Austal Limited Half Year Report

31 December 2020

AUSTAL

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Company Overview

Austal continues to design and develop innovative new vessels, sustainment and support services, and technology enabled systems to serve both defence and commercial operators around the world.

Delivering 10 major new vessels worldwide over the first 6 months of FY2021, Austal is building upon a portfolio of success that exceeds 340 vessels contracted to 121 operators in 59 countries.

Austal's evolution from the world's largest aluminium shipbuilder to an advanced maritime technology company with capability to manufacture vessels in both aluminium and steel, in multiple locations around the world, has begun.

Further extending Austal's steel manufacturing capability, developed through the ongoing delivery of the 21-vessel Pacific Patrol Boat Replacement (PPBR) Project in Western Australia, Austal USA is investing in infrastructure to create steel shipbuilding capability at Austal's Mobile, Alabama shipyard.

Adding to the company's 6 shipyards in 5 countries, Austal's operations include a growing sustainment capability that offers in service support to both commercial and defence operators. Complementing this is a growing suite of Austal systems including advanced Motion Control, a family of next generation MARINELINK control and monitoring systems and the new LUSI fleet-wide planning and management platform. Through these systems Austal is deploying a range of technologies including advanced data analytics and machine learning to help operators achieve new levels of vessel efficiency, availability and reliability and crew and passenger comfort.

2021 H1 Highlights

$840M
Revenue

$2.9B
Order Book

38
Ships scheduled or under construction

10
Ships delivered

33
Vessels under sustainment

6 shipyards
in **5** countries

8 Service Centres

5,800 Employees

Directors' report

It is my pleasure to present the financial report for the half-year ended 31 December 2020 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) (Appointed 1 January 2021)
- David Singleton (Chief Executive Officer) (Resigned 31 December 2020)
- Giles Everist (Non-Executive Director)
- Sarah Adam-Gedge (Non-Executive Director)
- Chris Indermaur (Non-Executive Director)
- Michael McCormack (Non-Executive Director) (Appointed 14 September 2020)

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:

- FY2021 H1 revenue was $840.321 million which is lower than the prior corresponding period (PCP) (FY2020 H1: $1,038.762 million).
- Earnings Before Interest and Tax (EBIT) was $70.464 million (FY2020 H1: $59.929 million).
- Profit Before Tax (PBT) was $66.845 million (FY2020 H1: $57.060 million).
- Net Profit After Tax (NPAT) was $52.434 million (FY2020 H1: $40.752 million).

Reconciliation of EBIT and EBITDA (unaudited)

	2021 H1 $'000		2020 H1 $'000	
Profit Before Tax	$	66,845	$	57,060
Finance costs	$	3,825	$	4,014
Finance income		(206)		(1,145)
EBIT	$	70,464	$	59,929
Depreciation	$	21,211	$	23,116
Amortisation		727		1,333
EBITDA	$	92,402	$	84,378

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 segment revenue was $641.629 million (FY2020 H1: $804.612 million), and EBIT was $69.432 million (FY2020 H1: $65.564 million). The segment result is a combination of shipbuilding and sustainment activities.

Operational highlights of the reporting period include:

- Austal USA delivered the future USNS Newport (EPF 12) to the United States Navy in September 2020 following the successful completion of acceptance trials in the Gulf of Mexico in August 2020. Two additional EPF remain under construction at Austal USA's shipyard EPF 13, the future USNS Apalachicola and EPF 14, the future USNS Cody.

- Austal USA also delivered LCS 26 in December 2020 following completion of acceptance trials in October 2020. This brings the total number of ships delivered to the Navy to 25 in ten years. The future USS Mobile (LCS 26) is the fourth ship delivered by Austal USA to the United States Navy in calendar year 2020 following the delivery of USS Kansas City (LCS 22) in February 2020, USS Oakland (LCS 24) in June 2020 and USNS Newport (EPF 12) in September 2020.

- Four LCS are presently under various stages of construction. LCS 28, the future USS Savannah, is preparing for sea trials. Assembly is underway on LCS 30, the future USS Canberra and LCS 32, the future USS Santa Barbara. Modules are under construction in the module manufacturing facility (MMF) for LCS 34, the future USS Augusta. LCS 36, the future USS Kingsville and LCS 38, the future USS Pierre, are under contract.

- Austal USA entered into an agreement to purchase over 15 acres of additional waterfront land, buildings and an existing dry dock in Mobile, Alabama in August 2020. This acquisition supports Austal USA's new construction and service strategy by securing launch and deep water berthing capability in support of future new construction efforts including steel ships, while also giving Austal USA increased service and repair capacity in Mobile.

Australasia Operations

Australasia segment revenue was $205.873 million (FY2020 H1: $240.711 million), and EBIT was $11.955 million (FY2020 H1: $8.226 million).

Operational highlights of the reporting period include:

- Austal Australia delivered a 118 metre, high-speed trimaran ferry to Fred Olsen Express in July 2020. This is the first of two identical vessels ordered by Fred Olsen Express in a €126 million (A$190 million) contract in October 2017. The second vessel is under construction at the Austal Philippines shipyard in Balamban, Cebu, and is scheduled for delivery in the second half of FY2021.

- Construction of a newly designed 115 metre high-speed vehicle-passenger catamaran for Danish ferry operator Molslinjen commenced in Austal Philippines in July 2020. 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.

- Aulong Shipbuilding, a joint venture between Austal and Jianglong Shipbuilding, in China, delivered its largest and fastest aluminium ferry to be constructed in China, a 70 metre high-speed catamaran passenger ferry to Beihai Ennova Cruise Company in July 2020. Aulong also delivered a 42 metre, high-speed catamaran ferry to repeat customer, Blue Sea Jet of China, in November 2020.

- Guardian-Class Patrol Boats (GCPB) 7 and 8 were delivered on time to the Commonwealth of Australia in September 2020 and November 2020 respectively. GCPB 7 was then gifted to the Government of Palau and GCPB 8 was gifted to the Government of the Kingdom of Tonga. 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 Australia delivered an 83 metre high-speed trimaran ferry to JR Kyushu Jet Ferry in September 2020. This is the first of its kind to be delivered to Japan and was custom-designed to provide an enhanced passenger ferry service between Japan and South Korea.

- Austal acquired Australian-based BSE Maritime Solutions Group (BSE) in October 2020 at a purchase price of $22.468 million. BSE is a leading ship repair and support business for defence, commercial, tourism, and luxury vessel customers, operating in Cairns and Brisbane. The acquisition aligns with Austal's stated strategy of continuing to build the Company's key support business.

- Austal Vietnam delivered a 94 metre high-speed catamaran for the National Infrastructure Development Company of Trinidad and Tobago in November 2020. This is the first major commercial vessel fully constructed at the Vung Tau shipyard in less than 2 years since opening.

- Austal Australia launched both Cape Class Patrol Boats (CCPB) for the Government of the Republic of Trinidad & Tobago at the date of this report. These are currently undergoing commissioning and sea trials and will be transported by heavy-lift ship to Trinidad in FY2021 H2. The total contract value is $126 million and it was awarded in August 2019.

- Manufacturing is well underway following the award of a $324 million contract to design and construct six evolved CCPB for the Royal Australian Navy (RAN) in May 2020. The first two of six vessels are progressing, with launch of the first vessel forecast for FY2022 H2. This is the largest vessel construction program contract awarded to Austal in Australia the Company's 30+ year history.

- Austal announced that Ian McMillan was appointed Chief Operating Officer of Austal Australasia, effective 1 January 2021, following the transition by Patrick Gregg to the position of Chief Executive Officer and Managing Director of Austal Limited. Ian will be based in Henderson, Western Australia and will have responsibility for Australia, the Philippines and Vietnam shipbuilding and sustainment operations, as well as management of Austal's interests in the Aulong commercial shipbuilding joint-venture in China.

Cash management & dividends

The net cash position as per the balance sheet was $223.587 million at 31 December 2020 (30 June 2020: $231.487 million).

The Group's net cash position is impacted by the accounting treatment of the CCPB 9 & 10 residual value guarantees which are recognised as $(36.603) million of debt at 31 December 2020 (30 June 2020: $(40.925) million). The net cash position was $260.190 million at 31 December 2020 excluding this impact (30 June 2020: $272.412 million).

Austal has maintained a strong cash balance of $371.893 million at 31 December 2020 (30 June 2020: $396.667 million), demonstrating the ongoing cash generating strength of the business and ability to distribute dividends. An unfranked interim dividend of 4 cents per share was declared post 31 December 2020.

$16.881 million cash was returned to shareholders (net of the dividend reinvestment program) following the declaration by the Board of a 5 cents per share unfranked dividend on 24 August 2020. The dividend was paid to shareholders on 22 October 2020.

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 experienced 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 impacting 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 no new vessel orders 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

26 February 2021

Auditor independence

Deloitte.

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

26 February 2021

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 2020, 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 2020

	Notes	2021 H1 '000		2020 H1 '000	
Continuing operations					
Revenue	4	$	840,321	$	1,038,762
Cost of sales	4		(723,123)		(929,578)
Gross Profit		$	117,198	$	109,184
Other income and expenses		$	3,170	$	7,875
Administration expenses			(41,498)		(44,599)
Marketing expenses			(8,406)		(12,531)
Finance costs			(3,825)		(4,014)
Finance income			206		1,145
Profit / (loss) before income tax		$	66,845	$	57,060
Income tax benefit / (expense)	8	$	(14,411)	$	(16,308)
Profit / (loss) after tax		$	52,434	$	40,752
Profit attributable to:					
Owners of the parent		$	52,434	$	40,752
Total		$	52,434	$	40,752
Other comprehensive income					
Amounts that may subsequently be reclassified to profit and loss:					
Cash flow hedges					
- Fair value gain / (loss)		$	6,140	$	6,496
- Income tax benefit / (expense)	8		(1,546)		(1,778)
- Net		$	4,594	$	4,718
Foreign currency translations					
- Fair value gain / (loss)		$	(69,688)	$	(603)
- Net		$	(69,688)	$	(603)
Amounts not to be reclassified to profit and loss in subsequent periods					
Asset revaluations					
- Fair value gain / (loss)		$	-	$	-
- Income tax benefit / (expense)	8		(52)		182
- Net		$	(52)	$	182
Other comprehensive income net of tax for the period		$	(65,146)	$	4,297
Total comprehensive income for the period		$	(12,712)	$	45,049
Total comprehensive income attributable to:					
Owners of the parent		$	(12,712)	$	45,049
Total		$	(12,712)	$	45,049

Earnings per share (cents per share)	cents / share	cents / share
- basic for profit for the period attributable to ordinary equity holders of the parent	14.6	11.5
- diluted for profit for the period attributable to ordinary equity holders of the parent	14.5	11.3

Consolidated statement of financial position as at 31 December 2020

	Notes	31 December 2020 '000	30 June 2020 '000
Assets			
Current			
Cash and cash equivalents		$ 371,893	$ 396,667
Inventories and work in progress		118,118	143,799
Trade and other receivables		73,221	144,217
Prepayments		10,735	11,444
Derivatives		4,000	1,218
Income tax refundable		420	-
Total		$ 578,387	$ 697,345
Non - Current			
Property, plant and equipment		$ 587,821	$ 610,199
Intangible assets and goodwill		38,504	22,192
Investment in joint venture		1,729	1,729
Derivatives		2,047	1,186
Right of use lease assets		57,263	9,736
Trade and other receivables		152	-
Other financial assets		12,701	13,197
Other non-current assets		1,738	7,767
Deferred tax assets		6,255	4,757
Total		$ 708,210	$ 670,763
Total		$ 1,286,597	$ 1,368,108
Liabilities			
Current			
Interest bearing loans and borrowings	6	$ (8,869)	$ (8,719)
Progress payments received in advance		(74,135)	(94,502)
Trade and other payables		(110,804)	(156,910)
Provisions		(69,336)	(80,132)
Derivatives		(1,442)	(3,352)
Deferred grant income		(3,085)	(3,232)
Lease liabilities		(4,060)	(2,627)
Income tax payable		-	(259)
Total		$ (271,731)	$ (349,733)
Non - Current			
Interest bearing loans and borrowings	6	$ (139,437)	$ (156,461)
Provisions		(2,580)	(2,521)
Derivatives		(706)	(6,026)
Deferred grant income		(55,216)	(54,046)
Lease liabilities		(53,714)	(7,449)
Deferred tax liabilities		(41,491)	(43,129)
Total		$ (293,144)	$ (269,632)
Total		$ (564,875)	$ (619,365)
Net Assets		$ 721,722	$ 748,743
Equity			
Equity attributable to owners of the parent			
Contributed equity	7	$ 141,471	$ 135,340
Reserves		167,514	235,122
Retained earnings		412,737	378,281
Total		$ 721,722	$ 748,743
Total		$ 721,722	$ 748,743

Consolidated statement of changes in equity for the half-year ended 31 December 2020

	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 2019	$ 131,836	$ (1,266)	$ 310,693	$ 110,102	$ 8,574	$ (7,022)	$ (17,594)	$ 95,460	$ 630,783
Comprehensive Income									
Profit for the period	$ -	$ -	$ 40,752	$ -	$ -	$ -	$ -	$ -	$ 40,752
Other Comprehensive Income	-	-	-	(603)	-	4,718	-	182	4,297
Total	$ -	$ -	$ 40,752	$ (603)	$ -	$ 4,718	$ -	$ 182	$ 45,049
Other equity transactions									
Shares issued for dividend reinvestment plan	$ 360	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 360
Dividends	-	-	(10,695)	-	-	-	-	-	(10,695)
Shares issued to employee share trust	241	(241)	-	-	-	-	-	-	-
Shares issued for vested performance rights	3,794	-	-	-	(3,794)	-	-	-	-
Shares transferred to beneficiaries	-	395	-	-	(395)	-	-	-	-
Share based payments expense	-	-	-	-	2,197	-	-	-	2,197
Total	$ 4,395	$ 154	$ (10,695)	$ -	$ (1,992)	$ -	$ -	$ -	$ (8,138)
Equity at 31 December 2019	$ 136,231	$ (1,112)	$ 340,750	$ 109,499	$ 6,582	$ (2,304)	$ (17,594)	$ 95,642	$ 667,694

	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	-	-	(17,978)	-	-	-	-	-	(17,978)
Shares issued to employee share trust	9,440	(9,440)	-	-	-	-	-	-	-
Shares and proceeds transferred to beneficiaries	(4,440)	9,474	-	-	(5,034)	-	-	-	-
Share based payments expense	-	-	-	-	2,572	-	-	-	2,572
Total	$ 6,097	$ 34	$ (17,978)	$ -	$ (2,462)	$ -	$ -	$ -	$ (14,309)
Equity at 31 December 2020	$ 142,793	$ (1,322)	$ 412,737	$ 49,659	$ 7,193	$ 1,005	$ (17,594)	$ 127,251	$ 721,722

1. Reserved Shares are held in relation to employee share trusts.

Consolidated statement of cash flows for the half-year ended 31 December 2020

	Notes		2021 H1 '000		2020 H1 '000
Cash flows from operating activities					
Receipts from customers		$	879,226	$	1,049,647
Payments to suppliers and employees			(773,701)		(1,020,396)
Borrowing costs paid			(2,709)		(3,494)
Interest received			206		1,145
Income tax refunded / (paid)			(9,545)		(4,827)
Net cash from / (used in) operating activities		$	93,477	$	22,075
Cash flows from investing activities					
Purchase of property, plant and equipment		$	(39,501)	$	(9,060)
Purchase of intangible assets			(424)		(420)
Acquisition of subsidiaries, net of cash acquired	10		(13,712)		-
Net cash from / (used in) investing activities		$	(53,637)	$	(9,480)
Cash flows from financing activities	`				
Repayment of borrowings		$	(7,265)	$	-
Payment of borrowing costs			(18)		-
Dividends paid (net of dividend reinvestment program)			(16,881)		(10,335)
Principal component of lease payments			(4,065)		(2,686)
Net cash from / (used in) financing activities		$	(28,229)	$	(13,021)
Net increase / (decrease) in cash and cash equivalents		$	11,611	$	(426)
Cash and cash equivalents					
Cash and cash equivalents at beginning of period		$	396,667	$	275,665
Net foreign exchange differences			(36,385)		(655)
Net increase / (decrease) in cash and cash equivalents			11,611		(426)
Cash and cash equivalents at end of period		$	371,893	$	274,584

Notes to the consolidated financial statements for the half-year ended 31 December 2020

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 2020 was authorised for issue in accordance with a resolution of the Directors on 26 February 2021.

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 2020 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 2020, except for the implementation of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Note 3 Reporting segments

	USA '000	Australasia '000	Unallocated '000	Elimination / Adjustments '000	Total '000
2021 H1					
Revenue					
External customers	$ 641,629	$ 198,978	$ -	$ (286)	$ 840,321
Inter-segment	-	6,895	-	(6,895)	-
Total	$ 641,629	$ 205,873	$ -	$ (7,181)	$ 840,321
Profit / (loss) before tax					
Earnings before interest and tax	$ 69,432	$ 11,955	$ (11,373)	$ 450	$ 70,464
Finance income	-	-	206	-	206
Finance expenses	-	-	(3,825)	-	(3,825)
Total	$ 69,432	$ 11,955	$ (14,992)	$ 450	$ 66,845
Balance at 31 December 2020					
Segment Assets	$ 849,814	$ 398,613	$ 42,817	$ (4,647)	$ 1,286,597
Segment Liabilities	(270,166)	(237,167)	(57,124)	(418)	(564,875)

	USA '000	Australasia '000	Unallocated '000	Elimination / Adjustments '000	Total '000
2020 H1					
Revenue					
External customers	$ 804,612	$ 233,479	$ -	$ 671	$ 1,038,762
Inter-segment	-	7,232	-	(7,232)	-
Total	$ 804,612	$ 240,711	$ -	$ (6,561)	$ 1,038,762
Profit / (loss) before tax					
Earnings before interest and tax	$ 65,564	$ 8,226	$ (13,576)	$ (285)	$ 59,929
Finance income	-	-	1,145	-	1,145
Finance expenses	-	-	(4,014)	-	(4,014)
Total	$ 65,564	$ 8,226	$ (16,445)	$ (285)	$ 57,060
Balance at 30 June 2020					
Segment Assets	$ 977,872	$ 321,851	$ 77,890	$ (9,505)	$ 1,368,108
Segment Liabilities	(355,020)	(207,093)	(57,252)	-	(619,365)

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

i Identification of reportable segments

The Group is organised into two business segments for management purposes based on the location of the production facilities, related sales regions 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 about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss.
Finance income, finance costs and income tax are managed on a Group basis.

ii Reportable segments

The reportable segments are USA and Australasia.

1. USA

The USA manufactures high performance aluminium defence vessels for the US Navy and provides training and on-going support and maintenance of these performance vessels for the US Navy.

2. Australasia

Reporting of Austal's Australia, Philippines, Vietnam, Aulong Joint Venture and Oman operations is combined into a single Australasia segment. These locations act as a single business unit for tendering, scheduling, resource planning and management accountability.

The Australasia business manufactures high performance vessels for markets worldwide, excluding the USA and provides training and 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. 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:

Revenue and expenses disclosure		2021 H1 '000		2020 H1 '000
Revenue				
Vessel construction	$	700,816	$	879,139
Vessel support		134,531		154,800
Charter vessels income (CCPB 9 & 10)		4,974		4,823
Total	$	840,321	$	1,038,762
Cost of sales				
Vessel construction	$	(624,914)	$	(812,706)
Vessel support		(98,209)		(116,872)
Total	$	(723,123)	$	(929,578)

i Recognition and measurement

1. Vessel construction and support revenue

Revenue from contracts with customers 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 2020 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, which if ultimately inaccurate will impact the level of revenue recognised in the Profit and Loss of future reporting periods.

Estimates were made by management with respect to total contract revenues, and total contract costs, which had a resulting impact on the percentage of completion, in line with the Group's accounting policy for contract revenue.

2. 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.

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.

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 cost increases. The profit recognised on relevant vessels will increase in future reporting periods in the event that initial contingency estimates exceed any cost increases that may eventuate.

USA

Contingencies held for undelivered LCS and EPF at 31 December 2020 equated to a maximum potential future EBIT of $179 million (30 June 2020: $209 million). This was equivalent to 9.2% (30 June 2020: 7.4%) of the Total Cost Estimate to Completion (ETC) and equivalent to 6.2% (30 June 2020: 6.0%) of the Total Cost Estimate at Completion (EAC).

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.

An average contingency of approximately $0.7 million (30 June 2020: $1 million) was held for each LCS and EPF that had already been delivered but were not contractually closed at balance date. The maximum potential future EBIT from those contingencies was $17 million (30 June 2020: $20 million).

The potential future cash benefit of any portion of the contingency that is ultimately not required is the same as the potential EBIT impact through the net effect of additional cost avoidance and contractual risk sharing with the customer.

Australasia

Contingencies held at 31 December 2020 for undelivered vessels from the Australasia business unit equated to a maximum potential future EBIT of $30 million (30 June 2020: $26 million). This was equivalent to 6.1% (30 June 2020: 4.9%) of ETC and equivalent to 3.4% (30 June 2020: 2.3%) of EAC.

The potential future cash benefit of not requiring any portion of the contingency would be the same as the potential EBIT benefit through the avoidance of additional cost.

Note 5 Dividends paid and proposed

	2021 H1 '000	2020 H1 '000
Dividends paid on Ordinary Shares		
Unfranked final dividend for the prior year, 5 cps (FY2020 H1: 3 cps)	$ 17,978	$ 10,695
Dividend declared subsequent to the reporting period end (not recorded as liability)		
Unfranked interim dividend for the current year 4 cps (FY2020 H1: 3 cps)	$ 14,396	$ 10,696

Dividends are recorded gross of Dividend Reinvestment Plan

Note 6 Interest bearing loans and borrowings

	31 December 2020 '000	30 June 2020 '000
Current		
Vessel finance for CCPB 9 & 10	$ (8,869)	$ (8,719)
Total	$ (8,869)	$ (8,719)
Non - Current		
Go Zone Bonds	$ (111,703)	$ (124,255)
Vessel finance for CCPB 9 & 10	(27,734)	(32,206)
Total	$ (139,437)	$ (156,461)
Total	$ (148,306)	$ (165,180)

i Go Zone Bonds

Go Zone Bonds (GZB) are tax-exempt municipal bonds in the United States and attracted an average coupon rate of 0.13% in FY2021 H1 (FY2020 H1: 1.34%). GZB holders are secured by letters of credit issued by Austal's banking syndicate

The Bank of America and Citibank letters of credit securing the GZB debt mature in November 2022. The average cost of the letters of credit was 1.54% in FY2021 H1 (FY2020 H1: 1.54%).

Austal owed US$87.540 million ($111.703 million) at 31 December 2020 (FY2020 H1: US$87.500 million and $122.199 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 is leasing them to the RAN until April 2023 and May 2023 respectively. The total residual value at the end of the contract period is $24.335 million.

This arrangement results in non-cash entries being recorded in Austal's statutory reporting during the lease period for notional revenue, notional depreciation and notional interest. Notional revenue of $4.974 million was reported in FY2021 H1 (FY2020 H1: $4.823 million).

Note 7 Contributed equity

	Shares		'000	
	2021 H1	2020 H2	2021 H1	2020 H2
Ordinary Shares on Issue				
Opening	356,708,489	353,357,283	$ 136,696	$ 131,836
Shares issued for vested performance rights	-	2,617,035	$ -	$ 3,291
Shares issued to Employee Share Trust	2,849,566	479,686	9,440	1,861
Shares issued for dividend reinvestment plan	336,233	254,485	1,097	804
Shares or proceeds transferred for beneficiaries	-	-	(4,440)	(1,096)
Closing	359,894,288	356,708,489	$ 142,793	$ 136,696
Reserved Shares				
Opening	(661,607)	(676,695)	$ (1,356)	$ (1,266)
Shares issued to Employee Share Trust or sold	(2,849,566)	(479,686)	$ (9,440)	$ (1,861)
Shares transferred to beneficiaries or sold	3,102,747	494,774	9,474	1,771
Closing	(408,426)	(661,607)	$ (1,322)	$ (1,356)
Net	359,485,862	356,046,882	$ 141,471	$ 135,340

Note 8 Income tax

Major components of income tax expense were:

		2021 H1 '000		2020 H1 '000
Profit and Loss				
Current Income Tax				
Current income tax charge	$	(8,583)	$	(6,221)
Adjustments in respect of current income tax of the previous year		997		(1,584)
Total	$	(7,586)	$	(7,805)
Deferred Income Tax				
Relating to origination and reversal of temporary differences	$	(7,313)	$	(9,078)
Adjustments in respect of deferred income tax of the previous year		488		575
Total	$	(6,825)	$	(8,503)
Total income tax (expense) / benefit charged to Profit and Loss	$	(14,411)	$	(16,308)
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	$	(1,546)	$	(1,778)
Deferred gains on revaluation of property, plant and equipment		(52)		182
Total income tax (expense) / benefit charged to OCI	$	(1,598)	$	(1,596)

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:

		2021 H1 '000		2020 H1 '000
Income tax reconciliation				
Accounting profit / (loss) before income tax expense	$	66,845	$	57,060
Income tax at the Group's statutory income tax rate of 30% (2020 H1: 30%)	$	(20,054)	$	(17,118)
USA statutory income tax rate of 25.39% (FY2020 H1: 25.3%)	$	2,202	$	2,409
Philippines gross income tax (GIT) regime		217		1,060
Other foreign tax rate differences		(38)		82
USA revalue deferred balances for change in average state tax rate		(162)		(74)
Non-assessable R&D credits in cost of sales		403		-
Recognition of prior year unrecognised Australian tax group losses		3,259		-
Carry forward tax losses in other tax jurisdictions not recognised		(9)		(139)
Transfer pricing adjustments in respect of intercompany royalties		(1,466)		(815)
Non-deductible share based payments expense		332		(506)
Other non-assessable or non-deductible items		(547)		(198)
Non-deductible capital expenses		(33)		-
Adjustments in respect of current and deferred income tax of the previous year		1,485		(1,009)
Total adjustments	$	5,643	$	810
Income tax (expense) / benefit reported in the Profit and Loss	$	(14,411)	$	(16,308)

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.

Austal has applied with for and received acceptance from the Competent Authorities of Australia (ATO) and the United States of America (Internal Revenue Service) for entry into the Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Agreement (BAPA) programs in relation to double taxation of intercompany royalties associated with intellectual property deployed from Australia to the USA.

Austal has accounted for and paid tax based on the ATO's position and may receive tax refunds in Australia or the USA if the outcome of the MAP and BAPA process results in the removal of economic double taxation. Austal is currently unable to determine what the outcome of this process may be nor the timeline to resolution.

The total additional tax relating to royalties up to 31 December 2020 was $(19.8) million. $(7.6) million of this has already been paid in cash in periods up to and including FY2021 H1. The remaining $(12.2) million of double tax reduced the tax losses in each affected year and decreased the tax losses that have been carried forward.

Note 9 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.

Austal's FY2020 full year report noted that ASIC's investigation has progressed with ASIC conducting confidential interviews with relevant personnel and engagement with ASIC to resolve disagreements as to the application of legal privilege to documents. This is now approaching resolution following the appointment of an independent expert to determine these matters. The expert's confidential initial determination was made in January 2021 and the parties are now applying that determination to the documents.

It is not possible at this stage to predict what action (if any) ASIC may take in relation to their investigation and accordingly no provisions have been recorded with respect to any specific outcomes.

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.

Austal and its wholly owned subsidiary Austal USA, LLC (Austal USA) have been cooperating with the US regulatory authorities in relation to these investigations. Austal and Austal USA have also engaged external lawyers in the US to conduct their own detailed investigation in relation to what they understand to be the focus of the US regulatory investigations.

Following the completion of that external investigation, the Group is satisfied that the quantum of the write back of WIP that was announced to the ASX on 4 July 2016 appropriately adjusted Austal's revenue and profit following the revision that was made to the estimated cost to complete the remaining vessels in the LCS program.

However, the Group notes that:

- The LCS vessels cost more to construct than originally anticipated due in large part to additional costs incurred to meet the requirements of US Naval vessel Rules and mandatory shock standards. The Group announced a one-off write back of WIP in July 2016 to fully reflect these additional costs.

  Prior to mid-2016, inaccuracies in Austal USA's internally generated cost estimates understated the full costs to construct the LCS vessels, which delayed Austal Limited's understanding of the magnitude of those costs and the need to change those estimates. This overstated the WIP attributable to the LCS program for those periods.

  Austal is satisfied that the extensive review of the LCS program conducted in 2016 and the subsequent write back announced in July 2016 appropriately rectified the financial impact of these issues. The Group is also satisfied that Austal USA materially complied with its reporting requirements with the US Navy.

- The Group has identified isolated instances of misallocation of labour hours between vessels in the early stages of the LCS program, although, no material inaccuracies have been identified regarding the total labour hours for the LCS program.

- The installation of certain valves on board LCS-10 through LCS-20 did not meet all of the required military specifications at the time of their procurement. The US Navy has since agreed to modify the contract in regard to these vessels to accept the as-built condition of those valves on board the LCS vessels such that they are not required to be replaced. Austal has resolved the US Navy's contractual claims in relation to the installation of these valves. It has also received initial correspondence from the DoJ on this issue and is in discussions with that regulator to resolve this matter.

Following the completion of the investigation, on 22 February 2021 the Austal USA Board accepted the resignation of the Company's US President, Mr Craig Perciavalle. Austal USA has appointed current Austal USA Chief Financial Officer, Mr Rusty Murdaugh, as interim Austal USA President while it undertakes a search for a permanent President.

Austal and Austal USA are engaging with the relevant US regulatory authorities regarding these investigations. It is not possible at this stage to predict what action (if any) they may take in relation to these matters and accordingly no provisions have been recorded with respect to any specific outcome of these matters.

The Group is confident that the proactive steps it has already implemented to strengthen its internal reporting and compliance practices will be taken into account in determining whether there are any potential consequences arising from matters identified by the investigation in the US, as well as ensuring such circumstances do not happen again.

Austal's relationship with the US Defense Department remains strong. During the course of the US regulatory investigations, Austal has continued to work closely with the US Department of Defense, including on a joint investment in Austal's Mobile shipyard of approximately US$100 million, to implement a steel shipbuilding capability to complement existing aluminium shipbuilding facilities. Austal recently also delivered its 13th Independence-class LCS from Austal's shipyard in Mobile, Alabama, the fourth ship delivered by Austal USA to the US Navy in CY2020.

The commissioning of the externally-facilitated investigation and changes already implemented, including the expansion of internal compliance and governance functions in the USA, demonstrate the seriousness with which Austal is taking this issue and its determination to meet and exceed its global risk and compliance responsibilities.

ii Provision for professional services costs

A provision of $7.1 million was recorded as at 31 December 2021 based on a best estimate regarding the probable further incremental professional services costs relating to both the AISC 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.

		2021 H1 '000		2020 H2 '000
Opening Balance	$	(11,252)	$	(9,104)
Arising during the period	$	(65)	$	(5,422)
Utilised		3,850		3,285
Effects of foreign exchange		341		(11)
Movement	$	4,126	$	(2,148)
Closing Balance	$	(7,126)	$	(11,252)

Note 10 Business combinations

i Business Combination Accounting Policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

ii Summary of acquisition

Austal Limited obtained control of the BSE Maritime Solutions Group operations on 30 November 2020 through the acquisition of 100% of the issued share capital of BSE Maritime Group Pty Ltd, Brisbane Slipways Holdings Pty Ltd, Brisbane Slipways & Engineering Pty Ltd and their wholly-owned subsidiaries (collectively "BSE").

BSE is a provider of vessel sustainment services. The acquisition complements Austal's existing in-service support services whilst expanding Austal's capacity and presence in the Cairns and Brisbane regions.

BSE was acquired for a total consideration of $22.468 million plus acquisition related costs.

iii Purchase consideration

The purchase price accounting is provisional as at reporting date and is subject to the finalisation of the AASB 3 *Business Combinations* accounting requirements, legal and statutory due processes.

Details of the purchase consideration are as follows:

		Total '000
Purchase consideration		
Cash paid	$	15,436
Completion payment		3,945
Deferred consideration		3,087
Total	$	22,468
Outflow of cash to acquire subsidiary, net of cash acquired		
Purchase consideration	$	22,468
Less: cash acquired		(1,724)
Net purchase consideration	$	20,744
Less: completion payment payable	$	(3,945)
Less: deferred consideration payable		(3,087)
Total	$	13,712

iv Net assets acquired and goodwill

Details of the net assets acquired and goodwill are as follows:

		Total '000
The assets and liabilities recognised as a result of the acquisition are as follows:		
Cash and cash equivalents	$	1,724
Trade and other receivables		828
Work in progress		180
Prepayments		356
Property, plant and equipment		11,994
Right-of-use assets		42,654
Deferred tax assets		56
Trade and other payables		(1,871)
Interest bearing loans and borrowings		(7,265)
Lease liabilities		(42,654)
Deferred tax liabilities		(45)
Provision for income tax		(1,045)
Provisions		(975)
Net identifiable assets acquired		3,937
Goodwill		18,531
Total	$	22,468

1. Goodwill

The goodwill of $18.531 million is attributable to the increased capability of the Group to perform large scopes of work that were previously subcontracted to BSE.

2. Acquisition-related costs

Acquisition related costs of $(0.300) million are included in administrative expenses in Profit and Loss and in operating cash flows in the statement of cash flows.

3. Revenue and profit contribution

The acquisition would have contributed $11.256 million of consolidated revenue and $1.020 million of consolidated NPAT for the half-year ended 31 December 2020 had the acquisition occurred on 1 July 2020.

The acquired business contributed revenues of $0.312 million and net losses of $(0.691) million to the Group for the period 1 December 2020 to 31 December 2020. The net loss included $(0.340) million of costs related to initial once-off business integration expenses and reflects the general seasonal nature of shipyard repair work.

Note 11 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, 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 the COVID-19 virus and continue to cooperate constructively to complete and contractually deliver the vessel, and the customer has repeatedly advised that they have no intention to cancel the contract.

Cancellation would require Austal to repay €58.6 million with Austal keeping the vessel for sale.

Austal is constructing a second vessel which has also been delayed by COVID-19 quarantine measures, and which has the potential to trigger a potential cancellation right notwithstanding the absence of default by either party.

Despite this contractual entitlement, both parties continue to cooperate constructively to complete and contractually deliver the vessel, and the customer has not communicated any intention to cancel the contract.

Cancellation would require Austal to repay the milestone payments received up to the date of termination plus an interest component. The total contract price of the vessel is €83.7 million.

2. Other

The Directors are not aware of any other material contingent liabilities in existence as at 31 December 2020 requiring disclosure in the financial statements.

Note 12 Events after the reporting date

i Dividend proposed

The Directors declared an unfranked interim dividend for FY2021 H1 of 4 cents per ordinary share on 26 February 2021. The dividend has not been provided for in the half-year financial report.

ii USA Regulatory investigations update and Austal USA Management Team changes

Austal released an ASX announcement on 23 February 2021 providing an update regarding USA regulatory investigations and advising that the Austal USA Board has accepted the resignation of the Company's USA President, Mr Craig Perciavalle. Further information is provided in Note 9.

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 2020 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 *Corporation 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

26 February 2021

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 2020, and the consolidated statement of profit and loss and 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 28.

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 2020 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 2020 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, 26 February 2021

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