

Statement of Corporate Intent 2008-2011

ASC Pty Ltd



www.asc.com.au

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COMPANY PROFILE

Corporate Objectives

ASC's objectives for the 2008 to 2011 timeframe are to:

- Further develop the world-class skills established within Australia for the design and construction of the Collins Class submarines, and apply them for the effective maintenance and upgrade of the Class;
- Ensure the successful implementation of the Hobart Class Air Warfare Destroyer Program;
- Build on the company's high-end skills to undertake other major defence design, construction and through-life support projects;
- Continue to develop submarine design skills to enable ASC to become co-designer of the next generation submarines;
- Ensure that ASC is a competitive bidder for the next generation submarine build;
- Sustain itself as a national repository of engineering capability and excellence;
- Create a long-term viable Australian business that is responsive to the needs of its customers, provides value for money, is attractive to investors and is an employer of choice;
- Ensure these objectives are met in a manner that will facilitate the timely privatisation of the company; and
- Support the shareholder in preparing the company for sale.

Measurement of Success

ASC's success can be measured by:

- Our customers, the Defence Materiel Organisation (DMO) and the Royal Australian Navy (RAN) – ASC is measured by its supportive approach, its adherence to schedule, its productivity and continuous improvement in performance;
- Our employees – ASC is measured on the two-way commitment between employees and management, and the provision of attractive employment opportunities;
- Our investors – ASC is measured on acceptable and sustainable financial returns; and
- Our community – ASC is measured on its contribution to the economy, responsible corporate citizenship, reputation and contribution to the defence of Australia.

MANAGING DIRECTOR'S MESSAGE

ASC's plans for the period are to build on the achievements of the last several years by:

- Continuing to improve service delivery to the RAN's submarine community with a focus on securing efficiency gains;
- Transitioning the Hobart Class Air Warfare Destroyer Program through its start-up phase;
- Continuing to build on relationships with DSTO and universities;
- Continued improvements to people, processes and infrastructure;
- Consolidation of progress in our safety improvement efforts;
- Preparing for the next generation submarine design work; and
- Developing relationships with suppliers of key intellectual property;
- Maintaining a supportive relationship with our government owner.

The next few years will continue to see a focus on explicit efficiency gains to our delivery of through-life support services by developing people, processes and infrastructure.

From April 2008 we began to relocate ASC personnel in Western Australia from temporary facilities at HMAS *Stirling* to ASC's new submarine support facility at Henderson.

The AWD Alliance has begun phase three of the program; the construction phase. The emphasis is now on the critical start-up phase to establish a strong foundation for overall program success.

With the market for skilled people set to remain very competitive over the next few years, the recruitment, training and retention of people continues to be a high priority. ASC's highly-skilled workforce remains an important national asset and together we look forward to expanding our support of Australia's strategic defence capability.



Greg R Tunny

Managing Director and Chief Executive Officer

CORPORATE INTENT

Vision

To develop and deliver competitive advanced engineering design, development, integration and construction services for major defence capability requirements; and to broaden this competence over time.

Mission

ASC's vision will be achieved through:

- The delivery of safe, competitive products and services to defence customers;
- Delivery of innovative solutions to the required quality, on time, on budget; and
- Employing qualified, trained and authorised people, approved processes and standards, and continuous improvement practises, while achieving outcomes of real growth and returns attractive to shareholders.

Corporate Values

Strongly held corporate values are an important element of the strategic framework that underpins successful companies. ASC staff identify with and are committed to the company's corporate values:

Performing through teaming and pragmatic excellence

To perform in our complex technical and business environment, we work as a team and collaborate effectively with customers, partners and suppliers.

We use our training, skills and experience in a pragmatic 'can do' manner to consistently achieve quality outcomes within schedule and budget constraints.

Commitment to customer outcomes

We are an output centric team, focused on delivery of all of our commitments – cost, schedule, technical performance and quality – to the customer. Successful teamwork and outstanding customer, supplier and internal relationships all require integrity and a willingness to consider the other party's perspective. We are also committed to maintaining an outstanding working relationship with our customers.

Relentless improvement and learning

To remain competitive we continually improve all aspects of the business, even those that are already achieving world's best practice. Our commitment to improve our processes, skills and knowledge is relentless. We are never too old or too good to learn and try new ideas. Innovation is prized.

Safety, integrity and empathy for others in all endeavours

Our actions can critically impact the safety of our customers, colleagues and ourselves. We take this responsibility seriously at all times and never compromise safety. We are committed to developing new programs in an effort to eliminate all accidents.

ASC'S BUSINESS

Initially established in 1985, ASC was chosen in 1987 as the prime contractor for the design, manufacture and delivery of the RAN's fleet of six Collins Class submarines.

Today, ASC has evolved into Australia's largest specialised defence shipbuilding organisation, with naval design and engineering resources unparalleled within Australia's defence industry. ASC is independent of major product suppliers and has access to critical intellectual property from the United States and key product suppliers.

In recent years, the company has shifted its core focus from building submarines to providing design, upgrade and maintenance services for the Collins Class, and shipbuilding services for the RAN's future naval surface combatant projects.

In December 2003, ASC signed a \$3.5 billion contract for the through-life support of the Collins Class submarines over 25 years. The contract assigns ASC with the responsibility for the design, maintenance and enhancement of the Collins Class until the end of their operational life-cycle.

Since signing the phase three contract for the AWD Program, ASC has commenced the expansion of staff in support of the construction phase. At the same time the required infrastructure at the Osborne site is being developed.

Australia's next generation submarines project will become important to ASC. ASC is working towards obtaining the skill level required to make a competitive bid to co-design the new submarines and subsequently build the fleet.

FINANCIAL AND NON-FINANCIAL PERFORMANCE

Financial

Currently, submarine activities generate most of ASC's revenue.

The submarine Through-Life Support (TLS) contract is relationship-based and provides financial incentives for good performance.

Fair returns can be achieved when measured against industry norms.

A revenue stream from AWD activities has commenced. While small at first, the AWD revenue stream will increase as the program develops.

ASC's dividend policy is to pay a dividend of at least 60 percent of the company's profit, after tax and abnormals.

Non-Financial

ASC continues to make good progress on each of the submarine-related corporate objectives.

Key objectives include routine submarine maintenance in the operating cycle, including docking maintenance optimising the submarine user upkeep cycle.

This progress is being achieved in an environment of close cooperation with our customer, DMO/RAN. ASC has continued to develop design and engineering capabilities that established the company as the submarine 'designer'. Acting as a capability partner the United States company Electric Boat continues to provide technical assistance when it is sought. Key objectives include progressively enhancing the breadth and depth of design capabilities, while working with partners, notably Electric Boat and Bath Iron Works, to facilitate and measure status.

For the early stages of the AWD Program, the AWD Systems Centre has been established at Felixstow, Adelaide. The Commonwealth of Australia and Raytheon Australia are the other members of the AWD Alliance. Key objectives include developing effective relationships between the Alliance partners and assembling the necessary specialist contractors to deliver all capabilities required.

STATEMENT OF ACCOUNTABILITY

The Board is accountable to the shareholder for the management of ASC's business, overall strategy, governance and performance of the company.

The Board's role includes:

- Providing strategic direction to the company by working with management to establish, monitor, develop and modify ASC's strategy and performance objectives;
- Promoting significant business decisions;
- Approving the annual corporate plan;
- Establishing procedures for best practice corporate governance;
- Appointing and monitoring the performance of the Chief Executive Officer and approving succession plans and senior management remuneration policies and practices;
- Overseeing the establishment of appropriate compliance frameworks and controls, and monitoring their operational effectiveness;
- Monitoring the integrity of internal control and reporting systems, and monitoring strategic risk management systems;
- Reviewing and approving statutory accounts and monitoring financial results;
- Approving decisions concerning the capital of the company, including capital restructures and dividend policy;
- Maintaining a positive and open relationship with our government shareholder;
- Reporting to and complying with directions given by the shareholder; and
- Assessing its own performance and responding to its findings.

CORPORATE DIRECTORY

Directors

John Prescott AC

Chairman

Greg Tunny

Managing Director and Chief Executive Officer

Charles Bagot

Graeme Bulmer

Geoffrey Phillips

Dr Bill Schofield AM

Mike Terlet AO

Vice Admiral Chris Ritchie AO RANR

Company Secretary

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