



FULL SPEED AHEAD

ASC PTY LTD
**ANNUAL
REPORT
2008**

CONTENTS

ASC Pty Ltd is Australia’s largest
naval shipbuilding organisation.

FINANCIAL HIGHLIGHTS	2
CHAIRMAN'S REPORT	4
MANAGING DIRECTOR'S REPORT	6
SAFETY PERFORMANCE	8
EMPLOYER PERFORMANCE	12
ENVIRONMENTAL PERFORMANCE	18
EXECUTIVE GROUP	20
COLLINS CLASS SUBMARINES	24
HOBART CLASS	
AIR WARFARE DESTROYERS	34
FACILITIES	40
CORPORATE GOVERNANCE	44
BOARD OF DIRECTORS	48
FINANCIAL REPORT	53
CORPORATE DIRECTORY	97





ASC Pty Ltd (formerly known as Australian Submarine Corporation) is Australia's largest specialised defence shipbuilding organisation. The Company excels in complex engineering, module construction and systems integration challenges, while our 280-strong naval design and engineering team represents the largest cluster of high-end skills in the country.

Established in 1985, we are widely known as the designer and builder of the world's best conventional submarines. And today, under a 25-year contract, ASC is responsible for the ongoing maintenance, platform upgrades and support of the Collins Class submarines.

On the back of winning our \$5 billion submarine through-life support contract, ASC was successful in our bid to build the Hobart Class Air Warfare Destroyers (AWD). The \$8 billion AWD Program will see three of the most technologically advanced and complex ships ever built in-country constructed in our shipyard.

To deliver these formidable ships, ASC will grow our existing team of 1,400 people to 2,000; building even further upon our technical skills base. Our employee knowledge development programs, including two specifically tailored masters courses, ensure our people are always ahead of the game. While our twenty-three years as Australia's only submarine and ship designer and builder holds us in good stead, it's our future that we're really excited about.

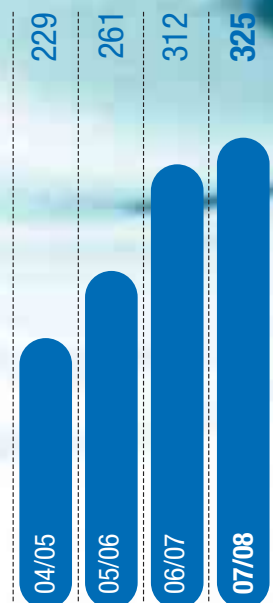
As the nation's last remaining Australian-owned prime defence contractor, and the country's only submarine designer and builder, we have now set our sights on building Australia's next generation submarine. We're confident that, backed by the strength and capability of our people, we will prevail.

FINANCIAL HIGHLIGHTS

Five year performance at a glance	2007/08 \$ M	2006/07 \$ M	2005/06 \$ M	2004/05 \$ M	2003/04 \$ M
Revenue from Rendering of Services	315.4	305.6	254.7	217.0	243.6
Financial Income	8.5	6.0	5.9	5.6	4.5
Other Income	1.0	0.8	0.4	6.6	7.9
Total Revenue	325	312	261	229	256
EBITDA	40.7	40.4	24.2	18.3	23.0
Depreciation and Amortisation	(5.3)	(3.9)	(3.7)	(3.4)	(3.8)
EBIT	35.4	36.5	20.5	14.9	19.2
Net Interest and Investment Income	8.5	6.0	5.9	5.6	4.4
Interest Expense	0.0	(0.4)	0.0	0.0	0.0
Tax Expense	(14.2)	(12.5)	(7.8)	(4.4)	(7.5)
Operating Profit Before Tax	43.9	42.1	26.3	20.5	23.6
Operating Profit After Tax	29.7	29.6	18.5	16.1	16.1
EBIT/Revenue (%)	10.9	11.7	7.8	6.5	7.5
Shareholder's Equity	174.9	158.9	121.5	107.3	70.2
Return on Equity (%)	17.0	18.6	15.2	15.0	22.9
Dividend (fully franked)	17.9	17.8	11.1	9.7	5.0
Total Assets	308.2	276.6	245.9	283.9	243.5

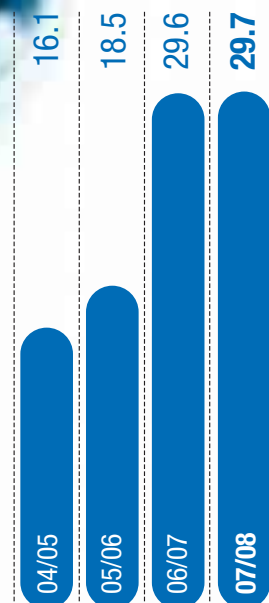
TOTAL REVENUE

\$325M



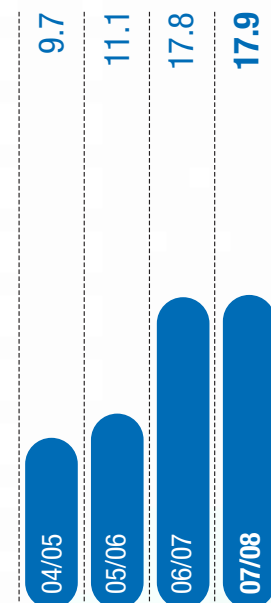
OPERATING PROFIT AFTER TAX

\$29.7M



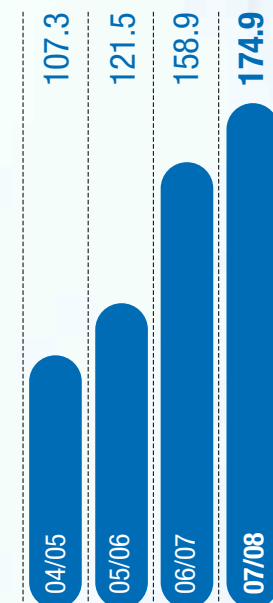
DIVIDEND

\$17.9M



SHAREHOLDER'S EQUITY

\$174.9M



CHAIRMAN'S REPORT

In our twenty-third year, we find ourselves in very good shape. Our robust business continues to deliver tangible returns to the Commonwealth, while the Company is well positioned, focused and ready to return to the private sector.

RECORD PROFIT

Building on our foundation of past successes, we have maintained last year's record profit after tax and have achieved a slight increase to \$29.7 million (2007: \$29.6 million). ASC achieved consolidated revenue of \$325 million (2007: \$312.6 million), while our dividend for the year is \$17.9 million (2007: \$17.8 million) fully franked.

We continue to record strong financial results on the back of excellent operational performance across our submarine and shipbuilding lines of business. It is clear that our long-term strategy to, above all else, deliver outcomes on schedule and to exacting quality standards is serving our customers and shareholder well.

INFRASTRUCTURE DEVELOPMENT

The 2007/08 year is most notable for our sizeable investment in our infrastructure.

The opening of ASC West on 30 April 2008 marked a fundamental change in the way ASC will conduct its business in Western Australia. A \$35 million facility, the purpose-built ASC West represents an amalgamation of three facilities into one consolidated, cutting-edge submarine support site. Our new premises will enable us to achieve higher levels of efficiency and effectiveness during the conduct of our submarine sustainment activities. In addition, the Western Australian Government has kindly allowed us to take full advantage of the state's new common user site.

Meanwhile, construction of our \$100 million shipyard at Osborne commenced during the year. Scheduled for completion in late 2009, our world-class shipbuilding facility will be the future home of all Hobart Class Air Warfare Destroyer (AWD) production.

The Board extends its appreciation to the governments of South Australia and Western Australia for their financial support towards our infrastructure projects.

SOUNDLY POSITIONED FOR PRIVATISATION

For eight years, ASC has worked tirelessly to overcome various impediments to our viability and long-term growth in preparation for the privatisation of the Company. ASC has now obtained a most enviable position within Australia's defence industry.

The Board and management of ASC continue to fully support ASC's return to the private sector. It is hoped that the sale will be completed during the 2008/09 financial year, thus enabling the Company to focus on upcoming challenges of the AWD Program and next generation submarine.

THE BOARD

During the year, the Board welcomed the appointment of Vice-Admiral Chris Ritchie AO RANR, as a director, effective from 28 August 2007. Admiral Ritchie's career in the Royal Australian Navy, including three years as Chief of Navy, gives the Board a uniquely valuable perspective.

I am also pleased to note that Charles Bagot and Graeme Bulmer had their terms of office extended to 30 June 2009. Their experience on the ASC Board since December 2000, and consequent corporate knowledge, will be invaluable as the Company moves towards privatisation.

I extend my thanks to all our directors for their dedication and diligence during the 2007/08 year.

LOOKING FORWARD

It has been a privilege to again chair the nation's last remaining Australian-owned prime defence contractor.

I thank our customers in Defence Materiel Organisation and the Royal Australian Navy for their enduring support and confidence in ASC.

On behalf of the Board, I compliment Greg Tunny, his management team and all our employees on another successful year. Our results reflect the efforts and ongoing contribution of an outstanding group of people.



ASC is well
positioned,
focused and
ready to return
to the private
sector.

A handwritten signature in black ink, appearing to read 'John Prescott' followed by a stylized flourish.

John Prescott AC
Chairman

I am very pleased to be able to report another good year for ASC. 2007/08 has seen the company deliver another pleasing financial result, a strong operating performance, outstanding customer outcomes and significant progress on several infrastructure development initiatives. A high performance culture, challenged and motivated employees with strong values, and a deep commitment to both safety and our customers have underpinned our success.

OUR AGENDA AND VALUES

Success has not come by chance. ASC relentlessly pursues operational excellence, improved productivity and efficiency, and an unwavering commitment to customer outcomes. Our company values support our vision and provide the framework on which we are delivering success and building for future growth.

In the past few years, we have re-focused our strategic thinking and objectives. First, we believe safety is paramount. Safety of our employees, safety of the submarines we support, the ships we are building and the crews who sail in them. Second, we believe that concentrating on customer outcomes and maintaining valued relationships ultimately leads to better business outcomes and favourable returns. Third, we believe that supporting and empowering the right people, with the right values and real authority will deliver success.

DELIVERING CUSTOMER OUTCOMES

A sound and mature relationship with our Defence customer is essential to ensure long-term success of the Collins Class through-life support activity. We have worked hard to improve that relationship to the point where we now enjoy a close and collaborative partnership. Our partnership reaps real rewards for ASC but, more importantly, also for the nation's defence capability.

The Collins Class submarines have gone from strength to strength during the year, achieving impressive available sea days statistics. For example, all 10 maintenance availabilities completed during 2007/08 were completed on time.

The signing of the Hobart Class Air Warfare Destroyer (AWD) build contract in October 2007 was the catalyst for ASC to begin the next phase of its transformation and growth. In an Alliance-based contract with the Commonwealth of Australia and our industry partner, Raytheon Australia, we are establishing an effective Alliance structure and organisation able to deliver this \$8 billion program. The program is on-track, achieving all start-up milestones to date.

RESHAPING OUR WORKPLACE

To successfully compete in Australia's 'war for talent' we have revisited the value proposition we offer our employees. As a result, our workplace has become more multi-skilled, team oriented, and more rewarding of effort and merit. Our expanded graduate and apprenticeship programs are proving very successful, as we move to ensure that ASC has sufficient skilled labour resources for the future. We have also greatly improved our technical, management and leadership training over recent years; upskilling is essential to our future.

WORKING WITH OTHERS

ASC operates a challenging and complex supply chain. We strive to work collaboratively with subcontractors and suppliers to procure equipment and parts in a timely and cost effective manner. This can be difficult, especially given the emerging obsolescence challenge of a submarine designed in the late 1980s and early 1990s.

Also the importance of small/medium enterprises (SMEs) to our business cannot be overstated. We continue to find that many SMEs are reliable and cost effective suppliers, and some are able to respond rapidly and innovatively to new challenges. With more than 70% of our supply chain derived from SMEs, we continue to respect and rely on these companies to deliver. We also work with them to ensure that they are improving along with us.

A CAPABLE TEAM

I acknowledge the capability of the Executive group. Over the past twelve months, we promoted Craig Vandeppeer to the role of General Manager – Quality and Service Assurance, following the retirement of predecessor Alf Aschenbrucker. I thank Alf for his dedicated service of more than 15 years to ASC and welcome Craig to the executive team.

I also acknowledge John Gallacher who, as Chief Executive Officer of the AWD Alliance, has demonstrated great leadership in developing the Alliance Management Team over the first year of the construction phase of the Hobart Class AWD program.

Finally, I acknowledge ASC's greatest strength – our people. Our 1400-strong team has never been more determined or more capable. I thank all our employees for their 'can do' attitude and remarkable effort that has enabled the company to deliver outstanding results for all stakeholders.

THE FUTURE

ASC's outlook for the medium and longer term is very positive, driven by a record order book and ASC's central position in the Australian naval shipbuilding and repair industry. We can and will build on our current strength to deliver an outstanding future.



Our company values support our vision and provide the framework on which we are delivering success and building for future growth.

A handwritten signature in black ink that reads "Greg Tunny". The signature is stylized, with the first letters of the first and last names being large and prominent.

Greg Tunny
Managing Director and
Chief Executive Officer

**SAFETY
PERFORMANCE**



The safety and welfare of our employees, contractors and customers is integral to our business. Our goal is to ensure that all employees, contractors and visitors are safe from injury and risks to health while at work. Our Lost Time Injury (LTI) target is zero.

We are committed to fostering a culture and climate in which all personnel can work injury free irrespective of the role they perform or which program they work on.

The 2007/08 year saw a continuation of our exceptional occupational health and safety record, demonstrative of our commitment towards safe work practices and a safety conscious ethos.

LOST TIME INJURIES

A Lost Time Injury (LTI) is recorded when an employee is absent from work for a full shift as a result of a work-related injury.

Across our facilities in South Australia and Western Australia, including contract labour, we achieved a consolidated Lost Time Injury Frequency Rate (LTIFR) of 3.54 for 2007/08; this result positions ASC well within best practice territory for our industry.

On a site-by-site basis, ASC's Osborne submarine facility achieved an LTIFR of 4.53, while our Western Australian facility and our Osborne shipbuilding facility recorded no LTIs during 2007/08.

MEDICALLY TREATED INJURIES

A Medically Treated Injury (MTI) is recorded when an employee requires medical treatment from a health professional above the expertise of a nurse.

Across our three ASC facilities, an average Medically Treated Injury Frequency Rate (MTIFR) of 24.61 was recorded for 2007/08. Individually, a result of 30.58 was achieved for our Osborne submarine facility and 14.61 for our Western Australian facility. Our Osborne shipbuilding facility recorded no MTIFRs during 2007/08.

ASC's focus on applying a set of control measures to identify hazards and manage risk exposure, coupled with an increased focus on incident reporting, has contributed to putting downward pressure on the occurrence of LTIs and MTIs.

SELF-INSURANCE

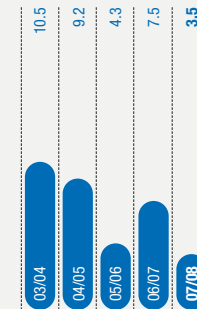
ASC is self-insured in South Australia for workers' compensation claims resulting from workplace injury or illness. Our level three, self-insurance certificate was renewed in June 2008 and is valid for another three years.

ASC's Occupational Health, Safety, Welfare and Injury Management System was evaluated by Workcover in November/December 2007. Evaluators deemed the system compliant to the performance standards for self-insurers and the Natural Consequences Model.

In satisfying the Natural Consequences Model, ASC demonstrated that we had implemented programs that had improved our safety performance and contributed to a positive occupational health, safety, welfare and injury management culture.

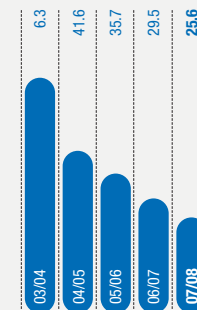
It is pleasing that our ongoing efforts to operate a resilient occupational health, safety, welfare and injury management system have proven successful.

LOST TIME INJURY FREQUENCY RATE (LTIFR)



LTIFR = number of LTIs
x 1,000,000 divided by
hours worked per month

MEDICALLY TREATED INJURY FREQUENCY RATE (MTIFR)



MTIFR = number of MTIs
x 1,000,000 divided by
hours worked per month

SAFETY PERFORMANCE

MANUAL HANDLING INITIATIVE

Following an extensive analysis of our injury data, it was identified that sprains and strains in the back and neck area represented the most common type of injury sustained while at work.

To address this, ASC revised our manual handling training program by engaging an occupational therapist to design individual training programs for different workgroups.

Our tailored programs have resulted in a 20 per cent decrease in sprain and strain injuries, against a background of an ageing workforce.

The success of this initiative will see it re-adopted next year.

EYE WEAR POLICY

As a result of benchmarking against other organisations, and in an effort to reduce personnel sustaining eye injuries, ASC updated its eye wear policy during 2007/08.

The policy revision stipulates that safety glasses must be worn in all production areas.

As a result of this change, ASC has recorded a reduction in personnel requiring medical treatment for eye-related injuries.

HIGH-VISIBILITY CLOTHING POLICY

To reinforce a safety environment, ASC introduced the necessity to wear high-visibility clothing while operating in production areas.

This is a proactive initiative that we introduced during 2007/08 as a preventative measure and to align ourselves with industry best practice.

CERTIFICATION TO AS/NZS 4801

Our Safety Management System has been certified as compliant by Det Norske Veritas (DNV) to AS/NZS 4801:2001 Occupational Health and Safety Management Systems Standard and OHSAS 18001:1999 Occupational Health and Safety Management Systems Standard for our ASC's Osborne (South Australia), HMAS *Stirling* (Western Australia) and Henderson (Western Australia) sites.

EMPLOYEE HEALTH

The health and wellbeing of our people is central to the success of our business and, accordingly, we are committed to establishing suitable mitigation measures to reduce potential health risks.

ASC's Healthy Plus Program is a company-wide initiative that is designed to inform our people about ways in which they can take better care of themselves.

This successful initiative promotes the awareness of various health and physical concerns by providing access to services such as quit smoking programs, blood donations, skin cancer screens, flu vaccinations, prostate awareness, drug and alcohol awareness and diabetes checks, as well as providing education and support for dealing with them.

During 2007/08, our employees sought benefits from the various health promotions available, including:

- 107 employees commenced a quit smoking program;
- 410 personnel were vaccinated against the flu;
- 644 staff donated blood; and
- 6 personnel participated in a drug and alcohol awareness program.

The 2007/08 year is also notable for the opening of ASC's onsite gymnasium at ASC Osborne. Operated by Executive Fitness Management, our gym offers a range of machines and activities to keep our staff in shape. Services include one-on-one personal training, food coaching, massage, reflexology and health assessments, with sessions available in the morning, lunch times and in the evening.

We realise that many health issues not only have the potential to impact on ASC's safety performance, but can also contribute to the detriment of employees' personal and family life.

The success of our Healthy Plus Program initiatives demonstrates the commitment our employees place on their own health and wellbeing.



EMPLOYER PERFORMANCE

KNOWLEDGE DEVELOPMENT

ASC is committed to relentless improvement and learning; a corporate value we actively espouse across all aspects of our business.

During 2007/08, we saw an increase in the adoption of programs designed to assist our people in growing their potential even further.

LEADERSHIP DEVELOPMENT PROGRAM

ASC's Leadership Development Program is a corporate-wide initiative designed to assist leaders to champion the corporate values and lead by example.

The program aims to:

- Improve leadership qualities across the organisation;
- Instill a greater sense of personal accountability for providing consistent leadership; and
- Encourage leaders to lead in the demonstration of our corporate values.

The program consists of a series of workshops over an 18-month period, which covers a range of key leadership principles and behaviours, including emotional intelligence, influence and impact, leaders as coaches and change leadership.

Leaders learn through a range of assessments, including 360 degree feedback, mentoring, targeted assignments and case studies.

To date, 55 leaders have completed the Leadership Development Program with an additional 44 leaders currently enrolled.

TAFE PARTNERSHIPS PROGRAM

During 2005/06, ASC launched in-house Certificate IV programs, delivered by Torrens Valley TAFE, in Frontline Business Management and Project Management. In 2007/08, our TAFE partnerships program was expanded to include the Diploma of Business Management.

Since offering these courses, 71 employees have successfully completed a Certificate IV or Diploma qualification, with another 50 personnel currently enrolled and studying. The programs have proven extremely successful and have offered great convenience and flexibility for our people to study on a 50/50 basis (half their study in company time and the other half in their own time).

CERTIFIED PROJECT MANAGERS PROGRAM

We have continued to support our personnel involved in project management to gain certification with the Australian Institute of Project Management's Registered Project Manager Program.

The course involves individually designed, competency-based workplace assessments, where candidates are required to compile evidence that displays their competence towards project management. The subsequent competency standards, which students are assessed against, are based on national and international research into best practice in project management across private and public sector workplaces.

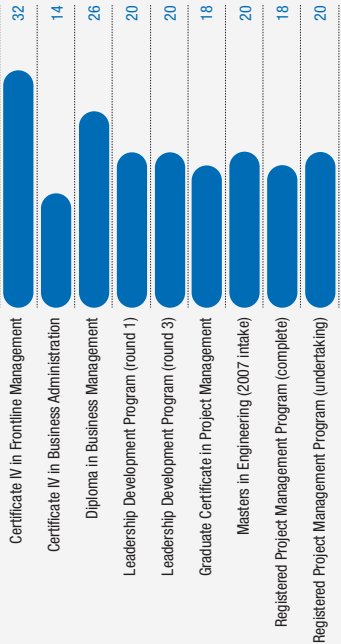
During 2007/08, 10 personnel achieved Registered Project Manager status, while another two obtained Master Program Director status.

SKILLING AUSTRALIA'S DEFENCE INDUSTRY PROGRAMS

During 2005/06, ASC introduced two masters programs in association with Defence Materiel Organisation's Skilling of Australia's Defence Industry (SADI) package.

The Masters of Military Systems Integration, developed in association with BAE Systems, Saab and the University of South Australia, saw an additional two personnel enrolled in the 2007/08 intake. While, an opportunity to study the Masters of Marine Engineering, developed in association with the University of Adelaide, was taken up by an additional 18 employees.

2007/08 PROGRAM PARTICIPATION





EMPLOYER
PERFORMANCE

This year, ASC successfully obtained additional SADI funding to run a Graduate Certificate in Project Management, in association with the University of South Australia. The program represents a 'nested suite' of project management programs, which articulates into a Masters of Project Management.

There are 19 participants already enrolled in the program, 16 of which are ASC employees.

PERSONNEL DEVELOPMENT

The employee-driven aspects of our business relate to how we manage our people and contribute to the economies within which ASC operates. To support our employees, we have adopted a proactive approach to protect and enhance their value by:

- Attracting and retaining high-quality staff;
- Providing training and development opportunities;
- Reinforcing a set of corporate values and assessing our people against them;
- Setting out a clear framework for performance management, remuneration and incentives to encourage a high-performing culture aligned with our corporate objectives;
- Ongoing career development and succession planning at all levels within the company; and
- Recognising the importance of work/life balance and implementing a company-wide strategy to support flexibility and equilibrium.

INDUSTRIAL RELATIONS

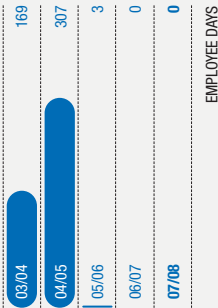
ASC's submarine production employees work under a three-year Australian Workplace Agreement.

Negotiated during 2005/06, the collective union agreement is for all employees belonging to either the Australian Manufacturing Workers' Union, the Communications, Electrical and Plumbing Union or the Australian Workers' Union.

The workforce agreement for our employees associated with shipbuilding activities expired in December 2007. A new agreement is currently being negotiated. Until the new agreement is complete, the current workforce agreement remains in force.

There was no industrial action during 2007/08 and, as a result, no days lost. The 2007/08 year is therefore notable for our continuation of ASC's excellent industrial relations record.

LOST TIME DUE TO
INDUSTRIAL ACTION



RECRUITMENT

ASC is committed to attracting, developing and retaining high-calibre employees with the high-end skills and knowledge necessary to drive our business success and growth into the future.

Across our submarine business, we have maintained consistent numbers of personnel. Within our shipbuilding business, in support of our growing requirement to deliver in the Hobart Class Air Warfare Destroyer (AWD) Program, ASC grew from 48 in 2006/07 to 136 dedicated project personnel in 2007/08.

Our efforts recruited talented people in the areas of project management, planning, support and control, technical engineering and design, estimating, quality, supply chain, scheduling, infrastructure development, administration, human resources and finance.

The next recruitment load will primarily be in the production engineering, production management and production support disciplines. Our objective is to employ an additional 140 personnel during 2008/09.

EQUAL OPPORTUNITY

Our employees are entitled to work in an environment which is free from discrimination, where discrimination means denying an individual fair and equal treatment in employment on grounds other than those based on the requirements of the job.

The merit principle will always form the basis of our recruitment, development and promotion. Those with the abilities, skills, qualifications and experience, which are required for a particular job, will have an equal opportunity of being considered for the position.

ASC prohibits all kinds of discrimination based on gender, sexuality, marital status, pregnancy, race, age or physical or intellectual impairment.





APPRENTICESHIPS

During 2007/08, ASC again increased our number of apprentices from 36 to 41. The overall increase in our Apprenticeship Program will assist our varying production needs, particularly in the electrical, mechanical, fabrication and piping areas.

We continue to support and encourage our tradespersons with further education through diplomas and advanced diplomas, as well as support their skills and knowledge development through various in-house training initiatives.

The combination of our training and development programs for apprentices ensures we continue to organically grow our own skills to be available for our future submarine maintenance and shipbuilding needs.

GRADUATES AND UNDERGRADUATES

We recognise the value that our young graduates bring to ASC and, given this, we continue to develop engineering depth within the company through our commitment to our graduate and undergraduate programs.

During 2007/08, 17 graduates participated in our Graduate Program, while an additional four graduates were immediately seconded into our design and engineering department.

Our two-year program, which introduces graduates to several different disciplines within our business, provides interesting and challenging work, as well as an environment that aims to develop graduates' skills, knowledge and professional interests that result in rewarding and fulfilling career paths.

Twelve students participated in our Undergraduate Program over the 2007/08 summer vacation period, with many students being offered ongoing employment while they complete their final year of study.

A placement in our Undergraduate Program continues to foster a smooth transition into our Graduate Program.

EMPLOYEE COMMUNICATION

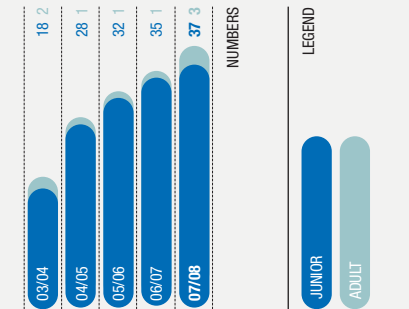
ASC believes that an informed workforce contributes to higher levels of staff morale and job satisfaction. We value our employees and, as such, look to improve our activities designed to communicate with them.

The 2007/08 year saw the roll-out of The Port; a fully re-designed and re-developed intranet system. In addition to offering a central repository of information, The Port connects employees from all facets of the company.

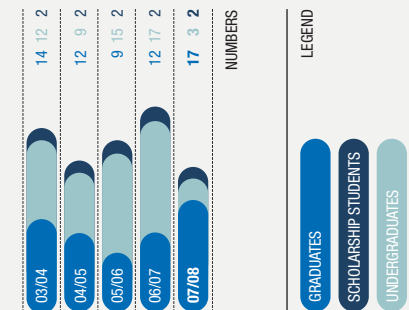
We continue to communicate with our personnel through:

- Quarterly Strategic Update briefings;
- Publication of our *In Sight* employee newsletter;
- Monthly Business Plan Review forums;
- Frequent electronic and notice board updates;
- Periodic news bulletins; and
- The Ask Greg intranet feedback mechanism, which encourages employees to interact directly with the Managing Director.

APPRENTICESHIPS



GRADUATES AND UNDERGRADUATES



ENVIRONMENTAL PERFORMANCE

ASC is committed to the overall protection and improvement of the environment.

Our objective is to ensure that we have adequate systems in place to ensure ASC:

Promotes environmental awareness amongst employees and contractors;

- Applies a systematic approach to hazard management with the aim of preventing pollution;
- Conserves natural resources;
- Complies with legislative requirements; and
- Continually improves our environmental performance.

This commitment is reflected in our Environmental Policy and associated processes and procedures.

ENVIRONMENTAL MANAGEMENT SYSTEM

During 2007/08, ASC achieved certification to AS/NZS ISO 14001:2004 Environmental Management Systems (EMS) for our Corporate Management System and ASC Osborne site.

In light of this achievement, it is envisaged that ASC West and ASC Shipbuilding will be audited next for certification, once the two facilities are fully operational.

The integration and certification of the EMS complements our pre-existing quality and safety systems already in place at ASC. We will continue to review and develop indicators to assess and monitor our environmental performance going forward.

ENVIRONMENTAL INCIDENTS

ASC recognises our obligation to comply with the relevant Environmental Protection and Conservation Acts (Acts).

We actively record and report any breaches of the Acts to the respective Environmental Protection Authority.

During 2007/08, there were no environmental incidents requiring official regulatory notification at any of our facilities.

SITE PLANNING AND DEVELOPMENT

In the planning and development stages of ASC's infrastructure development projects, relevant Commonwealth and State Acts were reviewed to ensure full compliance.

Site development work undertaken during 2007/08 has included:

- Various upgrades to our submarine facility in South Australia, including the construction of a new warehouse;
- Completion of the construction of our ASC West facility in Henderson, Western Australia; and
- The commissioning of works for our air warfare destroyer shipyard at Osborne, South Australia.

ENVIRONMENTAL LICENCES

ASC Osborne has an Environmental Licence with the South Australian Environmental Protection Agency for abrasive blasting and maritime construction, while ASC West is registered with the Department of Environment and Conservation (Western Australia) as a prescribed premises, category 82 boat building and maintenance premises.





EXECUTIVE GROUP

L to R: Stuart Whitley, Jack Atkinson, Brian Archer,
Tony Kuhlmann, Ross Milton, Mike Poynter,
Vladimir Malcik, Mark Gobell, John Gallacher,
Robert Lemonius, Craig Vandeppeer and Rolf Polak.



ROSS MILTON

DEPUTY CHIEF EXECUTIVE OFFICER

BE, FIEAust, CPEng

Mr Milton leads ASC's Corporate Business Unit, which negotiates and oversees the annual submarine Through-Life Support funding arrangements and includes the corporate Quality, Product Safety and Certification, Security and Internal Audit functions. As Deputy Chief Executive Officer, he is also responsible for Corporate Planning.

Mr Milton has enormous experience at ASC, having participated in the negotiations for the shareholder arrangements that led to the establishment of the organisation in 1985. He was also heavily involved in negotiations around the contract to design and build six Collins Class submarines in 1987 and the contract for submarine Through-Life Support in 2003.

Before joining ASC, Mr Milton was employed for 16 years with Chicago Bridge & Iron Company, the world's largest builder of field-erected, metal-plate structures such as oil refinery tanks and pressure vessels.

AGE: 61

JOINED ASC: 1987

BIRTHPLACE: SYDNEY, AUSTRALIA

JOHN GALLACHER

CHIEF EXECUTIVE OFFICER, ASC SHIPBUILDING

As the Chief Executive Officer of ASC Shipbuilding, Mr Gallacher is responsible for ASC's shipbuilding subsidiary business and the company's involvement in the Hobart Class Air Warfare Destroyer (AWD) Program. His role includes the management of ASC's shipbuilding resources and responsibility for all managers involved in shipbuilding programs.

In addition, Mr Gallacher is the Chief Executive Officer of the AWD Alliance with overall responsibility for the design, manufacture, assembly and handover of the air warfare destroyers to the Royal Australian Navy.

Mr Gallacher has more than 40 years' experience in various engineering, project management and shipbuilding roles. Prior to joining ASC, Mr Gallacher held Managing Director and Chief Executive Officer positions in shipbuilding and major construction businesses.

AGE: 57

JOINED ASC: 2004

BIRTHPLACE: ALLOA, SCOTLAND

TONY KUHLMANN

GENERAL COUNSEL COMPANY SECRETARY

BA, LLB, GDLP

Mr Kuhlmann leads ASC's Commercial and Legal group, a team of experienced professionals who provide specialist services in the areas of corporate communications, contracts, corporate governance, insurance, intellectual property and ITAR compliance, legal and risk management.

He has expert skills in the drafting and negotiating of complex commercial transactions and led ASC's negotiations of the Collins Class submarine Through-Life Support Agreement and the Hobart Class Destroyer Alliance Based Target Incentive Agreement.

Before joining ASC, Mr Kuhlmann was a partner at Adelaide law firm Finlaysons, where he established a successful major projects, and mergers and acquisitions practice.

AGE: 42

JOINED ASC: 2003

BIRTHPLACE: ADELAIDE, AUSTRALIA

VLADIMIR MALCIK

CHIEF FINANCIAL OFFICER

MBA, Grad.Dip (Finance), B.Bus, FCPA

Mr Malcik is responsible for ASC's Finance, Treasury, and Business and Information Systems functions.

As the company's Chief Financial Officer, he also oversees the business-critical roles of coordination and preparation of group budgets and financial plans for the company.

Previously, Mr Malcik held financial management roles within a number of high profile companies, including LendLease/Retirement by Design, Hilton Hotels Corporation and Suncorp.

AGE: 52

JOINED ASC: 2005

BIRTHPLACE: PRAGUE, CZECH REPUBLIC

STUART WHILEY

GENERAL MANAGER – SUBMARINES

BScHons, FIEAust, CPEng, MAIPM, MPD

Mr Whiley is the head of the Submarines group with responsibility for overseeing all submarine maintenance activities, including the implementation of capability enhancements in Osborne and Western Australia.

As General Manager – Submarines, he heads a dynamic team that is also responsible for projects, planning, production, scheduling, the warehouse, estimating, cost control, procurement, subcontracts, maintenance and project support.

Mr Whiley has significant experience within ASC, with 17 years in various submarine programs, projects, scheduling and systems engineering roles. He has over 25 years of engineering experience in the Australian and UK naval defence industries.

AGE: 49

JOINED ASC: 1989

BIRTHPLACE: SHREWSBURY, ENGLAND

JACK ATKINSON

GENERAL MANAGER – DESIGN AND ENGINEERING

BE, MEngSci, EngExec, FIEAust, CPEng

Mr Atkinson heads ASC's Design and Engineering group, a team of specialist technicians with skills in submarine engineering, combat systems, communications and control systems, configuration management, safety engineering, integrated lifecycle support, engineering support and program engineering.

As General Manager – Design and Engineering, he also oversees the development of design enhancements, new operational capabilities, reliability improvements and Through-Life Support for the Collins Class submarines.

Mr Atkinson worked for the Department of Defence and has more than 35 years of engineering experience within the defence industry, including 16 years with the Royal Australian Navy's Combat Data Systems Centre in Garden Island Dockyard in Sydney.

AGE: 58

JOINED ASC: 1988

BIRTHPLACE: PAIGNTON, ENGLAND

BRIAN ARCHER

GENERAL MANAGER – HUMAN RESOURCES

Mr Archer heads ASC's Human Resources department, a team with wide-ranging responsibilities including payroll, graduate coordination, training, workforce planning, recruitment, and employee and industrial relations functions. As General Manager – Human Resources, Mr Archer also oversees all human resources projects and issues.

Previously, Mr Archer worked in senior human resources and industrial relations roles for a number of high profile companies, including Pratt Industries (United States), Visy Paper and Tenix.

AGE: 57
JOINED ASC: 2005
BIRTHPLACE: MELBOURNE,
AUSTRALIA

MIKE POYNTER

GENERAL MANAGER – WESTERN AUSTRALIA OPERATIONS

BEng, FIEAust, CPEng

Based in Western Australia, Mr Poynter's role as General Manager – Western Australia Operations gives him overall responsibility for the Submarines group's engineering, human resources, quality assurance, finance and administration functions at ASC West.

He has a broad portfolio of responsibilities including defect investigation, maintenance and repair on submarine systems and the Submarine Training School.

Mr Poynter has significant experience with ASC, with 20 years in various senior roles within the Design and Engineering group, including the position of Submarine Engineering Manager.

AGE: 49
JOINED ASC: 1988
BIRTHPLACE: ADELAIDE, AUSTRALIA

MARK GOBELL

GENERAL MANAGER – SOUTH AUSTRALIA OPERATIONS

BTechMechEng, FIEAust

Mr Gobell is the head of ASC's Production group, with responsibility for the coordination and oversight of all production, electrical, mechanical piping, fabrication, welding and operator labour resources at ASC's Osborne operations.

His additional responsibilities include managing facilities' maintenance and capital developments, as well as ASC's occupational health and safety system.

Prior to his role as General Manager – South Australia Operations, Mr Gobell held a number of senior positions within ASC and has overseen full-cycle dockings for the Collins Class submarines. Before joining ASC, he had a 13-year career with T. O'Connor and Sons Pty Ltd and has experience in countries such as the USA, Canada, Japan, Sweden and the UK.

AGE: 55
JOINED ASC: 1991
BIRTHPLACE: ADELAIDE, AUSTRALIA

ROBERT LEMONIUS

GENERAL MANAGER – ASC SHIPBUILDING

Commonwealth Centenary Medal

Mr Lemonius is responsible for the development of ASC's \$100 million Air Warfare Destroyer shipyard at Osborne as well as the ongoing operational activities within ASC Shipbuilding.

This role is the latest in a series of senior positions held by Mr Lemonius at ASC. Prior to this, he was the head of ASC's Western Australia submarine operations. He has more than 40 years of experience in the submarine and shipbuilding industry, including senior management positions with Cockatoo Dockyard.

In 2003, Mr Lemonius was awarded the Centenary Medal in recognition of defence service and maintenance of Australia's submarine capability.

AGE: 58
JOINED ASC: 1990
BIRTHPLACE: SYDNEY, AUSTRALIA

CRAIG VANDEPEER

GENERAL MANAGER – QUALITY AND SERVICE ASSURANCE

Dip (AppSc, Maritime Studies, HR),
Grad Dip (Communications),
MAIPM MPD

Mr Vandeppeer heads ASC's Quality group, a critical organisational function which carries the responsibility for the effective implementation of ASC's quality management systems.

In addition, Mr Vandeppeer manages the submarine customer's contractual and business relationships.

Previously, Mr Vandeppeer was the Through-Life Support Coordination Manager for the Collins Class submarine program, and has worked in similar defence service contract management roles for Boeing Australia after beginning his career as a seaman officer in the Royal Australian Navy.

AGE: 45
JOINED ASC: 2003
BIRTHPLACE: BORDERTOWN,
AUSTRALIA

ROLF POLAK

EXECUTIVE MANAGER – CHANGE AND IMPROVEMENT

BE (Hons), BSc, FIEAust, CPEng,
MAIPM MPD

With responsibility for the alignment of all business improvement activities within ASC, Mr Polak manages both cultural and business change initiatives company-wide.

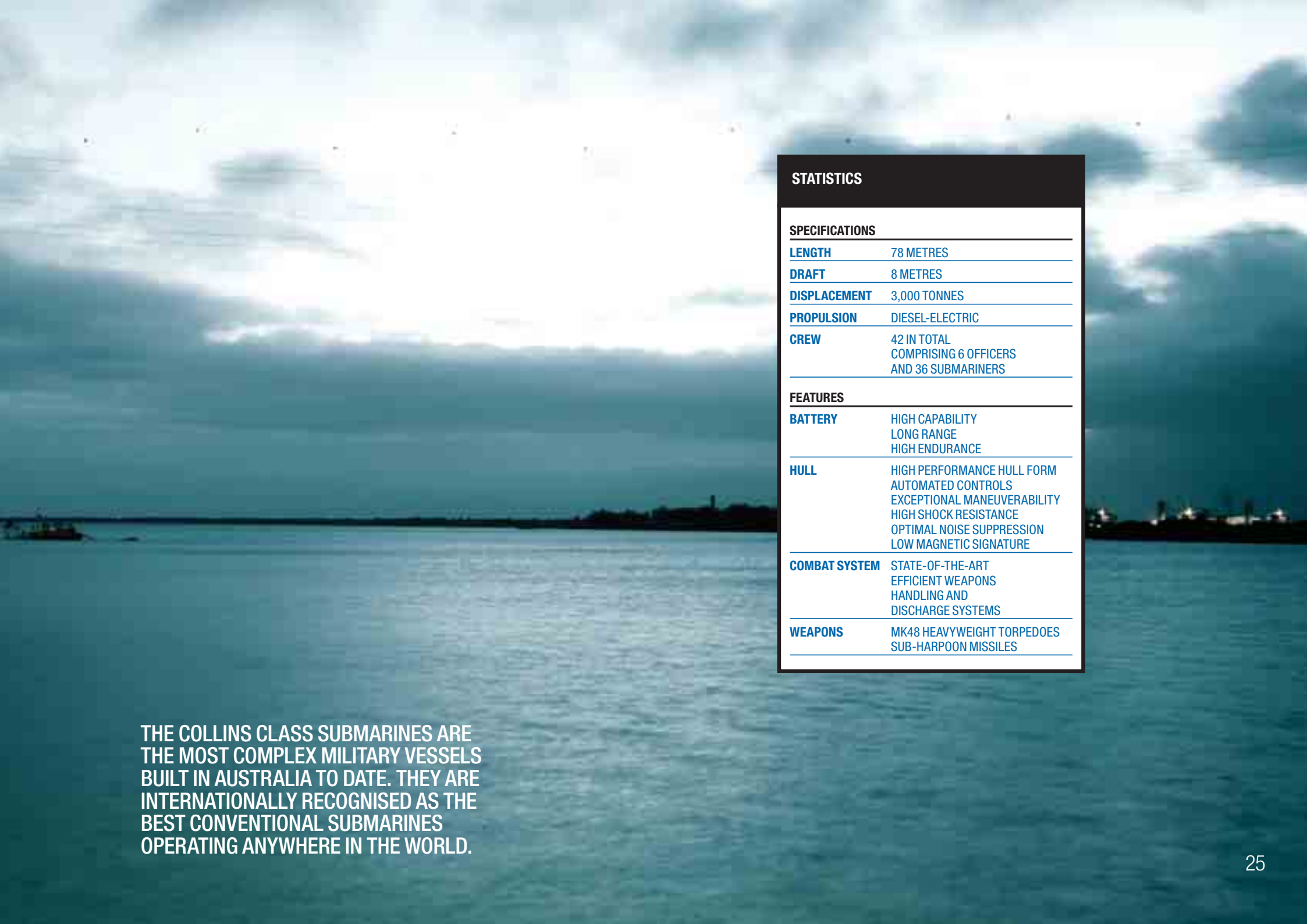
Additionally, his role as Executive Manager – Change and Improvement sees him oversee the deployment of Lean Six Sigma methods and act as an advisor on combat system-related projects.

Prior to this role, Mr Polak was ASC's Engineering Manager. Before joining ASC, he spent 11 years developing projects for naval and aerospace clients in ADI's IS3 Business Unit, as well as 16 years with CSC Australia.

AGE: 52
JOINED ASC: 2005
BIRTHPLACE: MUNICH, GERMANY

A large Collins Class submarine is being hoisted by a yellow crane at a shipyard at night. The submarine is dark and sleek, with its conning tower visible. The scene is illuminated by several bright floodlights, creating strong reflections on the water. In the background, a tall lattice tower stands against a dark, cloudy sky. The overall atmosphere is industrial and dramatic.

**COLLINS CLASS
SUBMARINES**



THE COLLINS CLASS SUBMARINES ARE THE MOST COMPLEX MILITARY VESSELS BUILT IN AUSTRALIA TO DATE. THEY ARE INTERNATIONALLY RECOGNISED AS THE BEST CONVENTIONAL SUBMARINES OPERATING ANYWHERE IN THE WORLD.

STATISTICS	
SPECIFICATIONS	
LENGTH	78 METRES
DRAFT	8 METRES
DISPLACEMENT	3,000 TONNES
PROPULSION	DIESEL-ELECTRIC
CREW	42 IN TOTAL COMPRISING 6 OFFICERS AND 36 SUBMARINERS
FEATURES	
BATTERY	HIGH CAPABILITY LONG RANGE HIGH ENDURANCE
HULL	HIGH PERFORMANCE HULL FORM AUTOMATED CONTROLS EXCEPTIONAL MANEUVERABILITY HIGH SHOCK RESISTANCE OPTIMAL NOISE SUPPRESSION LOW MAGNETIC SIGNATURE
COMBAT SYSTEM	STATE-OF-THE-ART EFFICIENT WEAPONS HANDLING AND DISCHARGE SYSTEMS
WEAPONS	MK48 HEAVYWEIGHT TORPEDOES SUB-HARPOON MISSILES

COLLINS CLASS SUBMARINES

SUBMARINE PERFORMANCE

The fourth full year under the Collins Class submarine Through-Life Support (TLS) contract has seen ASC continue our strong performance in the delivery of submarine sustainment, and design and engineering activities.

SUBMARINE SUSTAINMENT

Supporting our customer's objectives by completing maintenance and upgrade work on schedule remains our top priority.

ASC's performance in the delivery of submarine sustainment activities is best evaluated against key target deliverables for the 2007/08 Through-Life Support year:

- Performance against the maintenance activity schedule;
- The availability of submarines for operational sea days; and
- The timely clearance of submarine urgent defects.

MAINTENANCE ACTIVITY SCHEDULE PERFORMANCE

During 2007/08, 13 maintenance activities were performed, 10 of which were required to be completed during the year. All 10 were completed on time and in accordance with the schedule.

The remaining three activities, two of which represent full-cycle dockings (major refits), and one extended mid-cycle docking, are scheduled for completion in future financial periods.

Seven of the 13 activities performed during 2007/08, including two overseas deployments, were managed from ASC's Western Australian facility, located at the Royal Australian Navy's naval base at HMAS *Stirling*.

These activities consisted of

- Four intermediate maintenance availabilities, including a certification extension docking; and
- Personnel support for three self-maintenance periods conducted in Western Australia, New Zealand and Hawaii.

The remaining six maintenance activities conducted during 2007/08 were undertaken at ASC's South Australian submarine facility.

These activities consisted of:

- Two full-cycle dockings;
- One extended mid-cycle and capability enhancement docking;
- Two pre full-cycle docking preparation periods; and
- One propeller change.





**COLLINS CLASS
SUBMARINES**



AVAILABLE SEA DAYS

Several initiatives implemented by ASC to improve submarine system and platform availability resulted in a significant increase in sea days achieved in 2007/08. The success of these initiatives and processes demonstrate that we continue to improve our performance as the maintainer of the Collins Class submarines.

CLEARANCE OF SUBMARINE URGENT DEFECTS

An urgent defect is a defect or condition that limits submarine seaworthiness, personnel safety or operational capability. A classification system exists for urgent defects, which includes:

- Priority 1 urgent defects, which require an operational submarine to suspend operations for urgent repairs; and
- Priority 2 urgent defects, which require rectification at the next suitable opportunity in the existing program.

Urgent defect rectification is predominantly undertaken by our Western Australian operations, though some work is undertaken both overseas and in South Australia.

Our objective has been to reduce the overall number of Priority 2 urgent defects, as a low number of urgent defects underpins the ability of a submarine to perform as required. ASC has been successful at keeping the overall number of Priority 2 urgent defects as low as practicable.

RAN SUBMARINE FORCE SUCCESS

ASC congratulates the Submarine Force of the Royal Australian Navy, and the crew of HMAS *Rankin* in particular, for their achievements in 2007/08.

HMAS *Rankin* was awarded the Gloucester Cup during the year, representing the third time in four years that a Collins Class submarine has been recognised with this prestigious award. The Gloucester Cup is awarded annually to the major fleet unit or submarine that has been foremost in all aspects of operations, safety, seamanship, reliability and training.

HMAS *Rankin* was also awarded the Voyager Trophy, Submarine Fighting Proficiency Award, Submarine Silver Platter and Platypus Cup during 2007/08.

DESIGN AND ENGINEERING

As the designer for the Collins Class submarines, ASC's Design and Engineering team supports the various maintenance activities for the submarines by implementing new technology and new capability designs.

The continued development of reliable and innovative solutions to challenging engineering problems, as well as the successful implementation of enhanced capabilities on board the submarines, has significantly increased our reputation as an emerging global submarine engineering force.

Notwithstanding our routine maintenance support work that includes boat surveys, defect analysis and reliability improvements, it is our larger design projects that introduce new capability and address major obsolescence problems that keep ASC's design capability challenged.

The 2007/08 year has been notable for various major design achievements and capability improvements, including:

- Platform integration of Ultra High Frequency and Extremely High Frequency communication systems;
- Platform integration of a replacement combat system;
- Auxiliary seawater cooling system improvements and automatic operation of hull valves;
- Special forces modifications;
- Improvements to the halon firefighting system and fire detection; and
- Resolution of a range of obsolescence issues.

COLLINS CLASS SUBMARINES

While we significantly increase the capability of the Collins Class submarines, at the same time a balance must be achieved between combat effectiveness, affordability, platform reliability and safety, in an effort to optimise the through-life cost of ownership.

There is risk associated with every engineering decision; therefore effective risk management, and the technical regulatory framework within which ASC operates, underpins all engineering work. All changes and design variations are routinely subject to hazard risk and safety assessments, and are managed to risk levels as low as reasonably practicable.

ASC's close working relationship with our customer ensures that we can be responsive to changes in operational requirements and work collaboratively with Commonwealth engineers to meet Naval Technical Regulations, while achieving the required levels of design certification and safety standards.

Our relationship with the customer is taken very seriously; we place much emphasis on responsiveness and cooperation. As a result, 96 per cent of incentives based on key milestones and deliveries deemed important by our customer were achieved this financial year.

The complexity of the Collins Class submarines as a result of the range of technologies employed to maintain and operate them, requires a well-structured and highly trained team of engineering specialists to support the class.

Our submarine design and engineering capability continued to grow during 2007/08, with our team now consolidated to around 300 engineering and technical specialists comprised of electrical, mechanical, structural, systems, material and software engineers, as well as naval architects, designers and logisticians.

Ongoing technical and personal development ensures our engineers are operating at the leading edge of submarine design with access to the latest tools and technology. In addition, our focus on the continuous improvement of business practices has continued.

Our Design and Engineering group is shifting towards an integrated electronic work environment. The roll-out of a product lifecycle management system now supports document management, data access and electronic workflow; as well as improved configuration management through the consolidation of multiple databases.

Strong progress has also been made towards ASC's achievement of Level 3 Capability Maturity Model Integration; ahead of our 2009 scheduled milestone. Collectively, these achievements represent an enormous step towards enhanced efficiency and effectiveness.

The 2007/08 period also saw the establishment of our dedicated submarine research and development arm; designed to explore new ideas and build on the experience gained through our long-term involvement in the Collins Class submarine program.



**COLLINS CLASS
SUBMARINES**



SUBMARINE TRAINING

During 2007/08, ASC and the Royal Australian Navy completed our third year (of a five year training contract) for the management and provision of submarine training services.

Based at the Submarine Training System Centre at HMAS *Stirling* in Western Australia, ASC provides a full gamut of submariner training, from entry-level recruit training through to advanced re-qualification platform training.

Over a 12-month period, ASC will typically train 85 to 100 trainee submariners, provide operational training for submarine crews and provide Collins Class submarine familiarisation training for Defence and ASC personnel.

SUBMARINE ESCAPE AND RESCUE CENTRE

The 2007/08 year is notable for ASC's success in being selected as the preferred tenderer for the Submarine Escape and Rescue Centre (SERC) services contract. This high profile and challenging contract covers two key areas of service delivery:

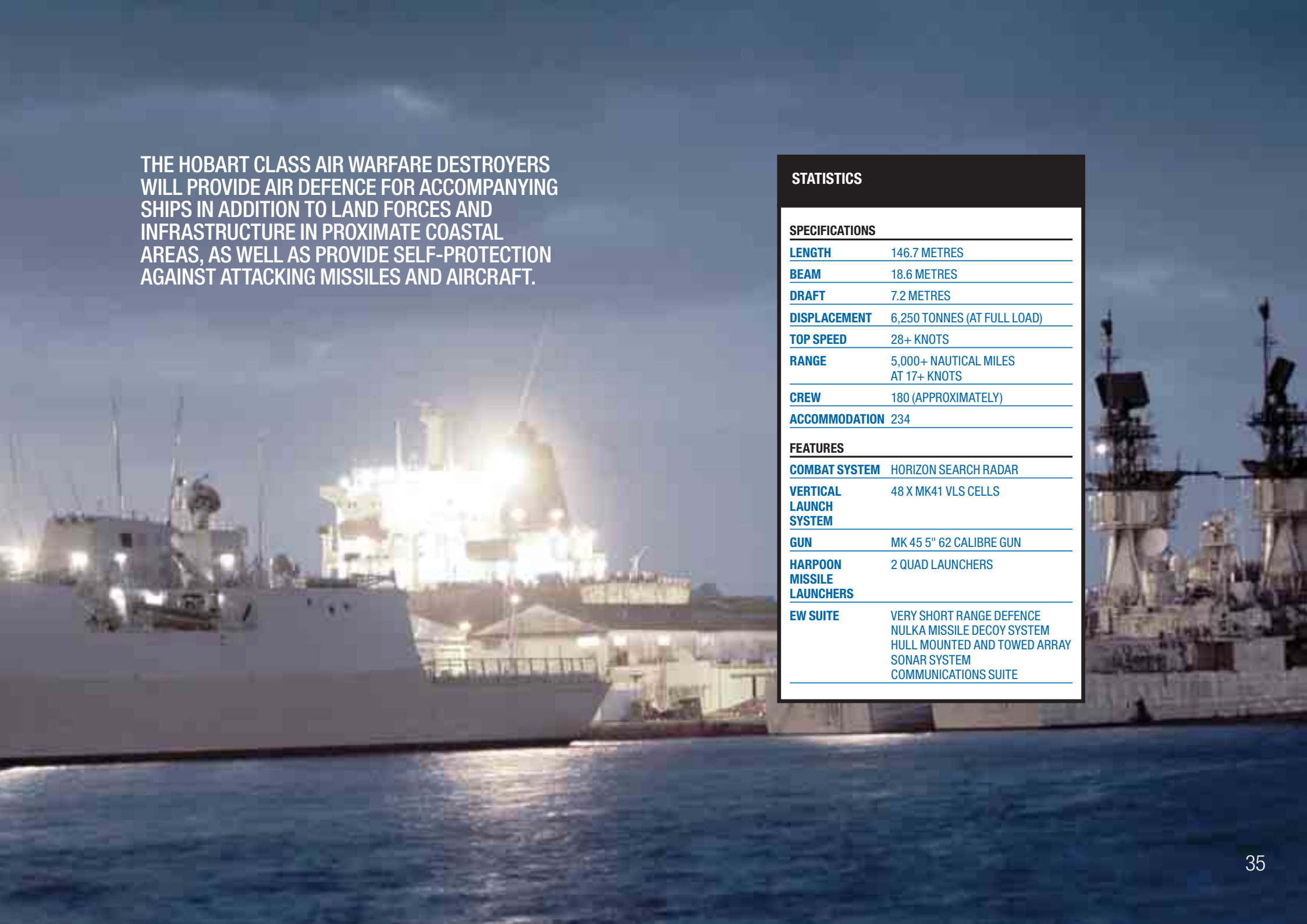
- The maintenance and operation of the Commonwealth's Submarine Escape Training Facility, which provides submarine escape training for submariners; and
- The maintenance and operation of the Commonwealth's Submarine Escape and Rescue Services, which provides submarine rescue coverage.

The initial contract period is for five years, with an opportunity for extension based on ASC's performance.



A large, modern grey warship, the HMAS Adelaide (DDG 392), is docked at night. The ship's hull number '392' is visible on its side. Several large yellow cranes are positioned around the ship, with their powerful lights illuminating the scene. The ship's complex superstructure, including radar masts and various antennas, is clearly visible against the dark sky. The water in the foreground reflects the bright lights from the cranes and the ship's own lights.

**HOBART CLASS
AIR WARFARE
DESTROYERS**



THE HOBART CLASS AIR WARFARE DESTROYERS WILL PROVIDE AIR DEFENCE FOR ACCOMPANYING SHIPS IN ADDITION TO LAND FORCES AND INFRASTRUCTURE IN PROXIMATE COASTAL AREAS, AS WELL AS PROVIDE SELF-PROTECTION AGAINST ATTACKING MISSILES AND AIRCRAFT.

STATISTICS

SPECIFICATIONS

LENGTH	146.7 METRES
BEAM	18.6 METRES
DRAFT	7.2 METRES
DISPLACEMENT	6,250 TONNES (AT FULL LOAD)
TOP SPEED	28+ KNOTS
RANGE	5,000+ NAUTICAL MILES AT 17+ KNOTS
CREW	180 (APPROXIMATELY)
ACCOMMODATION	234

FEATURES

COMBAT SYSTEM	HORIZON SEARCH RADAR
VERTICAL LAUNCH SYSTEM	48 X MK41 VLS CELLS
GUN	MK 45 5" 62 CALIBRE GUN
HARPOON MISSILE LAUNCHERS	2 QUAD LAUNCHERS
EW SUITE	VERY SHORT RANGE DEFENCE NULKA MISSILE DECOY SYSTEM HULL MOUNTED AND TOWED ARRAY SONAR SYSTEM COMMUNICATIONS SUITE

HOBART CLASS AIR WARFARE DESTROYERS

SHIPBUILDING PERFORMANCE

Our shipbuilding business is committed to the Hobart Class Air Warfare Destroyer (AWD) Program in the provision of a timely and efficient delivery of an affordable, effective, flexible and sustainable air warfare destroyer capability for the security of Australia.

The construction of Australia's air warfare destroyers will be one of the most significant shipbuilding projects undertaken in Australia. AWDs are highly technical, complex and formidable naval ships. Their role is primarily one of control: controlling environments above, around and below them, with the latest weapons, communications and systems technology. The ships will also provide support and humanitarian aid in regional activities.

SHIPBUILDER FOR THE AWD PROGRAM

As the shipbuilder, ASC is an integral part of the AWD Program and operates within the AWD Alliance along with Defence Materiel Organisation and Raytheon Australia (the combat system systems engineer).

Our responsibilities within the AWD Program were formalised in October 2007 with ASC signing the Alliance Based Target Incentive Agreement (ABTIA). The ABTIA commits the Alliance members to work as an integrated team to deliver the Royal Australian Navy's next generation warships.

Following the contract signing, ASC formally entered the Build Phase of the Program. This stage includes design, planning, engineering and procurement, and the commencement of ship manufacture and assembly.

To support these tasks, we began the all-important process of selecting suitable contractors to build major blocks for the Hobart Class AWDs. A Block Bidders' Conference was held in January 2008 to solicit initial interest, followed by the receipt of formal industry responses to ASC's request for proposals to build ship blocks. These proposals have since been evaluated with the selection of preferred block contractors to be made in late 2008.

A significant milestone in June 2008 saw ASC recognised by the Commonwealth of Australia as prepared and capable to undertake the task of constructing the Hobart Class destroyers.

The Integrated Baseline Review positively reported that we have a solid understanding of project scope, and have detailed plans and budgets, as well as effective financial reporting and controls, in place.

Together with our Alliance partners, ASC participated in the System Functional Review during the year, a process whereby segment level requirements for the Hobart Class are evaluated. This review concluded that the combat, platform and support segment requirements, by which the ship design will be developed, were sufficiently defined to continue on track towards Preliminary Review Design. This milestone signified an important step forward towards finalising the Hobart Class destroyer design.

The 2007/08 period is also notable for the defining and testing of critical shipbuilding operational processes and associated business systems. The involvement of Bath Iron Works and Navantia (the ship designer) has been invaluable as the shipbuilding team continues this important process towards the start of manufacturing in 2009.



HOBART CLASS AIR WARFARE DESTROYERS

AWD ALLIANCE

The AWD Alliance contract model is founded on collaboration between the participants and a shared risk and reward structure, which ensures all parties are aligned in the common objective of delivering the three air warfare destroyers within schedule and on budget.

Currently comprised of 350 personnel, the Alliance team is housed at the AWD Systems Centre in Adelaide but will, in 2010, move to Osborne, where the team will be housed in a purpose-built facility adjacent to ASC's shipyard. The project will eventually employ around 1,900 people, both at Osborne and at suppliers' facilities across Australia.

TECHPORT AUSTRALIA

Key infrastructure to support our role in the AWD Program continued during 2007/08, with the completion of 40 per cent of Common User Facility (CUF) construction work, which is being undertaken by Defence SA, the South Australian Government entity responsible for delivering AWD Program infrastructure. The CUF comprises a new wharf, dry berth, transfer system and ship lift.

In addition Defence SA completed construction of the Maritime Skills Centre, which has subsequently opened for business.

As a key stakeholder in the CUF project, we have played an integral role in the development of its design in order to ensure full integration with our own shipyard.





FACILITIES







INFRASTRUCTURE DEVELOPMENT

The 2007/08 year was a watershed for ASC's major infrastructure development programs in South Australia and Western Australia.

ASC is most fortunate to receive considerable support from both the South Australian Government and the Western Australian Government for our infrastructure development projects.

ASC WEST (WESTERN AUSTRALIA)

ASC West was officially opened on 30 April 2008 by Western Australian Minister for Energy, Science and Innovation The Hon. Francis Logan, Federal Parliamentary Secretary for Defence Procurement The Hon. Greg Combet, Director General Submarines Commodore Rick Longbottom and ASC Chairman John Prescott.

The \$35 million submarine maintenance and support facility represents an amalgamation of three operational sites in Western Australia into one state-of-the-art facility, located adjacent to the Australian Marine Complex' (AMC) Common User Facility in Henderson. For the first time, ASC has a permanent home in Western Australia.

Managed for ASC by Worley Parsons, construction of ASC West commenced in February 2007 and was completed on time in March 2008.

The dedicated submarine support facility houses:

- Modern office accommodation for up to 185 personnel, including dedicated facilities for submarine crews and Royal Australian Navy (RAN) personnel;
- A large maintenance shed for undercover submarine support activities with permanent staging and services;
- Warehouse space and associated offices;
- Use of a Western Australian Government-funded floating dock; and
- A self-propelled modular transfer system, from the floating dock to our maintenance shed, to allow for the easy transportation of submarines from the water.

ASC West will be the base for undertaking several million dollars worth of submarine support activities each year. Our facility has the capacity to support two submarines concurrently and to undertake short duration dockings if required.

The proximity to the HMAS *Stirling* naval base on Garden Island, combined with easy access to suppliers and facilities available within the AMC, will enable ASC to deliver more effective and efficient services to the RAN.

The first submarine docking at ASC West is expected to occur late 2009, in line with when the floating dock commences service at the AMC.

ASC SHIPBUILDING (SOUTH AUSTRALIA)

Our \$100 million shipyard, which will be the construction site for Australia's Hobart Class Air Warfare Destroyer (AWD) Program, achieved a number of major milestones during the 2007/08 year.

A soil turning ceremony, officiated by the South Australian Deputy Premier The Hon. Kevin Foley and ASC Managing Director Greg Tunny on 7 March 2008, formally marked the commencement of shipyard construction work.

This milestone followed extensive design work, including the finalisation of the layout of the shipyard.

The shipyard design includes:

- A mechanical/electrical/pipe and warehouse building;
- A two-bay production workshop;
- Refurbishment of the existing structural workshop;
- Establishment of a temporary blast and paint facility;
- An administration building;
- A wharf-support building; and
- The infrastructure and services within the shipyard to support construction and outfitting work, including the moving of ship blocks within the shipyard and to the Common User Facility dry berth for ship assembly.

Construction work commenced onsite in February 2008 with the demolition of a number of existing buildings. Activities have continued to increase in intensity with civil and earth works across the site, the establishment of ground plateaus for the administration and wharf support buildings, and the piling of these two sites to support their building structures.

Other works that have commenced during the year include installation of the site-wide drainage system and civil works in support of the new workshops and warehouse.

ASC Shipbuilding's infrastructure is proceeding as planned, with all onsite construction work on schedule for completion in November 2009.

ASC OSBORNE (SOUTH AUSTRALIA)

An investment in capital works at our Osborne submarine facility has seen the commencement of various construction and refurbishment projects across the site. In particular, ASC is investing in various upgrades to:

- Electrical workshops and production support offices;
- Mechanical workshops; and
- The Production Quality Control and non-destructive testing laboratory.

In addition, 2007/08 saw the completion of a new 4,500sqm warehouse which enables ASC to efficiently and cost-effectively store materials onsite, rather than maintaining the previous inflexibility and inefficiency associated with managing offsite storage.

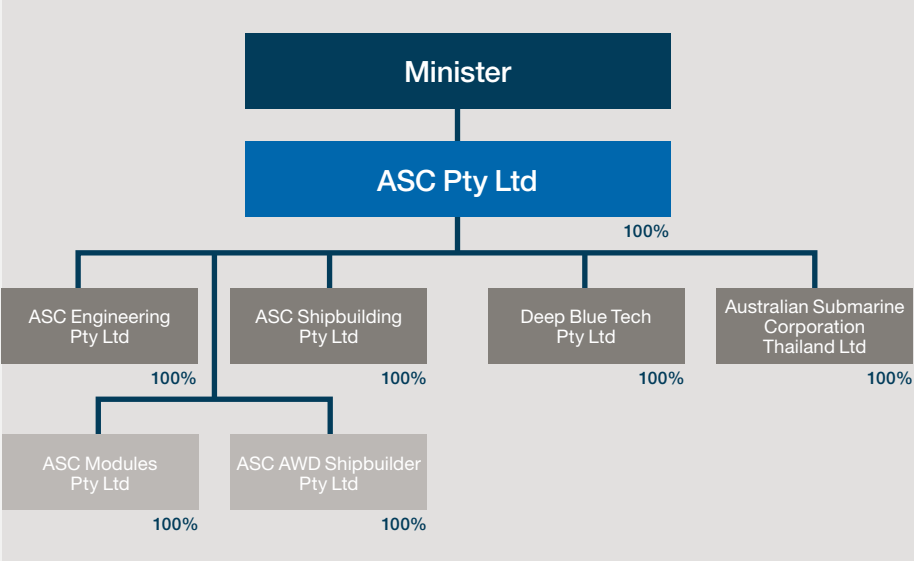
CORPORATE GOVERNANCE

STATUS

ASC is a proprietary company limited by shares registered under the Corporations Act and is subject to the *Commonwealth Authorities and Companies Act 1997* (Cth) (CAC Act). All the shares issued in the capital of ASC are owned by the Minister for Finance and Deregulation (Minister).

– The ASC Group is comprised as follows:

On 11 June 2004, ASC was proclaimed as a Government Business Enterprise under the CAC Act.



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 2007/08 year.

DIRECTORS

The directors of ASC (other than the Managing Director) are appointed by the Minister for a term. As at 30 June 2008, the Board was comprised as follows (in order of appearance):

NAME	APPOINTED	EXPIRES
Charles Bagot	3 Nov 2000	30 Jun 2009
Greg Tunny (Managing Director and Chief Executive Officer)	11 Oct 2004	–
Graeme Bulmer	10 Nov 2000	30 Jun 2009
Geoff Phillips	16 Oct 2006	31 Dec 2009
John Prescott AC (Chairman)	3 Nov 2000	30 Jun 2009
Mike Terlet AO	16 Oct 2006	31 Dec 2009
Dr Bill Schofield	1 Nov 2006	31 Dec 2009
VADM Chris Ritchie AO RANR	28 Aug 2007	21 Aug 2010

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

CORPORATE GOVERNANCE

ASC has adopted a corporate governance protocol which establishes:

- Charters for the Board, Audit Committee, Nomination and Remuneration Committee, and Business Assurance and Security Committee; and
- A Code of Conduct for directors and executives.

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 ensuring that corrective action is devised and implemented as necessary;
- Reviewing and ratifying systems of risk management, internal control and legal compliance to ensure 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; and
- Monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies.

AUDIT COMMITTEE

The objectives of the Audit Committee are to:

- Help the Board achieve its objectives in relation to:
  - Financial reporting;
  - The application of accounting policies; and
  - Internal control;
- Maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- Ensure effective internal and external audit functions and communication between the Board and the external and internal auditors;
- Ensure financial compliance strategies and financial compliance functions are effective; and
- Maintain an effective external and internal audit function, in compliance with all applicable laws.

As at 30 June 2008, the committee comprised Graeme Bulmer (Chairman), Geoff Phillips and Mike Terlet AO.

NOMINATION AND REMUNERATION COMMITTEE

The objectives of the Nomination and Remuneration Committee Charter are to:

- Make recommendations to the Board on the following matters:
  - Suggested appointments to the Board for consideration by the Minister;
  - Remuneration of the Managing Director (after considering the performance of the Managing Director against agreed goals and the requirements of the Remuneration Tribunal);
  - Remuneration of the Managing Director's direct reports (after considering the performance of those direct reports against their agreed goals); and
  - Guidelines for the remuneration of ASC management;
- Consider any other item referred to it by the Board from time to time; and
- Consider any material to be included in ASC's Annual Report.

As at 30 June 2008, the committee comprised John Prescott AC (Chairman) and Charles Bagot.

BUSINESS ASSURANCE AND SECURITY COMMITTEE

The objectives of the Business Assurance and Security Committee charter are to:

- Ensure as far as possible that the Group's material risks other than those arising from financial reporting and accountability (being risks considered by the Audit Committee) are identified, monitored and appropriately managed or controlled;
- Promote a culture of compliance;
- Ensure compliance strategies and functions are effective; and
- Ensure compliance with the Group's obligations in respect of the *International Traffic in Arms Regulations* (US).

As at 30 June 2008, the committee comprised Charles Bagot (Chairman), John Prescott AC, Dr Bill Schofield AM and VADM Chris Ritchie AO RANR.

ATTENDANCE

Attendance at Board and committee meetings during 2007/08 was as follows:

DIRECTOR	BOARD		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		BUSINESS ASSURANCE AND SECURITY COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
John Prescott AC (Chairman)	13	13	–	–	1	1	2	2
Greg Tunny (Managing Director and Chief Executive Officer)	13	13	–	–	–	–	–	–
Charles Bagot	13	12	2	1	1	1	2	2
Graeme Bulmer	13	13	5	5	–	–	–	–
General (Rtd) John Baker AC DSM (passed away July 2007)	–	–	–	–	–	–	–	–
Geoff Phillips	13	13	5	5	–	–	–	–
Mike Terlet AO	13	12	3	3	–	–	–	–
Dr Bill Schofield AM	13	13	–	–	–	–	2	2
VADM Chris Ritchie AO RANR	12	12	–	–	–	–	2	2

During the year:

- VADM Chris Ritchie AO RANR was appointed a director on 9 August 2007; and
- General (Rtd) John Baker AC DSM passed away on 9 July 2007.

CODE OF CONDUCT

ASC has implemented a Code of Conduct for directors and executives which seeks to:

- Articulate the high standards of honest integrity, ethical and law-abiding behaviour expected of directors and executives;
- Encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders;
- Guide directors and executives as to the practices considered necessary to maintain confidence in the ASC Group's integrity; and
- Set out the responsibility and accountability of directors and executives to report and investigate any reported violations of this Code of Conduct or unethical or unlawful behaviour.

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 the responsibility for internal financial audit. The Group Financial Internal Auditor 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:

- Implementation of an enterprise-wide Risk Management Framework;
- An Executive Risk Management Committee; and
- The ASC Insurance Program.

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

LEGAL COMPLIANCE

ASC has established a legal compliance program which complies with Australian Standard 8306 covering:

- Criminal code;
- Defence exports;
- Employment;
- Environment;
- Occupational health and safety;
- Privacy;
- Risk management; and
- Trade practices.

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



BOARD OF DIRECTORS

L to R: Charles Bagot, Greg Tunny, Graeme Bulmer,
Geoffrey Phillips, John Prescott, Mike Terlet,
Dr Bill Schofield and Vice Admiral Chris Ritchie.



BOARD OF DIRECTORS

JOHN PRESCOTT AC

CHAIRMAN

BCom (Industrial Relations)

Chairman since November 2000, Chairman of the Nomination and Remuneration Committee and member of the Business Assurance and Security Committee.

Mr Prescott is also Chairman of Queensland Rail, a director of Newmont Mining Corporation and Patron of the Sunshine Coast Business Council. He is the former Director and Chief Executive Officer of BHP.

Mr Prescott first became involved with ASC in 1999 when he and the late Dr Malcolm McIntosh co-wrote the McIntosh Prescott Report which addressed various aspects associated with the Collins Class submarines.

Mr Prescott brings a wide range of skills and significant experience within engineering and defence industries to his role as Chairman of the Board.

AGE: 67

RESIDENCE: MELBOURNE

GREG TUNNY

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MBA, BSc (Physics), ComplEAust

Managing Director since October 2004.

Mr Tunny is the former Managing Director of Thales Air Traffic Management (Australia) and Regional Director Asia. He is also the former Director of Business Development for ADI Limited (now Thales) and the former General Manager of ADI's software and systems business.

Mr Tunny brings to the Board international business experience and a distinguished career in defence systems integration and development.

AGE: 47

RESIDENCE: ADELAIDE

CHARLES BAGOT

NON-EXECUTIVE DIRECTOR

LLB (Hons)

Non-executive director since November 2000, Chairman of the Business Assurance and Security Committee and member of the Nomination and Remuneration Committee.

Mr Bagot is the national head of law firm Piper Alderman's Corporate Division as well as a council member of the University of Adelaide. In addition to his directorship with ASC, Mr Bagot serves on the boards of a number of companies.

Mr Bagot has broad legal experience across corporations law, privatisation, resources law, intellectual property and trade practices. He also brings to his role on the Board significant experience in corporate and commercial disputes and enquiries.

AGE: 60

RESIDENCE: ADELAIDE

GRAEME BULMER

NON-EXECUTIVE DIRECTOR

DipChem, DipChemEng

Non-executive director since November 2000 and Chairman of the Audit Committee.

Mr Bulmer is the former Acting Chief Executive Officer of ASC and former Chief Executive Officer of BTR Automotive Asia Pacific. In addition, Mr Bulmer has served as Chairman on many boards including Eurovox, Unidrive, China General Plastics Corporation (Taiwan), Taita Chemical Company (Taiwan), Asia Polymer Corporation (Taiwan) and BTR Motherson Automotive (India), as well as holding various directorships.

Mr Bulmer has a strong background in domestic and Asian manufacturing. He also brings to the Board his experience across a number of directorships of major international companies.

AGE: 68

RESIDENCE: MELBOURNE

GEOFFREY PHILLIPS

NON-EXECUTIVE DIRECTOR

MBA, BEng (Chemical) (Hons)

Non-executive director since October 2006 and member of the Audit Committee.

Mr Phillips is also a director of Airport Link Group, CP2 and Molopo Australia Limited. Until August 2005, he was employed by the Transurban Group, initially as Finance Director and Company Secretary and subsequently as Deputy Managing Director. Mr Phillips is also the former Commercial Manager – South Australian Business Unit for Santos and the former Chief Operating Officer of Potter Warburg Limited's (now UBS Australia Ltd) Corporate Finance and Fixed Interest Divisions.

Mr Phillips has a strong background in financial services, business and management, and brings experience across a diverse set of industries to his role on the board.

AGE: 64

RESIDENCE: MELBOURNE

MICHAEL TERLET AO

NON-EXECUTIVE DIRECTOR

MBA, FAIM, FAICD, JP

Non-executive director since October 2006 and member of the Audit Committee.

Mr Terlet is also the Chairman of the International Wine Investment Fund, United Water International Pty Ltd, Tidswell Financial Services Ltd and the International Centre of Excellence for Water Resources Management. He is also a director of Equity & Advisory and Chairman of the Land Management Corporation, ACHA Health Group, Water Industry Alliance, National Institute of Labour Studies, The Leaders Institute of South Australia Inc and co-Chairman of the SA Business and Parliamentary Trust.

Mr Terlet has a strong background in international trading and investment as well as significant experience in the formation of one of Australia's largest defence and aerospace companies. He also brings to the Board his experience across a number of directorships of major Australian companies spanning a range of industries.

AGE: 65

RESIDENCE: ADELAIDE

DR BILL SCHOFIELD AM

NON-EXECUTIVE DIRECTOR

PhD (Engineering), MEngSci, BMechEng (Hons)

Non-executive director since November 2006 and member of the Business Assurance and Security Committee.

Dr Schofield is the former Deputy Chief Defence Scientist of the Defence Science and Technology Organisation (DSTO), Director of Aeronautical and Maritime Research Laboratory, First Assistant Secretary Science Policy, Chief Airframes and Engines Division and the former Chief Flight Mechanics and Propulsion.

Dr Schofield was also a co-author of the Kinnaird Review of Defence procurement.

An engineer, Dr Schofield brings to the Board his analytical and scientific skills together with his practical understanding of engineering disciplines and defence technology.

AGE: 67

RESIDENCE: MELBOURNE

VICE ADMIRAL CHRIS RITCHIE AO RANR

NON-EXECUTIVE DIRECTOR

FAICD, RCDS, RAAFSC

Non-executive director since August 2007 and member of the Business Assurance and Security Committee.

VADM Ritchie is also the Chair of Australian Defence College Advisory Board and a Director of Maritime Australia Limited. VADM Ritchie is also the former Chief of the Royal Australian Navy, Australian Defence Force Australian Theatre Commander and Head of Capability Systems. He is also the former Maritime Commander Australia and the former Director General Military Strategy and Concepts, and Naval Policy and Warfare.

With a distinguished background in Australia's Defence Force, VADM Ritchie brings to the Board an eminent appreciation of Australia's maritime defence challenges, as well as a uniquely valuable understanding of ASC's customer.

AGE: 59

RESIDENCE: CANBERRA





Financial Report

DIRECTORS' REPORT	54
AUDITOR'S INDEPENDENCE DECLARATION	56
INCOME STATEMENTS	57
BALANCE SHEETS	58
STATEMENTS OF RECOGNISED INCOME AND EXPENSE	59
STATEMENTS OF CASH FLOWS	60
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	61
DIRECTORS' DECLARATION	95
INDEPENDENT AUDITOR'S REPORT	96

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

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 2008.

DIRECTORS

The directors of the Company during the whole of the 2007/08 financial year and up to the date of this report were:

John Barry Prescott AC
Charles Neville Hervey Bagot
Graeme Richard Bulmer
Gregory Roy Tunny
Geoffrey Raymond Phillips
Michael John Terlet AO
Dr William Hunter Schofield AM

VADM Christopher Angus Ritchie AO RANR was appointed a director on 21 August 2007 and continues in office up to the date of this report.

General (Rtd) John Stuart Baker AC DSM was a director of the Company until he passed away on 9 July 2007. General Baker was a valued member of the Company's Board and Audit Committee, since his appointment as a director of the Company on 1 July 2002. He played an important role on the Board that oversaw the Group's transition from submarine construction to maintenance, and expansion into naval shipbuilding. The Company was most fortunate to have benefited from General Baker's distinguished career in the Australian Defence Force and his broader leadership qualities.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year ended 30 June 2008 included:

SUBMARINES – COLLINS CLASS SUBMARINES:

The major submarine related activities included maintenance, design development, engineering and upgrading of six submarines for the Royal Australian Navy (RAN). These activities were undertaken for the Collins Class submarines under the Through-Life Support Contract. This contract is due to expire in 2018 subject to exercise of options for a further two five-year periods.

SHIPBUILDING – HOBART CLASS AIR WARFARE DESTROYER (AWD) PROGRAM:

In the financial year ending 30 June 2008, ASC entered into the Alliance Based Target Incentive Agreement (ABTIA) with other members of the Air Warfare Destroyer Alliance, the Defence Materiel Organisation and Raytheon Australia. The ABTIA commits the Alliance members to work as an integrated team to deliver the Royal Australian Navy'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 \$29,670,000 after provision for income tax expense of \$14,268,000.

REVIEW OF OPERATIONS

SUBMARINE ACTIVITIES:

The Company is currently operating in the fourth year of the Collins Class submarine Through-Life Support Contract. All other submarine related contracts are either completed or expected to be converted to the Through-Life Support Contract.

SHIPBUILDING ACTIVITIES:

Since entering into the alliance based contract for the design and construction of three Hobart Class Air Warfare Destroyers in October 2007, significant progress has been made in preparation for the commencement of this construction program, including workforce mobilisation, engagement with key suppliers and development of the shipyard. All key milestones have been met according to plan.

DIVIDENDS

The directors have declared a fully franked final dividend of \$9,250,000, compared with \$9,825,000 for the 2006/07 financial year which was paid on 5 September 2007. The dividend will be payable at a date yet to be determined.

The final dividend is in addition to the interim fully franked dividend of \$8,650,000 paid on 6 March 2008, compared with \$7,975,000 in the 2006/07 financial year.

The 2007/08 total dividend represents a distribution to the shareholder of \$17,900,000, compared with \$17,800,000 in the 2006/07 financial year.

STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

ENVIRONMENTAL REGULATION

The operations of the Group and the Company are subject to environmental regulations 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: Environmental Management Systems (EMS). Accreditation for AS/NZ ISO 14001: Environmental Management Systems was achieved for the Company's South Australian submarine facility in March 2008. The Company's Western Australian site and the Group's South Australian shipbuilding facility are implementing the EMS requirements for certification in the near future.

The Group complied with all applicable environmental regulations and site specific environmental licence requirements.

EVENTS SUBSEQUENT TO BALANCE DATE

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

It is the Commonwealth of Australia's stated intent to privatise the Company at some point in the future.

The Company is a Government Business Enterprise under the *Commonwealth Authorities and Companies Act 1997*, which requires the Company to operate efficiently, earn a commercial rate of return and observe a more standardised and transparent reporting framework. Strict procedures governing the relationship between the Company, the Department of Defence and the Department of Finance and Deregulation have been put in place.

DIRECTORS' BENEFITS

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 OFFICERS

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 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.

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 insurance policy prohibit disclosure of the amounts of the premium payable.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

The Auditor's Independence Declaration is set out on page 56 and forms part of the Directors' Report for the year ended 30 June 2008.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and the accompanying financial statements have been rounded off to the nearest thousand dollars unless otherwise stated.

Dated at Canberra this 9th day of October 2008.

Signed in accordance with a resolution of directors.



John B Prescott AC
Chairman



Gregory R Tunny
Director

**AUDITOR'S
INDEPENDENCE
DECLARATION**
TO THE DIRECTORS OF
ASC PTY LTD AND ITS
CONTROLLED ENTITIES



In relation to our audit of the financial report of ASC Pty Ltd and its controlled entities for the year ended 30 June 2008, 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

A handwritten signature in black ink that reads 'Michael White'.

Michael White
Executive Director

Delegate of the Auditor-General

13 October 2008

**ASC PTY LTD AND
ITS CONTROLLED
ENTITIES**

INCOME STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
Revenue from continuing operations	4(a)	315,353	305,801	274,100	262,761
Other income	4(b)	9,546	6,602	8,941	6,297
Expenses					
Materials and subcontractors		(99,146)	(112,872)	(83,142)	(90,253)
Labour		(135,852)	(126,210)	(122,254)	(111,294)
Depreciation and amortisation	5	(5,348)	(3,938)	(4,690)	(3,710)
Finance costs	5	(152)	(506)	(23)	(25)
Operating lease		(5,209)	(2,443)	(3,364)	(2,241)
Professional fees		(3,346)	(2,773)	(1,979)	(2,193)
Repairs and maintenance		(6,514)	(5,603)	(5,773)	(4,701)
Other expenses		(25,394)	(15,915)	(20,513)	(15,413)
Profit before tax		43,938	42,143	41,303	39,228
Income tax (expense)/benefit	7(a)	(14,268)	(12,560)	(13,412)	(11,685)
Profit after tax		29,670	29,583	27,891	27,543

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

BALANCE SHEETS

AS AT 30 JUNE 2008

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	11,186	9,030	10,560	8,287
Restricted cash	9	12,721	—	—	—
Trade and other receivables	10	33,098	45,865	29,345	47,909
Contract work in progress	17	8,217	6,573	6,341	4,020
Other financial assets	12	65,729	38,214	65,729	38,214
Inventories	11	7,040	8,559	7,040	8,559
Other	14	1,166	983	953	932
TOTAL CURRENT ASSETS		139,157	109,224	119,968	107,921
NON CURRENT ASSETS					
Receivables	10	—	—	12,092	2,408
Investments accounted for using the equity method	13	—	5	—	5
Other financial assets	12	24,211	46,172	37,211	59,172
Property, plant and equipment	15	144,800	121,240	109,216	101,603
TOTAL NON CURRENT ASSETS		169,011	167,417	158,519	163,188
TOTAL ASSETS		308,168	276,641	278,487	271,109
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft	8	6	109	—	—
Trade and other payables	16	53,324	39,979	45,272	37,302
Non interest-bearing liabilities	18	—	5	7,289	1,196
Interest-bearing liabilities	19	16,240	—	—	—
Current tax liabilities	7(b)	4,552	5,081	4,552	5,081
Provisions	20	34,557	33,537	32,515	31,405
TOTAL CURRENT LIABILITIES		108,679	78,711	89,628	74,984
NON CURRENT LIABILITIES					
Non interest-bearing liabilities	18	6,904	4	2	2
Deferred tax liabilities	7(d)	6,947	26,914	3,282	23,087
Provisions	20	10,761	12,143	10,231	11,835
TOTAL NON CURRENT LIABILITIES		24,612	39,061	13,515	34,924
TOTAL LIABILITIES		133,291	117,772	103,143	109,908
NET ASSETS		174,877	158,869	175,344	161,201
EQUITY					
Contributed equity	21	10,000	10,000	10,000	10,000
Reserves	22	61,415	54,484	50,747	43,902
Retained earnings	23	103,462	94,385	114,597	107,299
TOTAL EQUITY		174,877	158,869	175,344	161,201

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

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
Reduction of revaluation reserve on disposal	22	(1,106)	—	—	—
Gain/(Losses) on revaluation of land and buildings, net of tax	22	8,037	23,470	6,845	15,835
Actuarial gains (losses) on defined benefit plans after tax	25(d)	(2,693)	2,114	(2,693)	2,114
Net gains/(losses) recognised directly in equity		4,238	25,584	4,152	17,949
Profit for the year		29,670	29,583	27,891	27,543
Total recognised income and expense for the year		33,908	55,167	32,043	45,492

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED
30 JUNE 2008

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**STATEMENTS OF
CASH FLOWS**

FOR THE YEAR ENDED
30 JUNE 2008

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations (inclusive of goods and services tax)		353,964	325,408	302,488	279,560
Cash payments to suppliers and employees in the course of operations (inclusive of goods and services tax)		(317,164)	(285,810)	(267,113)	(244,649)
Income taxes refunded/(paid)	7(b)	(36,474)	(13,005)	(36,474)	(13,005)
Net cash provided by/(used in) operating activities	34(b)	326	26,593	(1,099)	21,906
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		7,535	4,979	7,833	5,280
Leverage lease income		25,359	2,642	25,359	2,642
Proceeds from disposal of non-current assets		105	775	105	5
Proceeds from invested funds	34(c)	79,959	79,961	79,959	79,961
Payments for invested funds	34(c)	(88,444)	(79,982)	(88,444)	(79,982)
Payments for property, plant and equipment		(14,510)	(15,804)	(2,523)	(14,918)
Loan (to)/from controlled entity		–	–	(442)	1,265
Loan (to)/from associates		(5)	–	(5)	–
Investment in associates		5	–	5	–
Net cash used in investing activities		10,004	(7,429)	21,847	(5,747)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(18,475)	(14,325)	(18,475)	(14,325)
Proceeds from/(repayment to) borrowings		10,420	–	–	–
Interest paid		(16)	(354)	–	(1)
Net cash used in financing activities		(8,071)	(14,679)	(18,475)	(14,326)
Net increase/(decrease) in cash and cash equivalents		2,259	4,485	2,273	1,833
Cash and cash equivalents at the beginning of the financial year		8,921	4,436	8,287	6,454
Cash and cash equivalents at the end of the financial period	34(a)	11,180	8,921	10,560	8,287

The above statements of cash flows should be read in conjunction with the accompanying notes.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

ASC Pty Ltd is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity") and the consolidated entity's interest in associates. The financial report is presented in Australian dollars.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

COMPLIANCE WITH IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial reports of ASC Pty Ltd complies with International Financial Reporting Standards (IFRS).

EARLY ADOPTION OF STANDARDS

The Group has elected to apply the following accounting standard and pronouncement to the annual reporting period beginning 1 July 2006:

- AASB 8 Operating Segments (issued February 2007)

Application of AASB 8 resulted in segment disclosures no longer being required. The segment reporting note has therefore been omitted from the financial statements.

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with AIFRS 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.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

(B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT ADOPTED EARLY

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group has not adopted the following standards early. The Company and the Group's assessment of the impact of these new standards and interpretations are set out below.

REVISED AASB 123 BORROWING COSTS AND AASB 2007-6 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 AND INTERPRETATIONS 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group has not incurred any borrowing costs relating to the qualifying assets.

AASB-I 14 THE LIMIT OF A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. The Group's defined benefit plan is not subject to minimum funding requirements. The Group will apply AASB-I 14 from 1 July 2008, but it is not expected to have an impact on the Group's financial statements.

REVISED AASB 101 PRESENTATION OF FINANCIAL STATEMENTS AND AASB 2007-8 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 101 AND AASB 2007-10 FURTHER AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(C) PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASC Pty Ltd ("the company") as at 30 June 2008 and the results of all subsidiaries for the year then ended.

ASC Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

ASSOCIATES

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at cost less any associated impairment.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(D) REVENUE RECOGNITION

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

RENDERING OF SERVICES

Revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the transaction at the balance sheet date. 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 one 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 that it is probable will be recoverable.

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

INTEREST INCOME

Interest income is recognised as it accrues, using the effective interest method.

OTHER REVENUE

The revenue recognition policy for work in progress for revenue generating activities is described in Accounting Policy note 1(e) below.

(E) WORK IN PROGRESS FOR REVENUE GENERATING ACTIVITIES VALUATION

Work in progress is carried at cost, plus profit recognised 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 the loss is identified.

Cost includes all costs directly related to specific contracts and those which can be attributed to contract activity in general and which can be allocated to specific contracts on a reasonable basis. Such costs include administration overhead costs which are directly related to the Company's contract with the Commonwealth of Australia.

Tendering costs on contracts are expensed as incurred.

RECOGNITION OF REVENUE

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

Revenue arising from the performance of the contract is recognised in the Income Statement on the basis of the stage of completion of the contract. 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 one is more appropriate depending on the nature of the contract. Recognition of revenue arising from progress billings received in advance of the performance of contract activities has been 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 that it is probable will be recoverable.

(F) 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 ASC Pty Ltd's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

The incurrence of liabilities denominated in foreign currencies is matched by the recognition of contract claims receivable denominated in the same foreign currencies.

Foreign exchange differences arising in respect of foreign currency items are included in the measurement of the contract billings and work in progress costs.

(G) PROPERTY, PLANT AND EQUIPMENT

VALUATION OF LAND AND BUILDINGS

Land and buildings are carried at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the asset revaluation reserve in shareholders' 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 charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

VALUATION OF PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

Costs incurred on plant and equipment are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components of a complex asset they are accounted for as separate assets and are separately depreciated over their useful lives.

DEPRECIATION

Depreciation is charged to the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The useful lives used for each class of asset are as follows:

– Buildings	8 – 40 years
– Plant and Equipment	3 – 11 years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

LEASED PLANT AND EQUIPMENT

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representable of the pattern of benefits to be derived from the leased property.

(H) TAXATION

TAX CONSOLIDATION

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries set out in note 32. The implementation date for the tax-consolidated group is 1 July 2002.

The head entity recognises all of the current tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions). Current tax liabilities and assets of wholly owned subsidiaries are recorded in "other trade payables/receivables" to reflect that the transactions that are giving rise to the tax are in the subsidiaries.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The tax-consolidated group has entered into a tax sharing agreement that requires wholly owned subsidiaries to make contributions to the Head entity for the total of current tax assets and liabilities arising from all transactions. The contribution is recorded as an inter-company receivable or payable.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(H) TAXATION (CONT.)

ACCOUNTING FOR INCOME TAX

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on income tax for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at balance sheet date.

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 balance relates 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(I) EMPLOYEE BENEFITS

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid at reporting date including related on-costs.

LONG SERVICE LEAVE

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs.

DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution plan are recognised as expenses in the Income Statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The consolidated entity's net obligation in respect of the defined benefit superannuation plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The discount rate is the rate attaching to AAA credit rated bonds that have maturity dates which most closely match the terms of maturity of the related liabilities. Where AAA credit rated bonds are not available and specifically for all Australian Dollar denominated obligations, the discount rate is the rate attaching to Commonwealth Government Bonds at reporting date which most closely match the terms of maturity of the related liabilities.

When the employee entitlements under the plan are improved, the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement. Where the calculation results in a net benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

All actuarial gains and losses as at 1 July 2004, the date of transition to AIFRS, were recognised to retained earnings and the actuarial gains and losses that arise subsequent to the transition date are recognised directly to retained earnings.

(J) RECEIVABLES

Trade 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.

(K) PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade and other payables are stated at amortised cost. Trade payables are non-interest bearing, unsecured and are normally settled on 30-day terms.

(L) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(M) PROVISIONS

A provision is recognised in the Balance Sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

SELF INSURANCE

The company 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 benefit required to settle a provision is 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.

In the Income Statement, the expense recognised in respect of a provision is presented net of the recovery.

In the Balance Sheet, the provision is recognised net of the recovery receivable when the entity:

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

WARRANTY

The estimate for the warranty obligation for design, engineering and maintenance activities is based on engineering assessments as to probable repair or restoration costs of the products arising from warranty claims. Provision for warranty is made for claims received and expected based on past sales and historical claim rates. Significant uncertainty relates to estimates for contracting activities as the estimates depend on circumstances particular to each contract.

Warranty funds received from the Commonwealth of Australia for warranty are recognised directly to the warranty provision.

(N) INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is determined on the basis of each inventory line's expected recoverable amount. Selling expenses are estimated and deducted to establish net realisable value.

The cost of inventories is based in the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(O) IMPAIRMENT

The carrying amount of the consolidated entity's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is assessed.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit and loss.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate recognised at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(O) IMPAIRMENT (CONT.)

REVERSALS OF IMPAIRMENT

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(P) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(Q) INVESTMENTS

Investments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and in the case of monetary items such as debt securities, foreign exchange gains and losses. The fair value is their quoted bid price at the balance sheet date. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement.

Investments classified as available-for-sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the consolidated entity.

(R) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current mid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

(S) BORROWINGS

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 the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet 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 other income or other expenses.

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 balance sheet date.

(T) BORROWING COSTS

Borrowing costs incurred during the financial year are expensed.

(U) DIVIDENDS

Provision is made on or before the end of the financial year in accordance with the Dividend Policy adopted by the Board of the Company.

(V) 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.

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

No liability has been recognised by the Company or the consolidated entity in relation to these guarantees, as the fair values of the guarantees as at 30 June 2008 and 30 June 2007 are immaterial.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 entity and that are believed to be reasonable under the circumstances.

KEY SOURCES OF ESTIMATION UNCERTAINTY

PROVISION FOR WARRANTY

The consolidated entity has a warranty provision for submarine related activities. This provision is calculated based on claims received and expected future claims based on past sales and historical claim rates. ASC has a Through-Life Support contract with the Commonwealth of Australia represented by the Defence Materiel Organisation for the maintenance of the Collins Class submarines. This contract began on 1 July 2004, and provides little historical evidence for the calculation of the warranty provision. The historical detail from the previous build contract has therefore been considered as a base for determining potential future warranty claims.

The historical data used in the estimation of the provision takes into consideration not only actual warranty claims made under the build contract, but also a percentage of the historical re-work costs incurred by ASC within one year of acceptance of each submarine. These re-work costs are included in the calculation because in prior periods potential warranty claims have been recorded and treated as re-work. The percentage used is based on management's best estimate at year end.

PROVISION FOR SELF INSURANCE

The provision for self insurance is raised when an incident occurs that may give rise to a workers' compensation claim. This is measured by the estimated cost of that claim, discounted to its present value. The margin is inclusive of a contingency which is intended to increase the probability that the provision will remain adequate to meet the expected liabilities. The risk margin is required to allow for the inherent risks in the self insurance industry and for environmental uncertainty. Under the APRA prudential standards for private sector insurers a probability sufficiency of 75% is required as a minimum. ASC's provision level is in excess of the APRA minimum requirement, in line with the Company's assessment of the risks that it is exposed to.

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 Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of directors 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 Company's and the Group's financial risk management policies and procedures. It also reviews the adequacy of the financial risk management framework of the Company and the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular and ad hoc 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 of directors on their activities.

(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. For the Company it also arises from receivables due from subsidiaries.

TRADE AND OTHER RECEIVABLES

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

INVESTMENTS

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least BBB 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 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 also arises in relation to financial guarantees given to certain parties (see note 26 for details). Such guarantees are issued in accordance with the ASC Corporate Management Policies and only provided to support a financial/commercial arrangement.

For additional credit risk disclosures refer to note 33(a).

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(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.

All major contracts of the Group are 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 million overdraft facility that is unsecured. Interest would be payable at the rate of BBOR (Bank Bill Official Rate) plus 100 basis points.

Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

For additional liquidity risk disclosures refer to note 33(b).

(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 and the Company are fully recoverable from their commercial and contractual arrangements. The consolidated entity did not have any outstanding foreign exchange contracts as at reporting date.

INTEREST RATE RISK

As the Group holds long-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.

These financial instruments are liquid as they are tradeable in a secondary market. As a general rule, the Group holds these investments to maturity thereby reducing exposure to changes in market value.

The Group does not have any interest-bearing long-term borrowings.

For additional interest rate risk disclosures refer to note 33(c).

CAPITAL RISK MANAGEMENT

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

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

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
4				
(A) REVENUE				
Revenue from continuing operations				
Revenue from rendering of services				
Related parties	315,279	305,524	274,057	262,639
Other parties	74	77	43	78
	315,353	305,601	274,100	262,717
Other revenue				
Rental income received from:				
Other parties	–	200	–	44
	–	200	–	44
Total revenue from continuing operations	315,353	305,801	274,100	262,761
(B) OTHER INCOME				
Interest				
Related parties	–	–	339	303
Other parties	5,969	5,126	5,928	5,123
Leveraged lease income	2,569	104	2,569	104
Fair value adjustment of leverage lease	–	762	–	762
Profit from sale of fixed assets	24	610	105	5
Other income	984	–	–	–
Total other income	9,546	6,602	8,941	6,297
5 PROFIT BEFORE TAX				
Items included in profit before tax				
Impairment of non-current assets				
– Impairment on investment in subsidiary (reversal of impairment)	–	–	–	(2,600)
Depreciation of:				
Buildings	3,733	2,404	3,192	2,328
Plant and equipment	1,615	1,534	1,498	1,382
Total depreciation	5,348	3,938	4,690	3,710
Finance costs:				
Bank charges	136	152	23	24
Interest expenses				
Other parties	16	354	–	1
	152	506	23	25
Inventory write down/(reversal of write down)	–	(1,654)	–	(1,654)
Operating lease rental expense:				
Minimum lease payments	5,209	2,443	3,364	2,241

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
30 JUNE 2008

6 AUDITORS' REMUNERATION

Audit services:

Amount received or due and receivable by the Australian National
Audit Office (ANAO) as auditors of ASC

CONSOLIDATED
JUN-08 JUN-07
\$ \$

THE COMPANY
JUN-08 JUN-07
\$ \$

250,000 233,000 250,000 233,000

Other services:

During 2007/08, PwC were contracted by ANAO to provide audit services on the ANAO's behalf.
In addition to fees earned from the subcontracted audit, PwC earned the following fees for
engagements where they were separately contracted by ASC during 2007/08:

– Other assurance services

87,007 – 78,447 –

87,007 – 78,447 –

CONSOLIDATED
JUN-08 JUN-07
\$'000 \$'000

THE COMPANY
JUN-08 JUN-07
\$'000 \$'000

7 TAXATION

(A) INCOME TAX EXPENSE

Recognised in the income statement

Current tax expense

Current year

35,899 15,663 34,952 14,746

Adjustments for prior years

46 (51) 46 (51)

35,945 15,612 34,998 14,695

Deferred tax expense

Temporary differences arising during the year, net of reversal

(22,440) (3,052) (22,241) (3,010)

Change in unrecognised temporary differences

763 – 655 –

(21,677) (3,052) (21,586) (3,010)

Total income tax expense in income statement

14,268 12,560 13,412 11,685

Attributable to:

Continuing operations

14,268 12,560 13,412 11,685

Numerical reconciliation between tax expense and pre-tax net profit

Profit before tax

43,938 42,143 41,303 39,228

Income tax using the domestic corporation tax rate
of 30% (2007: 30%)

13,181 12,643 12,391 11,768

Increase in income tax expense due to:

Non-deductible expenses

321 94 321 94

Decrease in income tax expense due to:

Tax incentives not recognised in income statement

(44) – – –

13,458 12,737 12,712 11,862

Under/(Over) provided in prior years

810 (177) 700 (177)

Income tax expense on pre tax net profit

14,268 12,560 13,412 11,685

Attributable to:

Continuing operations

14,268 12,560 13,412 11,685

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
(B) CURRENT TAX LIABILITIES/(PREPAID INCOME TAX)				
Movements during the year were as follows:				
Balance at the beginning of the year	5,081	2,474	5,081	2,474
Income tax paid	(36,474)	(13,005)	(36,474)	(13,005)
Current year's current income tax expense on operating profit	35,899	15,663	34,952	14,746
Controlled entity provision	—	—	947	917
Under/(Over) provision in prior years	46	(51)	46	(51)
	4,552	5,081	4,552	5,081
(C) UNRECOGNISED DEFERRED TAX ASSETS				
Deferred tax assets have not been recognised in respect of the following items:				
Capital gain tax losses	3,478	530	3,478	530
	3,478	530	3,478	530

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
(D) DEFERRED TAX ASSETS AND LIABILITIES						
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Consolidated						
Land, building, plant and equipment	9,370	10,412	(26,318)	(23,836)	(16,948)	(13,424)
Employee entitlements	6,894	6,269	—	—	6,894	6,269
Provisions for warranty	2,661	2,639	—	—	2,661	2,639
Project recognised profit	120	130	—	—	120	130
Leveraged lease	—	—	—	(21,083)	—	(21,083)
Interest accrual	—	—	(830)	(470)	(830)	(470)
Net pension assets	—	—	(449)	(1,321)	(449)	(1,321)
Impairment loss – investment in subsidiary	—	(780)	—	—	—	(780)
Sundry items	1,647	1,203	(42)	(77)	1,605	1,126
Net tax assets/(liabilities)	20,692	19,873	(27,639)	(46,787)	(6,947)	(26,914)
The Company						
Land, building, plant and equipment	9,358	10,401	(21,827)	(19,293)	(12,469)	(8,892)
Employee entitlements	6,122	5,634	—	—	6,122	5,634
Provisions for warranty	2,661	2,558	—	—	2,661	2,558
Project recognised profit	120	130	—	—	120	130
Leveraged lease	—	—	—	(21,083)	—	(21,083)
Interest accrual	—	—	(830)	(470)	(830)	(470)
Net pension assets	—	—	(449)	(1,321)	(449)	(1,321)
Sundry items	1,610	405	(47)	(48)	1,563	357
Net tax assets/(liabilities)	19,871	19,128	(23,153)	(42,215)	(3,282)	(23,087)

Deferred tax assets have been offset against deferred tax liabilities pursuant to set-off provisions.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

7 TAXATION (CONT.)

Tax consolidation legislation

ASC Pty Ltd and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(h).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, ASC Pty Ltd.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate ASC Pty Ltd for any current tax payable assumed and are compensated by ASC Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to ASC Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due within seven days of receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are included in the balance of the current loan to controlled entities in note 10 or the balance of the current loan from controlled entities in note 18.

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
8 CASH AND CASH EQUIVALENT AND BANK OVERDRAFT				
Cash at bank and in hand	11,186	9,030	10,560	8,287
Bank overdraft	(6)	(109)	—	—
	11,180	8,921	10,560	8,287

Cash is bearing floating interest rates between 4.80% and 7.25% (2006: 4.50% and 5.75%).

The bank overdraft is bearing floating interest rates between 6.91% and 7.50% (2006: 6.63% and 6.91%).

The consolidated entity's and the Company's exposure to interest rate risk is discussed in note 3 and the additional interest rate risk disclosure is detailed in note 33(c).

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
9 RESTRICTED CASH				
Restricted cash represents advances made by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA).	12,721	—	—	—

Restricted cash paid by the Commonwealth of Australia are in both Australian and foreign currencies and are required to be separately maintained with a Commonwealth of Australia approved interest bearing account, for the sole purpose of receiving and holding advance payments from the Commonwealth of Australia.

Transactions through these advance accounts are restricted to the following:

- 1) advances paid by the Commonwealth of Australia to ASC AWD Shipbuilder Pty Ltd;
- 2) interest earned on amounts in these advance accounts;
- 3) fees charged for maintaining these advance accounts;
- 4) advance reimbursement payment to ASC AWD Shipbuilder Pty Ltd for direct project costs of the Air Warfare Destroyer program incurred by ASC AWD Shipbuilder Pty Ltd as defined under ABTIA;
- 5) repayment of advance reimbursement payment as mentioned in item 4) above from ASC AWD Shipbuilder Pty Ltd; and
- 6) other transactions as directed by the Commonwealth of Australia.

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
10 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	32,291	20,794	28,886	20,655
Less: provision for doubtful trade receivables	–	(8)	–	–
	32,291	20,786	28,886	20,655
Other receivables	807	2,289	459	2,267
Loans to controlled entities	–	–	–	2,197
Leveraged lease receivable	–	25,359	–	25,359
Less: unearned income	–	(2,569)	–	(2,569)
	33,098	45,865	29,345	47,909
Non-current				
Loans to controlled entities	–	–	12,092	2,408
	–	–	12,092	2,408

Other receivables

Other debtors also includes interest receivable.

Loans to ASC Shipbuilding Pty Limited, ASC Engineering Pty. Limited, ASC Modules Pty Ltd and Deep Blue Tech Pty Ltd (wholly owned controlled entities) attract a commercial rate of interest on the average outstanding balance every six months. The commercial interest rate used is levied at a margin of 2% p.a. over the Reserve Bank of Australia "Cash Rate". Refer to note 4(b) for details of interest revenue in relation to these loans.

ACCOUNTS RECEIVABLE AGEING PROFILE

Receivables

Not Past Due	33,069	23,035	29,316	22,889
Past Due 1–30 Days	19	42	19	33
Past Due 31–60 Days	–	4	–	–
Past Due 61–90 Days	–	–	–	–
Past Due 90+ Days	10	2	10	–

Credit sales are on 30 day terms. Interest may be charged on trade receivables balances that are not repaid by the due date. Further, interest may be charged, at agreed upon rates normally reflecting market rates, where contract terms of repayment fall outside of the consolidated entity's normal terms. Collateral may or may not be obtained.

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision of doubtful debts is recognised when collection of the full nominal amount is no longer probable. At balance date, management have determined that there is no recoverability exposure and no provision for doubtful debts is required.

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 90+ days. 99.8% of the balance is owed by the Group's most significant customer, the Commonwealth of Australia, which has a good credit history with the Company. No impairment losses have been recognised for 2008 (2007: nil).

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

11 INVENTORIES

Current

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

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
	7,040	8,559	7,040	8,559
	7,040	8,559	7,040	8,559

12 OTHER FINANCIAL ASSETS

Current

Marketable interest securities (at fair value)

	65,729	38,214	65,729	38,214
	65,729	38,214	65,729	38,214

Non-current

Net pension assets

Marketable interest securities (at fair value)

Unlisted shares at cost

Less: provision for diminution

	1,496	4,404	1,496	4,404
	22,715	41,768	22,715	41,768
	–	–	20,000	20,000
	–	–	(7,000)	(7,000)
	24,211	46,172	37,211	59,172

Unlisted shares at cost consists of investments in the Company's wholly owned subsidiaries.

The Company funds the deficiency in net assets in its wholly owned subsidiary ASC Shipbuilding Pty Limited and ASC Modules Pty Limited. The deficiency is expected to be recovered from profits generated under the AWD contract.

13 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

Associates – ASCOV Pty Ltd (50% owned, dormant)

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
	–	5	–	5
	–	5	–	5

ASCOV Pty Ltd has been dormant since incorporated.

14 OTHER CURRENT ASSETS

Prepayments

	1,166	983	953	932
	1,166	983	953	932

15 PROPERTY, PLANT AND EQUIPMENT

Freehold land

At independent valuation

Buildings

At independent valuation

Plant and equipment

At cost

Accumulated depreciation

Capital works in progress

Total property, plant and equipment

	27,769	25,049	17,420	15,550
	76,900	73,150	70,350	65,150
	41,039	38,923	38,720	36,570
	(31,319)	(30,929)	(29,580)	(29,088)
	9,720	7,994	9,140	7,482
	30,411	15,047	12,306	13,421
	144,800	121,240	109,216	101,603

15 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of year	25,049	14,349	15,550	9,200
Revaluation increments/(decrements)	2,720	10,700	1,870	6,350
Carrying amount at the end of year	27,769	25,049	17,420	15,550
Buildings				
Carrying amount at the beginning of year	73,150	52,520	65,150	51,000
Transfers from capital works in progress	484	212	484	212
Disposals	(1,763)	–	–	–
Revaluation increments/(decrements)	8,762	22,822	7,908	16,266
Depreciation	(3,733)	(2,404)	(3,192)	(2,328)
Carrying amount at the end of year	76,900	73,150	70,350	65,150
Plant and equipment				
Carrying amount at the beginning of year	7,994	7,476	7,482	6,666
Additions	171	17	–	–
Transfers from capital works in progress	3,176	2,200	3,156	2,198
Disposals	(6)	(165)	–	–
Depreciation	(1,615)	(1,534)	(1,498)	(1,382)
Carrying amount at the end of year	9,720	7,994	9,140	7,482
Capital works in progress				
Carrying amount at the beginning of year	15,047	912	13,421	912
Additions/(Write off)	19,024	16,545	2,523	14,919
Transfers to property, plant and equipment	(3,660)	(2,410)	(3,638)	(2,410)
Carrying amount at the end of year	30,411	15,047	12,306	13,421

Valuations

An independent valuation of all land and buildings of the Company and its wholly owned subsidiary entities was carried out by Maloney Field Services Property Consultants & Valuers as at 30 June 2008. The valuation basis of land and building is fair value.

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 approach.

Non-current assets pledged as security

Refer to note 27 for information on non-current assets pledged as security by the Company and its controlled entities.

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
30 JUNE 2008

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
16 TRADE AND OTHER PAYABLES				
Trade payables	26,351	17,884	20,470	16,112
Other payables and accruals	26,973	22,095	24,802	21,190
Total payables	53,324	39,979	45,272	37,302
17 CONTRACT WORK IN PROGRESS				
Contract billings due and receivable	(524,570)	(399,432)	(445,265)	(363,864)
Contract work in progress	454,023	355,305	411,871	338,020
Profit recognised to date	78,764	50,700	39,735	29,864
Contract work in progress/(Net unearned contract billing)	8,217	6,573	6,341	4,020
18 NON INTEREST BEARING LIABILITIES				
Current				
Loans from controlled entities	–	–	7,289	1,191
Loans from associate entities	–	5	–	5
	–	5	7,289	1,196
Non-current				
Term loan	4	4	2	2
Government contribution to capital work in progress	6,900	–	–	–
	6,904	4	2	2

Term loan

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.

- (i) 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.
- (ii) 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 \$4,000 in total in the financial year ended 30 June 2008 (2007: \$4,000) under AASB139 (Financial Instruments: Recognition and Measurement).

Government contribution to capital work in progress

As part of the Air Warfare Destroyer Program, subsidiaries of the Company entered into an agreement with the Commonwealth of Australia where the Commonwealth of Australia makes contribution to build a production facility required for the construction of the Air Warfare Destroyers.

Under this arrangement, a subsidiary of the Company 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.

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
19 INTEREST BEARING LIABILITIES				
Current				
Government advance	16,240	–	–	–
	16,240	–	–	–
Government advance				
Government advance represents the working capital advance provided by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA).				
This advance is repayable on demand when certain criteria has been met and if the ABTIA is terminated.				
Financing arrangements				
Unsecured facilities				
Total facilities available				
Overdraft facilities	12,000	12,000	–	–
Bank guarantees and letters of credit	9,436	33,851	8,936	10,975
	21,436	45,851	8,936	10,975
Facilities utilised at balance date				
Overdraft facilities	6	109	–	–
Bank guarantees and letters of credit	4,436	28,851	3,936	5,975
	4,442	28,960	3,936	5,975
Facilities not utilised at balance date				
Overdraft facilities	11,994	11,891	–	–
Bank guarantees and letters of credit	5,000	5,000	5,000	5,000
	16,994	16,891	5,000	5,000
20 PROVISIONS				
Current				
Employee entitlements, including on costs	18,687	17,155	16,645	15,509
Warranty	5,001	3,706	5,001	3,434
Self insured workers compensation	1,619	2,637	1,619	2,637
Dividends	9,250	9,825	9,250	9,825
Other	–	214	–	–
	34,557	33,537	32,515	31,405
Non-current				
Employee entitlements, including on costs	4,280	3,579	3,750	3,271
Warranty	3,870	5,091	3,870	5,091
Self insured workers compensation	2,611	3,473	2,611	3,473
	10,761	12,143	10,231	11,835

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS**
FOR THE YEAR ENDED
30 JUNE 2008

20 PROVISIONS (CONT.)

	CONSOLIDATED		THE COMPANY	
	JUN-08	JUN-07	JUN-08	JUN-07
	\$'000	\$'000	\$'000	\$'000
Provisions movements:				
Warranty				
Balance at 1 July 2007 (current and non-current)	8,797	10,637	8,525	7,400
Provision made/(reversed) during the year	347	(1,397)	346	1,125
Provision used during the year	(273)	(443)	–	–
Balance at 30 June 2008 (current and non-current)	8,871	8,797	8,871	8,525
Self insured workers compensation				
Balance at 1 July 2007 (current and non-current)	6,110	7,911	6,110	7,911
Provision made/(reversed) during the year	(308)	759	(308)	759
Provision used during the year	(1,572)	(2,560)	(1,572)	(2,560)
Balance at 30 June 2008 (current and non-current)	4,230	6,110	4,230	6,110
Dividends				
Balance at 1 July 2007 (current and non-current)	9,825	6,350	9,825	6,350
Provision made during the year	8,650	17,800	8,650	17,800
Provision used during the year	(9,225)	(14,325)	(9,225)	(14,325)
Balance at 30 June 2008 (current and non-current)	9,250	9,825	9,250	9,825
Other				
Balance at 1 July 2007 (current and non-current)	214	617	–	–
Provision made during the year	–	46	–	–
Provision used during the year	(163)	(449)	–	–
Provision reversed during the year	(51)	–	–	–
Balance at 30 June 2008 (current and non-current)	–	214	–	–
21 ISSUED CAPITAL				
Opening issued and paid-up share capital – 10 million ordinary shares (1 July)	10,000	10,000	10,000	10,000
Movement during the reporting period	–	–	–	–
Closing issued and paid-up share capital	10,000	10,000	10,000	10,000

There has been no movement in issued capital for any of the periods presented.

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
22 RESERVES				
Opening asset revaluation reserve (1 July)	54,484	31,014	43,902	28,067
Reduction of reserve on building disposal, net of tax	(1,106)	–	–	–
Revaluation increment, net of tax	8,037	23,470	6,845	15,835
Closing asset revaluation reserve	61,415	54,484	50,747	43,902
Total reserves	61,415	54,484	50,747	43,902
Asset revaluation reserve				
Comprises of:				
– Land	18,097	15,983	11,354	10,045
– Building	43,318	38,501	39,393	33,857
Closing balance	61,415	54,484	50,747	43,902

23 RETAINED EARNINGS

Opening retained earnings (1 July)	94,385	80,488	107,299	95,442
Actuarial gains (losses) on defined benefit plans after tax	(2,693)	2,114	(2,693)	2,114
Net profit for the year	29,670	29,583	27,891	27,543
Dividends	(17,900)	(17,800)	(17,900)	(17,800)
Closing retained earnings	103,462	94,385	114,597	107,299

24 DIVIDENDS

Interim fully franked dividend, declared and paid	8,650	7,975	8,650	7,975
Final fully franked dividend, declared and provided for	9,250	9,825	9,250	9,825
Total fully franked dividend, represents a distribution to the shareholder	17,900	17,800	17,900	17,800

All dividends declared during the year were paid out of profits.

Dividends franking account

Class C (30%) franking credits	96,441	68,168	96,441	68,168

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

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

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

25 COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
Not later than one year	87,191	29,858	16,605	29,858
Later than one year but not later than five years	13,157	—	300	—
	100,348	29,858	16,905	29,858

(B) OPERATING LEASE COMMITMENTS

Non-cancellable future operating lease rentals not provided for in the financial statements and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

Not later than one year	6,077	4,357	4,861	2,712
Later than one year but not later than five years	19,369	11,271	19,322	10,137
Later than five years	89,297	52,077	89,297	52,077
	114,743	67,705	113,480	64,926

The consolidated entity leases computer and other equipment under operating leases expiring from one to three years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

(C) HIRE PURCHASE COMMITMENTS

The Company and its controlled entities have no hire purchase commitments as at the reporting date.

(D) SUPERANNUATION COMMITMENTS

The Company and its controlled entities contribute to the ASC Superannuation Fund that provides for a combination of accumulation and defined benefits. Employees contribute to the fund at various percentages of their gross income. The Company and its controlled entities also contribute to the fund at varying contribution rates depending on the category of fund membership of each member. Members of the ASC Superannuation Fund are entitled to benefits on retirement, disability or death. The trustee of the fund is Trust Company Superannuation Services Limited and the administrator of the fund is KPMG Superannuation Services Pty Limited.

DEFINED BENEFITS PLAN

Defined benefit category

The Company and its controlled entities make 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 2008 was carried out by Dimitrios Repanis, Fellow of the Institute of Actuaries of Australia, of ASKIT Consulting Pty Ltd on 13 August 2008. 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 Company and other controlled entities.

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
Movements in the net liability/(asset) for defined benefits obligations recognised in the balance sheet				
Net liability/(asset) for defined benefit obligations at 1 July	(4,404)	(738)	(4,404)	(738)
Contributions received	(76)	(74)	(76)	(74)
Expense/(income) recognised in the income statement	(861)	(572)	(861)	(572)
Actuarial (gains)/losses recognised directly in equity	3,846	(3,020)	3,846	(3,020)
Net liability/(asset) for defined benefit obligations at 30 June	(1,496)	(4,404)	(1,496)	(4,404)
Defined benefit superannuation fund				
Amounts in the balance sheet				
Liability	–	–	–	–
Asset	1,496	4,404	1,496	4,404
Net asset	1,496	4,404	1,496	4,404
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	14,005	13,874	14,005	13,874
Service cost	83	88	83	88
Interest cost	830	791	830	791
Actuarial losses/(gains)	(1,348)	(748)	(1,348)	(748)
Benefits paid	(2,465)	–	(2,465)	–
Closing defined benefit obligation	11,105	14,005	11,105	14,005
Changes in the fair value of fund assets are as follows:				
Opening fair value of fund assets	18,409	14,612	18,409	14,612
Expected return	1,775	1,450	1,775	1,450
Actuarial gains/(losses)	(5,194)	2,272	(5,194)	2,272
Contributions by employer	76	74	76	74
Benefits paid	(2,465)	–	(2,465)	–
Closing fair value of fund assets	12,601	18,409	12,601	18,409
	CONSOLIDATED		THE COMPANY	
	JUN-08	JUN-07	JUN-08	JUN-07
	%	%	%	%
The major categories of fund assets as a percentage of total fund assets are as follows:				
Australian equities	37	36	37	36
International equities	29	32	29	32
Australian fixed interest	14	14	14	14
International fixed interest	4	4	4	4
Property trusts	4	3	4	3
Private equity	2	1	2	1
Alternative assets	1	0	1	0
Cash	9	10	9	10
	100	100	100	100

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

25 COMMITMENTS (CONT.)

(D) SUPERANNUATION COMMITMENTS (CONT.)

The investment policies and strategies of the Trustee of the ASC Superannuation 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 the 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 financial instruments. For the defined benefit category of membership, members are provided with a benefit based upon their salary, years of service and accrual rate.

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
Expense recognised in the income statement:				
Current service costs	83	88	83	88
Interest cost	830	791	830	791
Expected return on fund assets	(1,775)	(1,450)	(1,775)	(1,450)
	(861)	(572)	(861)	(572)
Actuarial gains/(losses) are recognised directly in equity.				
The expense is recognised in the following line items in the income statement:				
Pension costs/(revenues)	(938)	(646)	(938)	(646)
Contribution paid (in labour costs)	76	74	76	74
	(861)	(572)	(861)	(572)
Actual return on fund assets	(3,416)	3,722	(3,416)	3,722
	(3,416)	3,722	(3,416)	3,722
Expense recognised in statements of recognised income and expense				
Actuarial gains/(losses) recognised in the year (net of tax)	(2,692)	2,114	(2,692)	2,114
Cumulative actuarial gains/(losses) recognised in the statement of recognised income and expense	(1,501)	1,191	(1,501)	1,191

Employer contributions

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, and the last such assessment was made as at 31 December 2006.

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. This 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 experience (as detailed below), the actuary recommended in the actuarial review as at 31 December 2006, that a contribution holiday be taken by the Company and its controlled entities for contributions to the fund for employees who are members of the defined benefit plan. This contribution holiday has been adopted by the Company and its controlled entities as at 1 January 2007 with a review of the actuarial recommendation to take place no later than 1 October 2008. The contribution holiday was recommended by the actuary due to the fund surplus as at 31 December 2006.

The Company and its controlled entities expect to contribute \$nil to the defined benefit superannuation fund in the 2009 financial year.

The overall expected long-term rate of return on assets is 9.9%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments.

	CONSOLIDATED		THE COMPANY	
	JUN-08	JUN-07	JUN-08	JUN-07
Principal actuarial assumptions at the balance sheet date:				
Discount rate at 30 June	6.5	5.7	6.5	5.7
Expected return on fund assets at 30 June	9.9	9.9	9.9	9.9
Future salary increases	5.6	5.8	5.6	5.8

Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2008), and a surplus of \$1,495,525 was reported.

Any surplus under AAS 25 may differ from the net asset of \$1,495,525 recognised in the balance sheet as at 30 June 2008 due to different measurement rules in the relevant accounting standards AAS25 and AASB 119 *Employee Benefits*.

Historic summary

	JUN-08 \$'000	JUN-07 \$'000	JUN-06 \$'000	JUN-05 \$'000
Defined benefit obligation	(11,105)	(14,005)	(13,874)	(12,277)
Fund assets	12,601	18,409	14,612	13,594
Surplus/(deficit)	1,496	4,404	738	1,317
Experience adjustments arising on fund assets	(5,194)	2,272	(310)	549

(E) OTHER COMMITMENTS

The Company has commitments for expenditure in respect of contracts let to subcontractors for the supply of constituent elements required under the Company's contract with the Commonwealth of Australia. The final amount of these commitments is not quantifiable. The timing of the Company's commitment 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.

26 CONTINGENT LIABILITIES

The Company has arranged the issuance of a bank guarantee in favour of Workcover Corporation of SA for the purpose of self insurance under the Workers Rehabilitation and Compensation Act. Certain of the Company's subsidiaries 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 ASC Group is \$4.1 million (2007: \$28.9 million).

The Company also arranged a letter of credit in favour of a supplier in support for its payment obligation. The value of the letter of credit arranged by the Company is \$0.4 million (2007: \$0).

In addition to the above, the Company and/or its subsidiaries has provided guarantees and indemnities for the following:

- to the State Government of South Australia in relation to ASC AWD Shipbuilder Pty Ltd's obligations 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 agreement;
- 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; and
- to various banks in support of the \$12 million in finance facilities and the \$4.1 million bank guarantees and \$0.4 million of letter of credit mentioned above.

No losses are expected in relation to these guarantee arrangements.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

27 REGISTERED CHARGES

The Commonwealth of Australia holds first mortgage over the freehold land and building owned by the Company and a fixed charge over the moveable manufacturing plant and equipment owned by the Company in connection 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 contract.

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
Total current assets pledged as security				
Trade receivables	3,405	107	—	—
Other receivables	7	22	—	—
Contract work in progress	1,867	2,554	—	—
	5,279	2,683	—	—
Total non-current assets pledged as security				
Land	17,420	15,550	17,420	15,550
Buildings	70,350	65,150	70,350	65,150
Plant and equipment	7,139	5,101	7,139	5,101
	94,909	85,801	94,909	85,801

28 ECONOMIC DEPENDENCY

The normal trading activities of ASC Pty Ltd and its subsidiaries depend on contracts the Company and its subsidiaries have 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 of the financial year.

29 KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

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

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employment benefits	1,019,442	840,996	1,019,442	840,996
Post-employment benefits	89,385	76,509	89,385	76,509
	1,108,827	917,505	1,108,827	917,505

Key management personnel consists of executive and non executive directors.

The increase in the remuneration reflects an increase in the size of the Board during the financial year ended 30 June 2008.

Loans to key management personnel

No loan was outstanding at the reporting date to key management personnel.

Other key management personnel transactions with the Company and its controlled entities

From time to time there may be transactions between the key management personnel and the Company and its controlled entities.

The terms and conditions of those transactions would be no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non key management personnel related entities on an arm's length basis. There have been no transactions with key management personnel during the financial year.

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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 consolidated entity, in subsequent financial years.

31 RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of director of ASC Pty Ltd during the financial year are Messrs JB Prescott AC, CNH Bagot, GR Bulmer, General (Rtd) JS Baker AC DSM (deceased 9 July 2007), GR Tunny, GR Phillips, MJ Terlet AO, Dr WH Schofield AM and VADM, CA Ritchie AO RANR (appointed on 21 August 2007).

The expenses incurred by directors in discharging duties of their office were reimbursed.

Other related parties

Shareholders

In performing its contracts, the Company has transacted on normal commercial terms and conditions with the following shareholder:

- the Commonwealth of Australia and its related entities.

The Commonwealth of Australia has provided auditing services to the Company through the Australian National Audit Office (ANAO).

The Commonwealth of Australia is the ultimate parent entity.

The Company is a large proprietary company, incorporated in Australia. The registered office and principal place of business is Mersey Road, Osborne SA 5017.

Transactions with shareholders

During the year, the amounts received or receivable by the Company from the Commonwealth of Australia for various projects was \$274,057,000 (2007: \$261,758,000).

During the year, the amounts of audit fees paid to ANAO was \$250,000 (2007: \$233,000).

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

Balances with shareholders

2008
\$

The aggregate amounts payable to the shareholders in relation to these transactions are:

–

The aggregate amounts receivable from the shareholders in relation to these transactions are:

32,286,093

Wholly owned controlled entities and other related entities

Details of interests in wholly owned controlled entities are set out at note 32. Details of dealings with these entities are set out below.

Loans

Amounts receivable from ASC Shipbuilding Pty Limited, ASC Engineering Pty. Limited and ASC Modules Pty Ltd (wholly owned controlled entities) attract a commercial rate of interest on the average outstanding balance every six months. The commercial interest rate used is levied at a margin of 2% p.a. over Reserve Bank of Australia "Cash Rate". Refer to note 4 for details of interest revenue in relation to these loans.

No interest is charged on the current loans receivable from or payable to ASC AWD Shipbuilder Pty Ltd (wholly owned controlled entities) and these loans are repayable at call.

Balances with entities within the wholly owned group

2008
\$

The amounts currently payable to the wholly owned controlled entities by the Company at balance date:

7,288,791

The amounts currently receivable from the wholly owned controlled entities by the Company at balance date:

12,092,346

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

32 PARTICULARS IN RELATION TO CONTROLLED ENTITIES AND ASSOCIATE

	ENTITY INTEREST	
	2008 %	2007 %
Parent entity		
ASC Pty Ltd		
Controlled entities		
ASC Engineering Pty. Limited	100	100
ASC Shipbuilding Pty Limited	100	100
ASC Modules Pty Ltd	100	100
ASC AWD Shipbuilder Pty Ltd	100	100
Deep Blue Tech Pty Ltd	100	100
Australian Submarine Corporation Thailand Limited	49	49
ASC Modules Pty Ltd is a non trading company.		
ASC AWD Shipbuilder Pty Ltd is the subsidiary incorporated for the purpose of executing the AWD Build Program.		
A new wholly owned subsidiary company named Deep Blue Tech Pty Ltd was incorporated in South Australia on 3 September 2007.		
Deep Blue Tech Pty Ltd is incorporated to undertake research and development activities.		
The Company owns 49% of shares of Australian Submarine Corporation Thailand Limited. The remaining 51% of shares were previously held by independent third party investors. On 11 April 2008, the 51% independent shareholding was transferred to several employees of the Company.		
Australian Submarine Corporation Thailand Limited is now a controlled entity of the Company.		
As at 30 June 2008, the Company's investment in Australian Submarine Corporation Thailand Limited was fully written off.		
All subsidiaries have reporting dates of 30 June.		
Associate		
ASCOV Pty Ltd	50	50
ASCOV Pty Ltd has reporting date of 30 June.		
ASCOV Pty Ltd has been dormant since incorporated and has been deregistered on 30 July 2008.		

33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

The consolidated entity and the Company hold the following financial instruments:

	CONSOLIDATED		THE COMPANY	
	JUN-08 \$'000	JUN-07 \$'000	JUN-08 \$'000	JUN-07 \$'000
Financial assets				
Cash, cash equivalents and restricted cash	23,907	9,030	10,560	8,287
Trade and other receivables	33,098	45,865	29,345	45,712
Loan to controlled entities	–	–	12,092	4,605
Marketable interest securities (at fair value)	88,444	79,982	88,444	79,982
	145,449	134,877	140,441	138,586
Financial liabilities				
Bank overdrafts	6	109	–	–
Trade and other payables	53,324	39,979	45,272	37,302
Loans from controlled entities	–	–	7,289	1,191
Loans from associated entities	–	5	–	5
Term loan	4	4	2	2
Government contribution to capital work in progress	6,900	–	–	–
Government advance	16,240	–	–	–
	76,474	40,097	52,563	38,500
(A) CREDIT RISK				
<i>Recognised financial instruments</i>				
Trade and other receivables				
<i>Counterparties with external credit rating (Standard and Poor's)</i>				
AAA – [Australia (Commonwealth of)]	32,962	23,075	29,216	20,725
Credit rating not determined	136	22,790	129	24,987
	33,098	45,865	29,345	45,712
Cash, cash equivalents and restricted cash				
AA	13,907	9,030	560	8,287
BBB+	10,000	–	10,000	–
	23,907	9,030	10,560	8,287
Held-to-maturity investments				
AA	29,457	37,723	29,457	37,723
AA-	21,840	9,315	21,840	9,315
A+	27,999	23,790	27,999	23,790
A	9,148	9,154	9,148	9,154
	88,444	79,982	88,444	79,982

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONT.)

(A) CREDIT RISK (CONT.)

The credit risk on financial assets of the consolidated entity which have been recognised on the Balance Sheet, 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 Contract 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 their entire funding from an individual customer, being the Commonwealth Government of Australia, who have a Standard and Poor's credit rating of AAA. Therefore the consolidated entity has no material exposure to credit risk in its operations.

Off balance sheet financial instruments

The Company and its controlled entities have not entered into any off balance sheet financial instruments during the reporting period.

(B) LIQUIDITY RISK

Financing arrangements

The consolidated entity and the Company had access to the following undrawn borrowing facilities at the reporting date:

	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
Floating rate				
<i>Overdraft facilities</i>	11,994	11,891	—	—

Maturities of financial liabilities

The tables below analyse the consolidated entity's and the Company's financial liabilities into relevant maturity groupings 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.

	WITHIN 12 MONTHS \$'000	OVER 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES \$'000
Consolidated – At 30 June 2008				
Non-derivatives				
Non-interest bearing	53,324	7,260	60,584	60,228
Variable rate (including bank overdraft)	16,246	—	16,246	16,246
Total non-derivatives	69,570	7,260	76,830	76,474
The Company – At 30 June 2008				
Non-derivatives				
Non-interest bearing	52,561	160	52,721	52,563
Variable rate (including bank overdraft)	—	—	—	—
Total non-derivatives	52,561	160	52,721	52,563
Consolidated – At 30 June 2007				
Non-derivatives				
Non-interest bearing	39,984	360	40,344	39,988
Variable rate (including bank overdraft)	109	—	109	109
Total non-derivatives	40,093	360	40,453	40,097
The Company – At 30 June 2007				
Non-derivatives				
Non-interest bearing	38,498	160	38,658	38,500
Variable rate (including bank overdraft)	—	—	—	—
Total non-derivatives	38,498	160	38,658	38,500

(C) INTEREST RATE RISK

At balance date the consolidated entity and the Company have an unrealised gain of \$24,062 (2007: unrealised loss of \$8,319).

In the market value of money market securities held (bank accepted bills and negotiable certificates of deposit).

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

30th June 2008

	CONSOLIDATED TOTAL \$'000	EFFECTIVE INTEREST RATE %	COMPANY TOTAL \$'000	EFFECTIVE INTEREST RATE %
Financial assets				
Cash, cash equivalents and restricted cash	23,907	7.25	10,560	7.25
Trade and other receivables	33,098	0.00	29,345	0.00
Loans to controlled entities	–	0.00	12,092	9.00
Marketable interest securities (at fair value)	88,444	7.56	88,444	7.56
	145,449		140,441	
Financial liabilities				
Bank overdrafts	6	0.00	–	0.00
Trade and other payables	53,324	0.00	45,272	0.00
Loans from controlled entities	–	0.00	7,289	0.00
Term loan	4	0.00	2	0.00
Government contribution to capital work in progress	6,900	0.00	–	0.00
Government advance	16,240	6.50	–	0.00
	76,474		52,563	

30th June 2007

	CONSOLIDATED TOTAL \$'000	EFFECTIVE INTEREST RATE %	COMPANY TOTAL \$'000	EFFECTIVE INTEREST RATE %
Financial assets				
Cash, cash equivalents and restricted cash	9,030	6.25	8,287	6.25
Trade and other receivables	45,865	0.00	45,712	0.00
Loans to controlled entities	–	0.00	4,605	4.31
Marketable interest securities (at fair value)	79,982	6.67	79,982	6.67
	134,877		138,586	
Financial liabilities				
Bank overdrafts	109	7.38	–	0.00
Trade and other payables	39,979	0.00	37,302	0.00
Loans from controlled entities	–	0.00	1,191	0.00
Loans from associated entities	5	0.00	5	0.00
Term loan	4	0.00	2	0.00
	40,097		38,500	

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
30 JUNE 2008

33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONT.)

(C) INTEREST RATE RISK (CONT.)

Sensitivity analysis

At 30 June 2008, if market interest rates had a parallel shift of +1% / -1% from year-end rates with all other variables held constant would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2007. 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.

30th June 2008

CONSOLIDATED	CARRYING AMOUNT \$'000	PROFIT \$'000	INTEREST RATE RISK			
			-1%	EQUITY \$'000	PROFIT \$'000	+1% EQUITY \$'000
Financial assets						
Cash, cash equivalents and restricted cash	23,907	(239)		(239)	239	239
Trade and other receivables	33,098	—		—	—	—
Marketable interest securities (at fair value)	88,444	(884)		(884)	884	884
Financial liabilities						
Bank overdrafts	6	—		—	—	—
Trade and other payables	53,324	—		—	—	—
Term loan	4	—		—	—	—
Government contribution to capital work in progress	6,900	—		—	—	—
Government advance	16,240	—		—	—	—
COMPANY	CARRYING AMOUNT \$'000	PROFIT \$'000	INTEREST RATE RISK			
			-1%	EQUITY \$'000	PROFIT \$'000	+1% EQUITY \$'000
Financial assets						
Cash, cash equivalents and restricted cash	10,560	(106)		(106)	106	106
Trade and other receivables	29,345	—		—	—	—
Loans to controlled entities	12,092	(121)		(121)	121	121
Marketable interest securities (at fair value)	88,444	(884)		(884)	884	884
Financial liabilities						
Trade and other payables	45,272	—		—	—	—
Loans from controlled entities	7,289	(73)		(73)	73	73
Term loan	2	—		—	—	—

At 30 June 2007, if market Interest rates had a parallel shift of +1% / –1% from year-end rates with all other variables held constant would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2007. 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.

30th June 2007

CONSOLIDATED	CARRYING AMOUNT \$'000	INTEREST RATE RISK			
		PROFIT \$'000	–1% EQUITY \$'000	PROFIT \$'000	+1% EQUITY \$'000
Financial assets					
Cash, cash equivalents and restricted cash	9,030	(90)	(90)	90	90
Trade and other receivables	45,865	–	–	–	–
Loans to controlled entities	–	–	–	–	–
Marketable interest securities (at fair value)	79,982	(800)	(800)	800	800
Financial liabilities					
Bank overdrafts	109	(1)	(1)	1	1
Trade and other payables	39,979	–	–	–	–
Loans from associated entities	5	–	–	–	–
Term loan	4	–	–	–	–
COMPANY	CARRYING AMOUNT \$'000	INTEREST RATE RISK			
		PROFIT \$'000	–1% EQUITY \$'000	PROFIT \$'000	+1% EQUITY \$'000
Financial assets					
Cash, cash equivalents and restricted cash	8,287	(83)	(83)	83	83
Trade and other receivables	45,712	–	–	–	–
Loans to controlled entities	4,605	(46)	(46)	46	46
Marketable interest securities (at fair value)	79,982	(800)	(800)	800	800
Financial liabilities					
Trade and other payables	37,302	–	–	–	–
Loans from controlled entities	1,191	(12)	(12)	12	12
Loans from associated entities	5	–	–	–	–
Term loan	2	–	–	–	–

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2008

33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONT.)

(D) FOREIGN EXCHANGE RISK

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

	CURRENCY	CONSOLIDATED JUN-08 '000	JUN-07 '000	THE COMPANY JUN-08 '000	JUN-07 '000
Financial assets					
Cash, cash equivalents and restricted cash	USD	4,697	—	—	—
Trade and other receivables	USD	157	—	—	—
Financial liabilities					
Trade and other payables	USD	576	65	90	65
	SEK	62	55	62	55
	GBP	59	—	59	—
	EUR	373	155	373	155
	CHF	196	—	196	—

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

(E) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

The net fair value of cash and cash equivalents and non Interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

Unrecognised financial instruments

No unrecognised financial instruments were held as at reporting date.

34 NOTES TO THE STATEMENTS OF CASH FLOWS

(A) RECONCILIATION OF CASH

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
Cash	8	11,186	9,030	10,560	8,287
Bank overdraft/loans	8	(6)	(109)	–	–
		11,180	8,921	10,560	8,287

(B) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating profit after income tax		29,670	29,583	27,891	27,543
Add/(Less) items classified as investing/financing activities:					
Interest received		(5,969)	(5,126)	(6,267)	(5,427)
Leverage lease income		(2,570)	(104)	(2,571)	(104)
Interest expense		16	354	–	1
(Profit)/Loss on sale of fixed assets		(24)	(610)	(105)	(5)
(Profit)/Loss on sale of other non-current assets		24	46	24	46
Add/(Less) non-cash items:					
Depreciation		5,348	3,938	4,690	3,710
Fair value adjustment on all financial instruments		–	(762)	–	(762)
Pension costs		(938)	(646)	(938)	(646)
Income tax expense		14,268	12,560	13,412	11,685
Income tax paid		(36,474)	(13,005)	(36,474)	(13,005)
Impairment of investment in subsidiary		–	–	–	(2,600)
Net cash provided by operating activities before change in assets and liabilities		3,351	26,228	(338)	20,436
Change in assets and liabilities:					
(Increase)/Decrease in receivables (1)		(11,449)	26,153	(7,993)	24,813
(Increase)/Decrease in inventories	11	1,519	1,078	1,519	1,078
(Increase)/Decrease in prepayments	14	(30)	(502)	(21)	(515)
(Increase)/Decrease in net progress payments received (2)		(1,644)	(32,885)	(2,321)	(32,106)
Increase/(Decrease) in trade creditors (3)		8,365	7,936	7,972	7,082
(Increase)/Decrease in provisions (4)		214	(1,415)	83	1,118
Net cash provided by operating activities		326	26,593	(1,099)	21,906

**ASC PTY LTD AND ITS
CONTROLLED ENTITIES**

**NOTES TO AND
FORMING PART
OF THE FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
30 JUNE 2008

34 NOTES TO THE STATEMENTS OF CASH FLOWS (CONT.)

	NOTE	CONSOLIDATED JUN-08 \$'000	JUN-07 \$'000	THE COMPANY JUN-08 \$'000	JUN-07 \$'000
(B) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES (CONT.)					
(1) (Increase)/Decrease in receivables is comprised of:					
Prima-facie movement in trade debtors	10	(11,503)	23,744	(8,232)	22,382
Prima-facie movement in sundry debtors and other loans	10	54	2,409	239	2,431
		(11,449)	26,153	(7,993)	24,813
(2) (Increase)/Decrease in progress payments is comprised of:					
Prima-facie movement in net progress payments	17	(1,644)	(32,885)	(2,321)	(32,106)
		(1,644)	(32,885)	(2,321)	(32,106)
(3) Increase/(Decrease) in trade creditors and accruals is comprised of:					
Prima-facie movement in trade creditors and accruals	16	13,050	8,695	7,972	7,082
Accrual for purchase of fixed assets		(4,685)	(759)	–	–
		8,365	7,936	7,972	7,082
(4) Increase/(Decrease) in provisions is comprised of:					
Prima-facie movement in provisions for employee entitlements	20	2,234	2,628	1,617	1,794
Cash movement in provisions for warranty	20	346	(1,840)	346	1,125
Movement in provisions for self insured workers compensation	20	(1,880)	(1,801)	(1,880)	(1,801)
Prima-facie movement in other provisions	20	(486)	(402)	–	–
		214	(1,415)	83	1,118
(C) RECONCILIATION OF NET (INCREASE)/DECREASE IN INVESTED FUNDS					
(Increase)/Decrease in marketable interest securities	12	(8,461)	25	(8,461)	25
Profit/(Loss) on sale of securities		(24)	(46)	(24)	(46)
		(8,485)	(21)	(8,485)	(21)
Proceeds from invested funds		79,959	79,961	79,959	79,961
Payments for invested funds		(88,444)	(79,982)	(88,444)	(79,982)
		(8,485)	(21)	(8,485)	(21)

**DIRECTORS'
DECLARATION**
FOR THE YEAR ENDED
30 JUNE 2008

The directors declare that, in the directors' opinion:

- a) the financial statements and notes set out on pages 57 to 94 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with the accounting standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial 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.

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

Dated at Canberra this 9th day of October 2008.

Signed in accordance with a resolution of directors.



John B Prescott AC
Chairman



Gregory R Tunny
Director

**INDEPENDENT
AUDITOR'S REPORT**
TO THE MEMBERS OF
ASC PTY LTD



SCOPE

I have audited the accompanying financial report of ASC Pty Ltd and its controlled entities, which comprises the Balance Sheets as at 30 June 2008, and the Income Statements, Statements of Recognised Income and Expense and Statements of Cash Flows for the year ended on that date, Notes to and forming part of the Financial Report, including a Statement of Significant Accounting Policies and the Directors' Declaration of the consolidated entity comprising ASC Pty Ltd and the entities it controlled at the year's end or from time to time during the financial year.

THE DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of ASC Pty Ltd and its controlled entities are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on the financial report based on my audit. I 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 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 considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of 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*.

AUDITOR'S OPINION

In my opinion, the financial statements of ASC Pty Ltd and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of ASC Pty Ltd and its controlled entities' financial position as at 30 June 2008 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (c) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Australian National Audit Office

A handwritten signature in black ink, reading 'Michael White'.

Michael White
Executive Director

Delegate of the Auditor-General

Canberra
13 October 2008

DIRECTORS

John Prescott AC, *Chairman*
Greg Tunny, *Managing Director
and Chief Executive Officer*
Charles Bagot
Graeme Bulmer
Geoffrey Phillips
Mike Terlet AO
Dr Bill Schofield AM
Vice Admiral Chris Ritchie AO RANR

COMPANY SECRETARY

Tony Kuhlmann

AUDITORS

Australian National Audit Office (ANAO)
and PricewaterhouseCoopers
(as agent for ANAO)

SOLICITORS

Mallesons Stephen Jaques

BANKERS

Westpac Banking Corporation

REGISTERED AND HEAD OFFICE

Mersey Road
Osborne SA 5017
GPO Box 2472
Adelaide SA 5001
Telephone: +61 8 8348 7000
Facsimile: +61 8 8348 7001

OFFICE OF THE CHAIRMAN

39/140 William Street
Melbourne VIC 3000
Telephone: +61 3 9642 2518
Facsimile: +61 3 9642 2517

ASC SHIPBUILDING

Mersey Road
Osborne SA 5017
PO Box 474
Port Adelaide SA 5015
Telephone: +61 8 8248 8400
Facsimile: +61 8 8341 8073

ASC WEST

20 Nautical Drive
Henderson WA 6166
PO Box 599
Rockingham WA 6168
Telephone: +61 8 9410 4100
Facsimile: +61 8 9410 4340

WEBSITE

www.asc.com.au

USEFUL EMAIL CONTACTS

EMPLOYMENT ENQUIRIES

careers@asc.com.au

MEDIA ENQUIRIES

communications@asc.com.au

OTHER ENQUIRIES

info@asc.com.au

ABN: 64 008 605 034

Copies of ASC's annual reports can
be found on www.asc.com.au
Copies can also be requested by
telephoning +61 8 8348 7000 or by
emailing communications@asc.com.au

