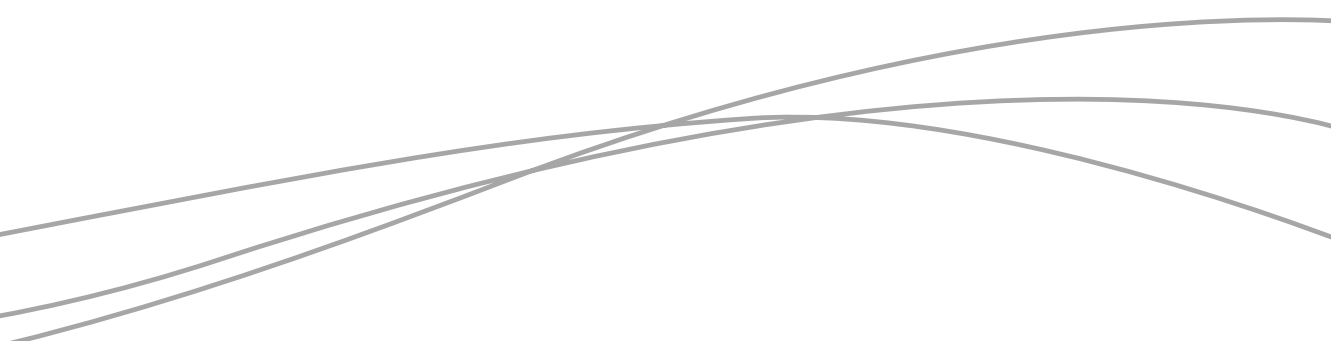


ASC PTY LTD ANNUAL REPORT 2009



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TRANSMITTAL LETTER



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2 October 2009

The Hon. Lindsay Tanner MP
Minister for Finance and Deregulation
Parliament House
Canberra ACT 2600

Dear Minister,

ASC Pty Ltd 2009 Annual Report

I am pleased to submit the 2009 Annual Report of ASC Pty Ltd in accordance with the *Commonwealth Authorities and Companies (CAC) Act 1997*.

It has been prepared in accordance with the requirements referred to in section 9 of the *CAC Act* and has been approved by the Board of ASC Pty Ltd.

The Annual Report includes the financial statement for the Company for the year ended 30 June 2009 as well as descriptive reports on ASC's performance and progress.

I am pleased to report that ASC Pty Ltd recorded a sound financial result during what was a financially challenging period globally.

ASC will continue to strive to provide solid financial returns and an efficient and effective service across our submarine and shipbuilding lines of business.

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

Yours sincerely,



Chris Ritchie AO
Vice Admiral RANR
CHAIRMAN

COMPANY PROFILE

ASC Pty Ltd is a designer, maintainer and builder of the Royal Australian Navy's submarines and surface ships.

Established in 1985, we were responsible for the design and build of the Collins Class submarines.

At the conclusion of the Collins Class submarine build program in 2003, we began a twenty-five-year contract with the Defence Materiel Organisation for the maintenance and further upgrades necessary to support the submarines through-life.

In 2005, ASC was selected as shipbuilder for the Hobart Class Air Warfare Destroyer (AWD) Program. This \$8 billion program will see three air warfare destroyers built at our shipyard in Osborne, South Australia.

As of 30 June 2009, we employ 1,300 people across our sites in South Australia and Western Australia, including more than 200 engineers and technical specialists. This number will swell to more than 1,800 as production on the three AWDs increases.

FINANCIAL HIGHLIGHTS

Two Year Performance at a Glance

	2008/09 \$m	2007/08 \$m
Revenue from rendering of services	346.1	315.4
Financial income	5.1	8.5
Other income	0.8	1.0
Total revenue	352.0	324.9
EBITDA	27.3	40.7
Depreciation and amortisation	(6.9)	(5.3)
EBIT	20.4	35.4
Net interest and investment income	5.1	8.5
Interest expense	0.0	0.0
Tax expense	(7.1)	(14.2)
Operating profit before tax	25.5	43.9
Operating profit after tax	18.4	29.7
EBIT/Revenue (%)	5.8%	10.9%
Shareholder's equity	183.6	174.9
Return on equity (%)	10.0%	17.0%
Dividend (fully franked)	11.1	17.9
Total assets	446.4	308.2

CHAIRMAN’S REPORT

ASC has begun to chart a new course in its twenty-fourth year. While our submarine and shipbuilding businesses remain at the forefront of Australia’s naval defence industry, we recognise that there is much we can do to improve and help our customers achieve their goals.

A New, Customer Focussed Future

The Commonwealth Government’s February 2009 announcement that it had decided to defer the privatisation of ASC has created a clearer framework for us to operate within for the foreseeable future.

While we will always strive to provide the best financial return to our shareholder, the Government’s decision now allows us to devote our full attention to working with our customers, Defence Materiel Organisation (DMO) and the Royal Australian Navy (RAN). Thus, our energies are now focussed on delivering the best outcomes for our customers with a particular initial emphasis on improvement in the activities associated with the Collins Class submarine Through-Life Support (TLS) program.

As a first step in this direction, a restructure of our company in June 2009 means we are now leaner and better able to deliver value-for-money.

Working Together

Such is the nature of Australia’s defence industry that success cannot be achieved singularly.

As shipbuilder for the Air Warfare Destroyer (AWD) Program, ASC continues to mature as a willing and enthusiastic participant in the AWD Alliance. I thank John Gallacher who as Chief Executive Officer of the AWD Alliance leads an ASC shipbuilding team that is now ready to begin building three Hobart Class AWDs.

The success of our TLS contract for the Collins Class submarines depends very much on our relationship with the DMO, and I am pleased that progress is being made regarding agreement on schedule, work scope and costs.

At the request of DMO, we have also begun renegotiating the contract with the view to generating better results for our customer. Our focus on top-level relationships, coupled with working smarter at a production level, should ensure more agreeable outcomes for the DMO and the RAN.

We are also working well with DMO’s Future Submarine office and are keen to assist the Government in any way we can regarding its acquisition of next generation submarines, as outlined in its 2009 Defence White Paper.

Working Smarter

In 2008/09 we began a major initiative that will help us become more effective and efficient.

Known as WorkSmart, the program is based on Lean principles, used by such companies as Toyota and our capability partner Electric Boat. As its name suggests, WorkSmart is not simply cutting back; rather, it looks at our entire processes end-to-end and identifies where we can improve and do things better. WorkSmart has already made quantifiable improvements to selected processes and is poised to be an important component of our ongoing commitment to improved productivity.

The Board

The terms of two Directors, Chairman John Prescott AC and Charles Bagot, expired on 30 June 2009.

Mr Prescott has served commendably as Chairman since 2000, and leaves with the company soundly positioned for long-term growth. Among the notable achievements under his leadership are the signing of the 25-year TLS contract for the Collins Class submarines, and winning the role of shipbuilder for the Hobart Class AWD Program.

Likewise, Mr Bagot contributed much to the effective development of our management strength, and played a significant role in resolving many difficulties, including those relating to intellectual property.

Former Managing Director and Chief Executive Officer Greg Tunny resigned from his position on 15 May, after being with the company since 2004. On behalf of the Board, I extend my thanks to Mr Tunny for his considerable efforts in overseeing the day-to-day operations of the company.

Director Graeme Bulmer, whose term was to have expired on 30 June 2009, continues in the role of Acting Managing Director and Chief Executive Officer while a global executive search for a replacement is concluded. Mr Bulmer’s willingness to again assist the company in a time of need is exceptional.

Heading into 2009/10, it is expected that the size of ASC’s board will remain at six.

Management Team

The June 2009 restructure enabled us to consolidate our senior management team and provide a clear work flow from the Chief Executive down.

Stuart Whiley has assumed responsibility for all aspects of the Collins Class submarines. As Chief Operating Officer – Collins Class Submarines, Mr Whiley will oversee both our production and design and engineering areas in a position of considerable importance.

Jack Atkinson is now General Manager – Future Projects, overseeing all our Future Submarine activities and other associated work. I thank Rolf Polak and Mark Gobell, who have joined Mr Atkinson in the Future Projects division, for their service and commitment to their previous senior management positions.

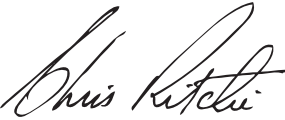
Financially Sound

ASC continues to record sound financial results, recording a profit for 2009 of \$18.4 million, compared to last year’s figure of \$29.7 million. Our consolidated revenue was \$352 million (2008: \$325 million) and our dividend was \$11.1 million (2008: \$17.9 million).

Looking Ahead

I am honoured and privileged to be able to chair ASC, a company which has already made a significant contribution to Australia’s naval defence capabilities, and which, thanks in large part to the continued excellence of our 1300 staff, is ready to do much more.

Our outlook for the coming decades is a positive one, and we are taking appropriate action now to ensure that ASC continues to build on its position as a leading figure in Australia’s naval shipbuilding and repair industry.



Chris Ritchie AO
Vice Admiral RANR
CHAIRMAN

SUBMARINES

Submarine Operations

ASC carries out maintenance, upgrade, design and engineering activities for the Collins Class submarines under the multi-billion dollar Through-Life Support (TLS) agreement with Defence Materiel Organisation (DMO).

Under this agreement ASC has a number of obligations, including striving to deliver value-for-money and continuous quality and efficiency improvements.

Safety

Safety is paramount at ASC and the safety of ASC employees, contractors and visitors will never be compromised. Furthermore, ASC's commitment to quality ensures the safety of all who crew the vessels we work on.

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

The Lost Time Injury Frequency Rate (LTIFR) floating average is calculated by multiplying the number of LTIs by one million man hours then divided by the hours worked per month.

ASC's commitment to safety was demonstrated in 2008/09 by achieving a combined employee and contractor LTIFR across the group of 4.57, positioning us within industry best practice.

ASC continues to have a LTIFR target of zero injuries per million man hours.

Improving Efficiency

A comprehensive restructure of the company, with a particular focus on submarine operations, was announced at the end of the 2008/09 period. This is just one step ASC is taking to reduce maintenance costs and improve efficiencies.

As part of the restructure, the number of first reports to the Chief Executive Officer was reduced from nine to six and the position of Chief Operating Officer – Collins Class Submarines was created to oversee all aspects of our work with the Collins Class submarines.

The restructure will enable us to be more efficient and effective for our customers and facilitate a more collaborative approach, better positioning the company for long-term stability.

WorkSmart

Another improvement initiative implemented by ASC in the 2008/09 period was the WorkSmart Program.

WorkSmart is based on Lean principles and ASC's WorkSmart team is working with departments across the company to identify sources of waste and eliminate them to improve processes, performance and customer and staff satisfaction.

Maintenance Activities

Maintenance of the Collins Class submarines is undertaken at our submarine facilities in South Australia and Western Australia.

During 2008/09 ASC commenced 12 maintenance activities.

Eight of these activities were completed during the year and the remaining four are scheduled for completion in future financial periods.

Seven of the 12 activities commenced in 2008/09, including one overseas deployment, were managed from ASC's Western Australian facility, ASC West.

These activities consisted of:

- One mid-cycle docking;
- One intermediate maintenance availability; and
- Personnel support for five self-maintenance periods conducted in Western Australia and Hawaii.

The remaining five maintenance activities conducted during 2008/09 were undertaken at ASC's South Australian submarine facility, ASC Osborne.

These activities consisted of:

- Two full-cycle dockings;
- One mid-cycle docking;
- One full-cycle docking preparation and lay up period; and
- One self-maintenance period.

Design and Engineering

ASC's design and engineering team consists of over 200 engineering and technical specialists in varying disciplines such as combat, mechanical, electrical, structural, communication, weapons, materials, logistics, software, acoustics, and naval architecture.

The team supports the maintenance activities for the Collins Class submarines by carrying out boat surveys, defect analysis and reliability improvements.

Introducing new technology and capability designs as well as addressing major obsolescence programs also form a large part of ASC's design and engineering function.

The 2008/09 year has been notable for various major design achievements and capability improvements, including:

- Implementation of automatic hull valve operation;
- Platform integration of replacement combat system variant;
- Ballast key switch modifications;
- Remote fuel isolation modifications;
- Ongoing special forces modifications; and
- Completion of Collins Class cooling chain.

In a significant step towards enhanced efficiency and effectiveness ASC successfully rolled out a Product Lifecycle Management system for documentation control in 2008/09.

Infrastructure Development

2008/09 saw the completion of a number of infrastructure projects at our South Australian submarine facility, including upgrades to:

- Electrical workshops and production support offices;
- Mechanical workshops;
- The production quality control and non-destructive testing laboratory; and
- The administration building foyer.

In addition, 2008/09 saw the completion of a new 160-person capacity auditorium with four-way video conference capability. This means we can have 'virtual meetings', link all our sites at once and improve efficiency in our interaction with our customers.

In Western Australia the finishing touches were applied to our new state-of-the-art facility, ASC West. The Western Australian Government's floating dock at the Australian Marine Complex also neared completion.

SHIPBUILDING

Air Warfare Destroyer (AWD) Program

As the shipbuilder for the \$8 billion Hobart Class AWD Program, ASC is committed to the provision of the timely and efficient delivery of an affordable, effective, flexible and sustainable AWD capability for the security of Australia.

The three AWDs will be built at our Osborne shipyard in South Australia, and their construction will be one of the most significant shipbuilding projects ever undertaken in Australia.

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

Together with our Alliance partners, ASC Shipbuilding leadership managed key aspects of the AWD Program, including:

- Development of the Alliance team;
- Alliance schedule and budget;
- Alliance program review milestones;
- The review of combat system, ship design and shipbuilding progress; and
- Procurement of equipment and materials.

Safety

In 2008/09, ASC’s continued focus on safety remains evident, with no lost time injuries being recorded across our entire Shipbuilding organisation. Only four medically treated injuries, and six first aid injuries, have been recorded by ASC Shipbuilding since August 2006.

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 AWDs to our customer’s requirements, within schedule and on budget.

ASC’s relationship with its Alliance partners is strong with all parties working as an integrated team to deliver the Royal Australian Navy’s next generation warships.

In November 2008 ASC, on behalf of the AWD Alliance, signed deeds for the construction of a new AWD Systems Centre adjacent to ASC’s shipyard.

300 staff from ASC, the Commonwealth, Raytheon Australia, Navantia, Bath Iron Works, Lockheed Martin and the US Navy are expected to move to the new Systems Centre from mid-2010.

Procurement activities

The 2008/09 period saw a major shipbuilding milestone reached with the selection of the sub-contractors to build the blocks for the Hobart Class AWDs.

ASC, on behalf of the AWD Alliance, selected New South Wales-based FORGACS Group and Victorian-based BAE Systems Australia Defence to build 66 blocks (or 70 percent) that will make up the three AWDs.

ASC will build the remaining 27 blocks (or 30 percent) at our shipyard in Osborne, South Australia. Upon completion, the sub-contracted blocks will be transported by ship or barge to ASC’s shipyard for consolidation and integration.

ASC also signed other contracts on behalf of the AWD Alliance during 2008/09 for the procurement of several major items for the AWDs, including the:

- Gas turbines;
- Helicopter handling system;
- Reduction gears;
- Steering system;
- Bow thrusters;
- Ships’ engines, generators and propellers; and
- Provision of steel for construction of the AWDs.

Infrastructure Development

During 2008/09 the \$100 million upgrade of our Osborne shipyard, the construction site for the AWDs, continued to take shape – on time and on budget.

The shipyard administration building was the first to be completed and occupied when more than 250 employees moved from the temporary AWD Systems Centre at Felixstow to the shipyard on 9 June 2009.

This move represented a significant milestone for our shipyard upgrade and the AWD Program, and was achieved after several years of planning and preparation.

At the end of the 2008/09 period other components of the shipyard were nearing completion with steel erection, cladding and outfitting taking place.

ASC’s upgraded shipyard includes:

- A mechanical/electrical/pipe and warehouse building;
- A two-bay production workshop;
- Refurbishment of the existing structural workshop;
- Establishment of a 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.

All onsite construction work at our shipyard remains on schedule for completion in November 2009.

Techport Australia

As a key stakeholder in the South Australian Government’s Common User Facility (CUF), ASC has significant interest in its ongoing development.

In April 2009 Defence SA, the South Australian Government entity responsible for delivering the CUF, announced that construction work was more than 80 percent complete with practical completion achieved on the wharf, dry berth and transfer system.

The last CUF component to be completed, the shiplift, is on course to be operational by early 2010.

Workforce and Training

Interest in working for ASC on the AWD Program is high, demonstrated by the more than one thousand people who attended two ASC careers nights in July 2008 in Adelaide.

ASC’s recruitment for the AWD Program is on track with 195 positions filled during the 2008/09 period. As at 30 June 2009 the total headcount for ASC Shipbuilding was 339.

ASC has also begun the recruitment and training of tradespeople such as boilermakers, welders, sheetmetal workers, pipe fitters, mechanical fitters, electrical tradespeople and operators as the production phase accelerates from early 2010.

ASC will directly employ more than 800 people in its shipbuilding business at the height of AWD construction, and many more indirectly and through sub-contracts.

ASC’s goal is more than to simply give people employment; it is also to continue skilling its workforce appropriately.

One example of our commitment to training in 2008/09 was, in conjunction with the Engineering Employers Association Group Training Scheme (EEAGTS), launching the AWD Apprentice Development Program, with ten young South Australians forming the first intake. These ten apprentices are in addition to the more than 40 apprentices ASC already employs.

Under the scheme, the ten apprentices employed by EEAGTS will start their apprenticeship with third-party host companies while our shipyard upgrade is completed. At the appropriate time, we will then act as their host company for the remainder of their apprenticeship.

ENVIRONMENT

Environmental Performance

ASC’s Environmental Policy and associated processes and procedures demonstrate the company is committed to the 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 its environmental performance.

Environmental Management System

ASC is committed to achieving a high standard of environmental performance consistent with the requirements of AS/NZ ISO 14001: Environmental Management Systems (EMS), which forms part of ASC’s Corporate Management System.

Our South Australian and Western Australian submarine facilities have accreditation to AS/NZ ISO 14001: EMS and our shipbuilding facility is developing and implementing the EMS requirements for certification in the near future.

We will continue to review and develop indicators to assess and monitor our environmental performance across all business areas.

Environmental Incidents

ASC operations are subject to environmental regulations under both Commonwealth and State legislation and we recognise our obligation to comply with the relevant Environmental Protection and Conservation Acts (Acts). As such we actively record and report any breaches of the Acts to the respective Environmental Protection Authority.

During 2008/09 there was a single environmental incident requiring official regulatory notification.

The incident related to the release of halon from a single halon bottle on board a submarine on 24 July 2008. A ‘Notification of a Discharge of a Controlled Extinguishing Agent’ was subsequently provided to the Fire Protection Association (FPA) acting on behalf of the Department of the Environmental and Heritage on 28 July 2008 under the provisions of the *Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995*.

No further action or information was requested by the FPA.

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.

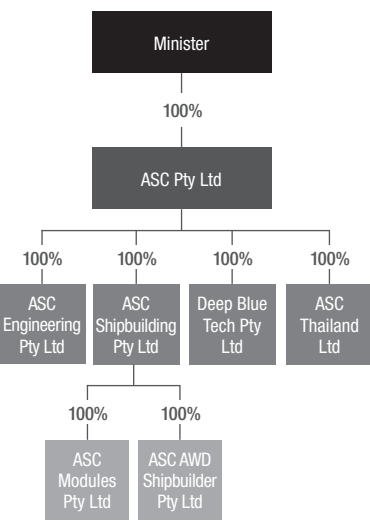
ASC Shipbuilding has a licence for maritime construction, abrasive blasting, surface coating and preparation and generation of prescribed waste.

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 2008/09 year.

Directors

The directors of ASC (other than the Managing Director) are appointed by the Minister for a term. As at 30 June 2009, the Board was comprised as follows:

Name	Appointed	Expires
John Prescott AC (Chairman)	3 Nov 2000	30 Jun 2009
Charles Bagot	3 Nov 2000	30 Jun 2009
Graeme Bulmer	10 Nov 2000	30 Jun 2009
Geoff Phillips	16 Oct 2006	31 Dec 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, reviewing the Group’s performance against them and to ensure 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.

CORPORATE GOVERNANCE CONTINUED

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 function are effective; and
- Maintain an effective external and internal audit function, in compliance with all applicable laws.

As at 30 June 2009, the committee comprised Geoff Phillips (Chairman) 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 2009, the committee comprised John Prescott AC (Chairman), Charles Bagot and VADM Chris Ritchie AO RANR.

Business Assurance and Security Committee

The objectives of the Business Assurance and Security Committee charter 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
- Ensuring compliance with the Group's obligations in respect of the International Traffic in Arms Regulations (US).

As at 30 June 2009, the committee comprised Charles Bagot (Chairman), John Prescott AC, Dr Bill Schofield AM and VADM Chris Ritche AO RANR.

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 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. In 2008/09, the program covered:

- Defence Exports;
- Environment;
- Intellectual Property; and
- Occupational Health and Safety.

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

Attendance

Attendance at Board and committee meetings during 2008/09 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)	12	12	-	-	1	1	2	2
Greg Tunny (Managing Director, resigned 15 May 2009)	11	11	-	-	-	-	-	-
Charles Bagot	12	12	-	-	1	1	2	2
Graeme Bulmer	12	12	3	3	-	-	-	-
Geoff Phillips	12	12	4	4	-	-	-	-
Mike Terlet AO	12	12	4	4	-	-	-	-
Dr Bill Schofield AM	12	12	-	-	-	-	2	2
VADM Chris Ritche AO RANR	12	12	-	-	1	1	2	2
During the year: <ul style="list-style-type: none">• Mr Greg Tunny (Managing Director and Chief Executive Officer) resigned;• Mr Graeme Bulmer was appointed Acting Managing Director and Chief Executive Officer until such time as a permanent replacement is appointed;• consequent upon his appointment as Acting Managing Director and Chief Executive Officer, Mr Bulmer relinquished the chairmanship of the Audit Committee and was replaced by Mr Geoff Phillips; and• VADM Chris Ritchie AO RANR joined the Nomination and Remuneration Committee.								

FINANCIAL REPORT

30 June 2009

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DIRECTORS' REPORT

For the year ended 30 June 2009

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 2009.

Directors

The directors of the Company during the whole of the 30 June 2009 financial year and up to the date of this report were:

Graeme Richard Bulmer

Geoffrey Raymond Phillips

Michael John Terlet AO

Dr William Hunter Schofield AM

VADM Christopher Angus Ritchie AO RANR

Vice Admiral Christopher Angus Ritchie AO RANR was appointed as Chairman of the Board and commenced on 1 July 2009, following the decision of Mr John Barry Prescott AC to not seek further re-appointment as Chairman of the Board. Vice Admiral Ritchie has had an extensive naval career and long standing involvement with the Department of Defence. He will bring a broad range of experience and capability to the role, including a deep understanding of customer requirements for the Company's services.

Mr Charles Bagot also retired on the expiry of his term on 30 June 2009.

The Board acknowledged the commitment and contributions of both Mr Prescott and Mr Bagot for their service to ASC since 2000. Both Mr Prescott and Mr Bagot have made significant contributions to the Group's development, in particular, in relation to diversification of the Group's business to comprise submarine activities and surface ship construction.

Mr Gregory Roy Tunny resigned as Managing Director and Chief Executive Officer on 15 May 2009. Mr Graeme Bulmer has been appointed Acting Managing Director and Chief Executive Officer while the Board undertakes an executive search to find a replacement Chief Executive Officer.

Principal Activities

The principal activities of the Group during the course of the financial year ended 30 June 2009 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 (TLS) contract. The contract is due to expire in 2018, subject to exercise of options for two further five-year periods – consistent with the expected life of the Collins Class submarines.

Shipbuilding – Hobart Class Air Warfare Destroyer (AWD) Program

Activities continued under the Alliance Based Target Incentive Agreement (ABTIA) with other members of the AWD Alliance, the Commonwealth of Australia represented by 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 \$18,440,000 after provision for income tax expense of \$7,079,000.

Review of Operations

Submarine activities

The Company is currently operating in the sixth year of the Collins Class submarine TLS contract. All other submarine related contracts are either completed or are in the process of being converted to the TLS contract. During the year, the Company restructured the submarine business unit to improve its efficiency and to better align its activities with its customer's requirements. As part of this restructure, 65 personnel were made redundant and a further 35 personnel were transferred to the AWD business unit.

Shipbuilding activities

Since entering into the alliance based contract for the design and construction of three Hobart Class AWDs in October 2007, key milestones have been completed according to plan, most notably the Integrated Baseline Review in July 2008 and the Preliminary Design Review in December 2008. Procurement of major Combat System and Platform equipment is well in hand, and preparations are advanced for the commencement of ship construction activities during calendar year 2009. Shipyard development is proceeding to plan, the Administration Building has been completed and occupied, and completion of the remainder is scheduled before the end of November 2009.

Dividends

The directors have declared a fully franked final dividend of \$5,100,000, compared with \$9,250,000 for the 2007/08 financial year which was paid on 27 October 2008. 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 \$6,000,000 paid on 19 March 2009, compared with \$8,650,000 in the 2007/08 financial year.

The 2008/09 total dividend represents a distribution to the shareholder of \$11,100,000, compared with \$17,900,000 in the 2007/08 financial year.

State of Affairs

Except for the item referred to immediately below, 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.

In February 2009, the government announced an indefinite postponement of the privatisation of the Group.

Environmental Regulation

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

The Group is committed to achieving a high standard of environmental performance consistent with the requirements of AS/NZ ISO 14001: Environmental Management Systems (EMS), which forms part of ASC's Corporate Management System. The Company's South Australian and Western Australian submarine facilities have accreditation for AS/NZ ISO 14001: EMS, whilst the Group's South Australian shipbuilding facility is 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

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 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.

Earlier in 2009 the Department of Defence advised ASC of its intention to renegotiate the TLS contract with ASC.

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

ASC Pty Ltd has determined that it has the capacity to pay a special dividend in the near future. The date of the payment is currently under review.

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*

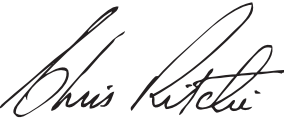
The Auditor's Independence Declaration is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2009.

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 Adelaide this 3rd day of September 2009.

Signed in accordance with a resolution of directors.



Christopher A Ritchie AO
Vice Admiral RANR
CHAIRMAN



Graeme R Bulmer
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 consolidated entity for the year ended 30 June 2009, 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

Jocelyn Ashford
EXECUTIVE DIRECTOR

Delegate of the Auditor-General
Canberra

2 September 2009

**ASC PTY LTD AND ITS CONTROLLED ENTITIES
INCOME STATEMENTS**

For the year ended 30 June 2009

	Note	Consolidated Entity		The Company	
		Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Revenue from continuing operations	4(a)	351,997	321,322	272,323	280,367
Other income	4(b)	38	3,577	-	2,674
Expenses					
Materials and subcontractors		(98,944)	(99,146)	(69,511)	(83,142)
Labour		(170,321)	(135,852)	(136,837)	(122,254)
Depreciation and amortisation	5	(6,900)	(5,348)	(5,568)	(4,690)
Finance costs	5	(540)	(152)	(93)	(23)
Insurance		(2,307)	(1,987)	(2,055)	(1,580)
Operating lease	5	(7,811)	(5,209)	(5,346)	(3,364)
Security expenses		(1,656)	(1,180)	(1,184)	(753)
Professional fees		(6,077)	(3,346)	(1,638)	(1,979)
Repairs and maintenance		(7,003)	(6,514)	(6,068)	(5,773)
Travelling expenses		(4,498)	(3,177)	(730)	(1,135)
Office expenses		(1,670)	(1,650)	(1,551)	(1,550)
Utilities expense		(4,468)	(3,100)	(3,458)	(2,594)
Other expenses		(14,321)	(14,300)	(6,936)	(12,901)
Profit before tax		25,519	43,938	31,348	41,303
Income tax (expense)/benefit	7(a)	(7,079)	(14,268)	(9,822)	(13,412)
Profit after tax		18,440	29,670	21,526	27,891
Profit attributable to equity holder of ASC Pty Ltd		18,440	29,670	21,526	27,891

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 2009

		Consolidated Entity		The Company	
	Note	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	28,439	11,186	14,071	10,560
Restricted cash	9	57,569	12,721	-	-
Trade and other receivables	10	77,649	33,098	30,029	29,345
Contract work in progress	16	-	8,217	1,647	6,341
Other financial assets	12	33,756	65,729	33,756	65,729
Prepaid income tax	7(b)	1,224	-	1,224	-
Inventories	11	6,211	7,040	6,211	7,040
Other	13	2,249	1,166	2,189	953
Total current assets		207,097	139,157	89,127	119,968
Non Current assets					
Receivables	10	-	-	104,946	12,092
Other financial assets	12	-	22,715	13,000	35,715
Net pension assets	24(d)	-	1,496	-	1,496
Property, plant and equipment	14	239,310	144,800	125,666	109,216
Total non current assets		239,310	169,011	243,612	158,519
TOTAL ASSETS		446,407	308,168	332,739	278,487
LIABILITIES					
Current liabilities					
Bank overdraft	8	-	6	-	-
Trade and other payables	15	54,994	53,324	30,925	45,272
Net unearned contract billing	16	31,357	-	-	-
Non interest-bearing liabilities	17	-	-	71,569	7,289
Interest-bearing liabilities	18	114,970	16,240	-	-
Current tax liabilities	7(b)	-	4,552	-	4,552
Provisions	19	29,345	34,557	26,015	32,515
Total current liabilities		230,666	108,679	128,509	89,628
Non current liabilities					
Non interest-bearing liabilities	17	12,097	6,904	2	2
Retirement benefit obligation	24(d)	778	-	778	-
Deferred tax liabilities	7(d)	6,507	6,947	4,072	3,282
Provisions	19	12,750	10,761	11,795	10,231
Total non current liabilities		32,132	24,612	16,647	13,515
TOTAL LIABILITIES		262,798	133,291	145,156	103,143
NET ASSETS		183,609	174,877	187,583	175,344
EQUITY					
Contributed equity	20	10,000	10,000	10,000	10,000
Reserves	21	64,571	61,415	54,324	50,747
Retained earnings	22	109,038	103,462	123,259	114,597
TOTAL EQUITY		183,609	174,877	187,583	175,344

The above balance sheets 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 2009

	Note	Consolidated Entity		The Company	
		Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Reduction of revaluation reserve on disposal	21	-	(1,106)	-	-
Gain/(losses) on revaluation of land and buildings, net of tax	21	3,156	8,037	3,577	6,845
Actuarial gains (losses) on defined benefit plans after tax	22	(1,764)	(2,693)	(1,764)	(2,693)
Net gain/(losses) recognised directly in equity		1,392	4,238	1,813	4,152
Profit for the year		18,440	29,670	21,526	27,891
Total recognised income and expense for the year		19,832	33,908	23,339	32,043
Total recognised income and expense for the year is attributable to the equity holder of ASC Pty Ltd		19,832	33,908	23,339	32,043

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 CASH FLOWS
For the year ended 30 June 2009

		Consolidated Entity		The Company		
	Note	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts in the course of operations (inclusive of goods and services tax)		419,907	353,964	295,925	302,488	
Cash payments to suppliers and employees in the course of operations (inclusive of goods and services tax)		(354,313)	(317,164)	(278,637)	(267,113)	
Income taxes refunded/(paid)	7(b)	(13,714)	(36,474)	(13,714)	(36,474)	
Net cash provided by/(used in) operating activities	32(b)	51,880	326	3,574	(1,099)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		5,068	7,535	7,856	7,833	
Leverage lease income		-	25,359	-	25,359	
Proceeds from disposal of non current assets		33	105	8	105	
Proceeds from invested funds	32(c)	88,443	79,959	88,443	79,959	
Payments for invested funds	32(c)	(33,756)	(88,444)	(33,756)	(88,444)	
Payments for property, plant and equipment		(97,115)	(14,510)	(17,393)	(2,523)	
Loan (to)/from controlled entity		-	-	(29,968)	(442)	
Loan (to)/from associates		-	(5)	-	(5)	
Investment in associates		-	5	-	5	
Net cash provided by/(used in) investing activities		(37,327)	10,004	15,190	21,847	
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(15,250)	(18,475)	(15,250)	(18,475)	
Proceeds from borrowings		246,464	33,274	-	-	
Repayment of borrowings		(228,503)	(22,854)			
Interest paid		(5)	(16)	(3)	-	
Net cash provided by/(used in) financing activities		2,706	(8,071)	(15,253)	(18,475)	
Net increase/(decrease) in cash and cash equivalents		17,259	2,259	3,511	2,273	
Effects of exchange rate changes on cash and cash equivalents			-		-	
Cash and cash equivalents at the beginning of the financial year		11,180	8,921	10,560	8,287	
Cash and cash equivalents at the end of the financial period		32(a)	28,439	11,180	14,071	10,560

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

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 2009 comprises the Company as an individual entity and the consolidated entity consisting of the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The financial report is presented in Australian dollars.

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

(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 International Financial Reporting Standards (IFRS)

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

Basis of preparation

Notwithstanding the negative working capital of \$23,396,000 for the Group and \$39,382,000 for the Company, the financial statements are prepared on a going concern basis due to the following reasons:

- all major contracts of the Group and the Company are based on a cash flow neutral 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;
- \$12 million overdraft facility not utilised at balance date;
- \$25 million multi-option bank facility not utilised at balance date; and
- consistent profitability over a number of years.

Further details are disclosed in note 3(b).

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) New Accounting Standards and Interpretations Not Adopted Early

Certain new accounting standards and interpretations have been published but their applications are not mandatory for 30 June 2009 reporting periods. The Group has not adopted the following standards early. The Company's 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 and AASB 138 and Interpretations 1 and 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.

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.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and the results of all subsidiaries for the year then ended.

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 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 proportion to the stage of completion of the transaction. The stage of completion is measured either by the cost of work completed and estimated total costs at the completion of the contract, or by surveys of work performed, whichever one is more appropriate depending on the nature of the contract. Where the outcome of a contract can not 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.

(e) Contract Work In Progress

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

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

Tendering costs on contracts are expensed as incurred.

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

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 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.

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

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, 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 – 20 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 amounts. 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 31. 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 "Prepaid income tax" 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.

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 and 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 matches 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 are recognised directly to retained earnings.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 Group. Trade and other payables are stated at fair value. Trade payables are non-interest bearing, unsecured and are normally settled on 30-day terms.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 statements 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 benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

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. Significant uncertainty relates to estimates for contracting activities as the estimates depend on circumstances particular to each contract.

(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 assets 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.

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 its 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

Held-to-maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the consolidated entity.

Available-for-sale financial assets

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) Financial Instruments

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, 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 values 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 they are 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 2009 and 30 June 2008 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

Revenue recognition and work in progress

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

Where the outcome of these contracts cannot be reliably measured, revenue is only recognised to the extent of contract costs incurred and recoverable.

If the outcome of these contracts differ from the estimates and assumptions made at balance date, such differences will impact the financial result of these contracts in future periods.

Provision for warranty

The consolidated entity has a warranty provision for submarine related activities. This provision is calculated based on the six Collins Class submarines schedule and their relevant exposure index. ASC Pty Ltd has a Through-Life Support (TLS) contract with the Commonwealth of Australia represented by the Defence Materiel Organisation (DMO) 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 obsolescence and urgent defects has therefore been considered as a base for determining potential future warranty claims.

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 Australian Prudential Regulation Authority (APRA) prudential standards for private sector insurers a probability sufficiency of 75 percent is required as a minimum. ASC Pty Ltd'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 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.

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont.)

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

	Consolidated		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Financial assets				
Cash and restricted cash	75,985	23,907	4,048	10,560
Term deposits	10,023	-	10,023	-
Trade and other receivables	77,649	33,098	30,029	29,345
Loan to controlled entities	-	-	104,946	12,092
Marketable interest securities	33,756	88,444	33,756	88,444
Investment in subsidiaries	-	-	13,000	13,000
	197,413	145,449	195,802	153,441
Financial liabilities				
Bank overdrafts	-	6	-	-
Trade and other payables	54,994	53,324	30,925	45,272
Loans from controlled entities	-	-	71,569	7,289
Term loan	4	4	2	2
Government contribution to capital work in progress	12,093	6,900	-	-
Government advance	114,970	16,240	-	-
	182,061	76,474	102,496	52,563

(a) Credit risk

Credit risk is the risk of financial loss to the Company or the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and 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 the limit of credit exposure is allowed. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees

Credit risk also arises in relation to financial guarantees given to certain parties (see note 25 for details). Such guarantees are issued in accordance with the ASC Corporate Management Policies and only provided to support a financial/commercial arrangement.

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 TLS 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 has 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.

Recognised financial instruments

Trade and other receivables

Counterparties with external credit rating
(Standard & Poor's)

AAA - [Australia (Commonwealth of)]

Credit rating not determined

Cash, cash equivalents and restricted cash

AA

BBB+

Held-to-maturity investments

AA

AA-

A+

A

Credit rating not determined

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Trade and other receivables				
Counterparties with external credit rating (Standard & Poor's)				
AAA - [Australia (Commonwealth of)]	77,485	32,962	29,939	29,216
Credit rating not determined	164	136	90	129
	77,649	33,098	30,029	29,345
Cash, cash equivalents and restricted cash				
AA	86,008	13,907	14,071	560
BBB+	-	10,000	-	10,000
	86,008	23,907	14,071	10,560
Held-to-maturity investments				
AA	18,905	29,457	18,905	29,457
AA-	-	21,840	-	21,840
A+	4,955	27,999	4,955	27,999
A	9,896	9,148	9,896	9,148
Credit rating not determined	-	-	13,000	13,000
	33,756	88,444	46,756	101,444

(b) Liquidity Risk

Liquidity risk is the risk that the Company or the Group will not be able to meet its financial obligations as they fall due. Both the Company's and the Group's approach in 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 both the Company and the Group's reputation.

All major contracts of the Company and 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. Interest would be payable at the rate of BBOR (Bank Bill Official Rate) plus 100 basis points;
- \$25 million multi option bank facility;
- Government advance represents the working capital advance provided by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA). ABTIA requires regular review of the advance amount which may be increased or decreased after consideration by the Commonwealth as to the working capital requirements for the AWD project; and
- Government contribution to capital work in progress to build a production facility required for the construction of the AWDs.

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

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(b) Liquidity Risk (cont.)

Financing arrangements

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

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Floating rate				
Loan facilities	25,000	-	-	-
Overdraft facilities	12,000	11,994	-	-

Maturities of financial liabilities

The tables below analyses 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	Over 5 years	Total contractual cash flows	Carrying amount (assets)/liabilities
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Consolidated Entity - at 30 June 2009				
Non-derivatives				
Non-interest bearing	54,994	38,260	93,254	67,091
Variable rate (including bank overdraft)	114,970	-	114,970	114,970
Total non-derivatives	169,964	38,260	208,224	182,061
The Company - at 30 June 2009				
Non-derivatives				
Non-interest bearing	102,494	160	102,654	102,496
Total non-derivatives	102,494	160	102,654	102,496
Consolidated Entity - 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
Total non-derivatives	52,561	160	52,721	52,563

(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.

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

	Currency	Consolidated Entity		The Company	
		Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Financial assets					
Cash and cash equivalents	USD	944	4,697	-	-
	EUR	4,412	-	-	-
	GBP	-	-	-	-
	CAD	956	-	-	-
Restricted cash	USD	7,103	-	-	-
	EUR	18,776	-	-	-
	GBP	150	-	-	-
	CAD	626	-	-	-
Trade and other receivables	USD	603	157	-	-
	EUR	4,333	-	-	-
	GBP	2	-	-	-
	CAD	1,389	-	-	-
	JPY	71,000	-	-	-
Financial liabilities					
Trade and other payables	USD	1037	576	99	90
	EUR	4,499	373	239	373
	GBP	26	59	26	59
	CAD	956	-	-	-
	SEK	10	62	10	62
	CHF	-	196	-	196
Government advance	USD	7,706	5,586	-	-
	EUR	23,261	-	-	-
	GBP	151	-	-	-
	CAD	2,015	-	-	-
	JPY	71,000	-	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2009

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(c) Market Risk (cont.)

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.

At balance date the consolidated entity and the Company have an unrealised gain of \$142,972 (2008: unrealised gain of \$24,062).

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

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

	Consolidated Entity		The Company	
	Total	Effective interest rate	Total	Effective interest rate
30 June 2009	\$'000	%	\$'000	%
Financial assets				
Cash and restricted cash	75,985	0.68	4,048	2.14
Term Deposits	10,023	3.85	10,023	3.85
Trade and other receivables	77,649	0.00	30,029	0.00
Loans to controlled entities	-	0.00	104,946	5.00
Marketable interest securities (at fair value)	33,756	7.22	33,756	7.22
Investment in subsidiaries	-	0.00	13,000	0.00
	197,413		195,802	
Financial liabilities				
Trade and other payables	54,994	0.00	30,925	0.00
Loans from controlled entities	-	0.00	71,569	0.00
Term loan	4	0.00	2	0.00
Deferred purchase obligation	12,093	0.00	-	0.00
Government advance	114,970	0.60	-	0.00
	182,061		102,496	
30 June 2008				
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
Investment in subsidiaries	-	0.00	13,000	0.00
	145,449		153,441	
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
Deferred purchase obligation	6,900	0.00	-	0.00
Government advance	16,240	6.50	-	0.00
	76,474		52,563	

Sensitivity analysis

At 30 June 2009, if market interest rates had a parallel shift of +75 basis points / - 75 basis points from year-end rates, with all other variables held constant, equity and profit or loss would have increased (decreased) by the amounts shown below. The analysis is performed on the same basis for 2008. 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.

	Carrying Amount	Interest Rate Risk			
		-0.75%		+0.75%	
	\$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
30 June 2009					
Consolidated Entity					
Financial assets					
Cash, cash equivalents and restricted cash	75,985	(570)	-	570	-
Term deposits	10,023	(75)	-	75	-
Trade and other receivables	77,649	-	-	-	-
Marketable interest securities (at fair value)	33,756	(253)	-	253	-
Financial liabilities					
Trade and other payables	(54,994)	-	-	-	-
Term loan	(4)	-	-	-	-
Deferred purchase obligation	(12,093)	-	-	-	-
Government advance	(114,970)	-	-	-	-
Total increase/(decrease)		(898)		898	
30 June 2009					
The Company					
Financial assets					
Cash, cash equivalents and restricted cash	4,048	(30)	-	30	-
Term deposits	10,023	(75)	-	75	-
Trade and other receivables	30,029	-	-	-	-
Loans to controlled entities	104,946	(787)	-	787	-
Marketable interest securities (at fair value)	33,756	(253)	-	253	-
Investment in subsidiaries	13,000	-	-	-	-
Financial liabilities					
Trade and other payables	(30,925)	-	-	-	-
Loans from controlled entities	(71,569)	537	-	(537)	-
Term loan	(2)	-	-	-	-
Total increase/(decrease)		(608)		608	

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2009

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(c) Market Risk (cont.)

Sensitivity analysis (cont.)

At 30 June 2008, if market interest rates had a parallel shift of +75 basis points / - 75 basis points from year-end rates, with all other variables held constant, equity and profit or loss would have increased (decreased) by the amounts shown below. The 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.

	Carrying Amount	Interest Rate Risk			
		-0.75%		+0.75%	
		Profit	Other Equity	Profit	Other Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2008					
Consolidated Entity					
Financial assets					-
Cash, cash equivalents and restricted cash	23,907	(179)	-	179	-
Trade and other receivables	33,098	-	-	-	-
Marketable interest securities (at fair value)	88,444	(663)	-	663	-
Financial liabilities					-
Both overdrafts	(6)	-	-	-	-
Trade and other payables	(53,324)	-	-	-	-
Term loan	(4)	-	-	-	-
Deferred purchase obligation	(6,900)	-	-	-	-
Government advance	(16,240)	-	-	-	-
Total increase/(decrease)		(842)		842	
30 June 2008					
The Company					
Financial assets					-
Cash, cash equivalents and restricted cash	10,560	(79)	-	79	-
Trade and other receivables	29,345	-	-	-	-
Loans to controlled entities	12,092	(91)	-	91	-
Marketable interest securities (at fair value)	88,444	(663)	-	663	-
Investment in subsidiaries	13,000	-	-	-	-
Financial liabilities					-
Trade and other payables	(45,272)	-	-	-	-
Loans from controlled entities	(7,289)	55	-	(55)	-
Term loan	(2)	-	-	-	-
Total increase/(decrease)		(778)		778	

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 the 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.

4 REVENUE

(a) Revenue from continuing operations

Revenue from rendering of services

Related parties
Other parties

Other revenue

Secondment income received from

Other parties

Interest

Related parties
Other parties

Total revenue from continuing operations

(b) Other income

Leveraged lease income

Net profit from disposal of fixed assets

Other income

Total other income

Consolidated Entity		The Company	
Jun-09	Jun-08	Jun-09	Jun-08
\$'000	\$'000	\$'000	\$'000
344,877	315,279	264,457	274,057
1,267	74	8	43
346,144	315,353	264,465	274,100
783	-	-	-
-	-	2,884	339
5,070	5,969	4,974	5,928
5,853	5,969	7,858	6,267
351,997	321,322	272,323	280,367
-	2,569	-	2,569
-	24	-	105
38	984	-	-
38	3,577	-	2,674

5 EXPENSES

Items included in profit before tax

Net loss from disposal of fixed assets

Depreciation of

Buildings
Plant and equipment

Total depreciation

Finance costs

Bank charges

Interest expenses

Other parties

Operating lease rental expense

Minimum lease payments

Defined contribution superannuation expense

Consolidated Entity		The Company	
Jun-09	Jun-08	Jun-09	Jun-08
\$'000	\$'000	\$'000	\$'000
4	-	-	-
4,470	3,733	3,702	3,192
2,430	1,615	1,866	1,498
6,900	5,348	5,568	4,690
535	136	90	23
5	16	3	-
540	152	93	23
7,811	5,209	5,346	3,364
26	73	26	73

6 AUDITORS' REMUNERATION

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$	\$	\$	\$
Audit services				
Amount received or due and receivable by the Australian National Audit Office (ANAO) as auditors of ASC	304,000	250,000	270,000	250,000
Other services				
During 2008/09, PricewaterhouseCoopers (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 2008/09:				
- Other assurance services	2,100	87,007	2,100	78,447
	2,100	87,007	2,100	78,447

7 TAXATION

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	7,729	35,899	9,121	34,952
Adjustments for prior years	-	46	-	46
	7,729	35,945	9,121	34,998
Deferred tax expense				
Temporary differences arising during the year, net of reversal	(650)	(22,440)	701	(22,241)
Change in unrecognised temporary differences	-	763	-	655
	(650)	(21,677)	701	(21,586)
	7,079	14,268	9,822	13,412
Total income tax expense in income statement				
Attributable to:				
Continuing operations	7,079	14,268	9,822	13,412
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	25,519	43,938	31,348	41,303
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	7,656	13,181	9,404	12,391
Increase in income tax expense due to:				
Non-deductible expenses	26	321	127	321
Decrease in income tax expense due to:				
Tax incentives not recognised in income statement	(636)	(44)	(43)	-
	7,046	13,458	9,488	12,712
Under/(over) provided in prior years				
Adjustment for prior year tax expense	33	810	334	700
Income tax expense on pre-tax net profit	7,079	14,268	9,822	13,412
Attributable to:				
Continuing operations	7,079	14,268	9,822	13,412
(b) Prepaid income tax/(current tax liabilities)				
Movements during the year were as follows:				
Balance at the beginning of the year	(4,552)	(5,081)	(4,552)	(5,081)
Income tax paid	13,714	36,474	13,714	36,474
Current year's income tax expense on operating profit	(7,729)	(35,899)	(9,121)	(34,952)
Controlled entity provision	-	-	1,392	(947)
Under/(over) provision in prior years	(209)	(46)	(209)	(46)
	1,224	(4,552)	1,224	(4,552)
(c) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following item				
Capital gain tax losses	11,461	3,478	11,461	3,478
	11,461	3,478	11,461	3,478

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7 TAXATION (CONT.)

(d) Deferred tax assets and liabilities

	Deferred Tax Assets		Deferred Tax Liabilities		Net	
	Jun-09	Jun-08	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Consolidated Entity						
Property, plant and equipment	9,516	9,370	(26,969)	(26,318)	(17,453)	(16,948)
Employee entitlements	7,815	6,894	-	-	7,815	6,894
Provisions for warranty	1,877	2,661	-	-	1,877	2,661
Project recognised profit	492	120	-	-	492	120
Leveraged lease	-	-	-	-	-	-
Interest accrual	-	-	(647)	(830)	(647)	(830)
Net pension assets	234	-	-	(449)	234	(449)
Impairment loss	-	-	-	-	-	-
- investment in subsidiary	-	-	-	-	-	-
Sundry items	1,282	1,647	(107)	(42)	1,175	1,605
Net tax assets/(liabilities)	21,216	20,692	(27,723)	(27,639)	(6,507)	(6,947)
The Company						
Property, plant and equipment	9,500	9,358	(22,739)	(21,827)	(13,239)	(12,469)
Employee entitlements	6,486	6,122	-	-	6,486	6,122
Provisions for warranty	1,877	2,661	-	-	1,877	2,661
Project recognised profit	137	120	-	-	137	120
Leveraged lease	-	-	-	-	-	-
Interest accrual	-	-	(647)	(830)	(647)	(830)
Net pension assets	234	-	-	(449)	234	(449)
Impairment loss	-	-	-	-	-	-
- investment in subsidiary	-	-	-	-	-	-
Sundry items	1,127	1,610	(47)	(47)	1,080	1,563
Net tax assets/(liabilities)	19,361	19,871	(23,433)	(23,153)	(4,072)	(3,282)

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

	Deferred Tax Assets		Deferred Tax Liabilities		Net	
	Jun-09	Jun-08	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Movements						
Consolidated Entity						
Movement to income tax benefit/(expense)						
Property, plant and equipment	146	(1,042)	315	382	461	(660)
Employee entitlements	921	625	-	-	921	625
Provisions for warranty	(784)	22	-	-	(784)	22
Project recognised profit	372	(10)	-	-	372	(10)
Leveraged lease	-	-	-	21,083	-	21,083
Interest accrual	-	-	183	(360)	183	(360)
Net pension assets	234	-	(307)	(282)	(73)	(282)
Impairment loss	-	780	-	-	-	780
- investment in subsidiary	-	-	-	-	-	-
Sundry items	(365)	444	(65)	35	(430)	479
	524	819	126	20,858	650	21,677
Movement credited (debited) directly to equity						
Property, plant and equipment			(966)	(2,864)	(966)	(2,864)
Net pension assets (refer note below)			756	1,154	756	1,154
	-	-	(210)	(1,710)	(210)	(1,710)
Net tax assets/(liabilities)	524	819	(84)	19,148	440	19,967
The Company						
Movement to income tax benefit / (expense)						
Property, plant and equipment	142	(1,043)	(67)	401	75	(642)
Employee entitlements	364	488	-	-	364	488
Provisions for warranty	(784)	103	-	-	(784)	103
Project recognised profit	17	(10)	-	-	17	(10)
Leveraged lease	-	-	-	21,083	-	21,083
Interest accrual	-	-	183	(360)	183	(360)
Net pension assets	234	-	(307)	(282)	(73)	(282)
Sundry items	(483)	1,205	-	1	(483)	1,206
	(510)	743	(191)	20,843	(701)	21,586
Movement credited/(debited) directly to equity						
Property, plant and equipment			(845)	(2,935)	(845)	(2,935)
Net pension assets (refer note below)			756	1,154	756	1,154
	-	-	(89)	(1,781)	(89)	(1,781)
Net tax assets/(liabilities)	(510)	743	(280)	19,062	(790)	19,805

(e) Amounts recognised directly in equity

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

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Current tax - credited directly to equity	-	-	-	-
Net deferred tax - debited (credited) directly to equity (note 7(d))	210	1,710	89	1,781

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7 TAXATION (CONT.)

(f) 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.

8 CASH AND CASH EQUIVALENT AND BANK OVERDRAFT

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Cash at bank and in hand	18,416	11,186	4,048	10,560
Term deposits	10,023	-	10,023	-
Bank overdraft	-	(6)	-	-
	28,439	11,180	14,071	10,560

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

9 RESTRICTED CASH

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Restricted cash represents advances made by the Commonwealth of Australia under ABTIA	57,569	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 AWD 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.

The consolidated entity's and the Company's exposure to interest rate risk is disclosed in note 3.

10 TRADE AND OTHER RECEIVABLES

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Current				
Trade receivables	76,349	32,291	29,831	28,886
Less: provision for doubtful trade receivables	-	-	-	-
	76,349	32,291	29,831	28,886
Other receivables	1,300	807	198	459
	77,649	33,098	30,029	29,345
Non current				
Loans to controlled entities	-	-	104,946	12,092
	-	-	104,946	12,092

Other receivables

Other debtors also includes interest receivable.

Loans to ASC Shipbuilding Pty Ltd, ASC Engineering 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% pa above the Reserve Bank of Australia "Cash Rate". Refer to note 4(b) for details of interest revenue in relation to these loans.

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Accounts receivable ageing profile				
Receivables				
Not past due	77,283	33,069	29,663	29,316
Past due 1-30 days	-	19	-	19
Past due 31-60 days	360	-	360	-
Past due 61-90 days	6	-	6	-
Past due 90+ days	-	10	-	10
Total receivables	77,649	33,098	30,029	29,345

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 determined that there was 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 loss was recognised for 2009 (2008: nil)

11 INVENTORIES

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Current				
Raw materials and stores (at lower of cost or net realisable value)	6,211	7,040	6,211	7,040
	6,211	7,040	6,211	7,040
Inventory write down/(reversal of write down)	-	-	-	-

12 OTHER FINANCIAL ASSETS

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Current				
Marketable interest securities (at fair value)	33,756	65,729	33,756	65,729
	33,756	65,729	33,756	65,729
Non Current				
Marketable interest securities (at fair value)	-	22,715	-	22,715
Unlisted shares at cost	-	-	20,000	20,000
Less - provision for diminution	-	-	(7,000)	(7,000)
	-	22,715	13,000	35,715

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 ASC Shipbuilding Pty Ltd and ASC Modules Pty Ltd. The subsidiary deficiency is expected to be recovered from profits generated under the AWD contract.

13 OTHER CURRENT ASSETS

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Prepayments	2,249	1,166	2,189	953
	2,249	1,166	2,189	953

14 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Freehold land				
At fair value	27,769	27,769	17,420	17,420
Buildings				
At fair value	109,770	76,900	88,735	70,350
Plant and equipment				
At cost	52,488	41,039	45,785	38,720
Accumulated depreciation	(33,730)	(31,319)	(31,432)	(29,580)
	18,758	9,720	14,353	9,140
Capital works in progress at cost	83,013	30,411	5,158	12,306
Total property, plant and equipment	239,310	144,800	125,666	109,216
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at beginning of year	27,769	25,049	17,420	15,550
Revaluation increments/(decrements)	-	2,720	-	1,870
Carrying amount at the end of year	27,769	27,769	17,420	17,420

14 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Buildings				
Carrying amount at beginning of year	76,900	73,150	70,350	65,150
Transfers from capital works in progress	33,013	484	17,453	484
Disposals	(4)	(1,763)	-	-
Revaluation increments/(decrements)	4,331	8,762	4,634	7,908
Depreciation	(4,470)	(3,733)	(3,702)	(3,192)
Carrying amount at the end of year	109,770	76,900	88,735	70,350
Plant and equipment				
Carrying amount at beginning of year	9,720	7,994	9,140	7,482
Additions	3,376	171	69	-
Transfers from capital works in progress	8,125	3,176	7,018	3,156
Disposals	(33)	(6)	(8)	-
Depreciation	(2,430)	(1,615)	(1,866)	(1,498)
Carrying amount at the end of year	18,758	9,720	14,353	9,140
Capital works in progress				
Carrying amount at beginning of year	30,411	15,047	12,306	13,421
Additions/(write off)	93,739	19,024	17,324	2,523
Transfers to property, plant and equipment	(41,137)	(3,660)	(24,472)	(3,638)
Carrying amount at the end of year	83,013	30,411	5,158	12,306

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 and Valuers as at 30 June 2009. 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.

15 TRADE AND OTHER PAYABLES

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Trade payables	27,538	26,351	20,084	20,470
Other payables and accruals	27,456	26,973	10,841	24,802
Total payables	54,994	53,324	30,925	45,272

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**16 NET UNEARNED CONTRACT BILLING/
(CONSTRUCTION WORK IN PROGRESS)**

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Contract billings due and receivable	720,943	524,570	577,839	445,265
Contract works in progress	(576,759)	(454,023)	(529,684)	(411,871)
Profit recognised to date	(112,827)	(78,764)	(49,802)	(39,735)
Net unearned contract billing/(contract work in progress)	31,357	(8,217)	(1,647)	(6,341)

17 NON INTEREST-BEARING LIABILITIES

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Unsecured				
Current				
Loans from controlled entities	-	-	71,569	7,289
	-	-	71,569	7,289
Unsecured				
Non current				
Term loan	4	4	2	2
Deferred purchase obligation	12,093	6,900	-	-
	12,097	6,904	2	2

Term Loan

Term loan consists of the interest free 99 year loans to ASC Pty Ltd and ASC Engineering Pty Ltd 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 Ltd (\$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 2009 (2008: \$4,000) under AASB139 (Financial Instruments: Recognition and Measurement).

Deferred purchase obligation

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

Under this arrangement, a subsidiary of the Company has an obligation to purchase the facility within three months of the completion of the last AWD 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.

18 INTEREST-BEARING LIABILITIES

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Current				
Unsecured				
Government advance	114,970	16,240	-	-
	114,970	16,240	-	-

Government advance

Government advance represents the working capital advance provided by the Commonwealth of Australia under ABTIA.

This advance is repayable on demand when certain criteria has been met if ABTIA is terminated.

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

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Financing arrangements				
Unsecured facilities				
Total facilities available				
Loan facilities	25,000	-	-	-
Overdraft facilities	12,000	12,000	-	-
Bank guarantees and letters of credit	7,033	9,436	3,899	8,936
	44,033	21,436	3,899	8,936
Facilities utilised at balance date				
Loan facilities	-	-	-	-
Overdraft facilities	-	6	-	-
Bank guarantees and letters of credit	7,033	4,436	3,899	3,936
	7,033	4,442	3,899	3,936
Facilities not utilised at balance date				
Loan facilities	25,000	-	-	-
Overdraft facilities	12,000	11,994	-	-
Bank guarantees and letters of credit	-	5,000	-	5,000
	37,000	16,994	-	5,000

19 PROVISIONS

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Current				
Employee entitlements, including on costs (a)	19,275	18,687	15,945	16,645
Redundancy and termination (b)	916	-	916	-
Warranty (c)	2,646	5,001	2,646	5,001
Self insured workers compensation (d)	1,408	1,619	1,408	1,619
Dividends (e)	5,100	9,250	5,100	9,250
	29,345	34,557	26,015	32,515
Non current				
Employee entitlements, including on costs (a)	5,578	4,280	4,623	3,750
Warranty (c)	3,610	3,870	3,610	3,870
Self insured workers compensation (d)	3,562	2,611	3,562	2,611
	12,750	10,761	11,795	10,231

(a) **Employee entitlements, including on costs**

The current portion includes all unconditional annual leave and long service leave entitlements including on costs where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The current portion includes the entire amount that the Group does not have an unconditional right to defer settlement.

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

(b) **Redundancy and termination**

The redundancy provision is calculated based on the identified positions which would be redundant at the result of the new organisation structure for the new financial year 2009/10. This redundancy and termination provision is expected to be paid in the early part of the 2009/10 financial year.

(c) **Warranty**

The company has a warranty provision for the submarine related activities under the TLS contract with the Commonwealth of Australia represented by the DMO.

The current portion of the provision is expected to be settled in the next financial year. This estimate is based on historical obsolescence and urgent defects costs and taking into account the timing of boat activities on the six boats schedule.

(d) **Self insured workers compensation**

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

(e) **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.

Final dividend is usually paid within the first four months of the following financial year.

Provisions movements:

Redundancy and termination

Balance at 1 July (current and non current)	-	-	-	-
Provision made during the year	5,888	-	5,888	-
Provision used during the year	(4,972)	-	(4,972)	-
Balance at 30 June (current and non current)	916	-	916	-

Warranty

Balance at 1 July (current and non current)	8,871	8,797	8,871	8,525
Provision made/(reversed) during the year	(2,615)	347	(2,615)	346
Provision used during the year	-	(273)	-	-
Balance at 30 June (current and non current)	6,256	8,871	6,256	8,871

Self insured workers compensation

Balance at 1 July (current and non current)	4,230	6,110	4,230	6,110
Provision made/(reversed) during the year	2,107	(308)	2,107	(308)
Provision used during the year	(1,367)	(1,572)	(1,367)	(1,572)
Balance at 30 June (current and non current)	4,970	4,230	4,970	4,230

Dividends

Balance at 1 July (current and non current)	9,250	9,825	9,250	9,825
Provision made during the year	11,100	8,650	11,100	8,650
Provision used during the year	(15,250)	(9,225)	(15,250)	(9,225)
Balance at 30 June (current and non current)	5,100	9,250	5,100	9,250

Other

Balance at 1 July (current and non current)	-	214	-	-
Provision used during the year	-	(163)	-	-
Provision reversed during the year	-	(51)	-	-
Balance at 30 June (current and non current)	-	-	-	-

Consolidated Entity		The Company	
Jun-09	Jun-08	Jun-09	Jun-08
\$'000	\$'000	\$'000	\$'000
-	-	-	-
5,888	-	5,888	-
(4,972)	-	(4,972)	-
916	-	916	-
8,871	8,797	8,871	8,525
(2,615)	347	(2,615)	346
-	(273)	-	-
6,256	8,871	6,256	8,871
4,230	6,110	4,230	6,110
2,107	(308)	2,107	(308)
(1,367)	(1,572)	(1,367)	(1,572)
4,970	4,230	4,970	4,230
9,250	9,825	9,250	9,825
11,100	8,650	11,100	8,650
(15,250)	(9,225)	(15,250)	(9,225)
5,100	9,250	5,100	9,250
-	214	-	-
-	(163)	-	-
-	(51)	-	-
-	-	-	-

20 ISSUED CAPITAL

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
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

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

21 RESERVES

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Opening asset revaluation reserve (1 July)	61,415	54,484	50,747	43,902
Reduction of reserve on building disposal, net of tax	-	(1,106)	-	-
Revaluation increment, net of tax	3,156	8,037	3,577	6,845
Closing asset revaluation reserve	64,571	61,415	54,324	50,747
Total Reserves	64,571	61,415	54,324	50,747
Asset revaluation reserve				
Comprises of:				
- Land	17,887	18,097	11,354	11,354
- Buildings	46,684	43,318	42,970	39,393
Closing balance	64,571	61,415	54,324	50,747

Nature and purpose of reserves

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of land and buildings.

22 RETAINED EARNINGS

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Opening retained earnings (1 July)	103,462	94,385	114,597	107,299
Actuarial gains (losses) on defined benefit plans after tax	(1,764)	(2,693)	(1,764)	(2,693)
Net profit for the year	18,440	29,670	21,526	27,891
Dividends	(11,100)	(17,900)	(11,100)	(17,900)
Closing retained earnings	109,038	103,462	123,259	114,597

23 DIVIDENDS

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Interim fully franked dividend, declared and paid	6,000	8,650	6,000	8,650
Final fully franked dividend, declared and provided for	5,100	9,250	5,100	9,250
Total fully franked dividend, represents a distribution to the shareholder	11,100	17,900	11,100	17,900
All dividends declared during the year were paid out of profits.				
Dividends franking account				
Class C (30%) franking credits	99,622	96,441	99,622	96,441

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; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years

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

24 COMMITMENTS

	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
(a) Capital expenditure commitments				
Contracted but not provided for and payable:				
Not later than one year	15,904	87,191	3,242	16,605
Later than one year but not later than five years	-	13,157	-	300
	15,904	100,348	3,242	16,905
(b) Operating lease commitments				
Non-cancellable future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	10,104	6,077	6,457	4,861
Later than one year but not later than five years	37,399	19,369	27,822	19,322
Later than five years	89,799	89,297	83,267	89,297
	137,302	114,743	117,546	113,480

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.

24 COMMITMENTS (CONT.)

(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 2009 was carried out by David O'Keefe, fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Ltd on 6 July 2009. The actuary concluded that the assets of the defined benefit category of the fund are not 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 Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Movements in the net asset/(liability) for defined benefits obligations recognised in the balance sheet				
Net asset/(liability) for defined benefit obligations at 1 July	1,496	4,404	1,496	4,404
Contributions received	26	76	26	76
Income/(expense) recognised in the income statement	220	861	220	861
Actuarial gains/(losses) recognised directly in equity	(2,520)	(3,846)	(2,520)	(3,846)
Net asset/(liability) for defined benefit obligations at 30 June	(778)	1,496	(778)	1,496
Defined benefit superannuation fund				
Amounts in the balance sheet				
Asset	-	1,496	-	1,496
Liability	(778)	-	(778)	-
Net pension assets/(retirement benefit obligation)	(778)	1,496	(778)	1,496
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	11,105	14,005	11,105	14,005
Service cost	258	83	258	83
Interest cost	647	830	647	830
Actuarial losses/(gains)	327	(1,348)	327	(1,348)
Benefits paid	(2,493)	(2,465)	(2,493)	(2,465)
Closing defined benefit obligation	9,844	11,105	9,844	11,105
Changes in the fair value of fund assets are as follows:				
Opening fair value of fund assets	12,601	18,409	12,601	18,409
Expected return	1,125	1,775	1,125	1,775
Actuarial gains/(losses)	(2,193)	(5,194)	(2,193)	(5,194)
Contributions by employer	26	76	26	76
Benefits paid	(2,493)	(2,465)	(2,493)	(2,465)
	9,066	12,601	9,066	12,601

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	%	%	%	%
The major categories of fund assets as a percentage of total fund assets are as follows:				
Australian equities	37	37	37	37
International equities	34	29	34	29
Australian fixed interest	13	14	13	14
International fixed interest	8	4	8	4
Property trusts	5	4	5	4
Private equity	0	2	0	2
Alternative assets	0	1	0	1
Cash	3	9	3	9
	100	100	100	100

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 Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Expense recognised in the income statement:				
Current service costs	258	83	258	83
Interest cost	647	830	647	830
Expected return on fund assets	(1,125)	(1,775)	(1,125)	(1,775)
	(220)	(861)	(220)	(861)
Actuarial gains/(losses) are recognised directly in equity.				
The expense is recognised in the following line items in the income statement:				
Pension costs/(revenues)	(246)	(938)	(246)	(938)
Contribution paid (in labour costs)	26	76	26	76
	(220)	(861)	(220)	(861)
Actual return on fund assets	(1,068)	(3,416)	(1,068)	(3,416)
	(1,068)	(3,416)	(1,068)	(3,416)
Expense recognised in statements of recognised income and expense				
Actuarial gains/(losses) recognised in the year (net of tax)	(1,764)	(2,692)	(1,764)	(2,692)
Cumulative actuarial gains/(losses) recognised in the statement of recognised income and expense	(3,265)	(1,501)	(3,265)	(1,501)

24 COMMITMENTS (CONT.)

(d) Superannuation commitments (cont.)

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 as at 30 June 2009. 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 \$27,000 to the defined benefit superannuation fund in the 2010 financial year.

The overall expected long-term rate of return on assets is 7.8%. 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 Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	%	%	%	%
Principal actuarial assumptions at the balance sheet date:				
Discount rate at 30 June	5.7	6.5	5.7	6.5
Expected return on fund assets at 30 June	7.8	9.9	7.8	9.9
Future salary increases	5.5	5.6	5.5	5.6

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 April 2009), and a deficit of \$778,000 was reported.

Any deficit under AAS 25 may differ from the net liability of \$778,000 recognised in the balance sheet as at 30 June 2009 due to different measurement rules in the relevant accounting standards AAS25 and AASB 119 Employee Benefits.

	Jun-09	Jun-08	Jun-07	Jun-06	Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000
Historic summary					
Defined benefit obligation	(9,844)	(11,105)	(14,005)	(13,874)	(12,277)
Fund assets	9,066	12,601	18,409	14,612	13,594
Surplus/(deficit)	(778)	1,496	4,404	738	1,317
Experience adjustments arising on fund assets	(2,193)	(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.

25 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 subsidiaries of the Company 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 Group is \$7 million (2008: \$4.1 million). There is no letter of credit arranged by the Group as at 30 June 2009 in favour of any supplier in support for its payment obligation (2008: \$0.4 million).

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

- a) 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;
- b) 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;
- c) 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 AWD program; and
- d) to various banks in support of the \$37 million in finance facilities and the \$7 million bank guarantees and no letter of credit as mentioned above.

No losses are expected in relation to these guarantee arrangements.

26 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 AWD construction contract.

The above charges are held against default of the contracts.

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$'000	\$'000	\$'000	\$'000
Total current assets pledged as security				
Trade receivables	46,435	3,405	-	-
Other receivables	327	7	-	-
Contract work in progress	(33,042)	1,867	-	-
	13,720	5,279	-	-
Total non current assets pledged as security				
Land	17,420	17,420	17,420	17,420
Building	88,735	70,350	88,735	70,350
Plant and equipment	10,244	7,139	10,244	7,139
	116,399	94,909	116,399	94,909

27 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 AWDs. That dependency existed during all of the financial year.

28 KEY MANAGEMENT PERSONNEL DISCLOSURE

	Consolidated Entity		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Key management personnel compensation				
The key management personnel compensation included in personnel expenses are as follows:				
Short - term employment benefits	1,144,963	1,019,442	1,144,963	1,019,442
Post - employment benefits	96,295	89,385	96,295	89,385
Termination benefits	238,500	-	238,500	-
	1,479,758	1,108,827	1,479,758	1,108,827

Key management personnel consists of executive and non executive directors.

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.

29 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.

30 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 (retired on 30 June 2009), CNH Bagot (retired on 30 June 2009), GR Bulmer, GR Tunny (resigned on 15 May 2009), GR Phillips, MJ Terlet AO, Dr WH Schofield AM and VADM CA Ritchie AO RANR. 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 its shareholder, the Commonwealth of Australia and its related entities.

The Commonwealth of Australia has provided auditing services to the Company through the 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.

30 RELATED PARTY DISCLOSURES (CONT.)

Other related parties (cont.)

	Consolidated Entity		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loans to/(from) the Commonwealth of Australia and its related entities				
Government contribution to capital work in progress				
Beginning of the year	6,900,000	-	-	-
Present value of loan advanced	5,192,724	6,900,000	-	-
End of year	12,092,724	6,900,000	-	-

30 June 2009

	Total	AUD	USD	GBP	CAD	EUR	JPY
Government advance							
Beginning of the year		10,437,630	5,585,586	-	-	-	-
Loans advanced		50,460,615	4,000,000	150,000	2,015,000	23,200,000	71,000,000
Loan repayments received		333,608	(1,901,949)	-	-	-	-
Interest charged		(661)	-	(36)	(23)	-	-
Interest received		412,633	22,466	1,322	113	60,666	-
End of year (source currency)		61,643,825	7,706,103	151,286	2,015,090	23,260,666	71,000,000
End of year (AUD equivalent)	114,969,972	61,643,825	9,497,292	310,521	2,158,970	40,446,298	913,066

30 June 2008

Government advance							
Beginning of the year	-	-	-	-	-	-	-
Loans advanced	10,161,234	6,000,000	-	-	-	-	-
Loan repayments received	-	(505,519)	-	-	-	-	-
Interest charged	(716)	(47)	-	-	-	-	-
Interest received	277,112	91,152	-	-	-	-	-
End of year (source currency)	10,437,630	5,585,586	-	-	-	-	-
End of year (AUD equivalent)	16,240,296	10,437,630	5,802,666	-	-	-	-

Transactions with shareholders

During the year, the amounts received or receivable by the Company from the Commonwealth of Australia for various projects was \$264,457,000 (2008: \$274,057,000).

During the year, the amounts of audit fees paid to ANAO was \$304,000 (2008: \$250,000).

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

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:

2009
\$
-
76,185,511

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2009

30 RELATED PARTY DISCLOSURES (CONT.)

Other related parties (cont.)

Wholly-owned controlled entities and other related entities

Details of interests in wholly-owned controlled entities are set out at note 31. Details of dealings with these entities are set out below:

	The Company	
	2009	2008
	\$	\$
Loans to/(from) subsidiaries	-	-
Beginning of the year	4,803,555	3,414,723
Loans advanced	68,116,200	12,315,751
Loans repayments received	(42,427,200)	(11,265,805)
Interest charged	0	338,886
Interest received	2,883,741	-
End of year	33,376,296	4,803,555
Loans to/(from) subsidiaries at beginning of the year made up of:		
The amounts currently payable to the wholly-owned controlled entities by the Company at balance date:	(7,288,791)	(1,190,598)
The amounts currently receivable from the wholly-owned controlled entities by the Company at balance date:	12,092,346	4,605,321
	4,803,555	3,414,723
Loans to/(from) subsidiaries at beginning of the year made up of:		
The amounts currently payable to the wholly-owned controlled entities by the Company at balance date:	(71,569,285)	(7,288,791)
The amounts currently receivable from the wholly-owned controlled entities by the Company at balance date:	104,945,581	12,092,346
	33,376,296	4,803,555

Amount receivable from ASC Shipbuilding Pty Ltd, ASC Engineering Pty Ltd 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% pa above the 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.

	The Company	
	2009	2008
	\$	\$
Guarantees to subsidiaries		
The parent entity has provided guarantees in respect of (see note 25 for details):		
Bank overdraft facility of a subsidiary of up to \$12 million (unsecured)	-	-
Bank guarantees for subsidiaries	3,134,372	500,000

31 PARTICULARS IN RELATION TO CONTROLLED ENTITIES AND ASSOCIATE

	Country of Incorporation	Class of Shares	Entity Interest	
			2009 %	2008 %
Parent entity				
ASC Pty Ltd				
Controlled entities				
ASC Engineering Pty Ltd	Australia	Ordinary	100	100
ASC Shipbuilding Pty Ltd	Australia	Ordinary	100	100
ASC Modules Pty Ltd	Australia	Ordinary	100	100
ASC AWD Shipbuilder Pty Ltd	Australia	Ordinary	100	100
Deep Blue Tech Pty Ltd	Australia	Ordinary	100	100
Australian Submarine Corporation Thailand Limited	Thailand	Ordinary	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.

All subsidiaries have reporting dates of 30 June.

32 NOTES TO THE STATEMENT 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 Entity		The Company	
		Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
Cash	8	28,439	11,186	14,071	10,560
Bank overdraft/loans	8	-	(6)	-	-
		28,439	11,180	14,071	10,560

32 NOTES TO THE STATEMENT OF CASH FLOWS (CONT.)

Note	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
(b) Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	18,440	29,670	21,526	27,891
Add/(less) items classified as investing/financing activities:				
Interest received	(5,070)	(5,968)	(7,858)	(6,267)
Leverage lease income	-	(2,571)	-	(2,571)
Interest expense	5	16	3	-
(Profit)/loss on sale of fixed assets	-	(24)	-	(105)
(Profit)/loss on sale of other non current assets	4	24	2	24
Add/(less) non-cash items:				
Depreciation	6,900	5,348	5,568	4,690
Pension costs	(246)	(938)	(246)	(938)
Income tax expense	7,079	14,268	9,822	13,412
Income tax paid	(13,714)	(36,474)	(13,714)	(36,474)
Net cash provided by operating activities before change in assets and liabilities	13,398	3,351	15,103	(338)
Change in assets and liabilities				
(Increase)/decrease in receivables (1)	(3,331)	(11,449)	(684)	(7,993)
(Increase)/decrease in inventories 11	829	1,519	829	1,519
(Increase)/decrease in prepayments 13	(1,236)	(30)	(1,236)	(21)
(Increase)/decrease in net progress payments received (2)	39,574	(1,644)	4,694	(2,321)
Increase/(decrease) in trade creditors (3)	1,720	8,365	(14,346)	7,972
(Increase)/decrease in provisions (4)	926	214	(786)	83
Net cash provided by operating activities	51,880	326	3,574	(1,099)

Note	Consolidated Entity		The Company	
	Jun-09 \$'000	Jun-08 \$'000	Jun-09 \$'000	Jun-08 \$'000
(1) (Increase)/decrease in receivables is comprised of:				
Prima-facie movement in trade debtors 10	(2,943)	(11,503)	(945)	(8,232)
Prima-facie movement in sundry debtors and other loans 10	(388)	54	261	239
	(3,331)	(11,449)	(684)	(7,993)
(2) (Increase)/decrease in progress payments is comprised of:				
Prima-facie movement in net progress payments 16	39,574	(1,644)	4,694	(2,321)
	39,574	(1,644)	4,694	(2,321)
(3) Increase/(decrease) in trade creditors and accruals is comprised of:				
Prima-facie movement in trade creditors and accruals 15	1,720	13,050	(14,346)	7,972
Accrual for purchase of fixed assets	-	(4,685)	-	-
	1,720	8,365	(14,346)	7,972
(4) Increase/(decrease) in provisions is comprised of:				
Prima-facie movement in provisions for employee entitlements 19	1,885	2,234	173	1,617
Cash movement in provisions for warranty 19	(2,615)	346	(2,615)	346
Movement in provisions for self insured workers compensation 19	740	(1,880)	740	(1,880)
Prima-facie movement in provisions for redundancy and termination 19	916	-	916	-
Prima-facie movement in other provisions 19	-	(486)	-	-
	926	214	(786)	83
(c) Reconciliation of net (increase/decrease) in invested funds				
(Increase)/decrease in marketable interest securities 12	54,688	(8,461)	54,688	(8,461)
Profit/(loss) on sale of securities	(1)	(24)	(1)	(24)
	54,687	(8,485)	54,687	(8,485)
Proceeds from invested funds	88,443	79,959	88,443	79,959
Payments for invested funds	(33,756)	(88,444)	(33,756)	(88,444)
	54,687	(8,485)	54,687	(8,485)

DIRECTOR'S DECLARATION
For the year ended 30 June 2009

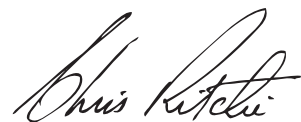
The directors declare that, in the directors' opinion:

- a) the financial statements and notes set out on pages 19 to 63 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 Adelaide this 3rd day of September 2009.

Signed in accordance with a resolution of directors.



Christopher A Ritchie AO
Vice Admiral RANR
CHAIRMAN



Graeme R Bulmer
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 sheet as at 30 June 2009, income statements, statements of recognised income and expense, statements of cash flow, and for the year ended on that date, notes to and forming part of the financial statements including a summary of significant accounting policies and the directors' declaration. The consolidated entity comprises ASC Pty Ltd and the entities it controlled at the year's end or from the 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 ASC Pty Ltd and its controlled entities' 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 ASC Pty Ltd and its controlled entities' 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*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of ASC Pty Ltd and its controlled entities on 2 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

AUDITOR’S OPINION

In my opinion:

- (a) the financial statements of ASC Pty Ltd and its controlled entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of 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; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Australian National Audit Office



Jocelyn Ashford
EXECUTIVE DIRECTOR

Delegate of the Auditor-General
Canberra

8 September 2009

CORPORATE DIRECTORY

Directors

Chris Ritchie AO
Vice Admiral RANR
Chairman

Graeme Bulmer
Acting Managing Director
and Chief Executive Officer

Geoffrey Phillips

Mike Terlet AO

Dr Bill Schofield AM

Company Secretary

Tony Kuhlmann

Auditors

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

Solicitors

Mallesons Stephen Jacques

Bankers

Westpac Banking Corporation

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Media enquiries
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Copies of ASC’s annual reports
can be found at www.asc.com.au

Copies can also be requested by
telephoning +61 8 8348 7000 or by
emailing communications@asc.com.au

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