA | | | Australasia | | | Unallocated | Elimination / Adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Ships $'000 | Support $'000 | Total $'000 | Ships $'000 | Support $'000 | Total $'000 | $'000 | $'000 | $'000 |
| 2022 H1 | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| External customers | 457,038 | 74,859 | 531,897 | 148,645 | 41,836 | 190,481 | - | - | 722,378 |
| Inter-segment [1] | - | - | - | 3,543 | 2,692 | 6,235 | - | (6,235) | - |
| Total | 457,038 | 74,859 | 531,897 | 152,188 | 44,528 | 196,716 | - | (6,235) | 722,378 |
| **Profit / (loss) before tax** | | | | | | | | | |
| Earnings before interest and tax | 72,869 | 3,785 | 76,654 | 4,917 | 36 | 4,953 | (10,489) | (38) | 71,080 |
| Finance income | - | - | - | - | - | - | 72 | - | 72 |
| Finance expenses | - | - | - | - | - | - | (3,694) | - | (3,694) |
| Profit / (loss) before income tax | 72,869 | 3,785 | 76,654 | 4,917 | 36 | 4,953 | (14,111) | (38) | 67,458 |
| Depreciation and amortisation | (9,773) | (2,055) | (11,828) | (8,536) | (2,889) | (11,425) | - | - | (23,253) |
| Balance sheet at 31 Dec 2021 | | | | | | | | | |
| Segment assets | 970,919 | 122,235 | 1,093,154 | 262,122 | 111,639 | 373,761 | 56,652 | (24,581) | 1,498,986 |
| Segment liabilities | (449,400) | (30,335) | (479,735) | (78,385) | (59,202) | (137,587) | (54,220) | 24 | (671,518) |

| | USA | | | Australasia | | | Unallocated | Elimination / Adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Ships $'000 | Support $'000 | Total $'000 | Ships $'000 | Support $'000 | Total $'000 | $'000 | $'000 | $'000 |
| 2021 H1 | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| External customers | 553,921 | 87,708 | 641,629 | 146,278 | 52,700 | 198,978 | - | (286) | 840,321 |
| Inter-segment [1] | - | - | - | 6,895 | - | 6,895 | - | (6,895) | - |
| Total | 553,921 | 87,708 | 641,629 | 153,173 | 52,700 | 205,873 | - | (7,181) | 840,321 |
| **Profit / (loss) before tax** | | | | | | | | | |
| Earnings before interest and tax | 56,539 | 12,982 | 69,521 | 9,782 | 2,173 | 11,955 | (11,462) | 450 | 70,464 |
| Finance income | - | - | - | - | - | - | 206 | - | 206 |
| Finance expenses | - | - | - | - | - | - | (3,825) | - | (3,825) |
| Profit / (loss) before income tax | 56,539 | 12,982 | 69,521 | 9,782 | 2,173 | 11,955 | (15,081) | 450 | 66,845 |
| Depreciation and amortisation | (9,542) | (1,491) | (11,033) | (9,103) | (1,802) | (10,905) | - | - | (21,938) |
| Balance sheet at 30 Jun 2021 | | | | | | | | | |
| Segment assets | 865,801 | 150,717 | 1,016,518 | 286,085 | 93,374 | 379,459 | 55,538 | (2,000) | 1,449,515 |
| Segment liabilities | (383,615) | (20,031) | (403,646) | (169,547) | (62,850) | (232,397) | (53,515) | 14,081 | (675,477) |

1. Inter-segment revenues, investments, receivables and payables are eliminated on consolidation.

## i Identification of reportable segments

The Group is organised into four business segments for management purposes. This is based on the location of the production facilities, related sales regions, operating results and types of activity.

The Chief Executive Officer, who is the Chief Operating Decision Maker (CODM), monitors the performance of the business segments separately for the purpose of making decisions. Segment performance is evaluated based on EBIT. Finance costs, finance income and income tax are managed on a Group basis (i.e. Unallocated).

The CODM monitors the tangible, intangible and financial assets attributable to each segment for the purposes of monitoring segment performance and allocating resources between segments. All assets are allocated to reportable segments with the exception of financial instruments, prepayments and deferred tax assets. Goodwill has been allocated to reportable segments.

## ii Reportable segments

The reportable segments are:

### 1. USA Shipbuilding

The USA manufactures high performance defence vessels for the US Navy.

### 2. USA Support

The USA provides training and on-going support and maintenance of Austal and non-Austal vessels to the US Navy.

### 3. Australasia Shipbuilding

The Australasia Shipbuilding Segment comprises Austal's Australia, Philippines and Vietnam shipbuilding operations. These operations act as a single business unit for tendering, scheduling, resource planning and management accountability.

Australasia manufactures high performance vessels for markets worldwide, excluding the USA.

### 4. Australasia Support

The Australasia Support segments comprises Austal's Australia and Oman operations. These locations act as a single business unit for allocation of resources, training, on-going support and maintenance for high performance vessels.

## iii Accounting policies, inter-segment transactions and unallocated items

The accounting policies used for reporting segments internally are the same as those utilised for reporting the accounts of the Group. Inter-segment sales are recognised based on an arm's length pricing structure in accordance with the Group's transfer pricing policy.

Certain unallocated items are not considered to be part of the core operations of any segment.

## Note 4 Revenue and expenses

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|
| **Revenue and expenses disclosure** | | |
| **Revenue** | | |
| Shipbuilding | 605,683 | 705,790 |
| Support | 116,695 | 134,531 |
| Total | 722,378 | 840,321 |
| **Cost of sales** | | |
| Shipbuilding | (513,043) | (624,914) |
| Support | (91,701) | (98,209) |
| Total | (604,744) | (723,123) |

### i Recognition and measurement

#### 1. Vessel construction

Revenue from contracts with customers is recognised in the profit and loss when the performance obligations are satisfied as control of the goods and services is transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to receive, net of goods and services tax or similar tax.

#### 2. Vessel support

Revenue from support contracts is recognised in the Profit and Loss statement when the performance obligations are considered met. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to receive, net of goods and services tax or similar tax.

Full disclosure of the Group's approach to AASB 15 *Revenue from Contracts with Customers* can be found in Note 4 of the 2021 Annual Financial Report.

### ii Significant accounting judgements and estimates

#### 1. Contract revenue and expected construction profits at completion

The assessment of contract revenue in accordance with the Group's accounting policies requires certain estimates to be made of total contract revenues, total contract costs and the current percentage of completion. Estimates were made by management with respect to total contract revenues, and total contract costs including materials, labour and overheads including assumptions on future workload as it relates to the determination of forecast overhead rates, which had a resulting impact on the percentage of completion, in line with the Group accounting policy for contract revenue.

#### 2. Impairment of assets Australasia

The Austal Philippines shipyard and floating dry dock (Austal Lewek Hercules) sustained damage as a result of Typhoon Odette, which struck the Philippines in December 2021. Damage was estimated at US$4.8 million ($6.7 million) which has been recognised through an impairment charge in cost of sales.

## 3. Contingencies

Significant judgement is required in relation to the determination of cost contingencies that are included within the estimated total contract costs for each vessel project at balance date.

### Examples of risks

The Group includes contingencies in individual vessel projects to allow for risks associated with estimates of material volumes and costs, labour hours including productivity improvements from ship to ship in multi-vessel programs, labour rates, liquidated damages for contractual commitments and other risks that may be identified for each individual project on a case by case basis such as the incorporation and development of novel technologies and production methods and achievement of key milestones.

### Consumption and release of contingencies

Contingencies will either be consumed or released as progress is made on each vessel, and the risks are either realised or retired and / or certain milestones are achieved. Successful mitigation of the risks and / or successful achievement of the milestones can be estimated with greater certainty in the latter stages of the completion of each particular vessel. The profit recognised on relevant vessels will decrease in future reporting periods in the event that initial contingency estimates do not adequately cover unplanned cost increases. The profit recognised on relevant vessels will increase in future reporting periods in the event that initial contingency estimates exceed any unplanned cost increases that may eventuate.

### USA

USA applies a consistent methodology for setting a contingency for each vessel which includes allocating the contingency to these risks and milestones. Austal undertook a reassessment of the contingencies associated with LCS 30 – 38 upon the delivery of LCS 30 in December 2021. Post the reassessment, the contingencies held for undelivered LCS and EPF at 31 December 2021 equated to a maximum potential future EBIT of $98 million (30 June 2021: $149 million). This was equivalent to 6.7% (30 June 2021: 9.5%) of the Total Cost Estimate to Completion (ETC). This takes into account the potential for reductions in vessel prices that may arise through the risk sharing mechanism embedded in those US Navy shipbuilding programs if the cost contingencies are ultimately not required.

A contingency ranging between $0.4 million and $16 million (30 June 2021: $0.3 million and $15 million) was held for each LCS that had already been delivered but were not contractually closed at balance date. The total contingencies for already delivered vessels was $27 million (30 June 2021: $21 million).

The last LCS was ~34% complete at 31 December 2021 and continued to forecast an EBIT loss. This has resulted in an onerous contract provision of $(5.401) million (30 June 2021: $(8.277) million).

### Australasia

Australasia is completing a number of vessels under both single vessel and multi vessel contracts.

First in class vessels carry heightened cost risk associated with vessel performance, schedule adherence and material consumption and labour productivity.

Multi vessel contracts provide the opportunity for efficiency improvements from vessel to vessel which are typically built into customer pricing and hence achievement of improvements from vessel to vessel (i.e. learning curve) represents additional cost risk.

Contingencies held at 31 December 2021 for undelivered vessels from the Australasia business unit equated to a maximum potential future EBIT of $15 million (30 June 2021: $14 million). This was equivalent to 3.0% (30 June 2021: 3.6%) of ETC.

## Note 5 Dividends paid and proposed

| Dividends paid on ordinary shares | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|
| Unfranked final dividend for the prior year, 4 cps (2021 HY: unfranked, 5 cps) | 14,396 | 17,978 |
| Dividend declared subsequent to the reporting period end (not recorded as liability) | | |
| Unfranked interim dividend for the current year 4 cps (2021 HY: unfranked, 4 cps) | 14,474 | 14,396 |

## Note 6 Assets held for sale

On 28 October 2021 Austal sold its 40% shareholding in Aulong Shipbuilding Co. Ltd Joint Venture (within the Australasia shipbuilding segment) to its joint venture partner Guangdong Jianglong Shipbuilding Co Ltd (Jianglong's Shipbuilding) who already owned the other 60% for $4.383 million. The cash proceeds of the sale were $4.177 million net of stamp duty and income tax in China.

A gain on sale of $2.654 million was recognised net of the investment in the joint venture ($1.729 million) which at 30 June 2021 was classified as an asset held for sale.

## Note 7 Marine Group Boat Works (MGBW) asset purchase

Austal USA acquired assets and leases through an asset acquisition from Marine Group Boat Works (MGBW) on 15 December 2021.

The acquisition of the long-term lease agreements in the Port of San Diego, USA are an important strategic step in expanding the support presence of Austal USA. Austal will establish a full-service ship repair capability, providing maintenance and modernisation for a wide variety of ships, including small surface combatants and autonomous vessels. Services will include technical and material support, topside work and dry docking.

The right of use asset and corresponding lease liability at acquisition was valued at US$50.084 million ($68.986 million). The right of use asset includes a commitment of US$13.300 million ($18.319 million) to capital investments within the first five years of the lease. The leases have a duration of 29 years to November 2050.

The purchase consideration of US$33.500 million ($46.143 million) has been separately assigned to the net book value of the property, plant & equipment acquired of US$0.500 million ($0.689 million) and an additional right of use asset of US$33.000 million ($45.455 million). The additional right of use asset is associated with the future economic benefits which the lease will provide in the expansion of Austal USA's support business. The additional right of use asset is being depreciated on a straight-line basis over the term of the lease.

Austal has commissioned a dry dock to be built for use at the shipyard.

## Note 8 Interest bearing loans and borrowings

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| **Current** | | |
| Vessel finance for CCPB 9 & 10 | - | (32,205) |
| Total | - | (32,205) |
| **Non - current** | | |
| Go Zone Bonds | (118,145) | (114,999) |
| Total | (118,145) | (114,999) |
| **Total** | (118,145) | (147,204) |

### i Go Zone Bonds

Go Zone Bonds (GZB) are tax-exempt municipal bonds in the United States and attracted an average interest rate of 0.05% in FY2022 H1 (FY2021 H1: 0.13%). The interest rates on GZB are reset on a weekly basis. GZB holders are secured by letters of credit issued under Austal's Syndicated Facility Agreement.

Austal re-financed the GZB Syndicated Facility during FY2022 H1. The letters of credit securing the GZB now mature in December 2024. The average cost of the letters of credit was 1.54% in FY2022 H1 (FY2021 H1: 1.54%).

Austal owed US$87.547 million ($118.145 million) at 31 December 2021 (FY2021: US$87.540 million ($114.999 million)). Austal has the option of redeeming the outstanding GZB balance, in whole or in part, at any time during the term of the indebtedness with a 30 day notice to bondholders.

### ii Vessel finance for Cape Class Patrol Boats (CCPB) 9 & 10

Austal entered into a finance arrangement with National Australia Bank (NAB) and the Royal Australian Navy (RAN) for the construction of CCPB 9 & 10 in December 2015. NAB financed the purchase of the vessels and chartered the vessels to RAN. The contract contained a put option granting NAB the right to sell the vessels back to Austal at the end of the lease term (buyback guarantee).

On 28 October 2021, RAN extended its lease of CCPB 9 & 10 with NAB and as a result NAB advised Austal that it would not trigger the buyback guarantee. As Austal has been released from the buyback guarantee the corresponding asset and liability has been derecognised from the Company's Balance Sheet (FY2021: $32.205 million).

## Note 9 Contributed equity

| | Shares | | $'000 | |
|---|---|---|---|---|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| **Ordinary shares on issue** | | | | |
| Opening | 359,894,288 | 356,708,489 | 142,558 | 136,696 |
| Shares issued for dividend reinvestment plan | - | 336,233 | - | 1,097 |
| Shares issued to Employee Share Trust | 1,963,866 | 2,849,566 | 3,675 | 9,440 |
| Shares or proceeds transferred to beneficiaries | - | - | 12 | (4,675) |
| Closing | 361,858,154 | 359,894,288 | 146,245 | 142,558 |
| **Reserved shares** | | | | |
| Opening | (278,528) | (661,607) | (892) | (1,356) |
| Shares issued to Employee Share Trust or sold | (1,963,866) | (2,849,566) | (3,675) | (9,440) |
| Shares or proceeds transferred to beneficiaries | 1,040,861 | 3,232,645 | 2,052 | 9,904 |
| Closing | (1,201,533) | (278,528) | (2,515) | (892) |
| **Net** | 360,656,621 | 359,615,760 | 143,730 | 141,666 |

## Note 10 Income tax

Major components of income tax expense were:

| | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|
| **Consolidated profit and loss** | | |
| **Current income tax** | | |
| Current income tax charge | (17,177) | (8,583) |
| Adjustments in respect of current income tax of the previous year | (1,424) | 997 |
| Total | (18,601) | (7,586) |
| **Deferred income tax** | | |
| Relating to origination and reversal of temporary differences | (2,378) | (7,313) |
| Adjustments in respect of deferred income tax of the previous year | (1,419) | 488 |
| Total | (3,797) | (6,825) |
| **Total income tax expense** | (22,398) | (14,411) |
| **Other comprehensive income (OCI)** | | |
| **Current and deferred income tax related items charged or credited directly to OCI** | | |
| Current and deferred gains and losses on foreign currency contracts | (331) | (1,546) |
| Deferred gains on revaluation of property, plant and equipment | 209 | (52) |
| **Total income tax expense charged to OCI** | (122) | (1,598) |

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

| | 2022 H1 $'000 | 2021 H1 $'000 |
|---|---|---|
| **Accounting profit before income tax from continuing operations** | 67,458 | 66,845 |
| **Income tax at the Group's statutory income tax rate of 30% (2021 H1: 30%)** | (20,237) | (20,054) |
| USA combined federal and state income tax rate of 25.3% (FY2021 H1: 25.4%) | 3,701 | 2,202 |
| Philippines gross income tax (GIT) regime | 248 | 217 |
| Other foreign tax rate differences | (60) | (38) |
| USA revalue deferred balances for change in weighted average state rate | (552) | (162) |
| USA withholding tax leakage due to losses in Australia | (412) | - |
| Non-assessable R&D credits in cost of sales | 772 | 403 |
| Recognition of prior year unrecognised Australian tax group losses | - | 3,259 |
| Carry forward tax losses not recognised | (1,702) | (9) |
| Transfer pricing adjustments in respect of intercompany royalties | (954) | (1,466) |
| Valuation of share based payments | 577 | 332 |
| Other non-assessable or non-deductible items | (1,085) | (547) |
| Non-deductible capital expenses | 149 | (33) |
| Adjustments in respect of current and deferred income tax of the previous year | (2,843) | 1,485 |
| Total Adjustments | (2,161) | 5,643 |
| **Income tax expense reported in the profit and loss** | (22,398) | (14,411) |

### i Revenue authority audits

The Group establishes a provision based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

The Competent Authorities of Australia and the United States of America have accepted Austal into the Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Arrangement (BAPA) programs in relation to the double taxation of intercompany royalties on intellectual property deployed from Australia to the USA.

Austal is currently engaging with the Competent Authorities on these programs and responding to the information requests issued by both competent authorities.

Austal has accounted for and paid tax in Australia based on the ATO's position and the outcomes of the MAP and BAPA processes may generate tax refunds or tax payable in either jurisdiction. Austal is currently unable to determine what the outcomes of these processes may be nor the timeline to resolution.

The total additional tax relating to royalties up to 31 December 2021 was $(22.006) million (30 June 2021: $(21.052) million).

$(7.581) million (30 June 2021: $(7.581) million) of this has already been paid in cash in periods up to and including FY2022 H1. The remaining $(14.425) million (30 June 2021: $(13.471) million) has not had a cash impact up to 31 December 2021, because the additional royalty income arose in loss years or in years when tax losses or R&D credits were utilised to offset the additional tax liability.

The negative cash impact will be realised in future tax years if no double tax relief is realised because less carry forward tax losses and / or R&D credits will be available to offset future tax liability.

## Note 11 Corporate investigations

### i Investigations

As described in previous annual and half year reports and ASX announcements, the Group is assisting ASIC and US regulatory authorities (notably, the Department of Justice (DoJ) and the Securities Exchange Commission) in their investigations into historical matters concerning Austal's Littoral Combat Ship (LCS) program before July 2016.

As noted in the Company's 2021 Annual Report, in June 2021 ASIC formally advised Austal Limited (the Company) that (i) it would not commence criminal proceedings, and (ii) it has commenced civil proceedings against the Company and its prior CEO. The civil proceedings allege that although an announcement notifying the market of a writeback of profits from the US business was made on 4 July 2016, the Company was aware as early as 4 June 2016 of the need to make a material write back of work in progress attributable to the LCS program. ASIC seeks civil declarations that the Company contravened its continuous disclosure obligations as well as the relevant misleading and deceptive conduct provisions of the *Corporations Act 2001* (Cth) and the *Australian Securities and Investments Commission Act 2001* (Cth).

The matter has been included in the Federal Court list in Melbourne and has been programmed through to a hearing scheduled for October 2022.

The Company is defending the allegations but in the meantime is engaging with ASIC to explore alternative dispute resolution processes where possible.

The investigations by US regulatory authorities have been focussed primarily on Austal's US operations, including the write back of work in progress (WIP) attributable to the LCS program in July 2016, the procurement of certain ship components for use in connection with US Government contracts and charging and allocation of labour hours. Further detail on these allegations is set out in the Company's prior Annual Reports.

The Company continues to engage with US regulatory authorities through its legal representatives although substantive progress since August 2021 has been limited and does not warrant further update. In the meantime the Company continues to focus its efforts on strengthening its internal reporting and compliance practices, including by engaging uniquely qualified third party subject matter experts in US defence compliance programs, to assist the Company in developing and resourcing its compliance measures and programs.

The Company is confident that enhanced internal procedures and processes will substantially reduce the risk of circumstances like those relevant to the investigation recurring. Nevertheless it is still possible that the US regulatory investigations could lead to civil or criminal proceedings resulting in the application of penalties, damages, and/or suspension or possibly debarment from future US Government contracts. The Group has not been provided with any indication of whether such proceedings will be commenced in the US, or whether any fines or penalties may be levied (or if so, their likely magnitude). Hence the Group is not in a position to make any provision for such fines, penalties or other adverse outcomes at this stage. Any of these potential outcomes could have a material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

A $8.798 million provision has been recorded based on the best estimate of the probable incremental professional services costs relating to the Australian civil proceedings and the US investigations. In light of uncertainty around the potential outcome, the Group has had to apply significant judgement when considering whether, and how much, to provide for costs. As a result of the high level of estimation uncertainty, the provision could change substantially over time as new facts emerge and the investigations progress.

### ii Provision for professional services costs

A provision of $8.798 million was recorded as at 31 December 2021 (30 June 2021: $11.481 million) based on a best estimate of the probable incremental professional services costs relating to both the ASIC and US regulatory investigations. It is possible that this provision could change depending upon the outcome of the Group's ongoing discussions with the relevant US and Australian regulatory authorities. No additional provision was considered necessary.

$3.3 million of professional services costs has been recovered up to 31 December 2021. $0.6 million relating to Directors' & Officers' insurance was recovered prior to 30 June 2021 and an additional $2.7 million related to Company insurance has been recovered in the current period.

| | 2022 H1<br>$'000 | 2021 H2<br>$'000 |
|---|---|---|
| Opening Balance | (11,481) | (7,126) |
| Arising during the period | - | (8,713) |
| Utilised | 1,918 | 4,363 |
| Unused amounts reversed | 851 | - |
| Effects of foreign exchange | (86) | (5) |
| Movement | 2,683 | (4,355) |
| Closing Balance | (8,798) | (11,481) |

## Note 12 Contingencies

### i Contingencies

The Group occasionally receives claims and writs for damages and other matters arising from its operations in the course of its normal business. The Group entities may also have potential financial liabilities that could arise from historical commercial contracts. No material losses are anticipated in respect of any of those contingencies.

A specific provision is made where it is deemed appropriate in the opinion of the directors, otherwise the directors deem such matters are either without merit or of such kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the economic entity if disposed of unfavourably.

#### 1. Vessel delivery postponement

Extended Government imposed comprehensive quarantine measures implemented as a result of COVID-19, have postponed a vessel's scheduled delivery by several months, which has triggered a potential cancellation right notwithstanding the absence of default by either party. Despite this contractual entitlement, both parties have acknowledged the unique circumstances brought about by COVID-19 and signed a deed of arrangement to extend the contractual delivery by 10 months to December 2022.

The customer retains the right to cancel the contract if Austal does not deliver the vessel within 3 months of the revised delivery date. Both parties continue to cooperate constructively to ensure the contracted date is met.

Cancellation in February 2023 would require Austal to repay milestone payments received to the date of cancellation which would be €57.4 million and Austal would then take possession of the vessel.

Austal would need to resell the vessel to an alternative buyer.

#### 2. Other

The Directors are not aware of any other material contingent liabilities in existence as at 31 December 2021 requiring disclosure in the financial statements.

## Note 13 Events after the reporting date

### i Dividend proposed

The Directors declared an unfranked interim dividend for FY2022 H1 of 4 cents per ordinary share on 25 February 2022. The dividend has not been provided for in the half-year financial report.

### ii Other

The directors are not aware of any other significant events since the reporting date.

# Directors' declaration

In accordance with a resolution of the Directors of Austal Limited, I state that in the opinion of the Directors:

- The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - Giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity.
  - Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

John Rothwell

Chairman

25 February 2022

Deloitte.

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# Independent Auditor's Review Report to the members of Austal Limited

*Conclusion*

We have reviewed the half-year financial report of Austal Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 26.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Directors' Responsibilities for the Half-year Financial Report*

The directors of the Company are responsible for the preparation of the half-year 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 as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

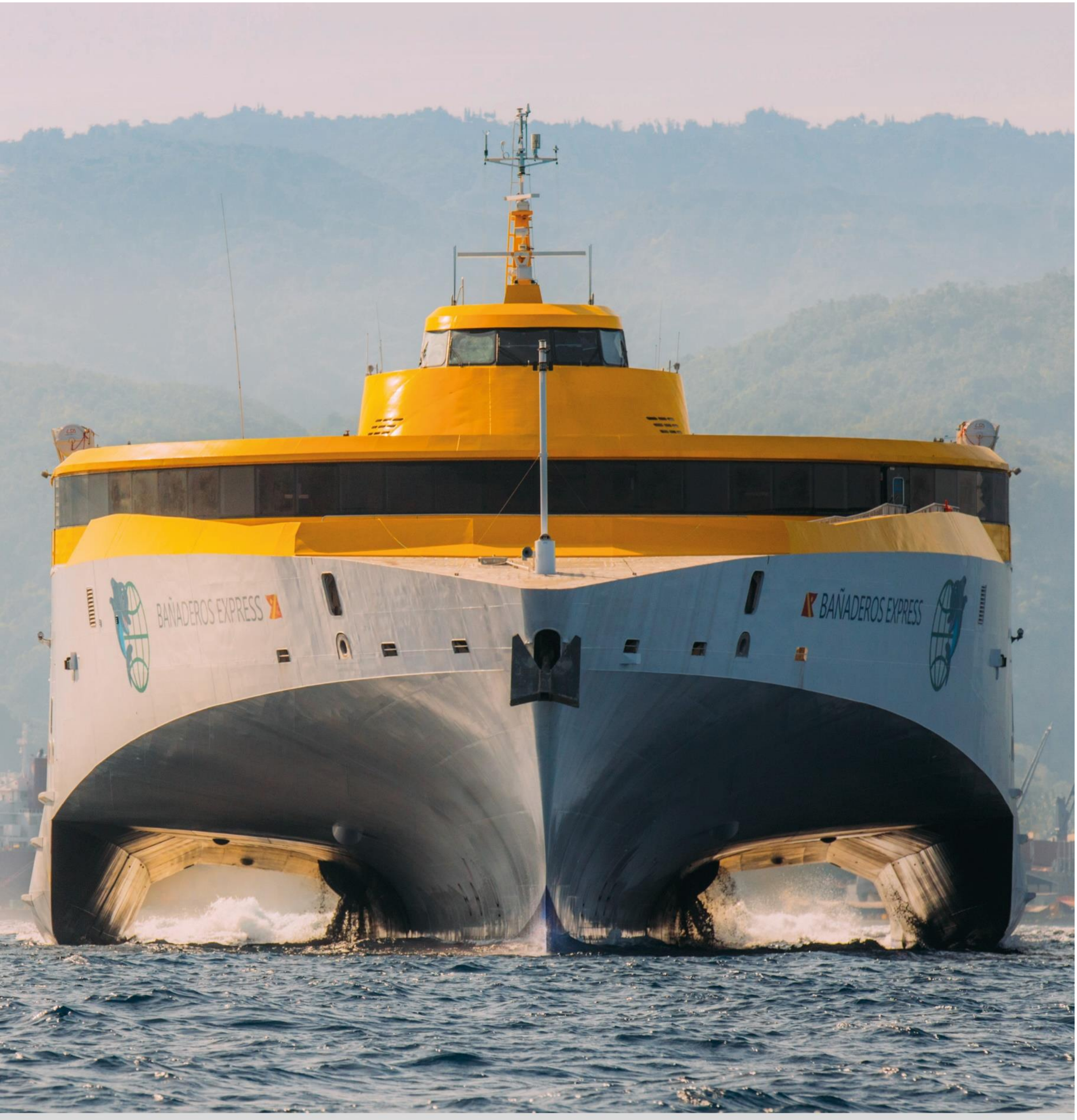
DELOITTE TOUCHE TOHMATSU

A T Richards

Partner

Chartered Accountants

Perth, 25 February 2022

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