

ANNUAL REPORT

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ASC PTY LTD

Building and
maintaining
Australia's
frontline
naval defence
capabilities.



ASC
www.asc.com.au

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TRANSMITTAL LETTER

16 October 2015

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

Dear Minister,

ASC Pty Ltd 2015 Annual Report

I am pleased to submit the 2014 Annual Report of ASC Pty Ltd in accordance with the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

The company's performance is characterised by continued improvement in the Collins Class Submarine (CCSM) maintenance program and improved shipbuilding productivity in the Air Warfare Destroyer (AWD) Program.

ASC has made strong progress in the delivery of the first two-year full cycle docking as we implement the 10+2 Usage Upkeep Cycle (UUC) for the submarines. Close collaboration with our Submarine Enterprise partners continues and we remain on track to achieve international benchmark performance for submarine availability by 2017.

In the AWD Program, ASC is applying the lessons learnt from the first ships to the second and third and as a result has made considerable shipbuilding productivity improvements. We recognise the ongoing AWD reform strategy and we are committed to working with the AWD Reform Taskforce and our AWD Alliance partners to implement the long term arrangements for the program.

ASC's 2015 Annual report has been prepared in accordance with the requirements referred to in section 97 of the PGPA 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 2015 as well as descriptive reports on ASC's performance and progress.

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

Yours sincerely



BRUCE CARTER
Chairman



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COMPANY PROFILE

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

With more than 2,600 employees across our three facilities in South Australia and Western Australia, ASC has evolved into Australia's largest specialised defence shipbuilding organisation, with naval design and engineering resources unparalleled within Australia's defence industry.

ASC is committed to supporting the Australian Defence Force by maintaining open lines of communication with our customer, understanding our customer's expectations and priorities, implementing productivity and efficiency improvements, and striving to deliver the best results for defence.

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

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

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

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

Vision

Our vision is to be Australia's leading designer, builder and maintainer of naval ships and submarines.

Mission

Our mission is to safely build and maintain Australia's frontline naval ships and submarines to world-class performance and quality standards.

Values and Behaviours

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

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

FINANCIAL HIGHLIGHTS

Two Year Performance at a Glance

	2014/15 \$m	2013/14 \$m
Revenue from rendering of services	1,023.8	907.2
Interest income	3.5	4.0
Other income and other revenue	1.9	7.1
Total revenue and other income	1,029.2	918.3
EBITDA	45.3	8.6
Depreciation and amortisation	(17.1)	(17.2)
EBIT	28.2	(8.6)
Interest expense	(0.4)	(0.8)
Tax benefit (expense)	(9.4)	1.7
Operating profit (loss) before tax	31.3	(5.4)
Operating profit (loss) after tax	21.9	(3.8)
EBIT/total revenue and other income (%)	2.7%	(0.9%)
Shareholder's equity	265.3	221.0
Return on equity (%)	8.3%	(1.7%)
Dividend paid	3.4	8.9
Total assets	683.4	646.4

CHAIRMAN'S REPORT

BRUCE CARTER
Chairman



On behalf of the Board, I am pleased to report that in 2014/2015 ASC continued to achieve productivity improvements in our submarine maintenance and shipbuilding business and delivered an improved financial performance.

The highlight of the year was the launch of the first Air Warfare Destroyer, *Hobart*. This was a momentous occasion and a cause for celebration for our company and our industry partners considering just some five years earlier, our shipyard and our shipbuilding workforce did not exist.

ASC recorded profit after tax of \$21.9 million (2014: \$3.8 million loss) and annual revenue of \$1,029 million (2014: \$918.3 million in 2014/2013).

Collins Class Submarine Project

ASC's transition to a 10+2 Usage Upkeep Cycle (UUC), where the submarines spend 10 years in service and operational maintenance then two years in major maintenance is progressing well, and ASC is confident of completing the first two-year full cycle docking (FDC) next year.

Infrastructure investments, new ways of working and innovative work practices are all contributing to improved efficiency in our operations, which is leading to improved submarine availability for Navy.

We continue to work collaboratively with our Submarine Enterprise partners – the Royal Australian Navy and the Capability Acquisition and Sustainment Group within the Department of Defence – to implement the changes recommended in the 2012 Study into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability by John Coles.

In 2014/2015 ASC again exceeded the agreed submarine Materiel Ready Day targets in aggregate for the Royal Australian Navy and we remain on track to achieve international benchmark performance in submarine availability by 2017.

Air Warfare Destroyer Project

As the shipbuilder in the AWD Alliance, ASC remains committed to continual learning and improvement to lift shipbuilding productivity and ultimately deliver the three ships to the revised schedule and budget.

In 2014/2015, ASC progressed the build from 73 percent complete in June 2014 to 80 percent complete in April 2015, with approximately \$390 million spent in this period (ASC Shipbuilder spend in December 2006 base date dollars).

Significant progress has been made this year in our shipyard. The most noticeable of which was the movement of the first destroyer, *Hobart*, to the water following its launch in May. Ship 01 is now alongside the wharf preparing for combat and other major system light off. Ship 02 moved to a new position on the hardstand and is in an advanced state of consolidation and fit out, with all blocks having been delivered to ASC. All blocks for Ship 03 are currently under construction and keel laying is planned for late 2015.

This financial year also saw the insertion of additional shipbuilding capability from Navantia and BAE into the program during the interim phase of AWD Reform and the announcement of revised delivery dates. The ongoing AWD reform process continues to present challenges but we are committed to working collaboratively with the Department of Finance and our Alliance partners to ensure the successful implementation of the long-term arrangements for the AWD program.

Future Submarine Project

During the year ASC has engaged with each of the three overseas participants – Germany, France and Japan – in the SEA 1000 Future Submarine Competitive Evaluation Process.

Our Interim Chief Executive Stuart Whiley and I have visited all three countries including the associated company's facilities and met with their senior management. ASC continues to demonstrate our submarine building and maintenance capabilities through a series of visits and workshops in Australia.

Board and Management

This year, ASC's Board has remained relatively stable with only one change to Board membership. During the year Kathy Hirschfeld retired as a non-executive director and I thank her for her valuable contribution.

In January 2015 Mark Lamarre was appointed Interim Chief Executive Officer of ASC Shipbuilding. Mark brings to ASC more than 30 years' experience in complex manufacturing operations and global supply chain management in the shipbuilding and information technology industries. Stuart

Whiley has continued as Interim Chief Executive Officer of ASC, responsible for ASC's submarine and corporate business units.

The separation of the management of the submarine and shipbuilding activities allows both businesses to realise their full potential and ensure that the Government-led reforms to improve the Air Warfare Destroyer program do not disrupt ASC's strong performance in sustaining the Collins Class submarines. Further, this model provides the best opportunity for ASC to seek opportunities for future naval submarine and shipbuilding work.

Conclusion

ASC's environment is being influenced by the Australian Government's reform strategy for the Air Warfare Destroyer program, strategic review of ASC and Future Submarine Competitive Evaluation Process. Whilst the outcomes of these processes are not yet known, they will present both opportunities and challenges for ASC.

This year ASC celebrated 30 years since the Australian Submarine Corporation was created to tender for the design and build of the Collins Class submarines. Whilst there has been much change over the years, one thing that hasn't changed is the commitment and dedication of our highly skilled workforce.

I'd like to thank each and every employee of ASC for their ongoing contribution to the company.



Bruce Carter
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

STUART WHILEY
Interim Chief Executive Officer



Throughout the year ASC continued its steady progress towards achieving international benchmark performance for submarine availability. For the third year, ASC exceeded the agreed materiel ready day (MRD) target in aggregate for the Royal Australian Navy (RAN).

Collins Class Submarine Maintenance

In 2014/15 ASC entered the first performance period of the In Service Support Contract (ISSC) for the maintenance of the Collins Class submarines. The performance period introduces aligned targets to generate the outcomes required by RAN.

We have committed to reducing the length of time the submarines spend in major maintenance and we remain on track to achieve the new 10+2 Usage Upkeep Cycle (UUC). The first two-year full cycle docking undertaken by ASC, that of HMAS *Farncomb*, has progressed significantly during the financial year and we are now more than three quarters of the way through this activity and ASC is confident of completing on schedule. Utilisation of the purpose-built Maintenance Support Tower (MST) throughout this activity is delivering efficiency dividends by bringing the people, materials and utilities closer to the submarine.

As part of the two-year full cycle docking, hull cuts were undertaken on HMAS *Farncomb* and the main propulsion motor and diesel engines were removed. In October 2014 ASC completed the construction of the Diesel Generator Test Facility and subsequently completed off-boat testing of the diesel engines removed from HMAS *Collins* in the previous year. This facility supports the delivery of the two-year full cycle docking by enabling the diesels to be tested and adjusted before the submarine is returned to the water,

thereby minimising the risk to the schedule. Following the installation of HMAS *Collins*' main motor and diesels in HMAS *Farncomb*, the hull was re-welded during the year; ASC leveraged the welding skills it developed during the build phase.

Throughout the year ASC also completed two maintenance activities in Western Australia and has received promising feedback from our customer about our ability to work collaboratively and manage competing challenges.

ASC is now preparing to support five boats out of Western Australia and is investing in our facilities and capability to ensure continued performance improvement.

Close collaboration with our Submarine Enterprise partners continues and is leading to deeper understanding of the needs of our customer and how we can support their objectives.

Future Submarine Project

In February 2015 the Australian Government announced it would undertake a Competitive Evaluation Process (CEP) for the SEA 1000 Future Submarine Project and invited Germany, France and Japan to participate.

To ensure the integrity of the process we engaged a probity advisor and established a probity framework to guide our interaction with each of the three overseas participants and ensure our compliance with the requirements set by the Department of Defence. We also established a Future Submarine Project Team to support the CEP process and at 30 June 2015, we had 8 engineers and project managers working directly on the CEP with support provided from other parts of the business as required. Separate to this, ASC is also the largest provider of personnel (21) to Defence's future submarine technical office.

Throughout the year ASC has been engaging with each of the three partners and our role has been to demonstrate our capability and respond to their requests for information to enable them to prepare their respective responses to Government. Those responses, which will include options for domestic, overseas and hybrid builds, are due at the end of November.

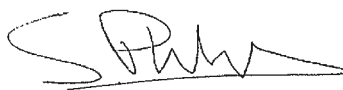
ASC stands ready and able to take part in this important national project.

Safety

The safety of our people and the safe operability of the naval assets we work on and the men and women that crew them is a high priority for our organisation. In 2014/15 ASC recorded a 54 percent reduction in the lost time injury frequency rate and a 60 percent reduction in medically treated industry frequency rate which exceeds the hard target. This downward trend is certainly pleasing and we will strive to reduce these even further.

Looking Forward

ASC remains focussed on implementing the changes necessary to ensure the improved availability and reliability of the Collins Class fleet and in doing so, supporting Chief of Navy to achieve a potent and enduring submarine capability for Australia. We recognise that continued positive performance in our current submarine operations will place us in the best position for future work.



Stuart Whiley

INTERIM CHIEF EXECUTIVE OFFICER

ASC SHIPBUILDING CHIEF EXECUTIVE OFFICER'S REPORT

MARK LAMARRE
Interim Chief Executive Officer



In May 2015 the first *Hobart* Class Air Warfare Destroyer built and consolidated in ASC's shipyard floated for the first time. It was an occasion filled with pride and was the culmination of dedication, determination and hard work by thousands of people across Australia, supported by our international partners.

Importantly, *Hobart* was launched at an advanced stage of completion having maximised the efficiencies that can be gained by carrying out work on land. ASC is now applying the lessons it has learnt from this first AWD to the second and third, and is realising ship over ship improvements.

Five Point Plan

As part of the separate and dedicated management of ASC's shipbuilding operations, the shipbuilding business unit has implemented a Five Point Plan to improve shipbuilding productivity, control costs, and provide certainty of outcome for the Commonwealth.

- 1. Increasing shipbuilding experience**
Personnel with substantial AEGIS shipbuilding experience have been embedded into ASC's management team and we are working closely with the ship designer Navantia, our capability partner Bath Iron Works, the United States Navy and Lockheed Martin.
- 2. Actively reducing the cost base**
ASC engaged Booz Allen Hamilton to examine our cost structures to ensure we are operating as efficiently and cost-effectively as possible. We are currently implementing savings initiatives identified by that review.
- 3. Improving shipbuilding performance**
Initiatives like the Safely on Time Program have improved team work between our Production and Test teams, and rapid response from our support organisations to the emerging needs of our tradesmen and women are contributing to significantly improved performance. On a cost/percent complete basis, ASC is realising a greater than 30 percent improvement on Ship 02 over Ship 01, and a greater than 10 percent improvement on Ship 03.

4. Controlling the program

A key failing in past AWD operations has been an inability to control scope and hold schedules across the Integrated Product Teams (IPTs). The Alliance and Shipyard management structures have been changed to ensure a focus on targets and rigorous control of scope to maintain schedule and protect production efficiency. These adjustments are:

- Supporting an Alliance Program Management Office with clear accountability for project management, the master schedule and budget control to drive completion and resolve conflicts;
- Controlling future change through a well-defined process and delegated decision making;
- Enforcing a culture of commitment both within the shipyard and the wider Alliance to ensure delivery into production is everyone's priority;
- Instilling a schedule driven culture where failure to meet targets is unacceptable; and
- Improving performance metrics and targets to better guide and empower the Production workforce and supporting functions.

5. Accelerating learning

We are working to apply the lessons learnt between ships and where possible, bringing work earlier into the production schedule to maximise the efficiencies that can be made during the block outfitting and land-level construction phases.

AWD Reform

In December 2014 the Australian Government announced interim reform arrangements for the AWD Program. This saw the insertion of additional shipbuilding capability from Navantia and BAE for a period of six months.

ASC is continuing to actively support the AWD Reform process and is working collaboratively with the Department of Finance to ensure the successful implementation of the long term arrangements for the AWD Program.

Looking Forward

We are progressing well towards three significant shipbuilding milestones over the coming months: Ship 01 combat systems light off, Ship 02 hull integration completion and Ship 03 keel laying.

ASC's long term shipbuilding focus is on continuing to improve shipbuilding productivity and working with its AWD Alliance partners to deliver the three AWDs to the revised schedule and budget. The additional shipbuilding expertise gained by ASC through the natural shipbuilding learning curve and the AWD Reform process can also be applied to future shipbuilding projects.

We welcome the Australian Government's recent announcement to bring forward the construction of the Future Frigate (SEA5000) and Off Shore Patrol (SEA1180) projects and look forward to finding out more about how we can contribute to these important projects.



Mark Lamarre

Interim Chief Executive Officer ASC Shipbuilding

COLLINS CLASS SUBMARINE PROJECT

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

Collins Class Enterprise Transformation Program

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

The program's objectives are to reduce:

- Submarine maintenance durations;
- Overruns in submarine maintenance;
- Days lost to defects; and
- The sustainment cost per Materiel Ready Day (MRD).

During the 2014/15 financial year, ASC with our enterprise partners:

- Exceeded the agreed interim reduced target MRDs in aggregate for the RAN;
- Reduced maintenance overruns to better than benchmarked standards;
- Completed the first Mid Cycle Docking (MCD) in Western Australia, and delivered ahead of the contracted schedule;
- Continued close Enterprise collaboration in order to deliver the plan for executing HMAS *Waller's* repair; and
- Completed off boat testing in the newly constructed diesel generator test facility at ASC North to support the HMAS *Farncomb* two-year Full Cycle Docking (FCD) schedule.

First Two Year Full Cycle Docking Progress

HMAS *Farncomb* is the first Collins Class submarine to undergo a two year full cycle docking and ASC is now more than three quarters of the way through this maintenance activity and tracking to schedule.

Achievement to date has been enabled through the delivery of improvement initiatives such as the Transformation Program, and infrastructure investments at ASC North including the Maintenance Support Tower and Diesel Generator Test Facility. Overall, these initiatives have resulted in productivity and schedule improvements in excess of 30%.

ASC has also successfully implemented innovative blast and paint processes representing a greater than 25% improvement in productivity and has introduced Integrated Work Teams to align the organisation through collaborative work practices.

Further to this, the teamwork, dedication and workmanship demonstrated in both the design, cutting and re-welding of the access hull cuts culminated in no defects being detected during final quality checks.

Supply Chain Forum

ASC is committed to supporting a sustainable submarine industry base. More than 70 Australian-based suppliers attended the first Collins Class submarine supply chain forum, held at ASC North, in May 2015. The aim of the forum was to bring together the various elements of the submarine supply chain to further build relationships, with the aim of ultimately increasing submarine availability and reliability.

Customer Focus

ASC is committed to delivering improved submarine maintenance, availability, reliability and value for money to our customer.

We receive regular feedback from CASG that allows us to assess progress and undertake measures to ensure we meet key targets. Over the past financial year, CASG feedback has supported the views expressed in the Coles Review progress report that our schedule performance in relation to maintenance completion has exceeded benchmark.

Continuing to improve the customer experience has been identified as a key driver for success and we will focus our attention on this objective. On 3 June 2015 ASC led an Enterprise offsite to assist performance and relationships.

Strategic Investment

Plans are underway to improve capability in the Western Australian facility through a 10+2 Phase 2 transformation program. This will enable ASC to support five boats out of Western Australia. Facilities in WA have been developed to ensure the best solution for transforming submarine maintenance for availability, reliability and cost performance. This ongoing investment reflects ASC's commitment to continue to drive performance improvement.

Future Performance Targets

As part of the ISSC, ASC has aligned performance targets to achieve increased availability, reliability, supportability and cost efficiency. These targets allow ASC to deliver agreed outcomes.

Improvements already made will ultimately result in:

- Agreed increasing of MRDs (to benchmark levels);
- Increase focus of submarine capability;
- Delivery of HMAS *Farncomb* from FCD, representing completion of the first two year FCD under the 10+2 Usage Upkeep Cycle (UUC) program; and
- Shifting to the improved UUC (two year FCD, 1 year MCD, six month Intermediate Docking) whilst improving submarine system reliability.

Business Improvement

During the year ASC's Collins Class submarines program consolidated its business improvement and transformation program and continued to drive outcomes across critical areas.

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

- The build, commissioning and use of the Diesel Generator Test Facility to complete critical testing and issue resolution for all three diesel and generator sets for HMAS *Farncomb*;
- Improving blast and paint processes for HMAS *Farncomb* to deliver schedule and cost performance;
- Upgrading ASC North wharf facilities to improve cost and schedule performance for the set to work and acceptance trail periods of full cycle dockings;
- Development of a confined space camera monitoring system to increase safety and efficiency;
- Transitioning the Safely on Time program to a fully integrated multi boat capable system increasing teamwork, availability and reliability;
- Training an additional 47 personnel from the Collins Class submarines business unit in Lean Six Sigma Improvement Methodology; and
- Developing and launching the 10+2 Phase 2 program which extend transformation initiatives to ASC West.

Engineering

ASC continues to provide engineering outcomes and support to the Collins program through the implementation of reliability and availability focussed solutions that are cost effective and maintain the technical integrity of the submarine.

ASC has maintained a focus on engineering outcomes for capable and available submarines, improving maintenance activities without impacting reliability, enhancing efficiency through process changes and aligning maintenance requirements with the 10+2 UUC's requirements.

Engineering initiatives to reduce full cycle docking production hours include the innovative hull cut and re-weld and improved maintenance methods. These are facilitated by engineers working in Integrated Work Teams alongside Production staff. In addition, ASC continues to build an increased engineering capability in Henderson to support a five-boat operation in Western Australia.

HOBART CLASS AIR WARFARE DESTROYER PROJECT

Progress on the AWD Program advanced significantly during the 2014/2015 year; the highlight of which was the float off and launch ceremony for the first destroyer.

Lessons from the first ship are being applied to the second and third ships, which results in work being brought forward to maximise efficiencies that can be gained by doing more work in the block outfitting and consolidation stages.

Ship Progress

Ship 01 – future destroyer *Hobart*

2014/2015 highlights for Ship 01 include:

- Shore power through the switchboards;
- Integrated platform management system light off; and
- Float off.

Preparation is now underway for combat system light off, activation and commissioning of major equipment such as the main engine and gas turbine, and the progressive sell-off of compartments.

Ship 02 – future destroyer *Brisbane*

2014/2015 highlights for Ship 02 include:

- Capping-off engine rooms;
- 15 percent into cable pulls;
- Erection of the combat system tower; and
- Commencement of switchboard hook-up.

Twenty blocks have been erected, including four grand blocks (where several blocks are combined to maximise efficiencies prior to consolidation). An additional Grand Block and the company's first Mega Block (aggregation of multiple Grand Blocks) are expected during the third quarter of the 2015 calendar year.

Ship 02 continues to gather and implement lessons learned from Ship 01 as evidenced through increased outfit levels, de-conflicting work zones, and reduced load out durations. General productivity has substantially increased, such that Ship 01 had just one Grand Block, whereas Ship 02 has six Grand Blocks and one Mega Block. In addition, Ship 02 will be building, outfitting and testing the mast on the ground prior to erection, thereby reducing safety risks. ASC is realising a greater than 30 percent improvement on Ship 02 over Ship 01 on a cost/percent complete basis.

Ship 03 – future destroyer *Sydney*

Ship 03 block work is underway at the following locations:

- ASC: five blocks, including mast from MG Engineering.
- BAE: eight blocks, with two delivered to ASC in the last quarter.
- Forgacs: 10 blocks.
- Navantia: delivered six blocks to ASC in 2014.

For ASC blocks, Ship 03 is on target to achieve productivity improvements of a greater than 10 percent, compared to Ship 02. A Ship 03 feasibility study is underway to develop more Mega Blocks which will utilise the available labour and bring more work inside buildings. This will further increase productivity and efficiencies on Ship 03 and capitalise on the learnings from the first and second ships.

AWD Production Readiness Program

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

The advances made in support of productivity improvement, are measured through metrics and delivered through:

- Production-wide and trade-specific projects;
- The re-launch and focus on developing and implementing improvement ideas from the workshop floor; and
- Function-based projects, such as the work supply chain is undertaking with improving material management and availability.

	June 2014 %	June 2015 %
Value-add Direct Labour Utilisation	25	60
Work Readiness	48	91
Work Pack Fill Rate	75	90
Ship Plan of the Week adherence	7	84

The integration of production control, including the production controller to control account manager alignment (platform and combat systems), will significantly enhance the support to production readiness, throttling and providing feedback into the working schedules.

AWD Continuous Performance Improvement Program

The AWD Continuous Performance Improvement Program is measured on its ability to return financial benefit to the project. Savings realised are captured as Estimate at Completion savings as well as avoided cost, including risk reduction and/ or reduction in estimating uncertainty. Savings validation is achieved through Director sign-off.

With full time resources posted in production and supply chain, the Continuous Improvement Program has delivered a return on investment of \$16.8 million over the 12 months to 31 May 2015.

Engineering

ASC's engineering and technical skills provided support to the construction of the Hobart Class AWD's including:

- Technical support related to the procurement and integration of platform systems;
- Assurance of product safety during construction;
- Liaison with the Platform System Designer (Navantia) to resolve design issues; and
- Production engineering support to the shipyard.

Engineering guidance and direction supports procurement, planning, production, system activation and testing, as well as resolving technical issues associated with the integration of platform systems, such as weight, stability, ships structure, preservation, materials, machinery, piping, electrical, controls, outfit and accommodation.

This includes the development of enabling products used to safely and accurately build the ships, such as supporting and lifting jigs used for transporting by land and sea. Additionally, many products are engineered to install propeller shafts, weapon systems and heavy equipment.

Significant effort is placed on providing accuracy control guidelines to ensure the final product meets the design requirements, including hull form, weapon and machinery alignment tolerances.

INFRASTRUCTURE DEVELOPMENT

ASC operates three modern facilities: ASC North and ASC South located in South Australia, and ASC West in Western Australia.

ASC North

The ASC North facility is dedicated to the maintenance of the Collins Class submarines. In 2014/15 ASC continued to upgrade its maintenance facility with the construction of the Diesel Generator Test Facility. Completion of this significant project in October 2014 is a major enabler towards ASC achieving a 10+2 FCD.

Additional initiatives relating to the 10+2 FCD include:

- Upgrade of the pipe workshop in the hull shop annexe;
- Installation of two new hoists above the submarine's inlet duct door hatches; and
- Installation of dehumidifiers to improve blast and paint operations.

Other maintenance and upgrade activities completed in 2014/15 include:

- Replacement of the chilled water units supplying the main administration building's air conditioning system;
- Installation of remote controls and exclusion-zone controls for the 80-tonne cranes in the Hull and Outfitting workshops; and
- Upgrade of the biological hazard cleaning room.

ASC South

The ASC South site hosts the construction of the three Hobart Class AWDs. In 2014/15 several infrastructure and maintenance upgrades were completed across the site, including:

- Installation of a site-wide siren system to notify workers of start, break and finish times;
- Civil upgrades to the overflow car parking area;
- Installation of 19 additional workstations into Building 01;
- Installation of five demountable office buildings for 100 personnel to be located closer to the wharf in support of Ship 01; and
- Security camera installations at the wharf and interconnection to the Techport security system.

Common User Facility (Techport)

The Common User Facility (CUF) allows for the consolidation of the three AWDs and forms part of the South Australian Government's Techport Australia precinct. It is located directly north of the ASC South shipyard.

In 2014/15 several initiatives were undertaken to upgrade the wharf facilities in support of Ship 01 launch, including:

- Supply and installation of two 60Hz frequency converters for supply of shore power;
- Supply of a new 1000kVA portable transformer for industrial power;
- Forward and aft AWD gangways;
- Supply and installation of a new fire detection and alarm system;
- Four new toilet buildings, one new permit office and on new "rapid-response" office;
- Paint mixing and hazardous storage area;
- Ship to shore hoses and couplings for connecting to drinking water, seawater, waste water and compressed air;
- Seven trade workshop containers with dome shelters, fitted with power outlets, lighting and compressed air; and
- Modifications to gates and fencing for efficient wharf access.

Investment in the Outfit Support Towers (OSTs) to improve Ship 02 and 03 operations has included:

- Installation of fixed drinking fountains to reduce bottled water usage and refilling time;
- Provision of an additional hoist landing at Level 4½ for OST 14;
- Supply and installation of a temperature controlled shipping container for welding consumables on top of OST 15; and
- Interconnection between CUF and ASC compressed air supply to support greater demand from abrasive blasting operations.

ASC West

ASC West located at Henderson, Western Australia is the company's state-of-the-art submarine maintenance and support facility. It features office accommodation for 185 ASC employees plus dedicated facilities for boat crews and Royal Australian Navy (RAN) personnel.

In 2014/15 maintenance and upgrade activities included expansion of facilities to cater for increased employee numbers, including:

- Installation of a transportable building capable of supporting an additional 28 employees; and
- Outfit office accommodation and relocation of staff from Henderson to Bibra Lake Warehouse.

Other activities have included:

- Supply and installation of a dehumidifier for the environmental-controlled room within the Henderson warehouse; and
- Completion of a master plan for future capital works on site.

HMAS Stirling (Garden Island, Western Australia)

HMAS Stirling is the home base for the Collins Class submarines. ASC performs intermediate maintenance periods and set-to-work activities at this naval base.

In 2014/15 ASC performed significant upgrades of the facilities on the island which included:

- Consolidation of leased transportable buildings;
- Supply and installation of a new purpose built transportable lunch room and a new ablution block;
- Supply and installation of shipping containers and a dome shelter for use as a small workshop;
- Upgrades to office accommodation; and
- Installation of ASC swipe access system to transportables.

SAFETY PERFORMANCE

HEALTH AND SAFETY

Throughout 2014/15 ASC continued to progress its five year safety strategic plan which aims to develop world class safety performance across the company's programs.

Health and Safety Initiatives

Throughout 2014/15 ASC continued to progress its five year safety strategic plan which aims to develop world class safety performance across the company's programs.

Principal safety initiatives deployed during the period included;

- Delivery of a contractor safety forum to ensure key contract partners are fully engaged and understand ASC's safety management expectations;
- Development of technology-based risk reduction initiatives, involving high definition cameras and Bluetooth communication systems for confined space work;
- Improvements to the management of risk including;
 - o Critical Hold Point Reviews to ascertain and manage the safety implications of a material change in state of a platform as a workplace; and
 - o the management of hazardous materials;
- Finalisation of online site safety inductions; and
- Delivery of mental health awareness and resilience training to management and supervisory staff.

Notifiable Incidents

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

There was a 61% reduction in the number of dangerous incidents reported compared to the previous year, however, serious personal injuries or illness remained static at two.

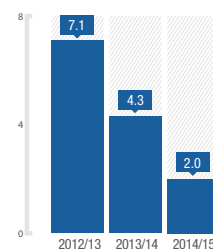
Notifiable incidents in 2014/15:

Deaths	0
Dangerous Incidents	13
Serious personal injury or illness	2
TOTAL	15

Lost Time Injuries

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

Across ASC, the company achieved a total lost time injury frequency rate (LTIFR) of 2.0 for 2014/15 (including contractors) representing a 54% reduction from the previous reporting period.

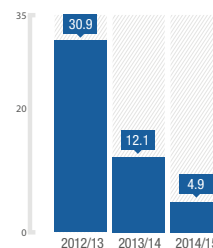


LTIFR = number of LTI's X 1,000,000 divided by hours worked per month.

Medically Treated Injuries

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

Across ASC, a medically treated injury frequency rate (MTIFR) of 4.9 was recorded for 2014/15 representing a 60% reduction from the previous reporting period.



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

Investigations

Comcare commenced investigations into four of the 15 notifiable incidents. Information pertaining to these incidents was provided to Comcare on request and resulted in the satisfactory closure of the incident reports. Of the 15 incidents, seven involved a personal injury and the remaining eight were dangerous occurrences with no injuries.

ENVIRONMENTAL PERFORMANCE

ASC is committed to the protection of the environment in which we operate. This is demonstrated through our Environmental Policy and the associated processes, plans and procedures that ASC has in place.

Environmental Management System

The Environmental Management System requirements have been integrated into the ASC Corporate Management System (CMS), in line with ISO AS/NZS 14001, for which ASC maintains certification. Recent audit activity against the International Standard did not return any non-conformances.

ASC has maintained its focus on ensuring compliance with regulatory requirements covering its operational footprint. An environmental compliance matrix is in place to assist in ensuring each relevant legislative instrument is considered for assessment.

Environmental Incidents

ASC operations are subject to environmental regulation under both Commonwealth and State Legislation, and we recognise our obligation to comply with the relevant Environmental Protection and Conservation Acts (the Acts). Accordingly, ASC actively records, investigates and reports any breaches of the Acts to the respective regulator.

During the 2014/15 financial year, there were no environmental incidents that required official regulatory notification.

There were less than five minor environmental incidents encountered during 2014/15. The nature of the incidents combined with the mitigating controls in place and subsequent actions taken meant the incidents did not require any regulatory notification or action. Each of these was effectively managed appropriately by employees located on site. Typically these incidents related to minor spills of liquids (<20 litres) which were waste waters and/or oils.

Environmental Licences

ASC maintains environmental licences for our activities in South Australia and Western Australia, for the Submarine and Air Warfare Destroyer (AWD) projects, under the respective Environment Regulators. These relate to scheduled activities and operations undertaken at our site.

WORKFORCE AND TRAINING

ASC's workforce is the pre-eminent shipbuilding and submarine maintenance workforce in Australia. Our people are central to our success and as such we have continued to invest heavily in their ongoing development particularly in the areas of leadership and management. This has resulted in enhanced performance across both the Air Warfare Destroyer and Collins Class Submarine programs.

ASC's total workforce remains steady at just over 2,600 permanent employees across three sites, ASC North and ASC South in South Australia and ASC West. ASC also has employees stationed at the Submarine Training and Systems Centre in Western Australia.

Professional Development

In 2014/2015 ASC professional development activities have included:

- Participation in the South Australian Defence Industry Leadership Program run by the South Australian based Defence Teaming Centre;
- Supervisor Leadership Training Program;
- Apprentice and Graduate Development Programs; and
- Supply Chain Transformation Program.

Apprentices

ASC remains one of the largest apprentice employers in South Australia. The program continues to grow with a further 27 apprentices joining ASC in the 2015 intake bringing the total number of apprentices at ASC to 134. ASC's Apprentice Program completion rate remains above the national average and is currently 97% with 27 apprentices graduating in 2015.

Government Support to Workforce Development

In 2014/15 ASC received \$220,240 of Skilling Australian Defence Industry funding which enabled ASC to undertake training in the areas of:

- Masters of Systems Support Engineering;
- Masters of Marine Engineering; and
- Military Systems Integration.

ASC has also received \$619,996 of in-kind support in 2014/15 from the South Australian Government's Department of State Development. This valuable support has enabled ASC to further develop its shipbuilding capability through development of:

- Specialist Hydraulic Training;
- Lean Six Sigma Black Belt Training; and
- Development of Energy Isolation e-learning Resources.

Diversity and Inclusion

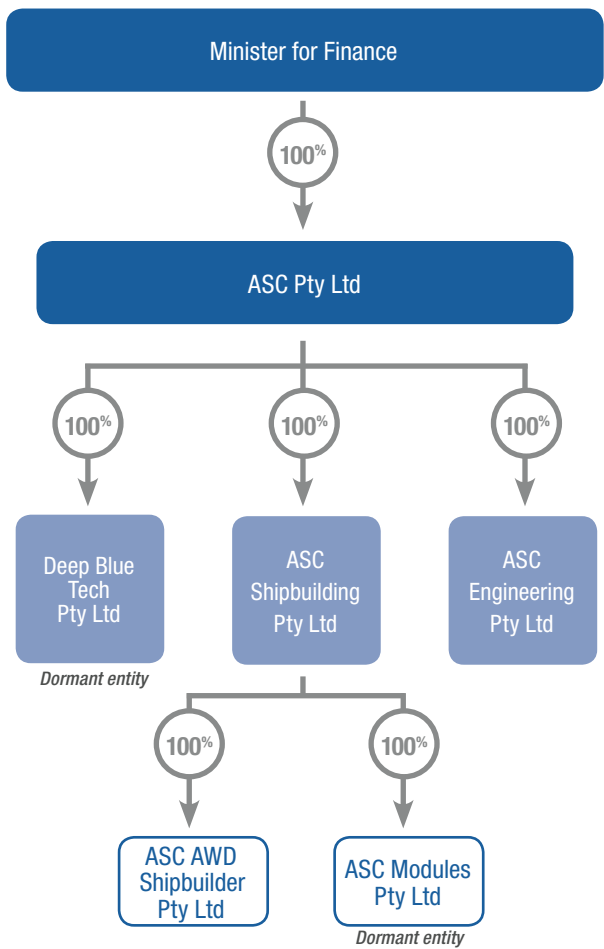
Our approach to diversity and inclusion is an integral part of our culture, values and the way we do business at ASC. We believe that a diverse and inclusive workforce offers tangible benefits to our employees, customer and shareholder.

As Australia's pre-eminent naval shipbuilder and maintainer, we have a proud history of supporting our employees to achieve world-class results. We focus on diversity and inclusion because we recognise that sustainable world-class performance is realised through establishing an environment where all employees can thrive. This commitment to diversity and inclusion is enshrined in our Diversity Guidelines and aligned to our Diversity Strategy. ASC's Chief Engineer is responsible for the Company's diversity program.

CORPORATE GOVERNANCE

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

The ASC Group is structured as follows:



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

Directors

The Directors of ASC (other than the Managing Director) are appointed by the Minister for a term. As at 30 June 2015, the Board was comprised as follows:



BRUCE CARTER

Chairman

Appointed: 1 Jan '10
To: 31 Dec '15



JOHN O'CONNELL AO

Non Executive Director

Appointed: 1 Jan '10
To: 31 Dec '15



DR SALLY PITKIN

Non Executive Director

Appointed: 1 Jan '10
To: 31 Dec '15



DR ROSALIND DUBS

Non Executive Director

Appointed: 1 May '13
To: 30 Apr '16



SOPHIE MIRABELLA

Non Executive Director

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



PAUL RIZZO

Non Executive Director

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



PETER IANCOV

Non Executive Director

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

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

Attendance

Attendance at Board and committee meetings during 2014/15 was as follows:

Director	Board		Audit Committee		Human Resources and Remuneration Committee		Business Assurance and Security Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Steve Ludlam	1	1	-	-	-	-	-	-
Bruce Carter	13	13	-	-	2	2	3	3
Katherine Hirschfeld	10	9	-	-	-	-	2	0
John O'Connell	13	13	5	5	-	-	-	-
Dr Sally Pitkin	13	12	5	5	2	2	-	-
Dr Rosalind Dubs	13	13	-	-	-	-	3	3
Sophie Mirabella	13	10	5	5	2	2		
Paul Rizzo	13	13	-	-	-	-	3	3
Peter Iancov	13	13	-	-	-	-	3	3

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 2014/15 year.

Corporate Governance

ASC has adopted a corporate governance protocol which establishes:

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

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

Board

Under the Board Charter, the Board is responsible for:

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

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

Audit Committee

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

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

As at 30 June 2015, the committee comprised John O'Connell AO (Chairman), Sally Pitkin, and Sophie Mirabella.

Human Resources and Remuneration Committee

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

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

As at 30 June 2015, the committee comprised Bruce Carter (Chairman), Sally Pitkin and Sophie Mirabella.

Executive Remuneration

Remuneration*	No. of employees
\$300,000 and above.....	3
Below \$300,000.....	16

*Excludes superannuation and performance incentives

Business Assurance and Security Committee

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

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

As at 30 June 2015, the committee comprised Paul Rizzo (Chairman), Bruce Carter, Rosalind Dubs, and Peter Iancov.

Board Membership

During the year:

- Kathy Hirschfeld retired as a non-executive director of ASC and from the committees on which she served.
- Steve Ludlam resigned as Managing Director and CEO;
- Paul Rizzo was appointed Chairman of the Business Assurance and Security Committee.
- Bruce Carter retired as a member of the Audit Committee. (as per the requirements of the Public Governance, Performance and Accountability Rule 2014.)

Code of Conduct

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

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

Audit

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

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

The Group 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:

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

Legal Compliance

ASC has established a legal compliance program which complies with Australian Standard 8306. In 2014/15, the program covered:

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

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

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FINANCIAL REPORT

30 June 2015

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the year ended 30 June 2015

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 2015.

Directors

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

Bruce James Carter

Dr Rosalind Vivienne Dubs

Peter Predrag Iancov

Sophie Mirabella

John Joseph O'Connell AO

Dr Sally Anne Majella Pitkin

Paul John Rizzo

Stephen Ludlam was a director from the beginning of the financial year until his resignation on 18 July 2014. Katherine Anne Hirschfeld was a director from the beginning of the financial year until her retirement on 17 April 2015.

Principal activities

The principal activities of the Group during the course of the financial year ended 30 June 2015 are set out below. No significant change in the nature of these activities occurred during the year.

Collins Class Submarine related activities:

The major submarine related activities included maintenance, design development, engineering and upgrading of six submarines for the Royal Australian Navy (RAN). These activities were undertaken for the Collins class submarine under the In Service Support Contract (ISSC) which was operationally effective from 1 July 2012.

Hobart Class Air Warfare Destroyer (AWD) related activities:

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 (DMO) and Raytheon Australia. The ABTIA commits the alliance members to work as an integrated team to deliver the RAN's next generation warships.

Consolidated result

The consolidated profit of the Group for the financial year attributable to the shareholders of ASC Pty Ltd was \$21,891,000 (June 2014: \$3,757,000 loss) after provision for income tax expense of \$9,400,000 (June 2014: income tax benefit of \$1,657,000).

Review of operations

Collins Class Submarine related activities:

On 1 July 2014, the Company commenced the performance period two of the ISSC. The Company is currently negotiating the ISSC performance management framework which sets out the key performance indicators under performance period two.

Hobart Class Air Warfare Destroyer (AWD) related activities:

Ship one was floated off in May 2015, the consolidation phase for ship two is well underway and the production of blocks for ship three are in progress at all three Australian sites i.e. ASC AWD Shipbuilder Pty Ltd in South Australia, BAE Systems Australia Defence Pty Ltd in Victoria and Forgacs Engineering Pty Ltd in New South Wales.

In the prior year, a decision was made by the board of directors that it was probable that the forecast of the cost to complete the three AWDs would exceed contract revenues. As such, an expected loss was recognised in line with AASB 111 *Construction Contracts*. The expected loss has been reviewed in the current period based on management's most recent forecast.

Dividends

The directors have declared an interim unfranked dividend of \$3,400,000 paid on 27 March 2015 (2013/14: \$5,600,000).

State of affairs

In December 2014, the Minister for Defence, the Honourable Senator David Johnston, and the Minister for Finance, the Honourable Mathias Cormann, announced that BAE Systems Australia Defence Pty Ltd, Navantia SA and Raytheon Australia will take on increased roles in the AWD program as part of the reform strategy. The AWD Alliance industry participants will continue to be responsible for the construction and delivery of the three AWDs.

In June 2015, the Minister for Finance commissioned a strategic review of the consolidated entity to consider and recommend future options for ASC's mandate, corporate and capital structure as well as its governance arrangements.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the year ended 30 June 2015

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. All of the Group sites, comprised of the South Australian and Western Australian submarine facilities and the South Australian shipbuilding facility, have accreditation for AS/NZ ISO 14001: Environmental management systems.

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

Events subsequent to the end of the reporting period

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

Likely developments

The Group is currently in transition to the Program Performance Model to prepare and align to current and future customer requirements. This transition involves the establishment of three business units to deliver value for money solutions to its customers, focus on performance and securing a future for the naval shipbuilding and maintenance industry. This transition is expected to be completed in the 2015/16 financial year.

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 directors and 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 the 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 29 and forms part of the Directors' Report for the year ended 30 June 2015.

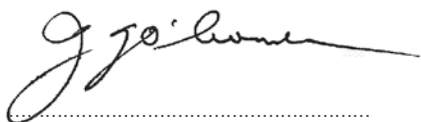
Rounding of amounts

The consolidated entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with the Class Order unless otherwise stated.

Signed in accordance with a resolution of Directors:



.....
Bruce James Carter – Chairman



.....
John Joseph O'Connell AO – Director

Adelaide
2 September 2015

ASC PTY LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

For the year ended 30 June 2015

The directors declare that, in the directors' opinion:

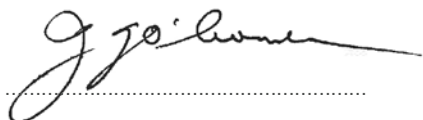
- a) the financial statements and notes set out on pages 32 to 74 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its 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.

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

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



.....
Bruce James Carter – Chairman



.....
John Joseph O'Connell AO – Director

Adelaide

2 September 2015



ASC PTY LTD AND ITS CONTROLLED ENTITIES FINANCIAL REPORT 2014-15

AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the ASC Pty Ltd and its controlled entities for the year ended 30 June 2015, 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 2015



INDEPENDENT AUDITOR'S REPORT

To the members of ASC Pty Ltd and its controlled entities

I have audited the accompanying financial report of ASC Pty Ltd and its controlled entities, which comprises the Consolidated Statement of Financial Position as at 30 June 2015, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, Notes comprising a Summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising ASC Pty Ltd and its controlled entities at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the

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

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

- (a) In my opinion the financial report of ASC Pty Ltd and its controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 (a).

Australian National Audit Office



Jocelyn Ashford
Executive Director
Australian National Audit Office
Delegate of the Auditor-General
Canberra
2 September 2015

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2015

	Note	Consolidated Entity	
		Jun-15 \$'000	Jun-14 \$'000
Revenue from continuing operations	5(a)	1,029,231	913,250
Other income	5(b)	-	5,049
Materials and subcontractors		(445,271)	(427,906)
Labour, recruitment and relocation		(453,478)	(393,618)
Depreciation and amortisation	6	(17,085)	(17,243)
Finance costs	6	(582)	(1,036)
Operating lease	6	(15,429)	(14,534)
Impairment of plant and equipment	13	(112)	(3,317)
Other expenses		(65,983)	(66,059)
Profit before income tax		31,291	(5,414)
Income tax (expense)	8(a)	(9,400)	1,657
Profit for the year		21,891	(3,757)
Items that will not be reclassified to profit or loss			
Net gain/(losses) on revaluation of land and buildings	21	35,648	(1,649)
Remeasurement of defined benefit plans	24(d)	1,195	380
Income tax relating to these items	8(e)	(11,053)	381
Other comprehensive income, net of tax		25,790	(888)
Total comprehensive income for the year, net of tax		47,681	(4,645)
Profit attributable to:			
member of the parent entity		21,891	(3,757)
Total comprehensive income attributable to:			
member of the parent entity		47,681	(4,645)

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2015

		Consolidated Entity	
	Note	Jun-15 \$'000	Jun-14 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	233,699	219,237
Trade and other receivables	10	102,907	109,822
Inventories	11	3,469	2,344
Other current assets	12	2,688	3,389
TOTAL CURRENT ASSETS		342,763	334,792
NON CURRENT ASSETS			
Net pension assets	24(d)	1,966	921
Property, plant and equipment	13	335,094	306,923
Other non current assets	14	3,536	3,780
TOTAL NON CURRENT ASSETS		340,596	311,624
TOTAL ASSETS		683,359	646,416
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	101,208	95,851
Net unearned contract billing	16	136,353	133,303
Interest bearing liabilities	18	87,879	114,415
Current tax liabilities	8(b)	4,197	72
Provisions	19	39,258	40,391
TOTAL CURRENT LIABILITIES		368,895	384,032
NON CURRENT LIABILITIES			
Non interest bearing liabilities	17	14,506	15,831
Deferred tax liabilities	8(d)	14,986	5,938
Provisions	19	19,651	19,576
TOTAL NON CURRENT LIABILITIES		49,143	41,345
TOTAL LIABILITIES		418,038	425,377
NET ASSETS		265,321	221,039
EQUITY			
Contributed equity	20	10,000	10,000
Asset revaluation reserve	21	121,817	96,863
Retained earnings	22	133,504	114,176
TOTAL EQUITY		265,321	221,039

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2015

	Consolidated Entity			Total
	Contributed Equity	Asset Revaluation Reserve	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	10,000	98,017	126,566	234,583
Profit (loss) after tax for the year	-	-	(3,757)	(3,757)
Net gain (loss) on revaluation of land and buildings		(1,649)		(1,649)
Remeasurement of defined benefit plans			380	380
Income tax relating to these items		495	(114)	381
Total other comprehensive income	-	(1,154)	266	(888)
Total comprehensive income for the year	-	(1,154)	(3,491)	(4,645)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(8,900)	(8,900)
Balance as at 30 June 2014	10,000	96,863	114,176	221,039
Balance at 1 July 2014	10,000	96,863	114,176	221,039
Profit (loss) after tax for the year	-	-	21,891	21,891
Net gain (loss) on revaluation of land and buildings		35,648		35,648
Remeasurement of defined benefit plans			1,195	1,195
Income tax relating to these items		(10,694)	(359)	(11,053)
Total other comprehensive income	-	24,954	837	25,790
Total comprehensive income for the year	-	24,954	22,728	47,681
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(3,400)	(3,400)
Balance as at 30 June 2015	10,000	121,817	133,504	265,321

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2015

		Consolidated Entity	
	Note	Jun-15 \$'000	Jun-14 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations inclusive of GST		1,132,573	1,057,289
Payments to suppliers and employees in the course of operations inclusive of GST		(1,074,559)	(958,433)
Income taxes	8(b)	(7,280)	(8,084)
Net cash flows provided by / (used in) operating activities	33(b)	50,734	90,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,671	3,905
Proceeds from sale of property, plant & equipment		-	142
Purchase of property, plant and equipment		(9,474)	(22,735)
Net cash flows provided by / (used in) investing activities		(5,803)	(18,688)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,400)	(8,900)
Proceeds from interest-bearing liabilities		372	791
Repayment of non interest-bearing liabilities		(29,000)	(6,929)
Interest paid		(372)	(791)
Net cash flows provided by / (used in) financing activities		(32,400)	(15,829)
Net increase/(decrease) in cash and cash equivalents		12,531	56,255
Effects of exchange rate changes on cash and cash equivalents		1,931	443
Cash and cash equivalents at the beginning of the financial period		219,237	162,539
Cash and cash equivalents at the end of the financial period	33(a)	233,699	219,237

The above statement 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 2015

Note No.	Heading
1	Summary of significant accounting policies
2	Critical accounting estimates and judgements
3	Fair value measurement
4	Financial and capital risk management
5	Revenue and other income
6	Expenses
7	Auditor's remuneration
8	Taxation
9	Cash and cash equivalents
10	Trade and other receivables
11	Inventories
12	Other current assets
13	Property, plant and equipment
14	Other non current assets
15	Trade and other payables
16	Net unearned contract billing
17	Non interest bearing liabilities
18	Interest bearing liabilities
19	Provisions
20	Contributed equity
21	Asset revaluation reserve
22	Retained earnings
23	Dividends
24	Commitments
25	Contingent liabilities
26	Registered charges
27	Economic dependency
28	Key management personnel disclosure
29	Events occurring after the reporting period
30	Related party disclosures
31	Interests in other entities
32	Parent financial information
33	Notes to the statement of cash flow

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2015 comprise of ASC Pty Ltd (the Company) and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The financial statements are presented in Australian dollars.

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

(a) Basis of preparation

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

Compliance with International Financial Reporting Standards (IFRS)

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

Historical cost convention

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

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

The group has amended the classification of prior year production and consumables to materials and subcontractors to provide more reliable and relevant information to users.

Critical accounting estimates and judgements

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

Notwithstanding the negative working capital of \$26,132,000 for the Group (June 2014 negative working capital of \$49,240,000), the financial statements are prepared on a going concern basis due to the following reasons:

- contracts of the Group are mostly based on a cash flow neutral regime which ensures the timing of the receipts of the billings meets the timing of the payments for the operating expenditure of the relevant contracts;
- net assets of \$265,321,000 (June 2014: \$221,039,000);
- \$87,879,000 of the current liabilities are capable of but not expected to be called in full within twelve months after balance date;
- \$12,000,000 overdraft facility not utilised at balance date; and
- \$30,000,000 multi option bank facility not utilised at balance date.

Further details are disclosed in note 4(b).

Rounding of amounts

The consolidated entity is of a kind referred to in Class Order 98/100, issued by the ASIC, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with the Class Order unless otherwise stated.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Revised standards and interpretations issued

The Group has applied the following revised standards and interpretations for the first time in the financial year commencing 1 July 2014:

- AASB 2013-3 *Recoverable amounts for disclosures for non-financial assets* amended AASB 136 *Impairment of Assets* to require disclosure of the recoverable amount of an asset or a cash-generating unit for which an entity has recognised or reversed an impairment loss during the period. This impacted the type of information disclosed in the notes to the financial statements and not the amounts recognised in the financial statements. No change was required to the Group's accounting policies.
- AASB 2014-1 *Amendments to Australian Accounting Standards*
 - Part A introduced minor amendments and clarification to a range of standards as a result of the Annual Improvements 2010-2012 and 2011-2013 cycles undertaken by the International Accounting Standards Board. The impact of these amendments was immaterial for the Group. Standards affected are:
 - AASB 2 *Share-based Payment*
 - AASB 3 *Business Combinations*
 - AASB 8 *Operating Segments*
 - AASB 9 *Financial Instruments*
 - AASB 13 *Fair Value Measurement*
 - AASB 116 *Property, Plant and Equipment*
 - AASB 119 *Employee Benefits*
 - AASB 124 *Related Party Disclosures*
 - AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
 - AASB 138 *Intangible Assets*
 - AASB 139 *Financial Instruments: Recognition and Measurement*
 - AASB 140 *Investment Property*
 - AASB 1052 *Disaggregated Disclosures*
 - *Interpretation 129 Service Concession Arrangements: Disclosures*
 - *Framework for Preparation for the Preparation and Presentation of Financial Statements*
 - Part B introduced an amendment to clarify the application of AASB 119 *Employee Benefits*. The amendment clarified the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version, most entities deducted the contributions from the pension cost earned in the year the contributions were paid. The changes made to AASB 119 allow contributions that are linked to service, but that do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The impact of this amendment was immaterial for the Group.

(c) Impact of standards issued but not yet applied

Certain new accounting standards, interpretations and amendments have been published that are not mandatory for 30 June 2015 reporting periods and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments* (effective for financial years commencing on or after 1 January 2017)

AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities. This standard is expected to have no impact on the company as the company does not have any financial assets that are designated at fair value through profit or loss and the change in the fair value of the financial liabilities is not due to the change in the Group's own credit risk.

AASB 15 *Revenue from Contracts with Customers* (effective for financial years commencing on or after 1 January 2018)

This standard will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The Group will have to adopt a new five-step process for the recognition of revenue:

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

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

AASB 2015-1 *Amendments to Australian Standards* (effective for financial years commencing on or after 1 January 2016) The AASB introduced minor amendments and clarification to a range of standards as a result of the Annual Improvements 2012-2014 cycle undertaken by the International Accounting Standards Board. The impact of these amendments is immaterial for the Group. Standards affected are:

- AASB 1 *First-time Adoption of Australian Accounting Standards*
- AASB 2 *Share-based Payment*
- AASB 3 *Business Combinations*
- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 11 *Joint Arrangements*
- AASB 110 *Events after the Reporting Period*
- AASB 119 *Employee Benefits*
- AASB 121 *The Effects of Changes in Foreign Exchange Rates*
- AASB 133 *Earnings per Share*
- AASB 134 *Interim Financial Reporting*
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
- AASB 140 *Investment Property*

AASB 2015-2 *Amendments to Australian Standards* (effective for financial years commencing on or after 1 January 2016)

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

(d) Principles of consolidation

Subsidiaries

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Details of the subsidiaries are set out in note 31. They are de-consolidated from the date that control ceases.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Principles of consolidation (cont.)

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

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Revenue recognition

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

Rendering of services

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

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

Secondment Income

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

Interest income

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

(f) Construction and sustainment contract work in progress

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

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

Tendering costs on contracts are expensed as incurred.

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

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

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

(g) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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

(h) Property, plant and equipment

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Leases

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

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

(j) Taxation

Tax consolidation

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

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

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

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

Accounting for income tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are

offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits. These allowances reduce income tax payable and current tax expense.

(k) Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Retirement benefit obligations

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(k) Employee benefits (cont.)

Retirement benefit obligations (cont.)

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

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

(l) Trade and other receivables

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

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

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

(m) Trade and other payables

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

(n) Goods and services tax (GST)

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

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

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

(o) Provisions

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

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

Self insurance

The Group self-insures for risks associated with workers compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the

claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability.

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

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

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

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

Warranty

The estimate for the warranty obligation for design, engineering and maintenance activities is based on engineering assessments as to the 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.

(p) Inventories

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

(q) Impairment

Financial assets

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

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

Non financial assets

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

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

(r) Cash and cash equivalents

Cash and cash equivalents include:

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

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For the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) Cash and cash equivalents (cont.)

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

Included in the cash at bank are amounts advanced to the Company and to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the Group, by the Commonwealth of Australia (CoA), for the purpose of funding the working capital requirement of the Collins class submarine ISSC and the Hobart Class Air Warfare Destroyer project. The amounts advanced have certain contractual restrictions placed on their use. The funds maintained may only be applied to direct project expenditure incurred and claims for reimbursement from the CoA. This amount has been disclosed at note 9.

(s) Investments and other financial assets

Loans and receivables

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

Recognition and de-recognition

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

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

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

Subsequent measurement

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

(t) 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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

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

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

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

(u) Borrowing costs

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

(v) Dividends

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

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity, ASC Pty Ltd, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

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

(y) Contributed Equity

Ordinary shares are classified as equity.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

Revenue recognition and work in progress

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

Forecast of costs to complete the construction of the three AWDs are undertaken quarterly as part of the contractual requirements of ABTIA. As at June 2014, management's forecasts of costs to complete the three AWDs indicated that it was probable that total costs related to the contract will exceed total contract revenues which would cause ASC to incur a loss pursuant to ABTIA. The estimated loss was recognised in the previous financial year in line with *AASB 111 Construction Contracts*. As at 30 June 2015 the expected loss has been reviewed in the current period based on management's most recent forecast.

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

Provision for warranty

The consolidated entity has written off the \$3,800,000 warranty provision it held as at 30 June 2014 in the current period. Warranty costs are direct project costs under performance period 2 of the ISSC subject to exclusions which have been assessed by management as minor.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Key sources of estimation uncertainty (Cont.)

Provision for self insurance – workers compensation

The provision for self insurance is raised when an incident occurs that may give rise to a workers' compensation claim. This is measured by the estimated cost of that claim, discounted to its present value. The margin is inclusive of a contingency which is intended to increase the probability that the provision will remain adequate to meet the expected liabilities. The risk margin is required to allow for the inherent risks in the self insurance industry and for environmental uncertainty. Under the APRA prudential standards for private sector insurers a probability sufficiency of 75% is required as a minimum. While the Group's provision level is in line with the Group's assessment of the risks that it is exposed to, there continues to be judgement associated with this estimate. The provision for self insurance – workers compensation as at 30 June 2015 is \$4,940,000 (2014: \$6,480,000). If there are events that differ from the estimates and assumptions made at balance date, such differences will impact the workers compensation provision in future periods.

Fair value of land and building

The fair value of land and buildings is determined by market-based evidence. If no market-based evidence exists, the depreciated replacement costs approach is applied. This approach is often used if an item is of a specialised nature and is rarely sold. Based on the independent professionally qualified valuer's assessment, the fair value of land and building for the Group as at 30 June 2015 is \$278,661,000 (2014: \$249,165,000). If there are events that differ from the estimates and assumptions made at balance date, such differences will impact the fair value of land and buildings in future periods.

Net pension assets/liabilities

The ASC Superannuation Fund engaged the services of an independent consulting actuary for the purpose of the ASC Superannuation Fund asset and liability valuation as at 30 June 2014. The "projected unit credit" method has been used for this valuation in accordance with AASB 119 *Employee Benefits*. Based on the independent actuarial assessment, the value of net pension asset (liability) as at 30 June 2015 is \$1,966,000 (2014: asset of \$921,000). If there are events that differ from the estimates and assumptions made at balance date, such differences will impact the Net Pension Assets/Liabilities provision in future periods.

3 FAIR VALUE MEASUREMENTS

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

- Land and buildings

(a) Fair value hierarchy

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

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

(i) *Recognised fair value measurements*

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 2014.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2015					
Recurring fair value measurements					
Non-financial assets					
Land and buildings					
Freehold land	13	-	30,083	-	30,083
Buildings	13	-	-	248,578	248,578
Total non-financial assets		-	30,083	248,578	278,661

At 30 June 2014		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Note	\$'000	\$'000	\$'000	\$'000
Non-financial assets					
Land and buildings					
Freehold land	13	-	30,083	-	30,083
Buildings	13	-	-	219,082	219,082
Total non-financial assets		-	30,083	219,082	249,165

(ii) *Disclosed fair values*

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

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

(b) Valuation techniques used to derive level 2 and 3 fair values

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

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

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the financial year ending 30 June 2015 for recurring fair value measurements:

	Buildings
	\$'000
Opening balance 1 July 2014	219,082
Transfers from capital work in progress	3,237
Revaluation increment/(decrement)	35,648
Depreciation	(9,389)
Closing balance 30 June 2015	248,578

(i) *Valuation inputs and relationship to fair value*

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

Description	Fair value as at 30 Jun 15 \$'000	Unobservable Inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Buildings	248,578	Depreciation rates	7.10%	The higher the depreciation rate, the lower the fair value

(ii) *Valuation processes*

The Group engages an external, independent and qualified valuer to determine the fair value of the land and buildings at the end of every financial year. As at 30 June 2015, the fair values of the land and buildings were determined by Maloney Field Services.

4 FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management

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

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

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

Both committees report regularly to the board on their activities.

	Jun-15 \$'000	Jun-14 \$'000
Financial assets		
Cash and cash equivalents	233,699	219,237
Trade and other receivables	102,907	109,822
Interest receivable	273	405
	336,879	329,464
Financial liabilities		
Trade and other payables	101,208	95,851
Non interest-bearing liabilities	14,506	15,831
Interest-bearing liabilities	87,879	114,415
	203,593	226,097

(a) Credit risk

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

Trade and other receivables

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

Cash and cash equivalents

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

Guarantees

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

Financial securities received

Credit risk also arises in relation to \$68.7 million of financial securities issued by foreign banks in favour of ASC, in respect of mobilisation payments made by ASC to overseas suppliers. Downgrades in the Standard & Poor's credit ratings of several of these banks in 2012 has resulted in the credit ratings of these banks falling below the rating level approved by the ASC corporate management policies. All practical means of remedying the non-compliance have been exhausted. The risk exposure to these securities is assessed as low.

Recognised financial instruments

	Jun-15 \$'000	Jun-14 \$'000
Trade and other receivables		
<i>Counterparties with external credit rating (Standard and Poor's)</i>		
AAA [Commonwealth of Australia]	63,329	109,094
AA	37,914	-
Credit rating not determined	1,664	728
	102,907	109,822
Cash and cash equivalents		
AA-	233,699	219,237
	233,699	219,237

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

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

Both projects receive a substantial portion of their entire funding from the Commonwealth Government of Australia, who has a Standard and Poor's credit rating of AAA, and Raytheon Australia Pty Ltd who has a Standard and Poor's credit rating of A. Therefore the consolidated entity has no material exposure to credit risk in its operations.

Off statement of financial position financial instruments

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

(b) Liquidity risk

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

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

The Group maintains the following lines of credit:

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

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

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4 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Maturities of financial liabilities

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

	Within 12 months \$'000	> 12 months and < 5 years	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
Consolidated - At 30 June 2015					
Non-derivatives					
Non-interest bearing	101,208	23,608	360	125,176	115,714
Variable rate (including bank overdraft)	87,879	-	-	87,879	87,879
Total non-derivatives	189,087	23,608	360	213,055	203,593
Consolidated - At 30 June 2014					
Non-derivatives					
Non-interest bearing	95,851	-	25,605	121,456	111,682
Variable rate (including bank overdraft)	114,415	-	-	114,415	114,415
Total non-derivatives	210,266	-	25,605	235,871	226,097

(c) Market Risk

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

Foreign exchange risk

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

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

		Consolidated Entity	
		Jun-15	Jun-14
	Currency	AUD '000	AUD '000
Financial assets			
Cash and cash equivalents	USD	7,976	7,650
	EUR	14,138	17,683
	GBP	1,088	813
	CAD	2,117	2,004
	JPY	129	127
	Total	25,448	28,277
Trade and other receivables	USD	2,677	640
	EUR	7,496	1,223
	GBP	(184)	-
	CAD	-	-
	Total	9,989	1,863

	Currency	Consolidated Entity	
		Jun-15 AUD '000	Jun-14 AUD '000
Financial liabilities			
Trade and other payables	USD	10,792	653
	EUR	(408)	2,654
	GBP	(2)	(2)
	NOK	-	16
	Total	10,382	3,321
Net unearned contract billing	USD	-	(125)
	EUR	-	(458)
	GBP	-	-
	NOK	-	(16)
	Total	-	(599)
Interest-bearing liabilities	USD	9,594	7,822
	EUR	16,850	16,752
	GBP	924	816
	CAD	2,117	2,004
	JPY	129	127
	Total	29,614	27,521

Interest rate risk

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

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

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

	Total	Effective interest rate
30 June 2015	\$'000	%
Financial assets		
Cash and cash equivalents	233,699	1.82
Trade and other receivables	102,907	0.00
Interest receivable	273	0.00
	336,879	
Financial liabilities		
Trade and other payables	101,208	0.00
Non interest-bearing liabilities	14,506	2.36
Interest-bearing liabilities	87,879	0.68
	203,593	

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4 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

(c) Market Risk (Cont.)

Interest rate risk (Cont.)

	Total	Effective interest rate
	\$'000	%
30 June 2014		
Financial assets		
Cash and cash equivalents	219,237	1.79
Trade and other receivables	109,822	0.00
Other financial assets	405	0.00
	329,464	
Financial liabilities		
Trade and other payables	95,851	0.00
Non interest-bearing liabilities	15,831	3.04
Interest-bearing liabilities	114,415	1.07
	226,097	

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

Sensitivity analysis

At 30 June 2015, 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 2014. 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.

Consolidated Entity

	Amount	Carrying Interest Rate Risk			
		-0.75%		+0.75%	
		Profit	Other	Profit	Other
		Equity	Equity	Equity	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015					
Financial assets					
Cash and cash equivalents	233,699	(1,753)	-	1,753	-
Trade and other receivables	102,907	-	-	-	-
Interest receivable	273	(2)	-	2	-
Financial liabilities					
Trade and other payables	(101,208)	-	-	-	-
Non interest-bearing liabilities	(14,506)	-	-	-	-
Interest-bearing liabilities	(87,879)	222	-	(222)	-
Total increase/(decrease)		(1,533)		1,533	

At 30 June 2014, 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.

Consolidated Entity		Carrying Interest Rate Risk			
	Amount	-0.75%		+0.75%	
		Profit	Other Equity	Profit	Other Equity
30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	219,237	(1,644)	-	1,644	-
Trade and other receivables	109,822	-	-	-	-
Other financial assets	405	(3)	-	3	-
Financial liabilities					
Trade and other payables	(95,851)	-	-	-	-
Non interest-bearing liabilities	(15,831)	-	-	-	-
Interest-bearing liabilities	(114,415)	314	-	(314)	-
Total increase/(decrease)		(1,333)		1,333	

Capital risk management

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

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

5 REVENUE FROM CONTINUING OPERATIONS

		Consolidated Entity	
		Jun-15	Jun-14
		\$'000	\$'000
(a) Revenue from rendering of services			
Related parties		897,622	902,057
Other parties		126,184	5,113
		1,023,806	907,170
Other revenue			
Facilities and business services charges			
Related parties		205	17
Secondment income received from:			
Related parties		711	341
Other parties		970	1,734
Interest			
Other parties		3,539	3,988
		5,425	6,080
Total revenue from continuing operations		1,029,231	913,250

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5 REVENUE FROM CONTINUING OPERATIONS (CONT.)

(b) OTHER INCOME

Net profit from disposal of fixed assets	-	1
Other income	-	5,048
Total other income	-	5,049

6 EXPENSES

Items included in profit before tax

Depreciation of:		
Buildings	9,389	9,417
Plant and equipment	7,452	7,582
Total depreciation	16,841	16,999

Amortisation of:		
Contribution to Henderson Common User Facility	244	244
Total depreciation and amortisation	17,085	17,243

Finance costs:		
Bank charges	210	245
Interest expenses		
Related parties	372	791
	582	1036

Operating lease rental expense:		
Minimum lease payments	15,429	14,534

Employee related expenses:		
Long service leave expense	5,640	7,433
Redundancy expenses	3,353	1,662
Defined benefit superannuation expense	150	29
Total Employee related expenses	9,143	9,124

Loss on AWD project	4,729	34,096
Impairment of plant and equipment	112	3,317

7 AUDITORS' REMUNERATION

Audit services:

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

368,000	354,000
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Other services:

PricewaterhouseCoopers (PwC) have been contracted by ANAO to provide audit related services on the ANAO's behalf. In addition to fees earned from the subcontracted audit, PwC earned the following fee for an engagement where they were separately contracted by the consolidated entity during 2014/15:

- ISSC Reform Plan	9,180	-
	9,180	-

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

8 TAXATION (CONT.)

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	Jun-15 \$'000	Jun-14 \$'000	Jun-15 \$'000	Jun-14 \$'000	Jun-15 \$'000	Jun-14 \$'000
(d) Deferred tax assets and liabilities						
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Consolidated Entity						
Property, plant and equipment	11,222	11,039	(45,308)	(35,357)	(34,086)	(24,318)
Employee entitlements	9,583	9,153	-	-	9,583	9,153
Provisions for warranty	-	1,140	-	-	-	1,140
Project recognised profit	9,920	(2,015)	-	-	9,920	(2,015)
Net pension assets	-	-	(590)	(276)	(590)	(276)
Sundry items	987	10,415	(800)	(37)	187	10,378
Net tax assets/(liabilities)	31,712	29,732	(46,698)	(35,670)	(14,986)	(5,938)

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

MOVEMENTS

Consolidated Entity

Movement to Income tax revenue/(expense)

Property, plant and equipment	183	1,194	(9,951)	1,393	(9,768)	2,587
Employee entitlements	430	651	-	-	430	651
Provisions for warranty	(1,140)	-	-	-	(1,140)	-
Project recognised profit	11,935	(5,667)	-	-	11,935	(5,667)
Net pension assets	-	-	(314)	(276)	(314)	(276)
Sundry items	(9,428)	10,276	(763)	332	(10,191)	10,608
	1,980	6,454	(11,028)	1,449	(9,048)	7,903

Movement credited/(debited) directly to equity

Property, plant and equipment			10,694	(495)	10,694	(495)
Net pension assets (refer note on following page)	-	(328)	359	442	359	114
	-	(328)	11,053	(53)	11,053	(381)

Net movement in tax assets/(liabilities)

	1,980	6,126	25	1,396	2,005	7,523
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	Consolidated Entity	
	Jun-15 \$'000	Jun-14 \$'000
(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.		
Net deferred tax - credited (debited) directly to equity (note 8(d))	11,053	(381)
9 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	119,715	114,084
Term deposits	113,984	105,153
	233,699	219,237

The consolidated entity's exposure to interest rate risk is discussed in note 4.

Included in cash in operating accounts are amounts advanced to the Company and to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the consolidated entity, by the Commonwealth of Australia (CoA) for the purposes of funding the working capital requirement of the ISSC and AWD project respectively. The amounts advanced have certain contractual restrictions placed on the use of these funds. The funds maintained may only be applied to direct project expenditure incurred and claims for reimbursement from the CoA. The amount that exceeds the value of direct project expenditure incurred and unbilled as at balance date is defined as restricted cash. At 30 June 2015, the balance of restricted cash for ISSC was \$0 (June 2014: \$0) and for AWD was \$31.7 million (June 2014: \$41.9 million).

10 TRADE AND OTHER RECEIVABLES

Current

Trade receivables	102,353	108,908
Other receivables	554	914
	102,907	109,822

ACCOUNTS RECEIVABLE AGEING PROFILE

Receivables		
Not Past Due	102,789	107,883
Past Due 1-30 Days	-	266
Past Due 31-60 Days	68	373
Past Due 61-90 Days	-	-
Past Due 90+ Days	50	1,300
Total receivables	102,907	109,822

11 INVENTORIES

Current

Raw materials and stores (at lower of cost or net realisable value)	3,469	2,344
	3,469	2,344

Reverl of write-down of inventories to net realisable value recognised during the year ended 30 June 2015 amounted to \$2.5 million (June 2014: \$0.6 million)

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

		Consolidated Entity	
		Jun-15	Jun-14
		\$'000	\$'000
12 OTHER CURRENT ASSETS			
Interest Receivables		273	405
Prepayments		2,415	2,984
		2,688	3,389
13 PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value		30,083	30,083
Buildings			
At fair value		248,578	219,082
Plant and equipment			
At cost		108,827	102,704
Accumulated depreciation		(54,677)	(50,606)
		54,150	52,098
Capital works in progress at cost		2,283	5,660
Total property, plant and equipment		335,094	306,923
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		30,083	30,083
Revaluation increments/(decrements)		-	-
Carrying amount at the end of year		30,083	30,083
Buildings			
Carrying amount at beginning of year		219,082	214,385
Additions		-	320
Transfers from capital works in progress		3,237	15,443
Revaluation increments/(decrements)		35,648	(1,649)
Depreciation		(9,389)	(9,417)
Carrying amount at the end of year		248,578	219,082
Plant and equipment			
Carrying amount at beginning of year		52,098	55,964
Additions		3,815	1,770
Transfers from capital works in progress		5,801	5,403
Disposals		-	(139)
Impairment		(112)	(3,317)
Depreciation		(7,452)	(7,583)
Carrying amount at the end of year		54,150	52,098

		Consolidated Entity	
		Jun-15	Jun-14
		\$'000	\$'000
13 PROPERTY, PLANT AND EQUIPMENT (CONT.)			
Capital works in progress			
Carrying amount at beginning of year		5,660	6,187
Additions/(write off)		5,660	20,321
Transfers to property, plant & equipment		(9,037)	(20,848)
Carrying amount at the end of year		2,283	5,660
Valuations			
An independent valuation of all land and buildings of the consolidated entity was carried out by Maloney Field Services Property Consultants and Valuers as at 30 June 2015.			
The fair value of land is based on recent market transactions on arm's length terms and the fair value of buildings is based on the depreciated replacement cost approach.			
Carrying amounts that would have been recognised if land and buildings were stated at cost.			
Freehold land			
Cost		2,299	2,299
Buildings			
Cost		271,022	267,786
Accumulated depreciation		(145,748)	(138,864)
Net book amount		125,274	128,922
Non current assets pledged as security			
Refer to note 26 for information on non-current assets pledged as security by the consolidated entity.			
14 OTHER NON CURRENT ASSETS			
Contribution to the Henderson Common User Facility.		3,536	3,780
ASC has made a \$5 million contribution to the Henderson Common User Facility.			
This amount is expensed over the expected period of usage of the facility.			
15 TRADE AND OTHER PAYABLES			
Trade payables		43,042	43,350
Other payables and accruals		58,166	52,501
Total payables		101,208	95,851
16 NET UNEARNED CONTRACT BILLING			
Contract billings due and receivable		4,248,948	4,303,146
Contract works in progress		(3,947,985)	(3,916,950)
Profit recognised to date		(182,366)	(270,735)
Provision for loss		17,756	17,842
Net unearned contract billing		136,353	133,303
17 NON INTEREST BEARING LIABILITIES			
Unsecured			
Non current			
Term loan		5	5
Deferred purchase obligation		14,501	15,826
		14,506	15,831

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

17 NON INTEREST BEARING LIABILITIES (CONT.)

Term Loan

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

- (i) ASC Engineering Pty Limited (\$200,000): repayable in the year 2094 or at the option of the Company at any time prior to the year 2094.
 - (ii) ASC Pty Ltd (\$160,000): repayable in the year 2092 or at the option of the Company at any time prior to the year 2092.
- Both of these two term loans have been discounted to their fair value of \$5,500 in total for the year ended 30 June 2015 (2014: \$5,200) under AASB139 (Financial Instruments: Recognition and Measurement).

Deferred purchase obligation

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

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

18 INTEREST BEARING LIABILITIES

Current

Unsecured

Government advance

Consolidated Entity

Jun-15	Jun-14
\$'000	\$'000

87,879	114,415
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Government advance

Current

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

ISSC advances:

The advance paid by the CoA are in Australian dollars and can only be used for the reimbursement of payment to the Company for direct project costs incurred for the ISSC activities.

The advance of \$29m was repaid to the CoA in August 2014.

ABTIA advance:

This advance represents the working capital advance provided by the CoA under the ABTIA. At 30 June 2015, the balance is \$88 million. (June 2014: \$85 million)

Advances paid by the Commonwealth are in both Australian and foreign currencies and are required to be separately maintained in a Commonwealth of Australia interest bearing account. Funds advances can only be used for the reimbursement of payment to ASC AWD Shipbuilder Pty Ltd, a subsidiary within the consolidated entity, for direct project costs incurred for the AWD project.

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

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

18 INTEREST BEARING LIABILITIES (CONT.)

Financing arrangements

Unsecured facilities

Total facilities available

Loan facilities

Overdraft facilities

Facilities utilised at balance date

Loan facilities

Overdraft facilities

Facilities not utilised at balance date

Loan facilities

Overdraft facilities

Consolidated Entity

Jun-15

\$'000

Jun-14

\$'000

30,000

12,000

42,000

-

-

-

30,000

12,000

42,000

30,000

12,000

42,000

-

-

-

30,000

12,000

42,000

19 PROVISIONS

Current

Employee entitlements, including on costs (a)

Termination (b)

Warranty (c)

Self insured workers compensation (d)

36,930

586

-

1,742

39,258

34,307

768

3,800

1,516

40,391

Non current

Employee entitlements, including on costs (a)

Self insured workers compensation (d)

16,453

3,198

19,651

14,612

4,964

19,576

(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) Termination

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

(c) Warranty

The Company had a warranty provision for the submarine related activities under the In Service Support contract with the Commonwealth of Australia represented by the Defence Materiel Organisation. The provision has been written off in the current period as it is a direct project cost under performance period 2 of the ISSC.

(d) Self insured workers compensation

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

		Consolidated Entity	
		Jun-15	Jun-14
		\$'000	\$'000
19 PROVISIONS (CONT.)			
Provisions Movements:			
Termination			
Balance at 1 July (current and non current)	768	408	
Provision made during the year	3,059	1,689	
Provision used during the year	(3,241)	(1,329)	
Balance at 30 June (current and non current)	586	768	
Warranty			
Balance at 1 July (current and non current)	3,800	3,800	
Provision made/(reversed) during the year	(3,800)	-	
Provision used during the year	-	-	
Balance at 30 June (current and non current)	-	3,800	
Self insured workers compensation			
Balance at 1 July (current and non current)	6,480	5,750	
Provision made/(reversed) during the year	(694)	2,246	
Provision used during the year	(846)	(1,516)	
Balance at 30 June (current and non current)	4,940	6,480	
Dividends			
Balance at 1 July (current and non current)	-	-	
Provision made during the year	3,400	8,900	
Provision used during the year	(3,400)	(8,900)	
Balance at 30 June (current and non current)	-	-	
(e) The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$36.9 million (2014: \$34.3 million) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.			
Current leave obligations expected to be settled after 12 months	24,995	16,887	
20 CONTRIBUTED EQUITY			
Opening issued and paid-up share capital - 10 million ordinary shares (1 July)	10,000	10,000	
Movement during the reporting period	-	-	
Closing issued and paid-up share capital	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 ASSET REVALUATION RESERVE			
Opening asset revaluation reserve (1 July)	96,863	98,017	
Revaluation increment, gross	35,648	(1,649)	
Deferred tax	(10,694)	495	
Closing asset revaluation reserve	121,817	96,863	
Total Reserves	121,817	96,863	

21 ASSET REVALUATION RESERVE (CONT.)

Asset revaluation reserve

Comprises of :

- Land

- Buildings

Closing balance

Consolidated Entity

Jun-15	Jun-14
\$'000	\$'000
19,450	19,450
102,367	77,413
121,817	96,863

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

Opening retained earnings (1 July)

Remeasurement of defined benefit plans

Net profit for the year

Dividends

Closing retained earnings

114,176	126,566
837	266
21,891	(3,757)
(3,400)	(8,900)
133,504	114,176

23 DIVIDENDS

Interim dividend has declared and paid (2015: 34 cents/ share, 2014: 56 cents/share)

Final dividend declared and paid (2014: 0 cents/share, 2013: 33 cents/share)

Total unfranked dividend, represents a distribution to the shareholder.

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

3,400	5,600
-	3,300
3,400	8,900
134,113	123,581

Dividends franking account

Class C (30%) franking credits

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

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

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

24 COMMITMENTS**(a) Capital expenditure commitments**

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

Total

790	5,666
-	-
-	-
790	5,666

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

24 COMMITMENTS (CONT.)

(b) Operating lease commitments

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

Not later than one year

Later than one year but not later than five years

Later than five years

Total

Consolidated Entity	
Jun-15	Jun-14
\$'000	\$'000
14,290	15,250
38,858	40,480
70,627	76,572
123,775	132,302

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

(c) Hire purchase commitments

The consolidated entity has no hire purchase commitments as at the reporting date (2014: \$0).

(d) Superannuation commitments

The consolidated entity contributes 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 consolidated entity also contributes 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 Equity Trustees Limited. KPMG Superannuation Services Pty Limited is the administrator of the fund.

DEFINED BENEFITS PLAN

Defined benefit category

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

An actuarial assessment of the fund as at 30 June 2015 was carried out by David O'Keefe, Fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Limited in June 2015.

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

Movements in the net asset/(liability) for defined benefits obligations recognised in the statement of financial position

Net asset/(liability) for defined benefit obligations at 1 July
Contributions received
Income/(Expense) recognised in the income statement
Remeasurement of defined benefit plan
Net asset/(liability) for defined benefit obligations at 30 June

921	716
23	29
(173)	(204)
1,195	380
1,966	921

Defined benefit superannuation fund

Amounts in the statement of financial position

Asset

Liability

Net Pension Assets / (Retirement benefit obligation)

1,966	921
-	-
1,966	921

	Consolidated Entity	
	Jun-15 \$'000	Jun-14 \$'000
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	8,843	8,976
Service cost	177	197
Interest cost	308	314
Actuarial losses/(gains)	(384)	203
Benefits paid	(1,725)	(847)
Closing defined benefit obligation	7,219	8,843
Changes in the fair value of fund assets are as follows:		
Opening fair value of fund assets	9,764	9,692
Expected return	312	307
Actuarial gains/(losses)	811	583
Contributions by employer	23	29
Benefits paid	(1,725)	(847)
	9,185	9,764

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.

Expense recognised in the income statement:

Current service costs	177	197
Interest cost	308	314
Expected return on fund assets	(312)	(307)
	173	204

Actuarial gains/(losses) are recognised directly in equity.

The expense is recognised in the following line items in the income statement:

Pension costs/(revenues)	150	175
Contribution paid (in labour costs)	23	29
	173	204

Actual return on fund assets	1,123	890
	1,123	890

Expense recognised in statements of comprehensive income

Actuarial gains/(losses) recognised in the year (net of tax)	836	266
Cumulative actuarial gains/(losses) recognised in the statement of comprehensive income	(1,464)	(2,034)

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

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. The last such full assessment was made as at 30 June 2014.

The objective of the funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method.

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 performance (as detailed below), the actuary recommended in the actuarial review as at 30 June 2014, that no contribution will be made by the Company and its controlled entities for contributions to the fund for employees who are members of the defined benefit plan. The recommendation of the actuary has been adopted by the Company and its controlled entities.

Categories of plan assets

The major categories of plan assets are as follows:

	30 June 2015				30 June 2014			
	Quoted \$'000	Unquoted \$'000	Total \$'000	in %	Quoted \$'000	Unquoted \$'000	Total \$'000	in %
Equity securities			3,435	37.4%			6,122	62.7%
Australia	1,782	-	1,782		3,779	-	3,779	
Overseas	1,653	-	1,653		2,343	-	2,343	
Debt securities			2,682	29.2%			1,924	19.7%
Australia	2,177	-	2,177		1,572	-	1,572	
Overseas	505	-	505		352	-	352	
Property securities			569	6.2%			674	6.9%
Australia	569	-	569		674	-	674	
Overseas	-	-	-		-	-	-	
Other securities			2,498	27.2%			1,044	10.7%
Australia	2,498	-	2,498		1,044	-	1,044	
Overseas	-	-	-		-	-	-	
Total	9,185	-	9,185	100.0%	9,764	-	9,764	100.0%

	Consolidated Entity	
	Jun-15 \$'000	Jun-14 \$'000
Significant actuarial assumptions at the balance date:		
Discount rate at 30 June	3.7%	3.5%
Future salary increases	4.0%	4.0%

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

	Discount rate		Future salary increase	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Present value of defined benefit obligation	\$'000	\$'000	\$'000	\$'000
2015	7,003	7,471	7,469	7,003
2014	8,535	9,195	9,191	8,535

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

Risk exposure

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

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the long term. To reduce the volatility within the investment strategy supporting the defined benefit assets, a 50/50 asset allocation (50% growth and 50% defensive assets) in the fund assets was introduced in 2015. KPMG's modelling indicated an investment return of 6-7% could be targeted using a 50/50 portfolio.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risks

The majority of the plans' benefit obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The weighted average duration of the defined benefit obligation is 8 years (2014: 8 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015	3,221	-	823	823	1,815	1,193	7,875
30 June 2014	3,394	871	-	810	824	3,346	9,245

(e) Other commitments

The consolidated entity has commitments for expenditure in respect of contracts with subcontractors for the supply of constituent elements required under the consolidated entity's contracts with the Commonwealth of Australia. The final amount of these commitments is not quantifiable. The timing of the consolidated entity's 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 consolidated entity 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 entities within the consolidated entity have arranged the issuance of bank guarantees in favour of various beneficiaries in support of their performance obligations. The total value of the bank guarantees arranged by the consolidated entity is \$11.4 million (2014: \$10.2 million). No liability has been recognised by the consolidated entity in relation to these guarantees as their fair value of the guarantees as at 30 June 2015 and 30 June 2014 are immaterial.

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

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

No losses are expected in relation to these guarantee arrangements.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

26 REGISTERED CHARGES

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

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

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

	Consolidated Entity	
	Jun-15	Jun-14
	\$'000	\$'000
Total current assets pledged as security		
Trade receivables	56,167	42,708
Other receivables	33	13
	56,200	42,721
Total non current assets pledged as security		
Land	18,168	18,168
Building	141,383	116,366
Plant and Equipment	20,878	19,448
	180,429	153,982

27 ECONOMIC DEPENDENCY

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

28 KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

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

	Consolidated Entity	
	Jun-15	Jun-14
	\$'000	\$'000
Short - term employment benefits	8,676,801	7,324,181
Other long term benefits	168,962	136,762
Post - employment benefits	895,509	550,163
Termination benefits	869,657	37,417
	10,610,929	8,048,523

Loans to key management personnel

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

Other key management personnel transactions with the consolidated entity

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

29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

30 RELATED PARTY DISCLOSURES

Key management personnel compensation

Disclosures relating to key management personnel are set out in note 28.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Directors

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

Bruce James Carter
Dr Rosalind Vivienne Dubs
Peter Predrag Iancov
Sophie Mirabella
John Joseph O'Connell AO
Dr Sally Anne Majella Pitkin
Paul John Rizzo

Stephen Ludlam was a director from the beginning of the financial year until his resignation on 18 July 2014.

Katherine Ann Hirschfeld was a director from the beginning of the financial year until her retirement on 17 April 2015.

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

Other related parties

Australian government ministers

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

Shareholders

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

The Commonwealth of Australia is the ultimate parent entity.

Loans to/(from) the Commonwealth of Australia and its related entities

Deferred purchase obligation

Beginning of the year
Loan advanced
Fair value adjustment
End of year

Consolidated Entity

	Jun-15	Jun-14
	\$'000	\$'000
Beginning of the year	15,825,831	14,759,174
Loan advanced	-	-
Fair value adjustment	(1,325,241)	1,066,657
End of year	14,500,590	15,825,831

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For the year ended 30 June 2015

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

June 2014	Consolidated Entity						
Government advance	Total	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year		86,320,095	7,707,689	451,286	2,015,092	15,432,757	12,078,961
Advance received		-	-	-	-	-	-
Advance repaid		-	(339,586)	-	-	(3,863,676)	-
Interest charged		(1,381)	-	-	-	-	-
Interest received		576,074	-	-	1	-	-
End of year (source currency)		86,894,788	7,368,103	451,286	2,015,093	11,569,081	12,078,961
End of year (AUD equivalent)	114,414,935	86,894,788	7,821,766	815,921	2,003,669	16,752,217	126,574

Transactions with Shareholders

During the year, the amounts received or receivable by the consolidated entity from the Commonwealth of Australia for various projects was \$897,622,000 (2014: \$902,057,000).

Certain expenditure incurred by the consolidated entity 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:

Jun-15	Jun-14
\$'000	\$'000
-	-
62,774,824	108,180,260

31 INTERESTS IN OTHER ENTITIES

The Company's principal subsidiaries at 30 June 2015 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the company and the proportion of ownership interest held equals the voting rights held by the company. The country of incorporation is also their principal place of business.

Name of entity	Country of Incorporation	Ownership interest held by the company		Principal activities
		2015 %	2014 %	
ASC Engineering Pty Ltd	Australia	100	100	Holds property, plant and equipment to be utilised for the AWD program
ASC Shipbuilding Pty Ltd	Australia	100	100	Employs labour for the AWD program
ASC Modules Pty Ltd	Australia	100	100	Dormant
ASC AWD Shipbuilder Pty Ltd	Australia	100	100	Part of the alliance executing the AWD program
Deep Blue Tech Pty Ltd	Australia	100	100	Dormant

All subsidiaries have reporting dates of 30 June.

32 PARENT FINANCIAL INFORMATION

(a) Summary financial information

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

	Jun-15 \$'000	Jun-14 \$'000
Balance sheet		
Current assets	191,116	205,802
Total assets	537,828	527,388
Current liabilities	202,673	244,076
Total liabilities	226,558	261,962
Net assets	311,270	265,426
Shareholders' equity		
Issued capital	10,000	10,000
Reserves		
Revaluation surplus - land and building	95,881	76,935
Retained earnings	205,389	178,491
	311,270	265,426
Profit or loss for the year	29,462	27,347
Other comprehensive income	19,782	(1,879)
Total comprehensive income	49,244	25,468

(b) Guarantees entered into by the parent entity

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 and a bank guarantee in favour of Department of Defence for the purpose of performance security deed for the Training School contract.

The total value of the bank guarantees arranged by the parent company is \$8,594,000 (2014: \$7,366,000).

In addition to the above, the parent entity has provided \$2,819,000 bank guarantees (2014: \$2,819,000) assumed by its subsidiary.

No liability has been recognised in relation to these financial guarantees in accordance with the policy set in notes 1(w) as the fair values of these guarantees as at 30 June 2015 and 30 June 2014 are immaterial.

(c) Financial support by the parent entity

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

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

(d) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014. For information about guarantees given by the parent entity, please see above.

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

As at 30 June 2015, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling \$790,497 (30 June 2014: \$3,275,809). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - continued
For the year ended 30 June 2015

		Consolidated Entity	
	Note	Jun-15 \$'000	Jun-14 \$'000
33 NOTES TO THE STATEMENT OF CASH FLOWS			
(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS			
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:			
Cash	9	233,699	219,237
		233,699	219,237
(b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating profit after income tax		21,891	(3,757)
Add/(less) items classified as investing/financing activities:			
Interest received		(3,539)	(3,988)
Interest expense		372	791
(Profit)/loss on sale of fixed assets		-	(1)
Add/(less) non-cash items:			
Depreciation and amortisation		17,085	17,243
Fair value adjustment on all financial instruments		(1,325)	1,067
Pension costs		150	175
Transfer of Deep Blue Tech's fixed assets to ASC		-	-
Income tax expense		9,400	(1,657)
Income tax paid		(7,280)	(8,084)
Impairment of plant and equipment		112	3,317
Net cash provided by operating activities before change in assets and liabilities		36,866	5,106
Change in assets and liabilities			
(Increase)/decrease in receivables		6,466	28,706
(Increase)/decrease in inventories		(1,124)	1,240
(Increase)/decrease in prepayments		570	(395)
(Increase)/decrease in net unearned contract billing		3,083	37,807
Increase/(decrease) in trade creditors		5,707	11,107
Increase/(decrease) in provisions		(834)	7,201
Net cash provided by operating activities		50,734	90,772

CORPORATE DIRECTORY

Directors

Bruce Carter
Chairman

John O'Connell AO
Sally Pitkin
Rosalind Dubs
Sophie Mirabella
Paul Rizzo
Peter Iancov

Company Secretary

Wendy Hoad

Auditors

ANAO and PricewaterhouseCoopers
(as agent for ANAO)

Bankers

Westpac Banking Corporation

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ASC South

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Adelaide SA 5001
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Copies of ASC's annual reports
can be found at www.asc.com.au.
Copies can also be requested by
telephoning +61 8 8348 7000 or by
emailing communications@asc.com.au.

ACRONYMNS

AASB	Australian Accounting Standards Board
ANAO	Australian National Audit Office
AWD	Air Warfare Destroyer
CASG	Capability Acquisition and Support Group
CCSM	Collins Class Submarines
AWD	Air Warfare Destroyer
CASG	Capability Acquisition and Support Group
CCSM	Collins Class Submarines
CMS	Corporate Management System
CUF	Common User Facility
CoA	Commonwealth of Australia
DMO	Defence Materiel Organisation
FCD	Full Cycle Docking
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPT	Integrated Product Team
ISSC	In Service Support Contract
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MRD	Materiel Ready Day
MTI	Medically Treated Injury
MTIFR	Medically Treated Injury Frequency Rate
OSTs	Outfit Support Towers
PGPA	Public Governance, Performance and Accountability Act
RAN	Royal Australian Navy
UUC	Usage Upkeep Cycle

