

2018

2019

TAX TRANSPARENCY

REPORT

798654

**NAVAL**  
**GROUP**

## Business overview

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Naval Group Australia was established in April 2015 as a wholly owned subsidiary of Naval Group.

Naval Group is a European leader in naval defence. As an international high-tech company, Naval Group uses its extraordinary know-how, unique industrial resources and capacity to arrange innovative strategic partnerships to meet its customers' requirements.

The group designs, builds and supports submarines and surface ships. It also supplies services to shipyards and naval bases. In

addition, the group offers a wide range of marine renewable energy solutions. Attentive to corporate social responsibility, Naval Group adheres to the United Nations Global Compact.

In April 2016, Naval Group was announced as Australia's international design and build partner for the Future Submarine Program.

Our vision is to upskill Australia to become a sovereign submarine nation by bringing international experience and technology together with local capabilities to deliver Australia's Future Submarine Program.

## Reconciliation of accounting profit to tax expense

The accounting profit of Naval Group Australia for the year ended 31 December 2018 was \$2,158,032 after provision for income tax expenses of \$916,180. This is reconciled to profit before tax in the table below:

	\$
Profit before income tax	3,074,212
Income tax calculated at 30%	922,264
Tax effect of non-temporary adjustments	3,056
Adjustments for prior years	(9,139)
<b>Income Tax Expense</b>	<u>916,180</u>
Represented by:	
<b>Current tax expense</b>	
Current income tax charge for current period	2,264,463
Current income tax charge adjustment for prior period	158,227
	<u>2,422,690</u>
<b>Deferred income tax expense</b>	
Deferred tax expense relating to current period	(1,339,144)
Deferred tax adjustment for prior period	(167,366)
	<u>(1,506,510)</u>
<b>Income Tax Expense</b>	<u><u>916,180</u></u>

## Reconciliation of income tax expense to income tax payable

The following table reconciles the income tax expense account as reported in the profit and loss to the income tax payable disclosed in the balance sheet

	\$
Income taxes payable at the beginning of financial year	(1,630,811)
Less: Income tax paid for prior year	1,630,811
Less: Income tax paid during the year	1,403,164
Income taxes payable for current financial year	(2,264,464)
<b>Total tax payable as reported in the balance sheet</b>	<u><u>(861,299)</u></u>

## Effective company tax rates for Australian operations

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The effective corporate tax rate of Naval Group Australia has been calculated by dividing the income tax expense by profit before tax (excluding prior year adjustments), as per below:

	\$
Accounting profit before income tax	3,074,212
Tax expense (excluding prior year adjustments)	925,319
Australian Effective Tax Rate (ETR)	30.10%

Naval Group Australia's ETR for the year ended 31 December 2018 was 30.1%. This rate is higher than the corporate tax rate of 30% and demonstrates that Naval Group Australia is contributing an appropriate amount of tax to the Australian economy.

Naval Group Australia's tax contribution is expected to grow as the Program progresses in the future.

The ETR of Naval Group Australia is higher than the corporate tax rate of 30% due to:

- non-deductible expenditure

## Identification of material temporary and non-temporary difference

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### ***Temporary difference***

Naval Group Australia's material temporary differences mainly relate to:

- property, plant and equipment
- employee benefits
- lease adjustments
- accruals

### ***Non-temporary differences***

Naval Group Australia's material non-temporary differences mainly relate to:

- non-deductible expenditure



**Naval Group Australia**

Level 2, 1 Richmond Road, Keswick , SA 5035

Phone: 61 (0) 8 7099 2100