

ANNUAL REPORT

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ASC PTY LTD

Building and
maintaining
Australia's
frontline
naval defence
capabilities.



ASC

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TRANSMITTAL LETTER

27 September 2016

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Minister,

ASC Pty Ltd 2016 Annual Report

I am pleased to submit the 2016 Annual Report of ASC Pty Ltd, which has been prepared in accordance with the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and approved by ASC's Board.

The Annual Report includes the financial statement for the Company for the year ended 30 June 2016 as well as reports on ASC's performance and progress.

Throughout this financial year the company has continued its strong performance in the Collins Class Submarine (CCSM) program and Air Warfare Destroyer (AWD) project by further improving productivity and meeting key project milestones. ASC also achieved a profit after tax of \$26.6 million.

During the year, ASC completed the first two-year full cycle docking of a Collins Class submarine as part of the new 10+2 Usage Upkeep Cycle. This achievement resulted from close collaboration with our Submarine Enterprise partners, which continues across all CCSM sustainment activities.

In the AWD project, ASC made considerable productivity improvements on the second and the third ships. The building of our first two destroyers is well advanced, Ship 01 began sea trials in September and Ship 02 is to be launched later this year.

The release of the 2016 Defence White Paper and subsequent announcements has presented opportunities for the company and ASC is actively pursuing roles in the Future Submarine, Offshore Patrol Vessel and Future Frigate projects.

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

Yours sincerely,



BRUCE CARTER
Chairman



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COMPANY PROFILE

ASC exists to serve the frontline of Australia's naval defence capabilities.

With more than 2,500 employees across our three facilities in South Australia and Western Australia, 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 committed to supporting the Australian Defence Force by maintaining open lines of communication with our customer, understanding our customer's expectations and priorities, implementing productivity and efficiency improvements, and striving to deliver the best results for defence.

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

At the conclusion of the Collins Class submarine build program in 2003, ASC commenced a 25-year contract for the ongoing repair, maintenance and design upgrades of the submarines through-life support. This contract was replaced by the In Service Support Contract (ISSC) in mid-2012.

In 2005, ASC was awarded the role of Shipbuilder for the Hobart Class Air Warfare Destroyer (AWD) project. These are the most advanced and complex warships ever built in Australia and are being constructed at ASC's state-of-the art shipbuilding facility, ASC South, located at Osborne, South Australia.

ASC is the lead Shipbuilder for the AWD Alliance, which is made up of ASC, the Department of Defence representing the Australian Government, and Raytheon Australia as the mission systems integrator.

Vision

Our vision is to be an enduring and integral part of Australia's maritime strategy and national security.

Mission

Our mission is to be a trusted and efficient partner with sovereign design, build and sustainment capabilities driving best value for our customers.

Values and Behaviours

Strongly held corporate values are an important element of the strategic framework that underpins successful companies. ASC employees aspire to a set of values and exhibit corresponding behaviours, which are the guiding principles that define how we conduct our business and what we stand for as a company.

- Service
- Safety
- Leadership
- Integrity
- Results
- Innovation

FINANCIAL HIGHLIGHTS

Two year performance at a glance

	2015/16 \$m	2014/15 \$m
Revenue from rendering of services	797.0	1,023.8
Interest income	3.5	3.5
Other income and other revenue	0.3	1.9
Total revenue and other income	800.8	1,029.2
EBITDA	53.9	45.3
Depreciation and amortisation	(19.3)	(17.1)
EBIT	34.6	28.2
Interest expense	(0.1)	(0.4)
Tax benefit (expense)	(11.4)	(9.4)
Operating profit (loss) before tax	38.0	31.3
Operating profit (loss) after tax	26.6	21.9
EBIT/total revenue and other income (%)	4.3%	2.7%
Shareholder's equity	280.0	265.3
Return on equity (%)	9.5%	8.3%
Dividend paid	16.1	3.4
Total assets	702.6	683.4

CHAIRMAN'S REPORT

BRUCE CARTER
Chairman



On behalf of the Board, I am pleased to report that in 2015/16 ASC continued to perform strongly in its existing programs and again delivered positive financial results.

The highlight of the year was the completion of HMAS *Farncomb*'s two-year full-cycle docking (FCD), the first Collins Class submarine to do so as part of the new maintenance regime. This achievement demonstrates how defence and industry can work together to achieve the Government's objectives.

ASC recorded profit after tax of \$26.6 million (2014/15: \$21.9 million) and annual revenue of \$801 million (2014/15: \$1,029 million).

Collins Class Submarine Program

The benefits of infrastructure investments, people development, process improvements and innovation in recent years have been realised through the completion of the two-year FCD of HMAS *Farncomb*, ahead of the contract date.

Completion of this FCD signals the commencement of the 10+2 Usage Upkeep Cycle (UUC) for the submarines, where they will spend 10 years in service and operational maintenance and two years in major maintenance. ASC now supports five submarines from Western Australia, and conducts one FCD at any one time in South Australia.

The achievement of this milestone is a result of close collaboration between ASC and its Submarine Enterprise partners – the Royal Australian Navy and the Capability Acquisition and Sustainment Group within the Department of Defence. Together we have been working to implement the changes recommended by John Coles in the 2012 Study into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability.

In 2015/16 ASC again exceeded the agreed submarine Material Ready Day (MRD) targets in aggregate for the Royal Australian Navy and now turns its focus to further improving submarine reliability.

Air Warfare Destroyer Project

ASC continues to apply lessons learnt to deliver shipbuilding productivity improvements in its role as shipbuilder in the AWD Alliance and remains committed to delivering high quality and capable warships to the Royal Australian Navy.

In 2015/16 ASC progressed the build from 78.5% complete in June 2015 to 85.2% complete in June 2016, with approximately \$299 million spent during this period (ASC Shipbuilder spend in December 2006 base date dollars).

Shipbuilding progress continued at a rapid pace during the year with several milestones achieved. Ship 01's main engines and generators were "lit off" - meaning the ship is now self-powered and commenced sea trials in September 2016. Ship 02 completed hull consolidation on 17 December 2015 and as at 4 July 2016 was 72% complete. This means it will be at an advanced state of completion for its planned launch in December 2016. Ship 03's keel was laid in on 19 November 2015 and all off-site blocks have been delivered to ASC for consolidation and outfit.

The Government-led AWD Reform Strategy concluded in December 2015 and ASC is now working closely with Shipyard Management Services Contractor, Navantia, on the shipbuilding and design aspects of the program, and with our Alliance partner, Raytheon, to achieve the re-baselined cost and schedule targets.

Future Projects

ASC welcomed Government announcements of the Australian build of the Future Submarines, Offshore Patrol Vessels and Future Frigates, which present significant opportunities.

Following the completion of the Future Submarine Competitive Evaluation Process (CEP) ASC continued its engagement with the French submarine designer, DCNS, and Government about how best to deliver Australia's Future Submarines as well as manage a multi-class submarine fleet consisting of the Collins Class and future submarines. ASC also engaged with the overseas participants in each of the CEPs for the Offshore Patrol Vessel and Future Frigate projects by demonstrating shipyard capacity and shipbuilding capability.

Board and Management

During the year Board members Sally Pitkin, Jack O'Connell retired and Sophie Mirabella resigned as a Non-Executive Director and I thank them for their valuable contribution. Adelaide-based lawyer Loretta Reynolds was appointed to the Board in February 2016 and offers a wealth of experience in the legal and corporate sectors.

ASC continues to operate separate submarine and shipbuilding businesses, each with their own management teams and supported by group corporate functions. This has enabled each business to focus its attention and allocate resources to deliver on their programs and pursue opportunities for future work.

During the year ASC created an executive management position responsible for the company's Future Submarine activities.

People

ASC continued its improved safety record and remains committed to implementing initiatives and strategies designed to keep our people safe and ensure the safety of the vessels it builds and maintains, and the crews that sail them.

During the year ASC launched a diversity and inclusion strategy, "All Aboard". The strategy and action plan were developed by a diverse cross section of employees, and endorsed by Board and Management.

Conclusion

With more than 2,500 highly-skilled employees, and many more working in contractor, supplier, customer and partner organisations, an incredible effort underlies ASC's successes. I'd like to thank each and every one of them for their ongoing contribution, support and dedication in helping ASC to deliver innovative and effective services for our customer, and ultimately the nation.

ASC's external environment continues to be shaped by the ongoing Competitive Evaluation Processes and contract negotiations for future submarine and shipbuilding work, as well as the Government's strategic review of ASC. ASC remains committed to assisting Government to achieve a sustainable naval submarine and shipbuilding industry and highly-capable defence assets.



Bruce Carter
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

STUART WHILEY
Interim Chief Executive Officer



Our success in achieving major performance improvements in the Collins Class submarine program during 2015/16 strengthened our effective presence at the frontline of Australia's naval defence capabilities.

It was a year which confirmed ASC's internationally-recognised reputation, with the successful completion of the full-cycle docking program for HMAS *Farncomb*, ahead of the agreed contract date, in under two years.

The achievement of benchmark performance in submarine sustainment across almost all areas places ASC and its Submarine Enterprise partners in a strong position to move beyond benchmark performance.

Among the highlights during the year, ASC won the Defence Teaming Centre Innovator Award for successfully reducing the duration of submarine maintenance activity through hull cuts and removal of major equipment for refurbishment and testing off the boat.

Collins Class Submarine Program

An FCD brings numerous sizeable maintenance and upgrade challenges. A structured, integrated and consistent program of work across multiple teams is critical to success. Completing the FCD for HMAS *Farncomb* ahead of the contract date in under two years was a testament to the commitment and expertise of the dynamic team of highly-skilled men and women at ASC.

The achievement also stemmed from the collaborative approach adopted by all Collins Class partners, and recognised the need to work together towards a common goal.

All these factors have combined to ensure Collins Class submarines are available to safeguard the nation's interests.

This commitment to collaboration has showcased our submarine maintenance capability and demonstrated what the Australian submarine industry can achieve when it works together. I'd like to congratulate everyone who has contributed to this important achievement.

It has also been pleasing to see that our continuous improvement efforts achieved a significant productivity improvement, and resulted in an outstanding 12-month reduction in the time it takes to complete a full-cycle docking. Our integrated work teams, supply chain improvements, and infrastructure enhancements have all contributed to this outstanding result.

With the completion of the first two year full-cycle docking as part of the 10+2 usage upkeep cycle, ASC now supports a total of five submarines out of Western Australia in line with Navy requirements to maintain operational boats alongside their fleet base. This aligned approach ensures available, reliable and capable submarines to meet operational needs.

Beyond Benchmark Performance

ASC's transformation efforts following the Coles Review into Submarine Sustainment continued to progress and, together with our Submarine Enterprise partners, we remain on track to achieve international benchmark performance by 2017.

Our focus now turns to further improving the reliability and capability of the submarines.

Future Submarine Project

Following the commencement of the CEP for the SEA 1000 Future Submarine Project ASC engaged with all three overseas designers from Germany, France and Japan, by responding to requests for information to enable them to prepare an informed submission to Government.

The CEP culminated in the selection of DCNS of France as the Government's preferred international design partner for the Future Submarine Project and Australia as the build location. ASC welcomes the selection of DCNS as the winner of the CEP and looks forward to building on our already strong relationship.

During the year, ASC continued to grow its future submarine team, which is preparing for the program. ASC remains the largest provider of personnel (24) to the Department of Defence's future submarine technical office.

The Future

The decision to build the 12 future submarines in Australia presents opportunities for our business and is recognition of Australian defence industry's ability to productively contribute to important national security projects.

We have started working collaboratively with DCNS to share our unique understanding of Australia's submarine requirements and conditions and are well-positioned to assist with this project from the earliest possible stages.

ASC's experience, track record, people and facilities will assist to achieve regionally superior submarines. We have the largest and most capable submarine platform workforce in Australia that will be critical to ensuring a seamless transition into two classes of operational submarines and delivering an enduring and potent submarines force for the nation.



Stuart Whiley
INTERIM CHIEF EXECUTIVE OFFICER

ASC SHIPBUILDING CHIEF EXECUTIVE OFFICER'S REPORT

MARK LAMARRE
Chief Executive Officer ASC Shipbuilding



ASC, as the lead shipbuilder on the Hobart Class Air Warfare Destroyer (AWD) program, continued to deliver improvements in the most complex naval ship construction program ever undertaken in Australia.

In collaboration with industry partners, our focus on improved planning and scheduling, cost reduction initiatives, the application of lessons learnt on follow-ships and overall shipyard productivity, saw the three Hobart Class AWDs reach more advanced stages of construction with higher levels of efficiency and productivity.

Among our operational achievements, ASC was named Company of the Year by the Welding Technology Institute of Australia, in recognition of the measures taken to improve weld quality, train welders and apply a culture of innovation in the AWD program.

Air Warfare Destroyer Project

The year saw significant progress and improvement across our shipbuilding activities. I would like to recognise and acknowledge the efforts of the hundreds of AWD personnel who are applying lessons learnt to follow-ships every day.

During the year Ship 01 – Hobart – commenced combat system light off activities in November 2015, and achieved main engine light off in April 2016. These milestones placed Ship 01 in a good position to commence sea trials in September.

Ship 02 – Brisbane – achieved mast installation in November 2015 and hull integration in December 2015. Work is now focussed on advancing the test program and preparing the ship for launch, planned for late 2016, at which point it is targetted to be more than 85% complete.

Ship 03 – Sydney – had its keel laid in November 2015, marking the commencement of the consolidation phase. All blocks made off-site have now been delivered to ASC's shipyard in Osborne, South Australia, with the focus now on delivering further improvements during the outfitting and consolidation phases.

The Government-led AWD Reform Strategy concluded in December 2015 and ASC is now working closely with Shipyard Management Services Contractor, Navantia, on the shipbuilding and design aspects of the program, and together with our Alliance partner, Raytheon, to the re-baselined cost and schedule targets.

Shipbuilding Productivity Improvements

The ongoing commitment of our workforce to our Five Point Plan continued to achieve productivity improvements, control project costs and provide certainty of outcome for the Government.

The fundamental components of the Five Point Plan are:

1. Increase shipbuilding experience;
2. Actively reduce the cost base;
3. Improve shipbuilding performance;
4. Control the program; and
5. Accelerate learning.

As at 30 June 2016 we have achieved a 38% cost improvement on Ship 02 compared to Ship 01, and more than 30% improvement on Ship 03 from Ship 02. We continue to achieve higher productivity on follow-ships by virtue of our keen focus on providing our tradespeople the material and documentation they require at the right time in the correct configuration, an ardent focus on applying lessons learnt, and by applying a strategy of moving workscope from the water to earlier stages of construction.

For example, by drawing on knowledge gained during the installation of the fully-outfitted mast on Ship 02, we were able to complete the activity in 10,000 fewer hours; representing a 50% cost saving and four months earlier than Ship 01.

Similarly, through the targeted engagement of highly experienced AEGIS shipbuilders, we are seeing a 73% improvement in our structural value stream and 74% in our mechanical trade on Ship 03.

The Future

During the year the Government announced that the Offshore Patrol Vessels would start construction in Adelaide from 2018, with that activity set to transfer to Western Australia when the Future Frigates start in Adelaide from 2020.

Both projects present significant future business opportunities for our shipyard and shipbuilding workforce and local community, and in response we are engaging with Government and the overseas designers for each project as part of their respective Competitive Evaluation Processes.

In order to secure these projects, however, it is critical that we successfully deliver our AWD construction commitments. ASC is well on-track to make that happen. We believe that ASC is well positioned to provide Government the best results on these future programs by leveraging our modern facilities, highly-trained and motivated workforce, and our demonstrated ability to deliver continuous process improvement.

Teamwork builds ships.



Mark Lamarre

CHIEF EXECUTIVE OFFICER ASC SHIPBUILDING

COLLINS CLASS SUBMARINE PROGRAM

As the industry member of Australia's Submarine Enterprise, ASC supports the nation's submarine capability through the provision of design, engineering, maintenance and supply chain services. Together with the Royal Australian Navy (RAN) and the Capability Acquisition and Sustainment Group (CASG) within the Department of Defence, ASC is working to meet international benchmark performance standards, and move beyond.

Collins Class Enterprise Transformation Program

The Collins Class Enterprise Transformation Program aims to improve performance by increasing availability, reliability and cost performance (benchmarked against similar platforms).

The program's objectives are to reduce:

- Submarine maintenance durations;
- Overruns in submarine maintenance;
- Days lost to defects; and
- The sustainment cost per MRD.

During the 2015/16 financial year, ASC, in conjunction with enterprise partners:

- Exceeded the agreed interim reduced target MRDs in aggregate for the RAN;
- Reduced maintenance overruns to better than benchmarked standards;
- Reduced days lost to defects through improved operational period support and material demand satisfaction;
- Completed the first two-year FCD as part of the new maintenance regime (HMAS *Farncomb*); and
- Completed the certification extension docking and repair of HMAS *Waller*, the most complex activity ever undertaken at ASC West.

Two-Year Full Cycle Docking

HMAS *Farncomb* was the first Collins Class submarine to undergo a two-year FCD as part of the 10+2 Usage Upkeep Cycle. ASC completed its maintenance activity and returned the submarine to the RAN in May 2016, ahead of the contracted schedule.

Delivery of this project has been made possible through the implementation of over 30 improvement initiatives. Key amongst these were infrastructure investments such as a Maintenance Support Tower and Diesel Generator Test Facility, as well as the introduction of a new method of work for the conduct of Blast and Paint of the submarine.

In addition to this, a dedicated team of skilled workers successfully conducted access cuts to the submarine pressure hull to further support maintenance efficiency. This work has been completed with all access cuts successfully reinstated and quality checked.

ASC will build on lessons learned in the conduct of submarine maintenance in the next FCD on HMAS *Collins*, which commenced in May 2016. Capability enhancements installed during the FCD will ensure the Collins Class submarines remain superior in their operation.

Customer Focus

ASC remains committed to delivering improved outcomes for our Customer. The Collins Class Submarine (CCSM) program is now two years through the first three-year performance period of the In Service Support Contract (ISSC). Under this arrangement the CCSM program has been simplified, with clear incentives established in relation to performance and cost efficiencies.

Quarterly performance reviews provided opportunity for feedback on performance and emerging issues within the program. The review regime was supported by regular reporting processes including a monthly assessment.

Collaboration within the Submarine Enterprise remained a key a priority and ASC continually seeks to improve performance in availability, reliability and cost performance. Key Submarine Enterprise decision makers are co-located, which further enhanced relationships, issue resolution and improved outcomes within the program, and ultimately improved outcomes for the submarines.

Strategic Investment

Plans were advanced to improve capability in the Western Australian facility through a 10+2 Phase 2 transformation program to enable ASC to optimally support five boats out of Western Australia. Facilities in WA were developed to ensure the best solution for transforming submarine maintenance to maximise availability, reliability and cost performance.

This investment reflected ASC's commitment to continue to drive performance improvement.

Future Performance Targets

As part of the ISSC, ASC aligned performance targets with its Submarine Enterprise partners to increase availability, reliability, cost performance and deliver agreed outcomes.

Improvements will ultimately result in:

- Agreed increase of MRDs (to benchmark levels);
- Increased focus on submarine capability and reliability;
- Delivery of HMAS Farncomb from FCD, representing completion of the first two-year FCD under the 10+2 Usage Upkeep Cycle (UUC) program; and
- Shifting the entire CCSM fleet to the improved UUC (two-year FCD, one-year MCD, six month Intermediate Docking) whilst improving submarine system reliability.

Business Improvement

ASC's approach to business improvement and transformation saw increased stakeholder engagement at all levels of the CCSM program.

Embedded improvement specialists were again active across ASC's operations and engineering teams, driving initiatives such as:

- Expanding the successful integrated work teams beyond their initial focus of FCD boats to improve maintenance of all submarines in the fleet;
- Analysing engineering tasks to prioritise and implement nine projects designed to increase the efficiency and output of engineering support to the Enterprise (seven projects have been completed); and
- Improving the flow and visual control of maintenance and upgrade works for all dockings.

Improvement specialists continued to partner with business areas, using Lean Six Sigma methods to develop and implement lasting solutions, improving cost, schedule and quality. Examples of major outcomes in the last 12 months include:

- Coordinating capability growth and cost optimisation to enable HMAS *Collins*' two-year FCD success;
- Understanding root cause issues preventing material in full on time delivery to maintenance activities, and implement key actions to improve material work readiness;
- Developing and implementing an engineering change roadmap to maximise engineering efficiency;
- Developing upgrades to key facilities in ASC West and Garden Island to increase maintenance efficiency and effectiveness;
- Training an additional 59 personnel from the CCSM program in Lean Six Sigma Improvement Methodology; and
- Initiating joint projects with strategic suppliers to improve support, communications and common process, improving cost and schedule performance in partnership.

Engineering

ASC continued to provide engineering solutions and support to the CCSM program resulting in increased reliability and availability, cost-effectiveness, while maintaining the technical integrity of the submarines.

The engineering department significantly strengthened the project management discipline through the integrated engineering schedule.

Engineering initiatives that helped to achieve the first two-year FCD in the 10+2 UUC Program included an innovative hull cut and re-weld, the introduction of a new paint technology that provides improved corrosion protection, the off-boat set-to-work process for diesel engines and the formation of the integrated work teams to build a strong working dynamic alongside production staff.

In addition, ASC continued to increase its focus on reliability, obsolescence and asset management and built an increased engineering capability in Henderson to support a five-boat operation in Western Australia for the Royal Australian Navy.

Submarine Training School

ASC has been the provider of initial and advanced submarine training at the Submarine Training and Systems Centre since 1992. In 2016 ASC completed the three-year milestone of the current five-year, performance based contract. ASC partnered with South Metropolitan TAFE (formerly Challenger Institute) and Calytrix Technologies to deliver the contracted services and will continue to do so.

During 2015-2016, ASC:

- Delivered 254 training courses;
- Trained 103 new entry submariners and provided advanced training for 123 submariners;
- Provided collective training to enable certification for the crews of HMAS *Farncomb*, HMAS *Waller*, HMAS *Dechaineux*, HMAS *Sheean* and HMAS *Rankin*;
- Provided training to about 100 ASC North and West tradespeople and engineers;
- Upgraded the Diesel Training and Test Facility to incorporate a Generator and Load Bank;
- Further developed the 3D submarine virtual walkthrough to enhance initial and advanced submariner training;
- Upgraded hardware and software for the Platform Training Simulator and Weapons Handling and Discharge Training equipment, and;
- Increased the scope of training services delivered to the RAN.

Personnel from ASC's Submarine Training Services team were actively involved in developing other Naval and Defence training opportunities, including responding to the RANs recent Technical Training Services tender and engagement with each of the future submarine CEP participants to discuss training.

ASC continued to invest in growing the capability and capacity of its dedicated training team through recruitment, training and engagement with the maintenance workforce at ASC West in order to deliver improved training outcomes and thereby increase the probability of securing the follow-on training services contract in 2018.

HOBART CLASS AIR WARFARE DESTROYER PROJECT

The 2015/2016 year saw major achievements for the Air Warfare Destroyer Project. The combat system and main engines were 'lit off' on the first of class. Hull integration was completed on the second destroyer and the keel for the third destroyer was laid.

ASC's focus on applying lessons learned continued to produce efficiencies in the second and third ships well ahead of expectations. Consolidated management initiatives resulted in significant savings, while improvements in the level of pre-outfitting on Ship 03 achieved overall program cost reductions. The year also saw the conclusion of the AWD Reform Strategy. As a result, the program has a revised schedule and an updated budget for the completion of the AWDs. The AWD Reform Strategy provided ASC the opportunity to partner with Navantia to leverage their shipbuilding experience and continue to improve program performance.

Ship Progress

Ship 01 – future destroyer Hobart

2015/16 highlights for Ship 01 included:

- Combat System Light Off achieved, signifying the commencement of the Combat System Testing Phase;
- Main Generator Light Off achieved - six weeks ahead of the contract schedule;
- Main Engine Light Off achieved with both engines started on schedule; and
- Over 200 Compartments Completion Inspections successfully undertaken with the Commonwealth.

The Combat System test program continued, with focus now on transitioning from equipment activation to system validation. In parallel, Production focus shifted to compartment completion in support of sea trials, which commenced in September 2016.

Ship 02 – future destroyer Brisbane

2015/16 highlights for Ship 02 included:

- Hull Integration completed;
- Main switchboard hookup completed;
- 77% of cables pulled; and
- 96% of pipe installed.

Hull integration for Ship 02 was completed ahead of schedule and included a program first of erecting the bow as a mega-block - leading to substantial savings in comparison with the same scope on Ship 01. The erection of the mast as a fully outfitted assembly was another program first, saving more than 50% of the cost for the same scope on Ship 01 by avoiding the need for extensive scaffolding and working at height.

The Ship 02 build gathered momentum through implementation of lessons learned from Ship 01. This saw a cost improvement over Ship 01 of 38% on a cost per percentage complete basis for ASC work-scope. At year's end the focus on Ship 02 was preparation for float off, with on targeted completion of 85% and a maximising system readiness for post-float off system activations.

Ship 03 – future destroyer Sydney

2015/16 highlights for Ship 03 included:

- Delivery of all off-site contractor blocks to ASC;
- Laying of the keel; and
- Capping of the engine room blocks.

Ship 03 continued to build on the lessons learned on the preceding ships and the Five Point Plan improvements ensured early implementation of changes and higher levels of completion in the pre-outfit phases. This resulted in performance improvements of greater than 30% on a cost per percentage complete basis for ASC work-scope when compared to Ship 02.

Overhead Alignment

In connection with our “actively reduce the cost base” element of our Five Point Plan, ASC engaged Booz Allen Hamilton to benchmark our overhead costs as a percentage of direct production labour. This project has resulted in \$21 million in savings this fiscal year and a detailed plan to achieve a further \$47 million in savings by 2019.

AWD Continuous Performance Improvement Program

This Program is measured by its ability to provide financial benefits to the AWD Project. Savings realised were captured as Estimate at Completion savings or avoided costs.

Avoided costs included risk reductions and reductions in project uncertainty. Validation of savings is provided through the process of Director sign-off.

The Continuous Performance Improvement Program now includes dedicated team members in the Program Management Office, plus embedded resources in the Production and Supply Chain functions. The Continuous Performance Improvement Program delivered savings of \$17.2 million over the 12 months to 31 May 2016.

AWD Production Readiness Program

The Production Readiness Program was established to leverage the success of ASC's 'Safely on Time' program that was instrumental within the Collins Class submarine business.

Productivity improvements were measured against established metrics, and continue to be delivered through production-wide and trade-specific projects, including:

- Introduction of a program of Daily Goal Setting for supervisors and teams, resulting in substantial performance improvement in yard and acting as a key contributor to the 10% improvement in labour utilisation levels experienced over the year;
- Development of improved systems enabling Production to manage schedule adherence and identify issues affecting readiness in production and supporting services;
- A 20% increase in Blast and Paint value-adding by decreasing onboard inefficiencies;
- Increasing efficiencies in the Outfitting department through a dedicated Material Management project resulting in increased support and process changes; and
- Improved process and consumables management within the trades.

	June 2014 %	June 2015 %	June 2016 %
Labour utilisation	25	60	70
Work readiness	48	91	92.5
Work pack fill rate	75	90	84
Ship plan of the week adherence	7	84	83

ASC continues to drive improvements in the key metrics of work readiness, labour utilisation, schedule adherence and material management in accordance with its Five Point Plan, which remains on target to achieve world's best practice performance by the end of the 2016/2017 financial year.

INFRASTRUCTURE DEVELOPMENT

ASC has three modern facilities, which are located at ASC North and ASC South in South Australia, and ASC West in Western Australia.

ASC North

The ASC North facility is dedicated to major maintenance activities of the Collins Class submarines. In 2015/16 ASC continued to upgrade this maintenance facility, and in September 2015 a new main motor workshop was completed. This facility enables ASC to complete major overhaul work on the propulsion motor away from the submarine in a controlled environment and assists ASC to deliver future two-year full cycle dockings (FCD) and increasing submarine availability.

Additional projects relating to FCDs included:

- Installation of a new dust extraction unit for use with welding activities; and
- Extension of the fiberglass workshop to accommodate the cylindrical array casing.

A number of major maintenance projects were completed during 2015/16 to ensure reliable and safe use of equipment, such as:

- Installation of new cross travel trolleys and hoists for the four 80-tonne overhead cranes in the hull and outfitting shops;
- Corrosion repair and protection of the shiplift and transfer platform support structures; and
- Modification and upgrade of the cradles used to support the submarine when un-docked.

Other maintenance and upgrade activities completed in 2015/16 included:

- Replacement of the chilled water units supplying the outfitting and hull shop office areas' air conditioning;
- Installation of new underground pipelines for compressed air reticulation;
- 25 year re-certification of all site jib and gantry cranes;
- Installation of data logging devices to all cranes to allow recording of crane usage and load data;
- Upgrade of the pontoon facility used for the Sea Otter vessel; and
- Replacement of the main entry personnel turnstiles and traffic entry boom gates.

During the year ASC North received certification from the Centre of Marine Engineering for its docking and maintenance facilities, valid until 30 October 2019.

ASC South

The ASC South facility hosts the construction of the three Hobart Class AWDs. In 2015/16 work was undertaken to support the construction and testing of the consolidated ships on the dry berth and alongside the wharf, including:

- Expansion of existing, and opening of new tool cribs;
- Installation of electronic displays and upgrade of radio network to improve communication;
- Savings initiatives for non-shipboard consumables;
- Upgrade of tool tracking software;
- Purchase of two new 145 tonne Tadano mobile cranes; and
- Design and manufacture of three diesel flushing and treatment rigs and a single hydraulic flushing rig in support of critical AWD set-to-work activities.

Common User Facility (Techport)

The Common User Facility (CUF) is owned and operated by Defence SA. Located directly north of the ASC South shipyard, it is used by ASC for the consolidation of the three AWDs and forms part of the South Australian Government's Techport Australia precinct.

Projects completed in 2015/16 on the CUF included:

- Design, supply and installation of portable security infrastructure including turnstiles, fencing, access control and cameras to provide secure access to Ship 01 alongside the wharf;
- Relocation of eight trade workshop containers with associated services to allow two AWDs to be berthed alongside the wharf;
- Commencing the CUF wharf extension project to deliver new wharf infrastructure, dredging and supporting services ready for Ship 02 undocking;
- Design, fabrication and certification of a custom-built work box to facilitate set-to-work and maintenance works on AWD combat system components; and
- Procurement of high volume extraction equipment in support of blast and paint operations across three ships.

ASC West

ASC West, located at Henderson in Western Australia, remained the company's most modern submarine maintenance and support facility. In 2015/16 ASC continued to seek ways to improve the facility and efficiencies of the workforce, with the following infrastructure and maintenance upgrades completed in 2015/16:

- Installation of a purpose-built, secure propeller storage facility;
- Relocation, modifications and enhancements to blast and paint operations;
- Supply and installation of an additional compressor to service blast, paint and welding workshops;
- Installation of small boat storage facility, equipment storage and additional storage for warehousing facilities; and
- Installation of site-wide public address system.

HMAS Stirling (Garden Island, Western Australia)

HMAS Stirling remained the home-base for the Collins Class submarines, and the naval base was the location where ASC performed intermediate maintenance periods and set-to-work activities throughout the year.

ASC built upon the previous year's upgrades by completing the following infrastructure and maintenance upgrades in 2015/16:

- Installation of additional accommodation, amenities and supporting infrastructure to support multiple submarines undergoing maintenance on the island;
- Installation of dome shelters to provide undercover workshops for electrical and mechanical departments; and
- Supply and installation of a purpose-built secure rigging container.

SAFETY PERFORMANCE

HEALTH AND SAFETY

The health and safety of ASC's workforce continued to be a major priority, and in 2015/16 ASC progressed its five-year work, health and safety strategic plan to strengthen safety performance across the company.

Health and Safety Initiatives

Principle safety initiatives during the period included:

- Further continuation of the People, Places, Products and Platforms – Safely approach;
- Alignment of ASC's self-insured policies and procedures to meet legislative reform for Workers' Compensation in South Australia;
- Improvements and efficiencies in respect to work health safety risk management;
- Improvements focussed on injury prevention (E.g. hand safety); and
- Revision of the Fit for Work policy and procedure.

Notifiable Incidents

The Work Health and Safety Act 2011 details the types of incidents notifiable to Comcare. Under Section 35 an incident is notifiable if it arises out of the conduct of a business or undertaking and results in death, serious injury or serious illness of a person or involves a dangerous incident.

There were 18 dangerous incidents notified to Comcare, none resulting in serious personal injury or illness to ASC workers. These figures are in line with figures reported in the previous year.

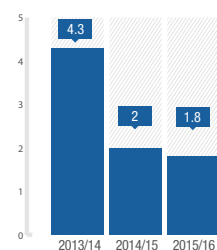
Notifiable incidents in 2015/16:

Deaths	0
Dangerous Incidents	18
Serious personal injury or illness	0
TOTAL	18

Lost Time Injuries

A lost time injury (LTI) is recorded when a worker is unable to present for the next scheduled workplace attendance as a result of a work-related injury.

The company achieved a total lost time injury frequency rate (LTIFR) of 1.8 for 2015/16 (including contractors) representing a 10% reduction from the previous reporting period.

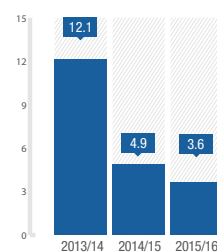


LTIFR = number of LTI's X 1,000,000 divided by hours worked per month.

Medically Treated Injuries

A medically treated injury (MTI) is recorded when a worker is assessed to require medical attention from a health professional beyond the requirements of First Aid.

Across ASC, a medically treated injury frequency rate (MTIFR) of 3.6 was recorded for 2015/16 (including contractors) representing a 16% reduction from the previous reporting period.



MTIFR = number of MTI's X 1,000,000 divided by hours worked per month.

Investigations

Comcare did not commence any independent investigations into the 18 notifiable incidents.

ENVIRONMENTAL PERFORMANCE

ASC remained committed to the protection of the environment, and demonstrated its commitment through its Environmental Policy and associated processes, plans and procedures.

Improving Environmental Performance

ASC workforce consultation focussed on improving environmental performance through health, safety and environment committees, and communications with all employees.

ASC remained committed to reducing its carbon footprint by implementing the following broad objectives:

- Reduction of electricity consumption;
- Reduction of water consumption;
- Increase in the percentage of waste diverted from landfill;
- Raising climate change awareness; and
- Implementation of sustainable practices.

Environmental Management System

The Environmental Management System requirements were integrated into the ASC Corporate Management System, in line with ISO AS/NZS 14001, for which ASC maintains certification. Audit activity against the International Standard identified no examples of non-conformances.

ASC maintained its focus on ensuring compliance with regulatory requirements covering its operational footprint. An environmental compliance matrix was developed to ensure each relevant legislative instrument is considered for assessment.

Environmental Incidents

ASC operations remained subject to environmental regulation under Commonwealth and State legislation, and ASC recognised its obligation to comply with the relevant Environmental Protection and Conservation Acts (the Acts). Accordingly, ASC actively recorded, investigated and reported any breaches of the Acts to the respective regulator.

During the 2015/16 financial year, there were no environmental incidents that required official regulatory notification. Less than five minor environmental incidents were reported during the period. Each of these was effectively managed by site-based teams. Improvement actions arising from the incidents were managed by a Corporate Environment Advisor, who was supported by relevant functional stakeholders.

Environmental Licences

ASC maintained environmental licences for its activities in South Australia and Western Australia, for the submarine and shipbuilding projects, under the respective environment regulators. These related to scheduled activities and operations undertaken at ASC sites.

WORKFORCE AND TRAINING

ASC continued to recognise that attracting, retaining and developing the best workforce remains critical to success. This unwavering approach underpinned ASC's reputation as having the pre-eminent shipbuilding and submarine maintenance workforce in Australia.

Ongoing investment in a range of development programs – particularly those designed to enhance leadership and management skills - resulted in enhanced performance across the Air Warfare Destroyer and Collins Class Submarine programs.

ASC's total workforce numbered just under 2,600 permanent employees across three sites; ASC North and South within South Australia and ASC West. ASC also has employees at the Submarine Training and Systems Centre in Western Australia. The reduction on the prior year is largely as a result of roll-offs associated with the AWD program, however reductions to date have predominantly involved contractors, with limited permanent employee losses.

Professional Development

In 2015/16 ASC professional development activities included:

- Implementation of internal mentoring program;
- Development and implementation of leadership programs aligned to the ASC leadership framework for supervisors and middle management;
- Apprentice and graduate development programs;
- Implementation of leadership forums;
- Development of an extensive suite of project management e-learning resources tailored to ASC's unique and specific environment; and
- Upgraded features and additional resources for professional development on the ASC learning management system.

Apprentices and Graduates

During 2015/16 ASC remained one of the largest apprentice employers in South Australia, with an additional 14 starting apprentices bringing the total number employed to 106.

ASC had a completion rate of apprentices of 87%, compared to a national average of approximately 49%.

During 2015/16, ASC employed nine engineers in its graduate program, including six in South Australia and three in Western Australia. Graduates are placed in permanent positions for two years and rotated through various departments every three to six months.

Government Support to Workforce Development

In 2015/16 ASC received \$140,000 of Skilling Australian Defence Industry funding which was invested in :

- Masters of Marine Engineering; and
- Apprentice supervision.

In 2015/16 ASC received \$885,834 from the South Australian Government's Department of State Development. This valuable support enabled ASC to further develop its shipbuilding capability through the development of:

- Project Management Training (e-learning resources);
- Defence Industry Pathways Program;
- D3600-Engine Diesel Master Mechanic Course; and
- Coxswain Training.

Workforce Planning

ASC's Human Resource capability focused on delivering improved performance to the respective business units, supported by workforce planning. The business units workforce plans optimised existing capabilities and identified opportunities to further develop workforce capabilities in support of improved performance and future programs.

ASC's activities were supported by core competencies, comprising:

- Advanced manufacturing;
- Applied science and technology;
- Engineering;
- Knowledge management;
- Project management; and
- Supply chain management.

ASC's core competencies were sustained through the knowledge, skills and experience of its workforce, and the ongoing development of systems and processes, training and education.

The 2013-18 Strategic Workforce Plan remained the overarching document that reflected ASC's human resource management vision.

The major themes of the 2013-18 Strategic Workforce Plan are to:

- Develop ASC's core competencies;
- Manage performance;
- Align the organisation to ASC's operating model;
- Deliver a leadership and talent program;
- Performance management enhancement; and
- Employee engagement strategy.

Diversity and Inclusion

In 2015/16, ASC developed and implemented a Diversity and Inclusion Program "All Aboard". ASC recognised the many benefits of workforce diversity including the strengths and differences that diversity can provide.

The program delivered the following initiatives:

- leadership workshops to increase understanding and awareness;
- baseline diversity and inclusion metrics to measure future progress;
- diversity and inclusion vision statement and strategy;
- diversity and inclusion communications plan; and
- workshops with staff across all sites and functional areas.

Staff workshops assisted in the development of the vision statement and identified the following key themes:

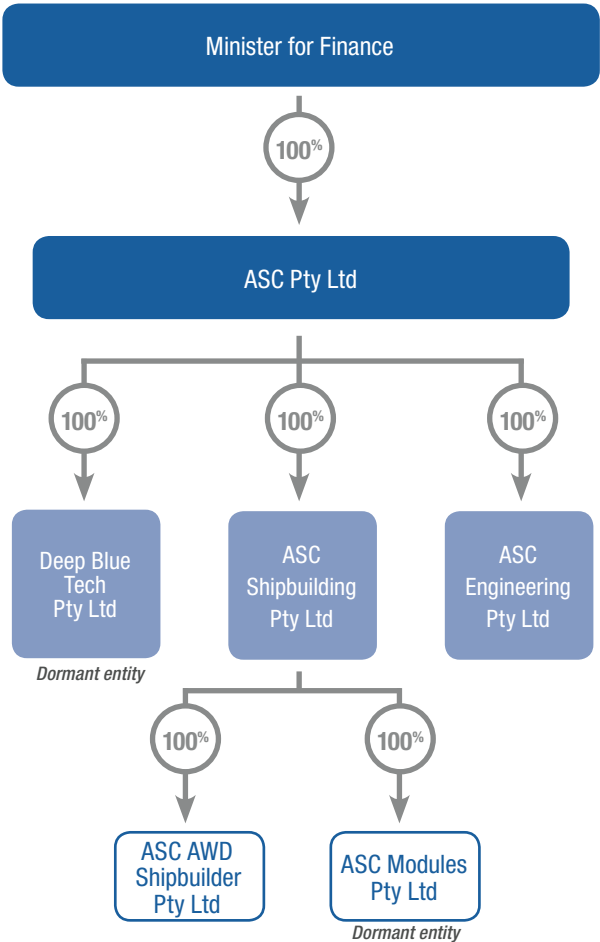
- inclusive culture;
- unconscious bias; and
- collaboration.

An action plan for financial year 2016/17 has been developed and is being implemented.

CORPORATE GOVERNANCE

ASC is a proprietary company limited by shares registered under the Corporations Act and is subject to the Public Governance, Performance and Accountability Act 2013 (Cth). All the shares issued in the capital of ASC are owned by the Minister for Finance.

The ASC Group is structured as follows:



On 11 June 2004, ASC was proclaimed as a Government Business Enterprise under the then *Commonwealth Authorities and Companies Act 1997 (Cth) Act*.

Directors

The Directors of ASC (other than a Managing Director) are appointed by the Minister for a term. As at 30 June 2016, the Board was comprised as follows:



BRUCE CARTER

Chairman

Appointed: 01 Jan '10
To: 31 Dec '18



DR ROSALIND DUBS

Non-Executive Director

Appointed: 01 May '13
To: 31 Dec '16



PAUL RIZZO

Non-Executive Director

Appointed: 13 Dec '13
To: 12 Dec '16



PETER IANCOV

Non-Executive Director

Appointed: 13 Dec '13
To: 12 Dec '16



LORETTA REYNOLDS

Non-Executive Director

Appointed: 09 Feb '16
To: 08 Feb '19

The remuneration of the directors is determined by the Remuneration Tribunal under the *Remuneration Tribunal Act 1973 (Cth)*.

Attendance

Attendance at Board and committee meetings during 2015/16 was as follows:

Director	Board		Audit Committee		Human Resources and Remuneration Committee		Business Assurance and Security Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bruce Carter	11	11	-	-	3	3	4	4
John O'Connell	8	8	5	5	-	-	-	-
Dr Sally Pitkin	7	6	4	3	1	1	-	-
Dr Rosalind Dubs	11	11	-	-	-	-	4	4
Sophie Mirabella	10	8	5	4	2	1		
Paul Rizzo	11	9	1	1	-	-	4	4
Peter Iancov	11	10	-	-	-	-	4	4
Loretta Reynolds	3	3	2	2	1	1		

Ministerial Directions

In accordance with its Constitution, ASC is subject to direction by the Minister. No directions were given to ASC by the Minister during the 2015/16 year.

Corporate Governance

ASC has adopted a corporate governance protocol which establishes:

- Charters for the Board, Audit Committee, Human Resources and Remuneration Committee, and Business Assurance and Security Committee; and
- A Code of Conduct.

The Board monitors performance against its corporate governance objectives at each Board meeting.

Board

Under the Board Charter, the Board is responsible for:

- Overseeing the ASC Group, including control and accountability systems;
- Appointing and monitoring the performance of the Managing Director and the Company Secretary and, where appropriate, the removal of the Managing Director and Company Secretary;
- Approving other executive appointments, organisational changes and senior management remuneration policies and practices;
- Monitoring and reviewing senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Providing strategic advice to management;
- Determining the strategy of the ASC Group and monitoring the performance of objectives;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, as well as financial and other reporting;
- Approving budgets and other key performance indicators, and reviewing the Group's performance against them and monitoring the implementation of corrective action;
- Reviewing and ratifying systems of risk management, internal control and legal compliance to satisfy itself that appropriate compliance frameworks and controls are in place;
- Reviewing and overseeing the implementation of ASC's code of conduct for Directors and Executives;
- Appointing Board committees and approving the composition, and any charters, of Board committees;
- Monitoring and verifying compliance with legal and regulatory requirements, ethical standards and policies; and
- Exercising due diligence to ensure that ASC complies with its work, health and safety obligations including by taking reasonable steps to:
 - Acquire and keep up-to-date knowledge of work health and safety matters;
 - Gain an understanding of the nature of ASC's operations and the hazards and risks within those operations;

- Ensure appropriate resources are available and processes implemented to enable hazards to be identified and risks eliminated or minimised;
- Ensure ASC has appropriate processes for receiving and considering information regarding incidents, hazards and risks, and responding in a timely way to that information;
- Ensure the business implements processes for complying with work health and safety laws, regulations and codes of practice; and
- Verify the provision, and use, of the resources and processes referred to above.

Audit Committee

The objectives of the Audit Committee are to help the Board achieve its objectives in relation to:

- Financial and performance reporting;
- Risk oversight and management;
- Annual budgeting and forward forecasts;
- The application of accounting policies;
- Internal control;
- Maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- Establish and oversee effective internal and external audit functions and communication between the Board and the external and internal auditors;
- Verify financial compliance strategies and financial compliance function are effective; and
- Maintain an effective external and internal audit function, in compliance with all applicable laws.

As at 30 June 2016, the committee consisted of Paul Rizzo (Chairman) and Loretta Reynolds.

Human Resources and Remuneration Committee

The objective of the Human Resources and Remuneration Committee Charter is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy, including:

- Remuneration components;
- Performance measurements and accountability frameworks;
- Recruitment and retention;
- Talent management; and
- Succession planning.

As at 30 June 2016, the committee consisted of Bruce Carter (Chairman) and Loretta Reynolds.

Executive Remuneration

Remuneration*	No. of employees
\$300,000 and above.....	5
Below \$300,000.....	10

*Excludes superannuation and performance incentives

Business Assurance and Security Committee

The objectives of the Business Assurance and Security Committee are to satisfy itself that:

- Adequate systems are in place for the effective identification and assessment of all areas of potential material business risks other than those arising from financial reporting and accountability (being risks considered by the Audit Committee);
- Adequate policies, processes and procedures have been designed and implemented;
- Appropriate action is undertaken to bring the identified material risks within the Group's risk tolerance levels;
- A culture of compliance is being promoted; and
- Compliance strategies and functions are effective.

As at 30 June 2016, the committee consisted of Paul Rizzo (Chairman), Bruce Carter, Rosalind Dubs, and Peter Iancov.

Board Membership

During the year:

- Dr Sally Pitkin retired as a Non-Executive Director of ASC and from the committees on which she served.
- John O'Connell AO retired as a Non-Executive Director of ASC and from the committees on which he served.
- Sophie Mirabella resigned as a Non-Executive Director of ASC and from the committees on which she served.
- Paul Rizzo was appointed Chairman of the Audit Committee.
- Loretta Reynolds was appointed as a Non-Executive Director and a member of the Audit Committee and HR and Remuneration Committee.

Code of Conduct

ASC has implemented a Code of Conduct for directors, employees and contractors which seeks to:

- Articulate the high standards of honest integrity, ethical and law abiding behaviour expected of directors and other ASC personnel;
- Encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders; and
- Guide directors and ASC personnel as to the practices considered necessary to maintain confidence in the ASC Group's integrity.

Audit

ASC's external auditor is the Australian National Audit Office (ANAO). PricewaterhouseCoopers has been appointed as ANAO's agent for the purposes of ASC's audit.

The Audit Committee is charged with responsibility for internal financial audit.

The Group Internal Audit Manager is responsible to the Audit Committee for contributing to the achievement of ASC's goals and objectives by:

- Assisting management in evaluating its processes for identifying, assessing and managing the key operational, financial and compliance risks of ASC;
- Assisting management in evaluating the effectiveness of internal control systems, including compliance with internal policies;
- Recommending improvements in efficiency to the internal control systems established by management;
- Keeping abreast of new developments affecting ASC's activities and in matters affecting internal audit work; and
- Being responsive to ASC's changing needs, striving for continuous improvement and monitoring integrity in the performance of its activities.

Risk Management

ASC is committed to risk management as an integral part of its business. Risk management is a shared management responsibility involving:

- Identifying corporate risk;
- Assessing the likelihood of their occurrence;
- Estimating the likely consequence of risks should they occur; and
- Implementing strategies to avoid, mitigate or minimise the consequence of risk.

As part of this risk management emphasis, the Board instituted:

- The implementation of an enterprise wide Risk Management Framework; and
- An Executive Risk Management Committee.

Legal Compliance

ASC has established a legal compliance program. In 2015/16, the program covered:

- Defence exports;
- Work health and safety;
- Employment
- Equal opportunity and bullying;
- Environment;
- Intellectual property;
- Security; and
- Corporate governance.

The Business Assurance and Security Committee is responsible for approving the program and monitoring compliance.

FINANCIAL REPORT

30 June 2016

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This financial report covers ASC Pty Ltd and its controlled entities.
The financial report is presented in Australian currency.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the year ended 30 June 2016

Your directors present their report on the consolidated entity (referred to hereafter as the "Group" or the "consolidated entity") consisting of ASC Pty Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were directors of the Company during the entire financial year up to the date of this report:

Bruce James Carter
Dr Rosalind Vivienne Dubs
Peter Predrag Iancov
Paul John Rizzo

Loretta Reynolds was appointed a director on 12 February 2016.

The following were directors from the beginning of the financial year until their cessation dates:

- Dr Sally Ann Pitkin - retired on 31 December 2015
- John Joseph O'Connell - retired on 29 February 2016
- Sophie Mirabella - resigned on 27 May 2016

Principal activities

The principal activities of the Group during the course of the financial year ended 30 June 2016 are set out below. No significant change in the nature of these activities occurred during the year.

Collins Class Submarine related activities:

The major submarine related activities include maintenance, design development, engineering and upgrading of six submarines for the Royal Australian Navy (RAN). These activities were undertaken for the Collins Class Submarine under the In Service Support Contract (ISSC).

Hobart Class Air Warfare Destroyer (AWD) related activities:

ASC is the main shipbuilder for the construction of the three AWDs for the Commonwealth of Australia (CoA). ASC is part of the Alliance Based Target Incentive Agreement (ABTIA) with other members of the AWD Alliance, the Commonwealth of Australia represented by the Capability Acquisition and Sustainment Group (CASG) and Raytheon Australia. The ABTIA commits the alliance members to work as an integrated team to deliver the RAN's next generation warships.

Consolidated result

The consolidated profit of the Group for the financial year attributable to the shareholders of ASC Pty Ltd was \$26,628,000 (June 2015: \$21,891,000) after provision for income tax expense of \$11,426,000 (June 2015: income tax expense \$9,400,000).

Review of operations

Collins Class Submarine related activities:

The Company is currently in the second year of performance period two of the ISSC.

Hobart Class Air Warfare Destroyer (AWD) related activities:

Ship one achieved Combat System Light Off in November, the consolidation phase for ship two is ongoing and the keel laying for ship three was undertaken in November.

In previous years, a decision was made by the directors that it was probable that the forecast of the cost to complete the three AWDs would exceed contract revenues. As such, an expected loss was recognised in line with Australian Accounting Standards 111 Construction Contracts. The expected loss has been reviewed in the current period based on management's most recent forecast. A loss before tax of \$36.2m has been recognised to date (FY 2013/14, \$34.1m loss; FY 2014/15: \$4.7m loss; FY 2015/16: \$2.6m profit).

Dividends - ASC Pty Ltd

Dividends paid during the financial year were as follows:

	2016	2015
	\$'000	\$'000
Interim dividend for the year ended 30 June 2016 paid on 29 April 2016	6,400	3,400
Final dividend for the year ended 30 June 2015 paid on 30 October 2015	9,700	-
	16,100	3,400

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the year ended 30 June 2016

State of affairs

In December 2015, the Minister for Finance, the Honourable Senator Mathias Cormann, and the Minister for Defence, the Honourable Marise Payne, announced that long term arrangements for AWD reform will see additional shipbuilding capability embedded into the AWD Program. Navantia SA was selected to bring an experienced shipbuilding management team to maximise program performance to the end of the three AWD's construction.

Environmental regulation

The operations of the Group and the Company are subject to environmental regulation under both Commonwealth and State legislation in relation to activities undertaken on our sites in South Australia and Western Australia.

The Group is committed to achieving a high standard of environmental performance consistent with the requirements of AS/NZ ISO 14001: Environment Management Systems (EMS), which forms part of ASC's corporate management system. All of the Group sites, comprised of the South Australian and Western Australian submarine facilities and the South Australian shipbuilding facility, have accreditation for AS/NS ISO 14001: Environment Management Systems.

The Group has complied with all applicable environmental regulations and site specific environmental license requirements. There have been no environmental incidents in the reporting period requiring official regulatory notification.

Events subsequent to the end of the reporting period

There are no other matters that have arisen between the end of the financial year and the date of this report, including any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs of the Group, in subsequent financial periods.

Likely developments

The Federal Government announced in April 2016 that the construction of the Offshore Patrol Vessels, Future Frigates and Future Submarines will be done in Adelaide. These projects are still in their infancy and ASC's role is not yet clear. ASC will continue to demonstrate to the Government that it has the submarine and shipbuilding capability, highly skilled workforce and world class facilities to undertake the work.

Directors' benefit

Since the end of the previous financial year, no director of the Company has received, or become entitled to receive, any benefit (other than reimbursement of expenses and the aggregate amount of remuneration received or due and receivable by directors shown in the consolidated accounts) because of a contract made by the Company, its controlled entities or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Indemnification and insurance of directors and officers

(a) Indemnification

The Company has agreed to indemnify the current and previous directors and officers of the Company for all liabilities to another person (other than the Company or a related body corporate) that may arise in their capacity as directors and officers of the Company and its controlled entities, except where the liability arises out of the conduct involving a lack of good faith. The agreements stipulate that the Company will meet, to the extent permitted by law, the full amount of any such liabilities, including costs and expenses.

(b) Insurance premiums

Since the end of the previous financial year the Company, its directors and officers have paid insurance premiums in respect of directors' and officers' liability insurance contracts for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The insurance premiums cover directors and officers for actual losses incurred in their capacity as directors and officers of the Company, which are not indemnified by the Company and which the director or officer becomes legally obligated to pay on account of certain claims made against him/her individually or otherwise. The terms of the insurance policy prohibit disclosure of the amounts of the premium payable.

Lead auditor's independence declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

Rounding of amounts

The consolidated entity is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with the Instrument unless otherwise stated.

Signed in accordance with a resolution of directors.



Bruce James Carter

Director



Paul John Rizzo

Director

Adelaide

8 September 2016



ASC PTY LTD AND ITS CONTROLLED ENTITIES FINANCIAL REPORT 2015-16

AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the ASC Pty Ltd and its controlled entities for the year ended 30 June 2016, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Carla Jago
Senior Executive Director

Delegate of the Auditor-General

Canberra

8 September 2016

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

For the year ended 30 June 2016

The directors' declare that, in the directors' opinion:

- (a) the financial statements and notes set out on pages 32 to 74 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Bruce James Carter

Director



Paul John Rizzo

Director

Adelaide

8 September 2016



INDEPENDENT AUDITOR'S REPORT

To the members of ASC Pty Ltd and its controlled entities

I have audited the accompanying financial report of ASC Pty Ltd and its controlled entities, which comprises the Consolidated Statement of Financial Position as at 30 June 2016, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the ASC Pty Ltd and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

- (a) In my opinion, the financial report of ASC Pty Ltd and its controlled entities is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 (a).

Directors' Responsibility for the Financial Report

The directors of ASC Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1 (a), the directors also state, in accordance with Accounting Standards *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Australian National Audit Office



Carla Jago

Senior Executive Director

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Canberra

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ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	Consolidated Entity	
		Jun-16 \$'000	Jun-15 \$'000
Revenue from continuing operations	4	800,852	1,029,231
Other expenses			
Materials and subcontractors		(246,206)	(445,271)
Labour		(410,151)	(453,478)
Depreciation and amortisation expense		(19,348)	(17,085)
Operating lease		(15,153)	(15,429)
Impairment of assets		(449)	(112)
Other expenses		(71,143)	(65,983)
Finance costs		(348)	(582)
Profit before income tax		38,054	31,291
Income tax expense	6	(11,426)	(9,400)
Profit for the year		26,628	21,891
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Gain on revaluation of land and buildings	11(b)	5,653	35,648
Remeasurements of post-employment benefit obligation	8(e)(vi)	340	1,195
Income tax relating to these items		(1,798)	(11,053)
Other comprehensive income for the year, net of tax		4,195	25,790
Total comprehensive income for the year		30,823	47,681
Profit is attributable to:			
Owners of ASC Pty Ltd		26,628	21,891
Total comprehensive income for the year is attributable to:			
Owners of ASC Pty Ltd		30,823	47,681

The above statement should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2016

		Consolidated Entity	
	Note	Jun-16 \$'000	Jun-15 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	201,234	233,699
Trade and other receivables	7(b)	152,087	103,180
Inventories	8(b)	2,213	3,469
Current tax receivables		2,036	-
Other current assets	9	4,794	2,415
Total current assets		362,364	342,763
Non-current assets			
Net pension assets	8(e)(ii)	2,228	1,966
Property, plant and equipment	8(c)	334,696	335,094
Other non-current assets	10	3,293	3,536
Total non-current assets		340,217	340,596
Total assets		702,581	683,359
LIABILITIES			
Current liabilities			
Trade and other payables	7(c)	92,555	101,208
Net unearned contract billings	8(d)	142,046	136,353
Interest bearing liabilities	7(d)	88,770	87,879
Current tax liabilities		-	4,197
Provisions	8(f)	41,985	39,258
Total current liabilities		365,356	368,895
Non-current liabilities			
Non interest bearing liabilities	7(d)	15,165	14,506
Deferred tax liabilities	8(a)	21,887	14,986
Provisions	8(f)	20,129	19,651
Total non-current liabilities		57,181	49,143
Total liabilities		422,537	418,038
Net assets		280,044	265,321
EQUITY			
Share capital	11(a)	10,000	10,000
Other reserves	11(b)	125,774	121,817
Retained earnings	11(c)	144,270	133,504
Total equity		280,044	265,321

The above statement should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Attributable to owners of ASC Pty Ltd			
	Share capital	Asset Revaluation Reserve	Retained Earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	10,000	96,863	114,176	221,039
Profit for the period	-	-	21,891	21,891
Revaluation of land and buildings	-	35,648	1,195	36,843
Income tax relating to these items	-	(10,694)	(358)	(11,052)
Total comprehensive income for the year	-	24,954	22,728	47,682
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(3,400)	(3,400)
Balance at 30 June 2015	10,000	121,817	133,504	265,321
Balance at 1 July 2015	10,000	121,817	133,504	265,321
Profit for the period	-	-	26,628	26,628
Revaluation of land and buildings	-	5,653	340	5,993
Income tax relating to these items	-	(1,696)	(102)	(1,798)
Total comprehensive income for the year	-	3,957	26,866	30,823
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(16,100)	(16,100)
Balance at 30 June 2016	10,000	125,774	144,270	280,044

The above statement should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

		Consolidated Entity	
	Notes	Jun-16 \$'000	Jun-15 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		856,673	1,132,573
Payments to suppliers and employees (inclusive of goods and services tax)		(850,504)	(1,074,559)
Income taxes paid		(12,556)	(7,280)
Net cash (outflow) inflow from operating activities	20(a)	(6,387)	50,734
Cash flows from investing activities			
Interest received		3,537	3,671
Payments for property, plant and equipment	8(c)	(13,584)	(9,474)
Proceeds from sale of property, plant and equipment		244	-
Net cash (outflow) from investing activities		(9,803)	(5,803)
Cash flows from financing activities			
Dividends paid to company's shareholders		(16,100)	(3,400)
Proceeds from borrowings		249	372
Repayment of borrowings		-	(29,000)
Interest paid		(249)	(372)
Net cash (outflow) from financing activities		(16,100)	(32,400)
Net (decrease) increase in cash and cash equivalents		(32,290)	12,531
Cash and cash equivalents at the beginning of the financial year		233,699	219,237
Effects of exchange rate changes on cash and cash equivalents		(175)	1,931
Cash and cash equivalents at end of year	7(a)	201,234	233,699

The above statement should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note No.	Heading
1	Summary of significant accounting policies
2	Critical accounting estimates and judgements
3	Financial and capital risk management
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5	Other income and expense items
6	Income tax expense
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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2016 comprise of ASC Pty Ltd (the Company) and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The financial statements are presented in Australian dollars.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. ASC is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- certain classes of property, plant and equipment - measured at fair value
- financial assets and liabilities (including derivative instruments) - measured at fair value
- retirement benefit obligations - plan assets measured at fair value

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

Notwithstanding the negative working capital of \$2,992,000 for the Group (June 2015 negative working capital of \$26,132,000) the financial statements are prepared on a going concern basis due to the following reasons:

- contracts for the Group are mostly based on a cash flow neutral regime which ensures the timing of the receipts of the billings meets the timing of the payments for the operating expenditure of the relevant contracts;
- net assets of \$280,044,000 (June 2015: \$265,321,000);
- \$88,770,000 of the current liabilities are capable of but not expected to be called in full within twelve months after balance date;
- \$12,000,000 overdraft facility not utilised at balance date; and
- \$30,000,000 multi option facility not used at balance date.

Rounding of amounts

The consolidated entity is of a kind referred to in Instrument 2016/191, issued by the ASIC, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with the Instrument unless otherwise stated.

The accounting policies have been applied consistently by all entities within the consolidated entity.

(ii) Revised standards and interpretations issued

The Group has not applied any revised standards and interpretations for the first time in the financial year commencing 1 July 2015.

(iii) Impact of standards issued but not yet applied

Certain new accounting standards, interpretations and amendments have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

AASB 9 Financial Instruments (effective for the 30 June 2019 financial year)

AASB 9 addresses the classification, measurement and derecognition of financial assets that are designated at fair value through profit and loss and the change in the fair value of the financial liabilities is not due to the change in the Group's own credit risk. The standard is not expected to have a material impact on the Group's result.

AASB 15 Revenue from Contracts with Customers (effective for the 30 June 2019 financial year)

This standard will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

The Group will have to adopt a new five-step process for the recognition of revenue:

1. Identify the contract with customers
2. Determine the separate performance obligation
3. Determine the transaction price of the contract
4. Allocate the transaction price to each of the separate performance obligations
5. Recognise the revenue as each performance obligation is satisfied

Extensive disclosures will be required to provide greater insight into both the revenue that has been recognised and revenue that is expected to be recognised on the future from existing contracts. Quantitative and qualitative information will need to be provided about the significant judgements and changes in those judgements that management made to determine revenue that is recorded. The Group is still evaluating the impact of the new standard.

AASB 16 Leases (effective for the 30 June 2020 financial year)

In February 2016 the IASB has issued a new standard for lease accounting, which will replace IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). In February 2016 the AASB endorse the standard to replace AASB 117 Leases. It is expected that the new standard AASB 16 will be effective for the 30 June 2020 financial year. The Group is still evaluating the impact of the new standard.

AASB 2015-1 Annual Improvements 2012-2014 (effective for the 30 June 2017 financial year)

The AASB introduced minor amendments and clarification to a range of standards as a result of the annual improvements cycle undertaken by the International Accounting Standards Board. The impact of these amendments is not expected to be significant for the Group.

AASB 2015-2 - Disclosure Initiative (effective for the 30 June 2017 financial year)

This standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's disclosure initiative project. The impact of these amendments to the Group will be on the disclosure of only material information and the presentation of information in the notes.

AASB 2016-1 Scope amendment to AASB 112 (effective for the 30 June 2018 financial year)

The AASB introduced minor amendments and clarification in relation to accounting for deferred tax on assets measured at fair value. The impact of these amendments is not expected to be significant for the Group.

AASB 2016-2 Scope amendment to AASB107 (effective for the 30 June 2018 financial year)

The AASB introduced minor amendments and clarification in relation to disclosure of liabilities in the statement of cash flows. The impact of these amendments is not expected to be significant for the Group.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and the results of entities controlled by the Company (subsidiaries) as at the end of the reporting period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Details of the subsidiaries are set out in note 18. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group and is disclosed in accordance with AASB 3 Business Combinations.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Rendering of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction. The stage of completion is measured either by the cost of work completed and estimated total costs at the completion of the contract, or by surveys of work performed, whichever method is more appropriate, depending on the nature of the contract. Where the outcome of a contract cannot be reliably estimated, revenue is only recognised to the extent of the contract costs incurred and where it is probable that the contract costs will be recoverable.

Revenue for incentives is recognised when all criteria relating to the earning of the incentives have been met.

Secondment income

Revenue from secondment is recognised when the labour services have been provided and the secondment charging criteria of the relevant arrangements have been met.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Net unearned contract billings

Contract work in progress is measured at cost, plus profit accrued to date based on the value of work completed, less contract billings due and less provision for foreseeable losses. Estimated costs at completion include allowances which recognise the inherent risks associated with a long term contract of this nature. Provision for the total loss on a contract is made as soon as a loss is identified.

Contract costs include all costs directly related to specific contracts and those which can be attributed to contract activity. Such costs include administration overhead costs which are directly related to the contract.

Tendering costs on contracts are expensed as incurred.

Contract billings due and receivable to balance date are recorded on the basis of claims approved, and claims submitted for approval in relation to contract costs incurred by the Group.

Progress billings received in advance of the performance of contract activities are deferred and included in the measurement of work in progress.

Where the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred and where it is probable that the contract costs will be recoverable.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange differences arising in respect of contract work in progress, to the extent they are recoverable, are included in the measurement of the contract billings and work in progress costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(f) Property, plant and equipment

Land and buildings are measured at fair value, based on valuations by external independent valuers, less subsequent depreciation and impairment, where applicable, for buildings. Revaluations by external independent valuers are undertaken with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period. Any accumulated depreciation and impairment at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Freehold Buildings 8 - 60 years
- Plant and Equipment 3 - 20 years

Assets are tested for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Further details are disclosed in note 1(o).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is the Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised as an asset and liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 12). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Taxation

Tax consolidation

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the tax consolidation legislation since 1 July 2002. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Accounting for income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

All employees of the Group who elect to join the Group's superannuation plan are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the Group to make contributions to a defined benefit contribution plan of their choice. The Group has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities within the Group and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the balance sheet in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is a deep market in high-quality corporate bonds, the market rates on those bonds are used rather than government bonds.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits that are in any way dependent on providing future services will be recognised prospectively over the future service period.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit and loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(m) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Self insurance

The Group self-insures for risks associated with workers compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions (continued)

In the statement of comprehensive income, the expense recognised in respect of a provision is presented net of the recovery.

In the statement of financial position, the provision is recognised net of the recovery receivable when the entity:

- has a legally recognised right to offset the recovery receivable and the provision; and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

(n) Inventories

Inventories are measured at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Impairment

Financial assets

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

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Non financial assets

The carrying amount of the Group's assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(p) Cash and cash equivalents

Cash and cash equivalents include:

- cash at bank and in hand;
- deposits held at call with financial institutions;
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Included in the cash at bank are amounts advanced to the Company and to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the Group, by the Commonwealth of Australia (CoA), for the purpose of funding the working capital requirement of the Collins class submarine ISSC and the Hobart Class Air Warfare Destroyer project. The amounts advanced have certain contractual restrictions placed on their use. The funds maintained may only be applied to direct project expenditure incurred and claims for reimbursement from the CoA. This amount has been disclosed at note 7(a).

(q) Investments and other financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss. The treatment of impairment has been disclosed in note 1(o).

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(r) Interest and non interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for the intended use or sale. Other borrowing costs are expensed.

(t) Dividends

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

(u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(v) Parent entity financial information

The financial information for the parent entity, ASC Pty Ltd, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of ASC Pty Ltd.

(w) Contributed equity

Ordinary shares are classified as equity.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates, judgements and assumptions concerning the future. These estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Revenue recognition and work in progress

The consolidated entity undertakes a number of long term construction and service contracts. Accounting for these contracts requires a number of assumptions and estimates to be made in relation to the stage of completion and expected outcome of the contract.

Forecast of costs to complete the construction of the three AWDs are undertaken quarterly as part of the contractual requirements of ABTIA. As at June 2014, management's forecasts of costs to complete the three AWDs indicated that it was probable that total costs related to the contract will exceed total contract revenues which would cause ASC to incur a loss pursuant to ABTIA. An estimated loss was recognised in the 2013/14 and 2014/15 financial years in line with AASB 111 *Construction Contracts*. As at 30 June 2016 the expected loss has been reviewed in the current period based on management's most recent forecast.

The provision for the loss is based on estimates which will be revised as the contract proceeds. If the future estimates or outcome of the long term construction contract differs from earlier estimates this will impact future period financial results. For example, if there was a material change to the estimate of future production hours, compensation for design change, lengthening of the expected construction schedule or other funds are allocated to the project there could be a material impact on the financial outcome of the contract and accordingly the estimated loss or profit of the project would change. Any future changes to estimates of contract revenue or contract costs resulting in a change to the estimated loss or profit of the project will be accounted for as a change in accounting estimate and recognised in the period those changes occur.

Fair value of land and building

The fair value of land and buildings is determined by market-based evidence. If no market-based evidence exists, the depreciated replacement costs approach is applied. This approach is often used if an item is of a specialised nature and is rarely sold. Based on the independent professionally qualified valuer's assessment, the fair value of land and building for the Group as at 30 June 2016 is \$275,185,000 (2015: \$278,661,000). If there are events that differ from the estimates and assumptions made at balance date, such differences will impact the fair value of land and buildings in future periods.

Net pension assets / liabilities

The ASC Superannuation Fund engaged the services of an independent consulting actuary for the purpose of the ASC Superannuation Fund asset and liability valuation as at 30 June 2016. The "projected unit credit" method has been used for this valuation in accordance with AASB 119 - Employee Benefits. Based on the independent actuarial assessment, the value of net pension asset as at 30 June 2016 is \$2,228,000 (2015: asset of \$1,966,000). If there are events that differ from the estimates and assumptions made at balance date, such differences will impact the Net Pension Assets/Liabilities provision in future periods.

3 FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board has overall responsibility for the establishment and oversight of the risk management framework. The board has charged the Group Audit Committee with the responsibility for the oversight of how management monitors compliance with the Group's financial risk management policies and procedures. It also reviews the adequacy of the financial risk management framework of the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of financial risk management controls and procedures, the results of which are reported to the Group Audit Committee.

The board has also established the Business Assurance and Security Committee, which is responsible for the oversight of non financial risks.

Both committees report regularly to the board on their activities.

	Jun-16 \$'000	Jun-15 \$'000
Financial assets		
Cash and cash equivalents	201,234	233,699
Trade and other receivables	152,087	103,180
	353,321	337,152
Financial liabilities		
Trade and other payables	92,555	101,208
Interest bearing liabilities	88,770	87,879
Non interest bearing liabilities	15,165	14,506
	196,490	203,593

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's credit exposures to customers, including outstanding receivables and committed transactions, are minimal, as one substantial customer of the Group is the Commonwealth of Australia with a "AAA" credit rating from Standard & Poor's and the other substantial customer is Raytheon Australia Pty Ltd with a "A" credit rating from Standard & Poor's.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid investments with counterparties that have a credit rating of at least A from Standard & Poor's. The Group also has policies that limit the amount of credit exposure to any one financial institution based on their credit rating. The lower the independent credit rating, the lower the limit of credit exposure is allowed. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees

Credit risk arises in relation to financial guarantees given to certain parties (see note 13 for details). Such guarantees are issued in accordance with the ASC corporate management policies and are only provided to support a financial/commercial arrangement.

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Financial securities received

Credit risk also arises in relation to \$36.6 million of financial securities issued by foreign banks in favour of ASC, in respect of mobilisation payments made by ASC to overseas suppliers. Downgrades in the Standard & Poor's credit ratings of several of these banks in 2012 has resulted in the credit ratings of these banks falling below the rating level approved by the ASC corporate management policies. All practical means of remedying the non-compliance have been exhausted. The risk exposure to these securities is assessed as low.

Recognised financial instruments

	Jun-16 \$'000	Jun-15 \$'000
Trade and other receivables		
<i>Counterparties with external credit rating (Standard and Poor's)</i>		
AAA [Commonwealth of Australia]	120,425	63,329
A	30,683	37,914
BBB+	20	-
Credit rating not determined	707	1,664
Total trade receivables	151,835	102,907
AA- rated cash at bank, short term deposits and interest receivable		
Cash and cash equivalents	201,234	233,699
Interest receivable	252	273
	201,486	233,972

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts as summarised above.

A substantial proportion of the consolidated entity's operations are in relation to the through life support for six Collins Class submarines and the Hobart Class Air Warfare Destroyer (AWD) Program for the construction of the Navantia-designed AWDs.

Both projects receive a substantial portion of their entire funding from the Commonwealth Government of Australia, who has a Standard and Poor's credit rating of AAA, and Raytheon Australia Pty Ltd who has a Standard and Poor's credit rating of A. Therefore the consolidated entity has immaterial exposure to credit risk in its operations.

Off statement of financial position financial instruments

The Group has not entered into any off statement of financial position financial instruments during the period.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Contracts of the Group are mostly based on a cash flow neutral billing regime which enables the timing of the receipts of the billings to meet the timing of the payments for the operating expenditure of the relevant contracts. Due to the nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group maintains the following lines of credit:

- \$12,000,000 overdraft facility not utilised at balance date (2015: \$12,000,000). Interest would be payable at the rate of Bank Bill Official Rate plus 100 basis points; and
- \$30,000,000 multi option bank facility not utilised at balance date (2015: \$30,000,000).

The Group received advance funding for the AWD project by the Commonwealth of Australia (CoA) under the Alliance Based Target Incentive Agreement (ABTIA). The ABTIA requires regular review of the advance amount which may be increased or decreased after consideration by the CoA as to the working capital requirements for the AWD project.

Maturities of financial liabilities

The tables below analyse the consolidated entity's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2016							
Non-derivatives							
Non interest bearing	-	92,555	-	21,957	360	114,872	107,720
Variable rate (including bank overdraft)	-	88,770	-	-	-	88,770	88,770
Total non-derivatives	-	181,325	-	21,957	360	203,642	196,490
At 30 June 2015							
Non-derivatives							
Non interest bearing	-	101,208	-	23,608	360	125,176	115,714
Variable rate (including bank overdraft)	-	87,879	-	-	-	87,879	87,879
Total non-derivatives	-	189,087	-	23,608	360	213,055	203,593

(c) Market risk

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

Foreign exchange risk

Fluctuations on foreign exchange rates for the Group are generally recoverable from their commercial and contractual arrangements. The consolidated entity did not have any outstanding foreign exchange contracts as at reporting date.

The carrying amounts of the financial assets and the liabilities of the consolidated entity are denominated in Australian dollars except as set out below.

	Currency	Consolidated Entity	
		Jun-16 AUD '000	Jun-15 AUD '000
Financial assets			
Cash and cash equivalents	USD	8,308	7,976
	EUR	16,300	14,138
	GBP	888	1,088
	CAD	2,092	2,117
	JPY	158	129
	Total	27,746	25,448

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

		Consolidated Entity	
		Jun-16	Jun-15
	Currency	AUD '000	AUD '000
Trade and other receivables	USD	2,448	2,677
	EUR	794	7,496
	GBP	(88)	(184)
	CAD	-	-
	Total	3,154	9,989
Financial liabilities			
Trade and other payables	USD	700	10,792
	EUR	(49)	(408)
	GBP	-	(2)
	NOK	-	-
	Total	651	10,382
Net unearned contract billing	USD	-	-
	EUR	-	-
	GBP	-	-
	NOK	-	-
	Total	-	-
Interest-bearing liabilities	USD	9,922	9,594
	EUR	17,270	16,850
	GBP	813	924
	CAD	2,092	2,117
	JPY	158	129
	Total	30,255	29,614

Interest rate risk

As the Group holds term interest bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The Group's investment policy permits investment in deposits with banks and securities issued by the State and/or Commonwealth Government.

As a general rule, the Group holds these investments to maturity, thereby reducing exposure to changes in market value.

The exposures of the consolidated entity to interest rate risk as well as the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	30 June 2016		30 June 2015	
	\$'000	Effective interest rate	\$'000	Effective interest rate
Financial assets				
Cash and cash equivalents	201,234	1.57%	233,699	1.82%
Trade and other receivables	152,087	0.00%	103,180	0.00%
Total financial assets	353,321		336,879	
Financial liabilities				
Trade and other payables	92,555	0.00%	101,208	0.00%
Interest-bearing liabilities	88,770	0.46%	87,879	0.68%
Non interest-bearing liabilities	15,165	1.80%	14,506	2.36%
Total financial liabilities	196,490		203,593	

The effective interest rate of the non interest-bearing liabilities reflects the effective discount rate applied in calculating the present value of the liabilities.

Sensitivity

At 30 June 2016, if market interest rates had a parallel shift of +75 basis points/- 75 basis points from year-end rates with all other variables held constant, equity and profit or loss would have increased (decreased) by the amounts shown below. The analysis is performed on the same basis for 2015. The main interest rate risk arises from cash receivables and loans and other receivables with variable interest rates.

Movements in interest rates result in higher/lower interest income from cash and cash equivalents.

Summarised sensitivity analysis

		Carrying Interest Rate Risk			
		-0.75%		+0.75%	
30 June 2016	Carrying Amount \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
Financial assets					
Cash and cash equivalents	201,234	(1,509)	-	1,509	-
Trade and other receivables	152,087	(2)	-	2	-
Financial liabilities					
Trade and other payables	(92,555)	-	-	-	-
Non interest-bearing liabilities	(88,770)	(74)	-	74	-
Interest-bearing liabilities	(15,165)	-	-	-	-
Total increase/(decrease)		(1,585)	-	1,585	-
At 30 June 2015					
Financial assets					
Cash and cash equivalents	233,699	(1,753)	-	1,753	-
Trade and other receivables	103,180	(2)	-	2	-
Financial liabilities					
Trade and other payables	(101,208)	-	-	-	-
Interest bearing liabilities	(87,879)	222	-	(222)	-
Non interest bearing liabilities	(14,506)	-	-	-	-
Total increase/(decrease)		(1,533)	-	1,533	-

Capital risk management

The objectives of the Group in managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits for other stakeholders and to sustain future development of the business. The Group monitors the return on capital.

There were no changes in the approach adopted by the Group in capital management during the year.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

4 REVENUE FROM CONTINUING OPERATIONS

Consolidated Entity

	Jun-16 \$'000	Jun-15 \$'000
Revenue from rendering of services		
Related parties	615,999	897,622
Other parties	181,033	126,184
	797,032	1,023,806
Other revenue		
Secondment income from		
Related parties	(31)	711
Other parties	335	970
	304	1,681
Interest income		
Other parties	3,516	3,539
	3,516	3,539
Other income		
Related parties	-	205
	-	205
Total revenue from continuing operations	800,852	1,029,231

5 OTHER INCOME AND EXPENSE ITEMS

Items included in profit before tax

Depreciation

Buildings	11,046	9,389
Plant and equipment	8,058	7,452
	19,104	16,841

Amortisation

Contribution to Henderson Common User Facility	244	244
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Total depreciation and amortisation

19,348 17,085

Finance costs

Bank charges	234	210
Interest expense	114	372
	348	582

Operating lease rental expense:

Minimum lease payments	15,153	15,429
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Employee related expenses

Long service leave expense	4,399	5,640
Redundancy expense	2,981	3,353
Defined benefit superannuation expense	78	150
	7,458	9,143

(Release) recognition on AWD project

(2,610) 4,729

Impairment of assets

449 112

Bad debt expense	1,898	-
6 INCOME TAX EXPENSE		
(a) Income tax expense		
Recognised in the income statement		
<i>Current tax expense</i>		
Current year	8,404	12,045
Adjustments for prior years	(1,627)	(640)
Total current tax expense	6,777	11,405
<i>Deferred income tax</i>		
Temporary differences arising during the year, net of reversal	3,022	(2,645)
Adjustment for prior years deferred tax	1,627	640
Total deferred tax expense/(benefit)	4,649	(2,005)
Income tax expense	11,426	9,400
Income tax expense is attributable to:		
Profit from continuing operations	11,426	9,400

6 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)
Tax effect of amounts which are not deductible (taxable)
in calculating taxable income:
Non deductible expenses
Income tax expense

Consolidated Entity

Jun-16	Jun-15
\$'000	\$'000
38,054	31,291
11,417	9,387
9	13
11,426	9,400

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity.

Net deferred tax	1,798	11,053
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7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

Current assets

Cash at bank and in hand	70,983	119,715
Other cash and cash equivalents	130,251	113,984
	201,234	233,699

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The consolidated entity's exposure to interest rate risk is discussed in note 3.

Included in cash in operating accounts are amounts advanced to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the consolidated entity, by the Commonwealth of Australia (CoA) for the purposes of funding the working capital requirements of the AWD project. The amounts advanced have certain contractual restrictions placed on the use of these funds. The funds maintained may only be applied to direct project expenditure incurred and claims for reimbursement from the CoA. The amount that exceeds the value of the direct project expenditure incurred and unbilled as at balance date is defined as restricted cash. At 30 June 2016, the balance of restricted cash for AWD was nil (2015 \$31.7 million).

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Jun-16	Jun-15
	\$'000	\$'000
Balances as above	201,234	233,699
(b) Trade and other receivables		
Current		
Trade receivables		
Trade receivables	153,245	102,353
Provision for doubtful debts	(1,898)	-
	151,347	102,353
Other receivables		
Other receivables	488	554
Interest receivable	252	273
	740	827
	152,087	103,180

Amounts recognised in profit or loss

Write-downs of receivables to net realisable value recognised during the year ended 30 June 2016 amounted to \$1.9 million (2015: \$0).

Accounts Receivable Ageing Profile		
Trade receivables		
Not past due	150,805	102,235
Past due 1-30 days	214	-
Past due 31-60 days	16	68
Past due 61-90 days	123	-
Past due 90+ days	2,087	50
	153,245	102,353
(c) Trade and other payables		
Current liabilities		
Trade payables	30,440	43,042
Other payables	62,115	58,166
	92,555	101,208

(d) **Borrowings**

Interest bearing liabilities

Current - Unsecured

Government advance

Government advance

Current

Government advance represents the working capital advance provided by the CoA under the ABTIA.

At 30 June 2016, the balance is \$89 million (June 2015: \$88 million). Advances paid by the Commonwealth are both in Australian and foreign currencies and are required to be separately maintained in a Commonwealth of Australia interest bearing account.

Funds advances can only be used for the reimbursement of payment to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the consolidated entity, for direct project costs incurred for the AWD project.

All interest and expenses that accumulate in the separate bank accounts, in relation to funds advanced, accrues to the benefit of the CoA. This advance is repayable on demand when certain criteria have been met or if the ABTIA is terminated.

ABTIA requires regular review of the advance amount which may be increased or decreased after consideration by the CoA as to the working capital requirements for the AWD project.

Non current - unsecured

Term loan

Deferred purchase obligation

	6	5
	15,159	14,501
	15,165	14,506

Term loan

The term loan consists of the interest free 99 year loans to ASC Pty Ltd and ASC Engineering Pty. Limited from the Department of Manufacturing Industry, Small Business and Regional Development (SA), for expenditure on capital items and to assist with site development costs.

- ASC Engineering Pty Limited (\$200,000): repayable in the year 2094 or at the option of the Company at any time prior to the year 2094.
- ASC Pty Ltd (\$160,000): repayable in the year 2092 or at the option of the Company at any time prior to the year 2092.

Both of these two term loans have been discounted to their fair value of \$5,800 in total for the year ended 30 June 2016 (2015: \$5,500) under AASB 139 Financial Instruments: *Recognition and Measurement*.

Deferred Purchase Obligation

As part of the Air Warfare Destroyer program, ASC AWD Shipbuilder Pty Ltd and ASC Engineering Pty. Limited, subsidiaries of the Company, entered into an agreement with the Commonwealth of Australia where the Commonwealth of Australia makes a contribution to build a production facility required for the construction of the Air Warfare Destroyers.

Under this arrangement, ASC AWD Shipbuilder Pty Ltd has an obligation to purchase the facility within three months of the completion of the last Air Warfare Destroyer at an amount equal to the lesser of the written down value of the facility at an agreed depreciation rate, and the fair market value determined by a licensed valuer. No loss is expected to be incurred in relation to this deferred purchase obligation.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

8 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax balances

Net position as presented in the statement of financial position

Net deferred tax liabilities

Deferred tax assets

Deferred tax liabilities

(i) Deferred tax assets

The balance comprises temporary differences attributable to:

Employee benefits

Property, plant and equipment

Project recognised profit

Sundry items

	Jun-16	Jun-15
	\$'000	\$'000
	29,887	31,712
	(51,774)	(46,698)
	(21,887)	(14,986)
	10,103	9,583
	11,487	11,222
	8,120	9,920
	177	987
	29,887	31,712

Movements	Property, plant and equipment	Provisions for warranty	Employee benefits	Project recognised profit	Sundry items	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	11,039	1,140	9,153	(2,015)	10,415	29,732
(Charged)/credited						
- to profit or loss	183	(1,140)	430	11,935	(9,428)	1,980
At 30 June 2015	11,222	-	9,583	9,920	987	31,712
(Charged)/credited						
- to profit or loss	265	-	520	(1,800)	(810)	(1,825)
At 30 June 2016	11,487	-	10,103	8,120	177	29,887

(ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Property, plant and equipment

Project recognised profit

Other

Net pension assets

Sundry items

	Jun-16	Jun-15
	\$'000	\$'000
	45,644	45,308
	4,175	-
	668	590
	1,287	800
	51,774	46,698

Movements	Property, plant and equipment \$'000	Net pension assets \$'000	Sundry items \$'000	Project Recognised \$'000	Total \$'000
At 1 July 2014	35,357	276	37	-	35,670
Charged/(credited)					
- profit or loss	9,951	314	763	-	11,028
At 30 June 2015	45,308	590	800	-	46,698
Charged/(credited)					
- profit or loss	336	78	487	4,175	5,076
At 30 June 2016	45,644	668	1,287	4,175	51,774

(iii) *Net deferred tax*

The net balance comprises temporary differences attributable to:

Property, plant and equipment

Employee benefits

Project recognised profit

Net pension asset

Sundry items

Consolidated Entity

Jun-16 \$'000	Jun-15 \$'000
(34,157)	(34,086)
10,103	9,583
3,945	9,920
(668)	(590)
(1,110)	187
(21,887)	(14,986)
2,213	3,469

(b) Inventories

Current assets

Raw materials and stores (at lower of cost or net realisable value)

Amounts recognised in profit or loss

Write-downs of inventories to net realisable value recognised during the year ended 30 June 2016 amounted to \$0.7 million (2015: \$2.5 million reversal of write-down).

(c) Property, plant and equipment

Freehold land

Freehold land

Freehold buildings

Freehold buildings

Plant and equipment

Gross value

Accumulated depreciation

Assets under construction

Assets under construction

Total property, plant and equipment

31,500	30,084
243,685	248,578
112,963	108,827
(62,642)	(54,677)
50,321	54,150
9,190	2,282
334,696	335,094

8 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Freehold land \$'000	Freehold buildings \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Year ended 30 June 2016					
Opening net book amount	30,084	248,578	54,150	2,282	335,094
Revaluation surplus	1,416	4,239	-	-	5,655
Additions	-	422	844	12,318	13,584
Disposals	-	-	(84)	-	(84)
Transfers	-	1,492	3,918	(5,410)	-
Depreciation charge	-	(11,046)	(8,058)	-	(19,104)
Impairment loss	-	-	(449)	-	(449)
Closing net book amount	31,500	243,685	50,321	9,190	334,696
Year ended 30 June 2015					
Opening net book amount	30,084	219,082	52,098	5,660	306,924
Revaluation surplus	-	35,648	-	-	35,648
Additions	-	-	3,815	5,660	9,475
Transfers	-	3,237	5,801	(9,038)	-
Depreciation charge	-	(9,389)	(7,452)	-	(16,841)
Impairment loss	-	-	(112)	-	(112)
Closing net book amount	30,084	248,578	54,150	2,282	335,094

(i) *Valuations of land and buildings*

An independent valuation of all land and buildings of the consolidated entity was carried out by Griffin Valuation Advisory as at 30 June 2016.

The fair value of land is based on recent market transactions on arm's length terms and the fair value of buildings is based on the depreciated replacement cost approach.

(ii) *Carrying amounts that would have been recognised if land and buildings were stated at cost*

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Jun-16 \$'000	Jun-15 \$'000
Freehold land		
Cost	2,299	2,299
Buildings		
Cost	272,936	271,022
Accumulated depreciation	(128,336)	(145,748)
Net book amount	144,600	125,274

(iii) *Non-current assets pledged as security*

Refer to note 14 for information on non-current assets pledged as security by the Group.

(d) Net unearned contract billings

Contract billings due and receivable	4,662,135	4,248,948
Contract works in progress	(4,368,538)	(3,947,985)
Profit recognised to date	(161,700)	(182,366)
Provision for loss	10,149	17,756
Net unearned contract billings	142,046	136,353

(e) Employee benefit obligations

(i) Superannuation plan

The consolidated entity contributes to the ASC Superannuation Fund (Fund) that provides for a combination of accumulation and defined benefits. Employees contribute to the Fund at various percentages of their gross income. The consolidated entity also contributes to the Fund at varying contribution rates depending on the category of fund membership of each member.

Members of the Fund are entitled to benefits on retirement, disability or death.

The trustee of the fund is Equity Trustees Limited. KPMG Superannuation Services Pty Limited is the administrator of the fund.

The investment policies and strategies of the trustee of the Fund are to invest the assets of the Fund in a manner to ensure compliance with the Superannuation Industry (Supervision) Act and any other legislation. The trustee has formulated and given effect to an investment strategy that recognises the whole of the Fund's circumstances, including the risk and potential return of investments in relation to the Fund's investment objectives.

The investment strategy has regard to the diversification of the Fund's investments, the liquidity of its investments, its expected cash flow requirements and ability of the Fund to discharge its existing and prospective liabilities. The risk management policies of the Fund permits the investment in externally managed investment funds and prohibits direct investment in debt and equity securities and derivative instruments. For the defined benefit category of memberships, members are provided with a benefit upon their salary, years of service and accrual rate.

(ii) Defined benefit pension plans

The consolidated entity makes contributions to a defined benefit superannuation fund that provides defined benefits for employees on retirement. The fund provides defined benefits based on years of service and final average salary.

An actuarial assessment of the fund as at 30 June 2016 was carried out by David O'Keefe, Fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Limited in June 2016.

The actuary concluded that the assets of the defined benefit category of the fund are sufficient to meet all benefits payable in the event of the defined benefit category's termination, or the voluntary or compulsory termination of employment of each employee of the consolidated entity.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

Balance sheet amount

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year as follows:

	Present value of obligation	Fair value of plan assets	Net amount
	\$'000	\$'000	\$'000
1 July 2014	(8,843)	9,764	921
Current service cost	(177)	-	(177)
Interest expense/(income)	(308)	-	(308)
Expected return on plan assets	-	312	312
Total amount recognised in profit or loss	(485)	312	(173)
Remeasurements			
(Gain)/loss from change in financial assumptions	96	-	96
Experience (gains)/losses	288	811	1,099
Total amount recognised in other comprehensive income	384	811	1,195
Contributions:			
Employers	-	23	23
Payments from plan:			
Benefit payments	1,725	(1,725)	-
30 June 2015	(7,219)	9,185	1,966
1 July 2015	(7,219)	9,185	1,966
Current service cost	(147)	-	(147)
Interest expense/(income)	(263)	-	(263)
Expected return on plan assets	-	312	312
Total amount recognised in profit or loss	(410)	312	(98)
Remeasurements			
(Gain)/loss from change in financial assumptions	(178)	-	(178)
Experience (gains)/losses	302	216	518
Total amount recognised in other comprehensive income	124	216	340
Contributions:			
Employers	-	20	20
Payments from plan:			
Benefit payments	1,558	(1,558)	-
30 June 2016	(5,947)	8,175	2,228

8 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Contributions by the Company and its controlled entities to the defined benefits plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals. The last such full assessment was made as at 30 June 2014.

The objective of the funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. The funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future performance (as detailed in the sections below), the actuary recommended in the actuarial review as at 30 June 2014 that no contribution will be made by the Company and its controlled entities for contributions to the Fund for employees who are members of the defined benefit plan. The recommendation of the actuary has been adopted by the Company and its controlled entities.

(iii) Post-employment benefits (pension and medical)

Significant estimate: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	2016 Australia	2015 Australia
Discount rate	3.3%	3.7%
Salary growth rate	4.0%	4.0%

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2016	2015	2016	2015	2016	2015
Discount rate	+ (-) 0.5%	+ (-) 0.5%	5,731,000	7,003,000	6,189,000	7,471,000
Future salary increase	+ (-) 0.5%	+ (-) 0.5%	6,187,000	7,469,000	5,731,000	7,003,000

Balance sheet amounts

The major categories of plan assets are as follows:

	30 June 2016				30 June 2015			
	Quoted	Un-quoted	Total	in %	Quoted	Un-quoted	Total	in %
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity instruments	3,196	-	3,196	39.1%	3,435	-	3,435	37.4%
Debt instruments	3,319	-	3,319	40.6%	2,682	-	2,682	29.2%
Property	327	-	327	4.0%	569	-	569	6.2%
Other securities	1,333	-	1,333	16.3%	2,498	-	2,498	27.2%
Total	8,175	-	8,175	100.0%	9,185	-	9,185	100.0%

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

Risk exposure

Through its defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets under perform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the long term. To reduce the volatility within the investment strategy supporting the defined benefit assets, a 50/50 asset allocation (50% growth and 50% defensive assets) in the fund assets was introduced in 2015. KMPG's modelling indicated an investment return of 6-7% could be targeted using a 50/50 portfolio.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
Inflation risks	The majority of the plans' defined benefit obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

(iv) *Defined benefit liability employer contributions*

The weighted average duration of the defined benefit obligation is 8 years (2015: 8 years). The expected maturity analysis of discounted defined benefit obligations is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2016					
Defined benefit obligation	-	247	2,809	3,827	6,883
30 June 2015					
Defined benefit obligation	-	3,221	3,461	1,193	7,875

(v) *Amounts recognised in profit or loss*

The amounts recognised in profit or loss are as follows:

	Jun-16 \$'000	Jun-15 \$'000
Current service cost	147	177
Interest cost	263	308
Expected return on plan assets	(312)	(312)
Total included in employee benefits expense	98	173
Actual return on plan assets	528	1,123

(vi) *Amounts recognised in other comprehensive income*

Actuarial gain recognised in the year	340	1,195
Cumulative actuarial (losses) recognised in other comprehensive income	(1,124)	(1,464)

8 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) Provisions

	Notes	June 2016			June 2015		
		Current	Non-current	Total	Current	Non-current	Total
Employee benefits	8(f)(i)	38,579	16,835	55,414	36,930	16,453	53,383
Terminations		-	-	-	586	-	586
Self insured workers compensation		3,406	3,294	6,700	1,742	3,198	4,940
		41,985	20,129	62,114	39,258	19,651	58,909

(i) Information about individual provisions and significant estimates

Employee benefits, including on costs

The current portion includes all unconditional annual leave and long service leave entitlements including on costs where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

The current portion includes the entire amount that the Group does not have an unconditional right to defer settlement.

The non-current portion represents the present value of the estimated future cash outflows of long service leave where there is no probability that the Group could have to pay out the provision within the next 12 months.

Termination

The termination provision is calculated based on the identified positions which would be redundant as part of the efficiency improvement program. This provision is expected to be paid in the early part of the 2015/16 financial year.

Self insured workers compensation

The consolidated entity is self insured for risks associated with workers' compensation for all staff in South Australia. A provision is raised when an incident occurs that may give rise to a workers' compensation claim. The current portion of the provision is expected to be settled in the next financial year. This estimate is based on historical claim information and any recent trends that may suggest future claims could differ from historical amounts.

(ii) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Termination	Self insured workers compensation	Total
2016	\$'000	\$'000	\$'000
Carrying amount at start of year	586	4,940	5,526
Provision made during the year	-	5,166	5,166
Provision used during the year	(586)	(3,406)	(3,992)
Carrying amount at end of year	-	6,700	6,700
2015			
Carrying amount at start of year	768	6,480	7,248
Provision made during the year	3,059	(694)	2,365
Provision used during the year	(3,241)	(846)	(4,087)
Carrying amount at end of year	586	4,940	5,526

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The current portion for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

\$38.6 million (2015: \$36.9 million) is presented as current, since the Group does not have an unconditional right to defer settlement for those amounts.

However, based on past experience, the Group does not expect all employees to take the full amount of current accrued leave or require payment within the next 12 months.

	Jun-16	Jun-15
	\$'000	\$'000
Current leave obligations expected to be settled after 12 months	25,481	24,995

(g) Recognised fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Land and buildings

(i) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2016 and 2015.

Recurring fair value measurements

	Notes	Level 1	Level 2	Level 3	Total
30 June 2016		\$'000	\$'000	\$'000	\$'000
Non-financial assets					
Buildings	8(c)	-	-	243,685	243,685
Freehold land	8(c)	-	31,500	-	31,500
Total non-financial assets		-	31,500	243,685	275,185

30 June 2015

Non-financial assets

Buildings	8(c)	-	-	248,578	248,578
Freehold land	8(c)	-	30,083	-	30,083
Total non-financial assets		-	30,083	248,578	278,661

8 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) Provisions (continued)

Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables, trade payables and interest and non-interest bearing liabilities are approximately their fair values.

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Group obtains independent valuations for its land and buildings (classified as property, plant and equipment) at least annually. At the end of each reporting period, management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. The level 2 fair value of land has been derived using the sales comparison approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach for land and buildings is price per square metre. All resulting fair value estimates for buildings are included in level 3 as their level 2 input are adjusted for depreciation which is an unobservable input.

(iii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the periods ended 30 June 2016 and 30 June 2015 for recurring fair value measurements:

	Buildings
	\$'000
Opening balance 1 July 2014	219,082
Transfer from capital work in progress	3,237
Revaluation increment	35,648
Depreciation and impairment	(9,389)
Closing balance 30 June 2015	248,578
 Opening balance 1 July 2015	 248,578
Transfer from capital work in progress	1,492
Additions	422
Revaluation increment	3,493
Depreciation and impairment	(10,300)
Closing balance 30 June 2016	243,685

(iv) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
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Fair value at				Range of inputs (probability - weighted average)		Relationship of unobservable inputs to fair value
	30 June 2016	30 June 2015				
Description	\$'000	\$'000	Unobservable inputs	2016	2015	
Buildings	243,685	248,578	Depreciation rates	7.10%	7.10%	The higher the depreciation rate, the lower the fair value.

(v) *Valuation processes*

The Group engages external, independent and qualified valuers to determine the fair value of the land and buildings at the end of every financial year. As at 30 June 2016, the fair values of the investment properties have been determined by Griffin Valuation Advisory.

9 OTHER CURRENT ASSETS

	Jun-16 \$'000	Jun-15 \$'000
Current assets		
Prepayments	4,794	2,415

10 OTHER NON-CURRENT ASSETS

Non-current assets		
Contribution to the Henderson Common User Facility	3,293	3,536

ASC has made a \$5 million contribution to the Henderson Common User Facility. This amount is expensed over the expected period of usage of the facility.

11 EQUITY

(a) Share capital

(i) *Movements in ordinary share:*

	Notes	Number of shares (thousands)	\$'000
Opening balance 1 July 2014		10,000	10,000
Balance 30 June 2015		10,000	10,000
Opening balance 1 July 2015		10,000	10,000
Balance 30 June 2016		10,000	10,000

(ii) *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

11 EQUITY (CONTINUED)

(b) Asset revaluation reserve

		Asset revaluation reserve \$'000
Balance at 1 July 2014		96,863
Revaluation - gross		35,648
Deferred tax		(10,694)
Other comprehensive income		24,954
At 30 June 2015		121,817
Balance at 1 July 2015		121,817
Revaluation - gross	8(c)	5,653
Deferred tax	8(a)	(1,696)
Other comprehensive income		3,957
At 30 June 2016		125,774

(i) Nature and purpose of other reserves

Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of land and buildings.

	Notes	Jun-16 \$'000	Jun-15 \$'000
Revaluation surplus			
Land		20,441	19,450
Building		105,333	102,367
		125,774	121,817
(c) Retained earnings			
Movements in retained earnings were as follows:			
Balance 1 July		133,504	114,176
Net profit for the period		26,628	21,891
Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of retirement benefit obligation, net of tax	8(e)	238	837
Dividends		(16,100)	(3,400)
Balance 30 June		144,270	133,504
(d) Dividends			
Interim dividend for the year ended 30 June 2016 of 64 cents (2015: 34 cents) per fully paid share paid on 29 April 2016		\$6,400	\$3,400
Final dividend for the year ended 30 June 2015 of 97 cents (2014: nil) per fully paid share paid on 30 October 2015		\$9,700	-
Total unfranked dividend		\$16,100	\$3,400

All dividends declared during the year were paid out of retained earnings.

Dividends franking account

Class C (30%) franking credits	143,417	134,113
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The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of the dividends recognised as a liability at year-end
- franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

12 COMMITMENTS

(a) Capital expenditure commitments

	Jun-16	Jun-15
	\$'000	\$'000
Property, plant and equipment	2,128	790
(b) Non-cancellable operating leases		
Non-cancellable future operating lease rentals not provided for in the financial statements and payable:		
Within one year	14,999	14,290
Later than one year but not later than five years	44,625	38,858
Later than five years	66,350	70,627
	125,974	123,775

The consolidated entity leases land, buildings, computer and other equipment under operating leases.

(c) Other commitments

The consolidated entity has commitments for expenditure in respect of contracts with subcontractors for the supply of constituent elements required under the consolidated entity's contracts with the Commonwealth of Australia. The final amount of these commitments is not quantifiable. The timing of the consolidated entity's commitments for this expenditure is matched by a corresponding receivable from the Commonwealth of Australia. These future receivables are expected to exceed the maximum value of the commitments for expenditure.

13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consolidated entity has arranged for the issuance of a bank guarantee in favour of Return to Work Corporation of south Australia for the purpose of self insurance under the Return to Work Regulations 2015. Certain entities within the consolidated entity have arranged the issuance of bank guarantees in favour of various beneficiaries in support of their performance obligations. The total value of the bank guarantees arranged by the consolidated entity is \$9.1m (2015: \$11.4m). No liability has been recognised by the consolidated entity in relation to these guarantees as their fair value of the guarantees as at 30 June 2016 and 30 June 2015 are immaterial.

In addition to the above, the consolidated entity has provided guarantees and indemnities for the following:

- to the State Government of South Australia in relation to ASC AWD Shipbuilder Pty Ltd's obligation to the State Government of South Australia in connection with the Common User Facility and the Maritime Skills Centre, Osborne;
- to Bath Iron Works Australia Corporation in relation to ASC AWD Shipbuilder Pty Ltd's obligations to Bath Iron Works Australia Corporation in connection with the strategic capability service agreements; and
- to the Commonwealth of Australia in relation to ASC AWD Shipbuilder Pty Ltd's obligations to the Commonwealth of Australia in connection with the Hobart Class Air Warfare Destroyer program.

No losses are expected in relation to these guarantee arrangements

14 REGISTERED CHARGES

The Commonwealth of Australia holds a fixed charge over the moveable manufacturing plant and equipment owned by the Company in relation with the submarine build contract.

The Commonwealth of Australia also holds the fixed and floating charge over all assets owned by ASC AWD Shipbuilder Pty Ltd in connection with the Air Warfare Destroyer construction contract.

The above charges are held against default of the contracts. There are currently no amounts owing to the Commonwealth of Australia in relation to these charges.

	Jun-16 \$'000	Jun-15 \$'000
Current		
Trade receivables	98,527	56,167
Other receivables	33	33
Total current assets pledged as security	98,560	56,200
Non-current		
Buildings	142,984	141,383
Plant and equipment	20,025	20,878
Land	19,000	18,168
Total non-current assets pledged as security	182,009	180,429
Total assets pledged as security	280,569	236,629

15 ECONOMIC DEPENDENCY

The normal trading activities of the consolidated entity depends on contracts with the Commonwealth Government of Australia for the maintenance of six submarines and the construction of three Air Warfare Destroyers. That dependency existed during all the financial year.

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no other matters that have arisen between the end of the financial year and the date of this report including any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the consolidated entity, to affect significantly its operations, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

17 RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

The key management personnel compensation included in personal expenses are as follows:

	Jun-16 \$	Jun-15 \$
Short-term employee benefits	9,649,727	8,676,801
Post-employment benefits	579,157	895,509
Long-term benefits	119,045	168,962
Termination benefits	-	869,657
	10,347,929	10,610,929

There were 26 key management personnel for the year (2015:32).

(b) Loans to key management personnel

No loans were made available to key management personnel during the financial year.

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(c) Other key management personnel transactions with the consolidated entity

There have been no transactions with key management personnel during the financial year.

(d) Subsidiaries

Interests in subsidiaries are set out in note 18(a).

(e) Directors

The following were directors of ASC Pty Ltd during the entire financial year:

Bruce James Carter
Dr Rosalind Vivienne Dubs
Peter Pregrag Iancov
Paul John Rizzo

Loretta Reynolds was appointed a director on 12 February 2016.

The following were directors of the company until their cessation dates:

- Dr Sally Anne Pitkin - retired on 31 December 2015
- John Joseph O'Connell - retired on 29 February 2016
- Sophie Mirabella - resigned on 27 May 2016

(f) Other related parties

Australian government ministers

There have been no transactions with any Australian government ministers during the financial year.

Shareholders

In performing its contracts, the consolidated entity has transacted on normal commercial terms and conditions with its shareholder, the Commonwealth of Australia and its related entities.

The Commonwealth of Australia is the ultimate parent entity.

(g) Transactions with other related parties

During the year, the amounts received or receivable by the consolidated entity from the Commonwealth of Australia for various projects was \$615,999,000 (2015: \$897,622,000).

Certain expenditure incurred by the consolidated entity on behalf of the shareholders has been recharged and will be settled in accordance with normal commercial terms and conditions.

(h) Balances with shareholders

	Jun-16 \$'000	Jun-15 \$'000
The aggregate amounts payable to the shareholders in relation to these transactions are:		
Trade payables	-	-
The aggregate amounts receivable from the shareholders in relation to these transactions are:		
Trade receivables	120,421	62,775
(i) Loans to/from the Commonwealth of Australia and its related parties		
<i>Deferred purchase obligation</i>		
Beginning of the year	14,500,590	15,825,831
Fair value adjustment	658,049	(1,325,241)
End of year	15,158,639	14,500,590

17 RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Loans to/from the Commonwealth of Australia and its related parties (continued)

Government Advance

June 2015	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year	\$86,894,788	\$7,368,103	\$451,286	\$2,015,093	\$11,569,081	\$12,078,961
Advances received						
Advances repaid	(\$29,000,000)					
Interest charged	(\$1,351)					
Interest received	\$371,743					
End of year (source currency)	\$58,265,180	\$7,368,103	\$451,286	\$2,015,093	\$11,569,081	\$12,078,961
End of year (AUD equivalent)	\$58,265,180	\$9,593,885	\$923,820	\$2,117,358	\$16,849,812	\$128,609
Total (AUD equivalent)	\$87,878,664					

June 2016	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year	\$58,265,180	\$7,368,103	\$451,286	\$2,015,093	\$11,569,081	\$12,078,961
Advances received						
Advances repaid						
Interest charged	(\$1,322)					
Interest received	\$250,181					
End of year (source currency)	\$58,514,039	\$7,368,103	\$451,286	\$2,015,093	\$11,569,081	\$12,078,961
End of year (AUD equivalent)	\$58,514,039	\$9,922,035	\$813,274	\$2,092,078	\$17,269,863	\$158,454
Total (AUD equivalent)	\$88,769,743					

18 INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The Company's principal subsidiaries at 30 June 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Principal activities
		2016 %	2015 %	
ASC Engineering Pty Limited	Australia	100.0	100.0	Holds property, plant and equipment to be utilised for the AWD program
ASC Shipbuilding Pty Limited	Australia	100.0	100.0	Employs labour for the AWD Program
ASC Modules Pty Ltd	Australia	100.0	100.0	Dormant
ASC AWD Shipbuilder Pty Ltd	Australia	100.0	100.0	Part of the alliance executing the AWD program
Deep Blue Tech Pty Ltd	Australia	100.0	100.0	Dormant

All subsidiaries have reporting dates of 30 June.

19 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for ASC Pty Ltd (the parent entity) show the following aggregate amounts:

	Jun-16 \$'000	Jun-15 \$'000
Balance sheet		
Current assets	203,432	191,116
Non-current assets	352,824	346,712
Current liabilities	196,653	202,673
Non-current liabilities	29,341	23,885
<i>Shareholders' equity</i>		
Issued capital	10,000	10,000
Reserves		
Revaluation surplus - property, plant and equipment	101,153	95,881
Retained earnings	219,109	205,389
Net assets / total equity	330,262	311,270
Profit or loss for the year	29,581	29,462
Other comprehensive income	5,510	19,782
Total comprehensive income	35,091	49,244

19 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Guarantees entered into by the parent entity

The Company has arranged the issuance of a bank guarantee in favour of Return to Work Corporation of South Australia for the purpose of self insurance under the Return to Work Regulations 2015 and a bank guarantee in favour of the Department of Defence for the purpose of a performance security deed for the Training School contract. The total value of the bank guarantee arranged by the parent company is \$6,438,000 (2015: \$8,594,000).

In addition to the above, the parent entity has provided \$2,634,000 bank guarantees (2015: \$2,819,000) assumed by its subsidiary.

No liability has been recognised in relation to these financial guarantees in accordance with the policy set with notes 1(u), as the fair values of these guarantees as at 30 June 2016 and 30 June 2015 are immaterial.

(c) Financial support by the parent entity

The Company has committed to provide the financial support to the following subsidiaries to enable them to pay their debts as and when they become due and payable:

- ASC Shipbuilding Pty Limited
- ASC Engineering Pty Limited
- ASC AWD Shipbuilder Pty Ltd

(d) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please see above.

(e) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling \$2,127,560 (30 June 2015: \$790,497). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

20 CASH FLOW INFORMATION

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Jun-16	Jun-15
	\$'000	\$'000
Profit for the year	26,628	21,891
Adjustment for		
Depreciation and amortisation	18,728	17,085
Fair value adjustment on all financial instruments	658	(1,325)
Pension costs	78	150
Income tax expense	11,425	9,400
Income tax paid	(12,556)	(7,280)
Impairment of plant and equipment	449	112
Interest received	(3,516)	(3,539)
Interest expense	249	372
Doubtful debt expense	1,898	-
Loss on disposal of fixed assets	30	-

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the year ended 30 June 2016

	Jun-16	Jun-15
	\$'000	\$'000
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(51,595)	6,466
(Increase) /decrease in inventories	1,256	(1,124)
(Decrease) increase in trade creditors	(7,979)	5,707
(Decrease) increase in other provisions	1,525	(834)
(Increase)/decrease in prepayments	140	570
(Increase)/decrease in net unearned contract billings	6,195	3,083
Net cash inflow (outflow) from operating activities	(6,387)	50,734

21 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) ANAO and PricewaterhouseCoopers (as agent for ANAO)

(i) Audit and other assurance services

	Jun-16	Jun-15
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	356,000	368,000
Total remuneration for audit and other assurance services	356,000	368,000

(b) Non-ANAO and PricewaterhouseCoopers (as agent for ANAO) related audit firms

(i) Other services

ISSC Reform Plan	-	9,180
ISSC 14/15 reconciliation process	6,120	-
Legal services - termination of employee agreement	12,920	-
	22,040	9,180

CORPORATE DIRECTORY

Directors

Bruce Carter
(Chairman)

Rosalind Dubs
Paul Rizzo
Peter Iancov
Loretta Reynolds

Company Secretary

Wendy Hoad

Auditors

ANAO and PricewaterhouseCoopers
(as agent for ANAO)

Bankers

Westpac Banking Corporation

ASC North

(Registered and head office)
694 Mersey Road North
Osborne SA 5017
GPO Box 2472
Adelaide SA 5001
Telephone: +61 8 8348 7000
Facsimile: +61 8 8348 7001

ASC South

640 Mersey Road North
Osborne SA 5017
GPO Box 2472
Adelaide SA 5001
Telephone: +61 8 7423 4000
Facsimile: +61 8 7423 4090

ASC West

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Henderson WA 6166
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Rockingham WA 6168
Telephone: +61 8 9410 4100
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Copies of ASC's annual reports can be found at www.asc.com.au. Copies can also be requested by telephoning +61 8 8348 7000 or by emailing communications@asc.com.au.

ACRONYMNS

AASB	Australian Accounting Standards Board
ANAO	Australian National Audit Office
AWD	Air Warfare Destroyer
CASG	Capability Acquisition and Sustainment Group
CCSM	Collins Class Submarines
CEP	Competitive Evaluation Process
CoA	Commonwealth of Australia
CUF	Common User Facility
DMO	Defence Material Organisation
FCD	Full-Cycle Docking
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISSC	In Service Support Contract
LTJ	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MCD	Mid-Cycle Docking
MRD	Material Ready Day
MTI	Medically Treated Injury
MTIFR	Medically Treated Injury Frequency Rate
PGPA	Public Governance, Performance and Accountability Act
RAN	Royal Australian Navy
UUC	Usage Upkeep Cycle

