Annual Report
2021

Contents

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Image courtesy of the Royal Australian Navy.

Transmittal Letter

ASC
ASC Pty Ltd
ABN 64 008 605 034
GPO Box 2472, Adelaide
South Australia 5001
ASC North
694 Mersey Road, Osborne
South Australia 5017
T + 61 8 8348 7000
F + 61 8 8348 7001

30 September 2021

Senator the Hon Simon Birmingham
Minister for Finance
Parliament House
Canberra ACT 2600

Dear Minister,

ASC Pty Ltd 2021 Annual Report

I am pleased to submit the 2021 Annual Report of ASC Pty Ltd (ASC), which has been prepared in accordance with the *Public Governance Performance and Accountability Act 2013* and approved by the Board of ASC.

The 2021 Annual Report includes the financial statements for the company for the year ending 30 June 2021 and reports on ASC's performance and progress. ASC achieved a profit after tax of $36.7 million.

In 2020/2021, ASC continued to exceed its international benchmark performance for the Collins Class Submarine Program (CCSM), delivering submarine availability at historically high levels for the Royal Australian Navy (RAN). ASC commenced Performance Period Four (PP4) of its In-Service Support Contract (ISSC), an eight-year contract extension comprising two, four-year periods.

ASC is undertaking a full cycle docking (FCD) in South Australia (SA), which marks the fourth, consecutive two-year FCD since 2014. In Western Australia (WA), ASC has commenced a 12-month mid cycle docking (MCD) that will include a sonar system and communications centre upgrade. Minor maintenance activities on the CCSMs were also undertaken throughout 2020/2021.

The third and final Hobart Class Air Warfare Destroyer (AWD), HMAS *Sydney* achieved formal acceptance by the Capability Acquisition and Sustainment Group (CASG) in July 2021.

ASC continued its work on the Offshore Patrol Vessel (OPV) Program as a subcontractor to Luerssen Australia for the first two ships, *Arafura* and *Eyre*, currently under construction at the Osborne Naval Shipyard in SA.

The launch of ASC's Digital Transformation Program (DTP) in 2020/2021 is a significant undertaking to ensure ASC continues to meet the needs of the RAN into the future.

ASC's unique capabilities reside in the experience and expertise of its employees. Its continued success in delivering the CCSM sustainment program during continued COVID-19 related challenges, reinforces the dedication and resilience of its workforce.

I would be grateful for your endorsement of this document for tabling in Parliament.

Yours sincerely,

BRUCE CARTER
Chairman

Company Profile

ASC has proudly served as Australia's sovereign submarine builder and sustainer for over 35 years.

A proprietary limited company registered under the *Corporations Act 2001*, ASC is 100 per cent owned by the Commonwealth of Australia (CoA). ASC's sole Shareholder Minister is the Minister for Finance, Senator the Hon Simon Birmingham.

ASC was established in 1985 and chosen in 1987 as the prime contractor to deliver Australia's first locally built submarine fleet.

In 1992, ASC commenced submariner training services to the RAN through the Submarine Training and Systems Centre (STSC) at HMAS *Stirling* in WA, and continues to provide these services today.

At the conclusion of the six CCSM build program in 2003, ASC was awarded the contract for the fleet's through-life support, maintenance and design upgrades. The company is now preparing to deliver the CCSM Life of Type Extension (LOTE) program.

In 2004, ASC changed its name from 'Australian Submarine Corporation' to ASC Pty Ltd, to incorporate its shipbuilding endeavours and future business. In 2005, following a competitive tender, the Australian Government selected ASC as the shipbuilder for the Hobart Class AWD Program, as part of the AWD Alliance.

The first Hobart Class destroyer, HMAS *Hobart*, was delivered in 2017, providing the RAN with its most advanced and complex warship. The second, HMAS *Brisbane*, was delivered in 2018 and the third, HMAS *Sydney*, in March 2020. At 30 June 2021, the first two ships had been formally accepted by the RAN with HMAS *Sydney* to achieve formal acceptance in July 2021.

In 2017, ASC entered into a contract to support prime contractor Luerssen Australia in its construction of the first two OPVs, *Arafura* and *Eyre*.

In June 2018, ASC Shipbuilding was announced as the shipbuilder for the Hunter Class Frigates. The structural separation of ASC Shipbuilding from ASC Pty Ltd occurred in December 2018, with ASC Shipbuilding becoming a subsidiary of BAE Systems Australia and subsequently renamed BAE Systems Maritime Australia in 2021.

ASC is the first Australian defence company to achieve asset management certification under global standard ISO 55001, which represents international best practice for the management of complex physical assets.

The company's 1,300-strong workforce is based across two states, at ASC North in Osborne, SA and at ASC West, in Henderson and Garden Island, WA. Several of ASC's submarine platform experts are seconded to the Australian Government's Future Submarine Technical Office (FSTO).

Vision

To be an enduring and integral part of Australia's maritime strategy and national security.

Mission

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

Values

ASC's 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.

Protect: We look out for one another and maintain a safe and secure workplace.

Respect: We value diverse perspectives, treating others considerately and professionally.

Integrity: We are always honest, thoughtful and accountable for our decisions.

Discipline: We follow proven processes to deliver on commitments to each other and our customer.

Excellence: We strive together to be the best we can be, now and in the future.

ASC proudly serves Australia's naval defence capability as the nation's only sovereign submarine sustainment company.

Financial Highlights

Two-year performance at a glance

	2020/21 $m	2019/20 $m
Revenue from rendering of services	582.5	670.1
Interest income	0.5	1.8
Other income and other revenue	5.5	4.1
Total revenue and other income	**588.5**	**675.9**
EBITDA	**83.3**	**62.3**
Depreciation and amortisation	(26.4)	(26.3)
EBIT	**56.9**	**36.0**
Interest expense	(5.1)	(5.5)
Tax expense	(15.6)	(9.7)
Operating profit before tax	52.3	32.2
Operating profit after tax	**36.7**	**22.6**
EBIT/total revenue and other income (%)	9.7%	5.3%
Shareholder's equity	176.7	146.3
Return on equity (%)	20.8%	15.4%
Dividend paid	6.5	10.6
Total assets	**525.7**	**532.1**

Table 1, ASC financial highlights.


ASC

Chairman's Report

On behalf of the Board of ASC Pty Ltd, I am pleased to present the company's 2021 Annual Report.

ASC has delivered historically high levels of submarine availability to the RAN during a challenging year.

ASC's workforce demonstrated resilience and adaptability as the COVID-19 pandemic continued into 2021. The company implemented or adapted its operational policies and procedures to minimise disruption, while keeping its employees safe. As a result, ASC was able to deliver uninterrupted submarine availability and fulfil its commitments to the RAN.

The 2020/2021 reporting year saw a reduction in ASC's work on the Hobart Class AWD Program. All three warships are now at sea and the contract will be formally closed by January 2022. This successful, $8 billion program has demonstrated the world-class capabilities of Australia's shipbuilding sector and provided the RAN with its most potent warships.

ASC continued to supply services to the OPV Program as a subcontractor to Luerssen Australia, which is building the first two ships, *Arafura and Eyre*, at the Osborne Naval Shipyard in SA.

In 2020/2021, ASC recorded an after tax profit of $36.7 million, compared to $22.6 million in 2019/2020 and annual revenue and other income of $588.5 million, compared to $675.9 million in 2019/2020.

The unique expertise of ASC's 1,300 strong workforce is its most valuable asset, and central to the company's outstanding achievements. On behalf of the ASC Board, I would like to acknowledge and congratulate all of ASC's employees for their efforts this year.

Attracting, retaining and developing employees is a high priority for ASC, as competition for experienced workers intensifies in Australia's naval shipbuilding sector. ASC is addressing this challenge through strategic workforce planning and a range of attraction and retention initiatives.

The persistence and determination demonstrated by ASC's employees, its leadership team and supply chain partners during 2020/21 has delivered an outstanding service to the RAN and to the Australian Government.

Bruce Carter
Chairman

"The persistence demonstrated by ASC's employees, leadership and supply chain partners has delivered an outstanding service."


DANGER
CONFINED SPACE
FREEFLOOD

Managing Director's Report

Introduction

ASC continued to exceed performance targets for the CCSM sustainment program over the 2020/2021 financial year, delivering historically high levels of submarine availability.

This is a pleasing achievement, particularly in a year impacted by the COVID-19 pandemic. ASC has changed the way it works with its supply chain partners, adapting new protocols to minimise risks to employees and the community, while meeting project milestones and schedules.

ASC, in collaboration with its Submarine Enterprise partners, has continued to achieve the RAN's requirements for submarine availability, exceeding international benchmarks while delivering value for money to the Australian Government.

The reporting year saw ASC commence PP4 of the CCSM ISSC. Taking effect from 1 July 2020, the eight-year term comprises two four-year periods and represents the most significant submarine sustainment contract in Australia's history.

This contract is a tremendous endorsement of ASC's workforce and its supply chain partners, which provide the CCSM sustainment program's 92 per cent Australian industry content (AIC).

Collins Class Submarine Program

In 2020/2021, ASC completed multiple scheduled maintenance activities on the CCSM fleet while supporting the RAN with in-operation service requirements.

The fourth consecutive FCD since mid-2014 commenced and has realised additional efficiencies, including reduced refurbishment times for the diesel engines and the main propulsion motor. This reflects ASC's dedicated approach to continually improving submarine reliability and cost performance outcomes. ASC's STSC adapted to COVID-19 restrictions, expanding its flexible and virtual reality solutions to successfully deliver 249 training courses during the financial year.

Shipbuilding

A small number of ASC employees continued work on the Hobart Class AWD Program, finalising the last of the company's warranty obligations. All three ships are now at sea, with two formally accepted by the RAN as at 30 June 2021. Delivered by ASC together with its AWD Alliance partners, the Hobart Class AWD Program has been a triumph for Australian shipbuilding, equipping the RAN with three advanced vessels of world-leading capability, while supplying thousands of Australians with employment.

ASC's support to the OPV Program with Luerssen Australia continued, with the first two ships under construction at the Osborne Naval Shipyard in SA. The remaining ten will be built by Civmec in WA.

Workforce

As competition in the naval shipbuilding sector intensifies, ASC is committed to enhancing the workplace experience of its employees.

During 2020/2021, several new employee engagement initiatives were implemented. These included expanding ASC's Diversity and Inclusion (D&I) Program to support employees in their development, job satisfaction and career growth.

In consultation with its employees, ASC refreshed its corporate values to reflect the attitudes and actions it believes are most important to delivering its work.

An Internal Communications Strategy was developed to ensure optimal communication with everyone in ASC's workforce, and a Cultural Transformation Program was implemented to boost ASC's safety and customer-focused culture.

The company published its first 'Reflect' Reconciliation Action Plan, with clear actions to grow ASC's contribution to reconciliation within its business and the broader community.

ASC's strategic recruitment activities included a major project which identified core organisational roles that are critical to the delivery of ASC's services, and created or adapted initiatives to attract, develop and retain employees in these roles.

Digital Transformation Program

The launch of ASC's DTP was a highlight of the year. This program will modernise ASC's business systems to meet the needs of the RAN into the future. It will lay the foundation for the company's digital shipyard transition through streamlined business processes, enhanced integration between systems, and access to real-time data.

The initial phase will see the upgrade and integration of ASC's systems across all functions, including supply chain, engineering and operations. The DTP's detailed design phase commenced during the reporting period and the test environment for the Enterprise Resource Planning (ERP) platform was implemented.

Future Opportunities

ASC's Maritime Services Group (MSG) is charged with exploring opportunities with national and international businesses, to secure new lines of revenue for the company while strengthening the nation's submarine capabilities.

Throughout the reporting period, ASC continued to liaise with its partners, including Jeumont Electric - the supplier of the CCSM main motors and preferred supplier of motors to the Attack Class submarines (ACSMs), submarine construction company Endel Engie, and Groupe FIVA.

ASC worked with its Canadian partners to secure services into the Victoria Class Submarine Program.

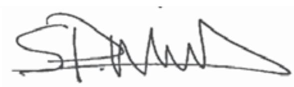
ASC progressed two collaborations with Naval Group Australia under a Framework Agreement executed in 2019 to train apprentices at ASC and provide submarine industry experience for engineering graduates. Both training programs ran in 2020/2021.

Work has continued with the Department of Defence (DoD) to extend the operational life of the CCSM fleet through the LOTE program. In collaboration with its Submarine Enterprise partners, ASC is planning the work required to extend each submarine's service life by ten years.

Conclusion

I am immensely proud of the resilience and adaptability of our employees, who have handled the challenges presented by the ongoing COVID-19 pandemic with discipline and persistence.

ASC will continue to focus on delivering world's best practice submarine sustainment services while enhancing cost efficiencies and retaining the company's unique submarine sustainment expertise.



Stuart Whiley
Managing Director and Chief Executive Officer

"ASC continued to exceed performance targets for the Collins Class submarine sustainment program, attaining historically high levels of submarine availability."

Collins Class Submarine Program

ASC is Australia's sovereign submarine sustainment organisation and a trusted partner of the RAN. A member of Australia's Submarine Enterprise, ASC is the prime contractor for CCSM sustainment and delivers maintenance and upgrades, platform systems integration, design, engineering and supply chain management services, as well as submariner training and submarine lifecycle support.

A MCD commenced at ASC West in November 2020, including the installation of a new sonar system and communications centre. These upgrades are being delivered across the entire fleet, to ensure it remains potent into the future.

Other maintenance activities at ASC West during 2020/2021 included intermediate dockings, intermediate maintenance periods and supported maintenance periods of the CCSM. One unscheduled docking took place in May 2021 for identification and rectification of an operational issue.

One short-notice operational service was conducted during the year, which was undertaken at a domestic port.

ASC ensures the Collins Class submarines meet the Navy's stringent performance requirements while optimising efficiencies.

With its Submarine Enterprise and supply chain partners, ASC ensures the CCSMs meet the RAN's stringent performance requirements, while optimising efficiencies to maximise customer value.

ASC continued to deliver submarine availability at historically high levels and increased submarine reliability during the reporting period, while providing timely operational support.

In 2020/2021, ASC commenced PP4 of its ISSC. The contract took effect on 1 July 2020 for an eight-year term comprising two four-year periods.

Collins Class Submarine Sustainment

ASC commenced a two-year FCD maintenance activity at ASC North in Osborne, SA in June 2020, which marked the fourth, consecutive, two-year CCSM FCD since mid-2014. Building on lessons learned, this FCD is realising additional efficiencies, including reduced refurbishment times for the diesel engines and the main propulsion motor.

COVID-19 Impacts

Work continued at ASC's sites, under routines and protocols designed to minimise disruption to operations and supply chains.

ASC's activities aligned with state and federal government policies for COVID-19 management and have been adapted over the course of the pandemic. The company has modified its protocols for site and submarine access, workplace density, scheduling practices, work pack processes, meetings and training. Interstate and international travel has only been undertaken for essential business.

ASC's major program deliverables remained on schedule during the reporting period, demonstrating its adaptability and commitment to its customer throughout the pandemic.

Customer Focus

Consistently striving for improvement, ASC's approach is informed by a comprehensive understanding of the CCSM platform and a robust process to identify, assess and action change through root-cause analysis. ASC worked with CASG during the reporting period to identify further opportunities to strengthen capability and efficiency, exercising organisational agility to increase the number and pace of capability enhancements.

Life of Type Extension and Future Capability

ASC's core business is the sustainment of the CCSMs. With the first ACSM expected to come into service in the mid-2030s, the CCSM fleet must operate well into the late 2040s. To achieve this, each boat will require a LOTE to its service life. ASC, in consultation with the RAN and CASG, is advanced in the LOTE planning process.

Future Performance Targets

The Submarine Enterprise continually reviews ASC's performance targets to ensure availability and reliability of the CCSMs and to improve cost efficiencies. The parties have agreed to:

- Continue to meet or exceed recognised international benchmarks for materiel ready days.
- Increase focus on implementing submarine capability.
- Increase focus on implementing submarine reliability and addressing obsolescence.
- Continue to deliver maintenance activities on schedule and budget, while conducting in-service activities and supporting operational submarines.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CRADLE WEIGHT
12 TONNES
CRADLE WEIGHT
12 TONNES
102P

Collins Class Submarine Program *continued*

Supply Chain

ASC manages a large and complex supply chain that is vital to the company's mission. ASC's commitment to Australia's defence industry is evidenced by the CCSM Program's AIC of 92 per cent.

Nurturing a local supply chain supports jobs and the national economy, while ensuring the availability of quality, secure and resilient services and products. ASC's strong relationships with suppliers are vital to delivering CCSM sustainment outcomes on schedule, and to meet the rigorous performance requirements of the RAN now and into the future.

Together with the CCSM build and sustainment programs, ASC has managed integrated Defence program supply chains as the lead shipbuilder for the Hobart Class AWDs through the AWD Alliance, and its current construction role in the OPV build.

ASC's sovereign capabilities in procurement, inventory, warehousing and logistics deliver value for money, security of supply, and ongoing development of Australia's defence sector supply chain.

In the 2020/2021 financial year, ASC was recognised with the Procurement Excellence Advanced Silver Award by the Chartered Institute of Procurement and Supply. This award confirms that ASC's supply chain meets the high standards expected in maintaining Australia's frontline naval capabilities, and its procurement function operates at international benchmarks.

ASC published its first Modern Slavery Statement in early 2021, outlining a comprehensive strategy to support a supply chain free of slavery. ASC will report on its actions annually to assess and address modern slavery risks, and promote responsible and transparent supply chains.

The Submarine Enterprise

The Submarine Enterprise Board governs the CCSM Program. Its mandate is to optimise the conditions for achieving Submarine Enterprise performance targets through collaboration and continuous improvement.

During 2020/2021, ASC worked within the Submarine Enterprise to deliver the submarine capability required of the Australian Government, including:

- Ongoing upkeep, update and upgrade activities to ensure consistent provision of capable submarines to the RAN's Fleet Commander.
- Use of a model based on submarine availability to measure and report capability.
- Consistent efficiency and effectiveness improvements to optimise cost, risk and performance and deliver best value to the customer.
- Further development and implementation of LOTE plans.
- Ongoing support for the growth of Australia's sovereign submarine capability.

Submarine Training School

ASC has delivered initial and advanced submariner training at the STSC at HMAS *Stirling*, Garden Island naval base, since 1992.

The current five-year training service contract commenced in July 2018, expanding the number of training development staff and ASC's coverage of courses into the Warfare Department.

Staff continued to maintain a customer focus while working flexibly during the COVID-19 pandemic. In 2020/2021, ASC:

- Delivered 249 training courses.
- Was assessed in the 'superior' range across all contracted key performance indicators.
- Provided initial training to 123 new entry submariners.
- Provided advanced training to 206 submariners.
- Provided crew training to 273 submariners.
- Supported operational submariners with training and certification.
- Provided specialised training to ASC staff in WA.
- Secured two additional training contracts through the Defence Support Services Panel.
- Supported the RAN with course planning to increase the use of mixed reality technology and extend ASC's existing virtual reality development, amongst other blended learning approaches.

Maritime Services Group

The primary role of ASC's MSG is to secure future business. Delivery of the company's shipbuilding activities also falls within the Group's responsibilities.

The MSG leverages ASC's sovereign submarine and shipbuilding expertise to pursue opportunities with national and international maritime businesses, to secure new lines of revenue while strengthening Australia's submarine industry capabilities. These activities support the Australian Government's goals to retain a sustainable, sovereign shipbuilding sector, and to successfully transition to a two-class submarine fleet.

Partnerships

ASC's experience building and sustaining submarines in Australia has continued to add value to the ACSM program.

The provision of technical staff to the Australian Government's FSTO was maintained in 2020/2021, with 16 ASC employees seconded to the office for the majority of the year, including two based in Cherbourg, France. The FSTO arrangement permits ASC and Naval Group Australia to work collaboratively for the benefit of both the CCSM and ACSM programs.

Internationally, ASC liaised with its Canadian partners on established agreements to provide services into the Victoria Class Submarine Program.

Naval Group Australia

ASC progressed two training collaborations with Naval Group Australia under a Framework Agreement executed in 2019.

An apprenticeship partnership has integrated Naval Group apprentices into ASC's highly competitive, four-year fabrication program in SA. The Naval Group Apprentice Program commenced in February 2020 with three apprentices, followed by a further three in January 2021.

The primary role of ASC's Maritime Services Group is to secure future business.

A collaborative engineering Graduate Program commenced in September 2020, also at ASC North in SA. Four Naval Group sponsored graduates have been offered the opportunity to gain experience, training and development on the CCSM Program.

Jeumont Electric

In November 2018, ASC entered into a long-term partnership with French submarine motor manufacturer Jeumont Electric. Jeumont is the supplier of CCSM main motors, as well as the preferred supplier of the new generation permanent magnet motors for the ACSM program. Jeumont is also the preferred supplier for the CCSM LOTE Program motors.

In October 2019, a Heads of Agreement was signed and a steering committee established to identify joint business opportunities.

The collaboration agreement underpins the sustainment and upgrade of the CCSM fleet and supports the design, build and test of the main motors for the ACSM program.

Joint business opportunities were explored in the reporting period, together with opportunities in Australia's marine generator and rotating electrical machinery market.

Endel Engie

ASC continued to build on its existing relationship with Endel Engie, launched under a collaboration agreement signed in June 2018. Endel Engie is a French leader in industrial maintenance and an established supplier of construction and assembly services to Naval Group's submarine programs in Cherbourg, France.

The relationship provides additional submarine building capacity in Australia as required, combining ASC's Australian experience in submarine construction and maintenance with Endel Engie's French expertise with frigates and submarines for Naval Group. ASC and Endel Engie continued to work together on mutual opportunities managed by Naval Group Australia for the ACSM program.

Image courtesy of the Royal Australian Navy.

Maritime Services Group *continued*

Groupe FIVA

ASC's ongoing collaboration with long-time Naval Group partner, Groupe FIVA, supports the development of a submarine workforce in Australia that has the capability to satisfy future engineering demands for naval design services.

In 2020/2021, ASC and Groupe FIVA partnered to respond to market requests from Naval Group Australia for information on the capability and capacity of engineering resources.

University of Adelaide Maritime Engineering Program

ASC's commitment to the long-term attraction, retention and growth of Australia's submarine engineering workforce is demonstrated through its partnership with the University of Adelaide in delivery of the Master of Marine Engineering (MME) Program.

The MME in submarine design (Naval Architecture and Maritime Engineering) includes sustainment, supply chain, project management and related subjects. The program prepares students for careers in building and sustaining Australia's current and future submarines, and attracted 40 participants in the 2021 academic year.

ASC provides internationally recognised instructors who have experience in more than ten submarine classes from the United Kingdom, France, Spain, Sweden and Australia, to deliver the submarine-specific elements of the MME program.

These subjects provide broad submarine program knowledge for domestic students and those completing the dual MME through the University of Adelaide and French Grande Ecole d'Ingenieurs ENSTA Bretagne.

Students include recent graduates and experienced engineers from industry and the Australian Government, and exchange students in the dual Master's program.

BMT Canada

ASC continued its secondee program launched in August 2019 with BMT Canada, with two ASC engineers working in BMT's Ottawa office throughout the reporting period. Both ASC engineers will return to Australia in mid-2021. A BMT engineer commenced work with ASC at Osborne in early 2021, with plans in place for the second to start later in the calendar year.

Minor Contracts

ASC successfully won and delivered several minor contracts, including support for the Minehunter System Program Office and engineering services for Penske Sauer.

Shipbuilding

The 2020/2021 period has been significant, with all three Hobart Class AWDs now at sea, providing the RAN with some of the world's most capable multi-mission warships.

ASC is subcontracted to Luerssen Australia for construction services associated with the first two OPVs, and continued to execute its responsibilities at the Osborne Naval Shipyard.

Hobart Class Destroyer Program

As the lead shipbuilder for the AWD Program, ASC continued to fulfil its obligations under the Alliance Based Target Incentive Agreement (ABTIA) in 2020/2021. These included completion of delivery certificate scope for each ship, together with the rectification of warranty scope.

HMAS *Hobart* was formally accepted by CASG on 31 May 2021, with HMAS *Brisbane* formally accepted on 7 June 2021. The third and final ship, HMAS *Sydney*, is expected to achieve formal acceptance in July 2021.

At 30 June 2021, fewer than 10 ASC employees remained engaged in managing outstanding AWD Program obligations, with the contract expected to be formally closed by January 2022.

Offshore Patrol Vessel Program

ASC is responsible for providing support to Luerssen Australia in the areas of specialist personnel, systems and procedures for the construction of the first two OPV hulls.

In April 2021, ASC and Luerssen Australia revised the method by which ASC would deliver its performance obligations. This change clarified each parties' roles, giving Luerssen Australia greater responsibility for the execution of the program in its capacity as the prime contractor. Luerssen Australia will build the remaining 10 OPVs with Civmec in WA.

Image courtesy of the Royal Australian Navy.

Safety Performance

ASC is committed to the continuous improvement of its health and safety performance. The company is dedicated to strengthening its generative safety culture, where health and safety is deeply embedded in the awareness and actions of every employee.

Key achievements in 2020/2021 included:

- The launch of a new Work, Health, Safety and Environment (WHSE) Strategy. This provides a road map to strengthen ASC's generative safety culture, where safety is viewed as a continual process rather than a series of events or potential events.
- Engagement of external 'Safety Coaches' through ASC's Safety Circuit Breaker Initiative. These specialists spent several weeks in ASC's production areas to observe, review practices and provide advice to managers and leaders on the floor, with the goal of reinforcing its safety culture.
- Improved employee accessibility to report workplace hazards through the provision of seven MyOsh kiosk terminals throughout all operating sites.
- ASC's certification to the Safety Management System International Standard ISO45001.
- Investment in the health and wellbeing of employees through a skin cancer screening initiative, and increasing the number of Employee Assistance Program sessions available to each employee, to further support mental health.
- The launch of a Safety Critical Risk Program to improve the assessment of critical controls associated with each risk, and enable effective management assurance to verify the effectiveness of the controls in place. These assurance activities form part of a layered audit process that is considered best practice in industry.
- Ongoing deployment of controls to reduce the risk of COVID-19, including pre-site entry temperature testing, hand and respiratory hygiene protocols, on-site personnel density reduction, social distancing, travel, training and meeting restrictions.

Notifiable Incidents

The *Work Health Safety Act 2011* details the types of incidents notifiable to COMCARE. Under Section 35 of the Act, 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.

During the 2020/2021 reporting period 10 incidents were notified to COMCARE, with five resulting in serious personal injury or illness to ASC workers. This represents five more than in 2019/2020, see Table 2.

New safety initiatives have been implemented to address the increase and prevent recurrences.

Notifiable incidents in 2020/2021	
Deaths	0
Dangerous Incidents	5
Serious personal injury or illness	5
Total Incidents	**10**

Table 2, ASC notifiable incidents 2020/2021.

COMCARE evaluated three of the 10 notifiable incidents. None resulted in formal action or additional requirements requested of ASC.

Key achievements included the launch of a new Work, Health, Safety and Environment Strategy.


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Safety Performance

Lost Time Injuries

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

ASC recorded a total LTI frequency rate (LTIFR) of 1.9 for 2020/2021 (all site-based workers, including contractors), representing a 49 per cent improvement on the previous financial year, see Table 3.

Medically Treated Injuries

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

The MTI frequency rate (MTIFR) for ASC was 3.4 in 2020/2021 (all site-based workers, including contractors) representing a 19 per cent improvement on the previous financial year, see Table 4.

Investigations

As a result of the full year injury performance, ASC is focussing on the key trend areas related to injuries and exhibited behaviours to further improve baseline requirements, complemented by a suite of performance improvement objectives within the new WHSE Strategy.

Lost Time Injury Frequency Rate

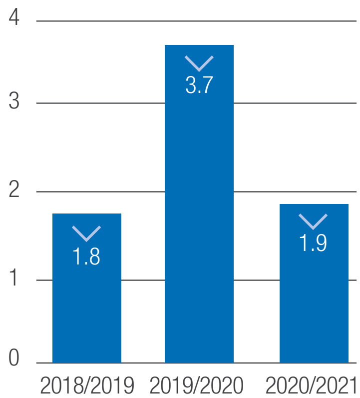

Table 3, ASC LTIFR comparison.

LTIFR = number of LTIs x 1,000,000 divided by hours worked per month, expressed as a 12 month rolling average.

Medically Treated Injury Frequency Rate

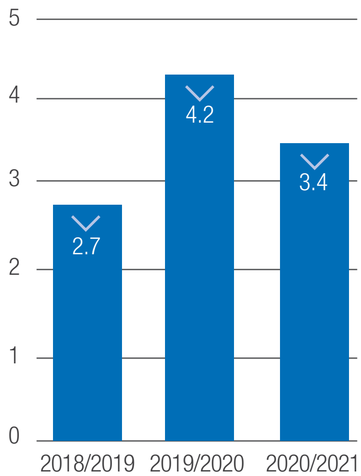

Table 4, ASC MTIFR comparison.

MTIFR = number of MTIs x 1,000,000 divided by hours worked per month, expressed as a 12 month rolling average.

Environmental Performance

ASC's efforts throughout 2020/2021 remained focused on improvements to its environmental management frameworks to ensure strong compliance.

The company is committed to protecting the natural environment and is maturing its Environmental Management System (EMS) to ensure environmental sustainability is integrated throughout its business.

Key areas of environmental performance in 2020/2021 included:

- A reduction in generated waste.
- Deployment of site-based aspect/impact registers to determine significant environmental hazards.
- Sustainable procurement.

In 2020/2021, ASC maintained high levels of waste diversion across all sites. As a result, 95 per cent of waste material generated was diverted from landfill by ensuring the use of correct waste streams. This general waste material will be utilised as engineered fuel, see Table 5.

ASC continued to assess environmental risks from major activities with fueling and defueling events thoroughly reviewed. These assessments demonstrated excellent adherence to process.

Environmental Management System

ASC's EMS achieved continued certification to ISO14001:2015, highlighting the importance the company places on environmental performance.

Focus remains on integrating sustainability principles to ensure environmental and social considerations are incorporated into all aspects of ASC's operations.

Annual Total Waste Diversion (%)

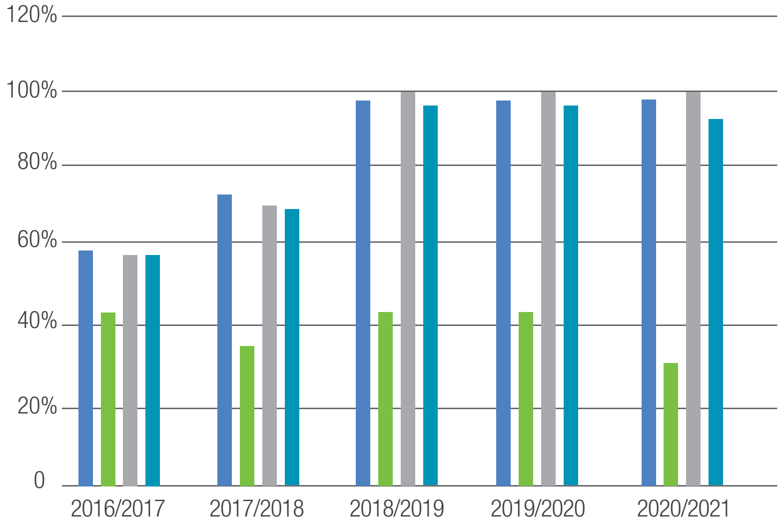

Table 5, ASC's annual total waste diversion.

Environmental Incidents

ASC's operations are subject to environmental regulation under both federal and state legislation. ASC recognises its obligation to comply with the relevant environmental protection and conservation acts (the Acts). Accordingly, ASC records, investigates and reports any breaches of the Acts to the respective regulator.

There were no environmental incidents in 2020/2021 that required reporting to the regulators.

ASC continues to proactively manage environmental risks, with all environmental hazards and risks identified and mitigated.

Environmental Licences

ASC maintains environmental licences for its submarine and shipbuilding activities in SA and WA under the respective state and federal environmental regulatory bodies.

People and Culture

ASC's workforce provides unique knowledge and expertise that is critical to maintaining Australia's sovereign submarine capability. Accordingly, the company places a high priority on attracting, retaining and developing its employees.

> ASC's workforce provides unique knowledge and expertise that is critical to maintaining Australia's sovereign submarine capability.

Workforce numbers remained steady over the reporting year with 1,336 permanent employees at 30 June 2021.

A review of core organisation roles required by ASC over the next decade was completed as part of the company's strategic planning. This process identified roles that are critical to successfully deliver the company's submarine sustainment activities, and reviewed programs and strategies including:

- ASC's Leadership Development Program.
- Remuneration strategies to target employees in core roles.
- Programs to support succession planning.
- Job mentoring and job shadowing.
- Online learning programs.
- Job rotations across the business.
- ASC's Employee Recognition Program.

Key Achievements

ASC's key achievements throughout 2020/2021 included:

- Successful negotiation of new Enterprise Agreements for production employees in SA and WA, which are valid to mid-2024.
- The launch of ASC's inaugural 'Reflect' Reconciliation Action Plan, during National Reconciliation Week.
- Establishment of a new talent management framework to support succession planning and high potential employees.
- The introduction of a high school ASC STEM Award to support recruitment activities and encourage students to consider careers in the areas of science, technology, engineering and maths.

Employee Engagement

ASC continued to implement the actions arising from its Corporate Engagement Action Plan, which was launched in 2019/2020 following a series of employee consultations and an organisation-wide survey.

Key achievements included:

- The launch of ASC's PRIDE values (Protect, Respect, Integrity, Discipline and Excellence) through a series of workshops and communications to embed the new company values into employees' work behaviours.
- The development of an Internal Communications Strategy to refine how and when ASC communicates with employees to ensure messaging is timely, relevant and effective.
- The development of a Cultural Transformation Program to enhance ASC's safe, engaged and customer-focused organisational culture.
- Implementation of an engagement plan to deliver events and activities that improve the experiences of employees at work. Initiatives included recognition events, NAIDOC Week activities and the launch of a new Employee Benefits Program.
- The introduction of an experiential learning program to support embedding ASC's new PRIDE values, and to identify what constitutes appropriate behaviours, including unconscious bias training undertaken by all employees.

Diversity and Inclusion

In 2020/2021 ASC refined and rebranded its D&I Program as the 'Together As One' Program. 'Together as One' is designed to create an environment where all employees feel they belong and celebrate their differences.

Providing an inclusive, safe and secure working environment enhances ASC's standing as an employer of choice and encourages employee retention, while providing better experiences for its employees and contributing to their improved career outcomes.

The launch of ASC's first 'Reflect' Reconciliation Action Plan included practical actions that will drive ASC's contribution towards reconciliation, and was celebrated with launch events in SA and WA.

Other highlights included the formation and inaugural meeting of the ASC Women's Network Group, which aims to provide women at ASC with networking opportunities and training to support their career success.


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People and Culture *continued*

Learning and Development

ASC delivers employee-focused engagement and retention objectives to empower employees to reach their full potential.

The 2020/2021 period saw many additions to the company's eLearning programs, including a new corporate induction program to welcome new employees. ASC began developing its 'Take 5' eLearning safety training to replace the current face-to-face model, with the aim of increasing flexibility and access to learning.

An eLearning module was developed for ASC contractors who require site access only, significantly reducing time spent on inductions.

Planning and preparation for ASC's new talent management framework was undertaken, including external accreditation of training programs to be launched by the end of 2021 that focus on developing leaders, successors and high potential employees.

Apprentice and Graduate Programs

ASC's Apprenticeship Program provides an opportunity for apprentices to develop unique skills in a hands-on environment, working on the CCSM fleet. The program currently employs more than 60 apprentices. In 2020/2021, the program recruited 19 new apprentices in the electrical, mechanical and fabrication streams, with 14 in SA and five in WA. Three apprentices are participating in a specific joint Apprenticeship Program with Naval Group Australia.

ASC employed seven engineers through its Graduate Program in 2020/2021, with six in SA and one in WA including four in a collaborative SA program with Naval Group Australia. Graduates are placed in permanent positions for two years and gain experience through a rotation every three to six months across various areas of the business.

ASC Employees, as at 30 June 2021

	Male			Female			
	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
NSW	0	0	0	0	0	0	0
Qld	0	0	0	0	0	0	0
SA	729	15	744	107	30	137	881
Tas	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0
WA	370	9	379	58	14	72	451
ACT	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0
Overseas	4	0	4	0	0	0	4
Total	**1103**	**24**	**1127**	**165**	**44**	**209**	**1336**

Table 6, ASC's employee numbers by gender, location and employment status as at 30 June 2021.

Digital Transformation Program

ASC's DTP is laying the foundation for the company's digital shipyard transition by facilitating more streamlined processes, enhancing integration between systems and expanding the use of real-time data to support decision-making.

The program was launched in May 2021 following detailed planning, with the first phase focused on upgrading and integrating ASC's systems across supply chain, finance and operations through an ERP platform.

In 2020/2021, DTP activities centred on commencing system design.

ASC's data migration environment was established and preparation work commenced for the transfer of data to the new systems, supported by a data quality management service to identify and resolve issues within existing data before transfer.

A project to digitise ASC's inventory management was completed, with radio-frequency identification (RFID) gates installed across the company's five warehouses to track all RFID tagged parts. Together with the associated software, this project has enabled the real-time capture of materials movement for optimal stock management.

The DTP is critical for ASC to embrace cutting-edge technologies and meet the needs of the RAN into the future, so the company can continue to deliver outstanding availability and performance of the CCSM fleet.

ASC's employees have played a significant role in shaping the DTP and will continue to help design the transformation of the business as it progresses.

Infrastructure

ASC's facilities in SA utilise Australian Government owned infrastructure that is leased from Australian Naval Infrastructure. Two-year FCD maintenance activities for the CCSM are undertaken at ASC North, located at Osborne.

ASC's WA facilities at Henderson and Garden Island (HMAS *Stirling*) are located on land owned by the WA and Australian Government and are used for shorter maintenance dockings, in-service support of the CCSM fleet, and submariner training. In 2020/2021, phase one of a submarines maintenance infrastructure upgrade at Garden Island commenced, including construction of a new multi-use workshop, materials shed, locker area and wash down bay.

ASC's Digital Transformation Program will integrate systems and simplify processes to enhance the company's capabilities and empower its employees.

Corporate Governance

ASC is a proprietary company limited by shares and registered under the *Corporations Act 2001*. It is subject to the *Public, Governance Performance and Accountability Act 2013*. All the shares issued in the capital of ASC are owned by the CoA acting through the Minister for Finance. Refer to Figure 1 for the ASC Group Structure.

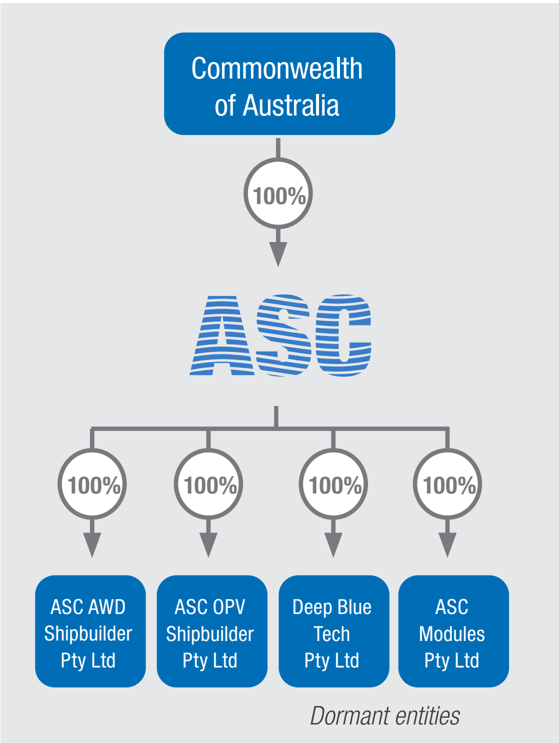

Fig. 1: ASC Group Structure

On 11 June 2004, ASC was proclaimed as a Government Business Enterprise (GBE) under the then *Commonwealth Authorities and Companies Act 1997*. ASC remains a GBE pursuant to section 5(2)(a) of the *Public Governance, Performance and Accountability Rule 2014*. ASC is a Commonwealth company.

Directors

The directors of ASC are appointed by the Minister for Finance for a term. At 30 June 2021, the ASC Board was comprised as follows:

BRUCE CARTER

Chairman
Appointed 1/1/2010
To 31/12/2021

Bruce Carter is a long-serving Director and Chair of ASC, joining the board in 2010 and overseeing its successful transformation to a high performing submarine sustainment company following the Coles Review in 2012.

Bruce was appointed ASC Chair in October 2012 and reappointed to the role in 2015 and 2018. Bruce is currently a Director of Bank of Queensland Ltd, Aventus Property Ltd, Crown Resorts Ltd, AIG Australia Ltd and One Rail Australia.

He is a former partner of Ferrier Hodgson and Ernst and Young.

DR ROSALIND DUBS

Non-Executive Director
Appointed 1/5/2013
To 31/12/2022

Rosalind Dubs is currently a Non-Executive Director of ANU Enterprise Pty Ltd, Astronomy Australia Ltd, SmartSat CRC Ltd and Science in Australia Gender Equity (SAGE) Ltd.

Other former positions include: Director of Aristocrat Leisure Ltd, Taronga Conservation Society, Structural Monitoring Systems Plc, Deputy Vice-Chancellor University of Technology Sydney, senior executive roles with Thales SA in Germany, France and Australia, and with Airservices Australia, the Australian National University, and CSIRO.

JOYCELYN MORTON

Non-Executive Director
Appointed 1/1/2017
To 31/12/2022

Joycelyn Morton has an extensive business and accounting background and has held senior executive and board roles across several industries in the corporate and government sectors.

Joycelyn is currently a Non-Executive Director of Argo Investments Limited, Argo Global Listed Infrastructure Limited, Snowy Hydro Ltd, Beach Energy Limited, Felix Group Holdings Ltd and Chair of the Audit and Risk Committee for Felix Group Holdings Ltd.

In 2003 Joycelyn was awarded Life Membership to CPA Australia for her outstanding services to the profession.

LORETTA REYNOLDS

Non-Executive Director
Appointed 9/2/2016
To 8/2/2022

Loretta Reynolds has extensive legal experience through her role as Chair and Corporate Partner of national corporate law firm, Thomson Geer. Offering more than 25 years' experience in the legal sector, she specialises in projects, mergers and acquisitions and complex transactional work.

Loretta is currently a Deputy Chair of the Royal Flying Doctor Service Central Operations, Non-Executive Director of Root Partnerships Pty Ltd and a Member of the Business Advisory Group for Anacacia Capital.

Corporate Governance *continued*

PAUL RIZZO

Non-Executive Director
Appointed 13/12/2013
To 12/12/2022

Paul Rizzo has extensive experience as a senior executive and director, working for 50 years in general management, finance, telecommunications, banking, manufacturing and defence.

Paul wrote the Defence-commissioned *Plan to Reform Support Ship Repair and Management Practices*, or Rizzo Report, in 2011, which influenced the improvement of Royal Australian Navy engineering and warship maintenance arrangements.

He has also worked as a chief executive officer, director and advisor.

GEOFF ROHRSHEIM

Non-Executive Director
Appointed 15/3/2019
To 14/3/2022

Geoff Rohrsheim has successfully established several innovative businesses in the IT sector and has significant experience as a company director.

After completing his studies in engineering at the Australian Defence Force Academy, Geoff served in the Royal Australian Air Force as an engineering officer.

In 2017, Geoff was awarded the Pearcey Foundation's SA Entrepreneur Award, for leadership in business and innovation.

Geoff is currently Chairman of Rebid (RESO) Pty Ltd and a Non-Executive Director of the Australian Cyber Collaboration Centre and Hatch Creations.

STUART WHILEY

Managing Director
Appointed 12/2/2018
To 2/1/2024

Stuart Whiley was appointed Managing Director and Chief Executive Officer of ASC Pty Ltd in February 2018, after holding the position of Interim Chief Executive Officer from July 2014.

Stuart has a career with ASC spanning more than 30 years, fulfilling various submarine program, project, schedule and systems engineering roles within the business. In 2005 he was appointed General Manager, Collins Class Submarines, responsible for the Collins Class support activities in both SA and WA.

Prior to emigrating to Australia from the UK in 1988, Stuart held a number of engineering roles at BAE, Admiralty Research Establishment and Dowtys working in a naval/weapons environment.

Corporate Governance *continued*

ASC Board and Committee Attendance 2020/2021

Director	Board		Audit Committee		Human Resources and Remuneration Committee		Business Assurance and Security Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bruce Carter	16	16	-	-	5	5	4	4
Dr Rosalind Dubs	16	16	-	-	-	-	4	4
Paul Rizzo	16	15	5	5	-	-	4	4
Loretta Reynolds	16	15	5	4	5	5	-	-
Joycelyn Morton	16	16	5	5	5	5	-	-
Geoff Rohrsheim	16	16					4	4
Stuart Whiley	16	15	-	-	-	-	-	-

Table 7, ASC Board and Committee Meeting Attendance 2020/2021.

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 2020/21 financial period.

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 (BASC).
- A Code of Conduct.

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

ASC Board Charter

Under the ASC Board Charter, the Board is responsible for:

- Overseeing the ASC Group, including control and accountability systems.
- Appointing and monitoring the performance of ASC's Managing Director and Company Secretary and, where appropriate, their removal. 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 ASC 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.

Corporate Governance *continued*

- Reviewing and overseeing the implementation of ASC's Code of Conduct for directors and executives; appointing ASC Board committees and approving the composition, and any charters, of ASC Board committees; monitoring and verifying compliance with legal and regulatory requirements, ethical standards and policies.

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 are 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 responds 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.
- 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 ASC 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.
- Maintaining and improving the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis).
- Establishing and overseeing effective internal and external audit functions and communication between the Board and the external and internal auditors.
- Verifying that financial compliance strategies and financial compliance functions are effective.
- Maintaining an effective external and internal audit function, in compliance with all applicable laws.

As at 30 June 2021, the committee consisted of Joycelyn Morton (Chair), Paul Rizzo and Loretta Reynolds.

More information regarding the audit committee can be found at: www.asc.com.au/about-us/corporate-governance

Human Resources and Remuneration Committee

The objective of the Human Resources and Remuneration Committee Charter is to assist the ASC 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.
- Succession planning.

As at 30 June 2021, the committee consisted of Loretta Reynolds (Chair), Bruce Carter and Joycelyn Morton.

Business Assurance and Security Committee

The objectives of the BASC 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 to manage identified material risks.
- Appropriate action is undertaken to bring the identified material risks within ASC Group's risk tolerance levels.
- A culture of compliance is being promoted.
- Compliance strategies and functions are effective.

As at 30 June 2021, the committee consisted of Paul Rizzo (Chair), Bruce Carter, Rosalind Dubs and Geoff Rohrsheim.

Board Membership

There were no changes to ASC Board membership during the 2020/2021 reporting period.


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Corporate Governance *continued*

Code of Conduct

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

- Articulate the high standards of honesty, 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.
- Guide directors and personnel as to the practices considered necessary to maintain confidence in the ASC Group's integrity.

Auditor

ASC's external auditor is the Australian National Audit Office (ANAO). PwC has been appointed as the ANAO's agent for the purposes of ASC's audit. The Audit Committee is charged with the responsibility of internal financial auditing. The Group Internal Audit Manager is responsible to the Audit Committee for contributing to the achievement of ASC's goals and objectives by:

- Assisting management in evaluating its processes for identifying, assessing and managing the key operational, financial and compliance risks of ASC.
- Assisting management in evaluating the effectiveness of internal control systems, including compliance with internal policies.
- Recommending improvements in efficiency to the internal control systems established by management.
- Keeping abreast of new developments affecting ASC's activities and in matters affecting internal audit work.
- 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. Both the Audit Committee (financial risk) and BASC (operational risk) are responsible for monitoring ASC's risk management performance. ASC's risk management involves:

- Identifying corporate risk.
- Assessing the likelihood of their occurrence.
- Estimating the likely consequence of risks should they occur.
- 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.
- An Executive Risk Management Committee.

Legal Compliance

ASC established a Legal Compliance Program in 2014, and in 2020/2021 ASC commenced a redevelopment of its Controlled Technology and Core Legal Compliance courses to offer more engaging and interactive learning outcomes. In 2020/2021, the program covered:

- Core legal compliance (comprising modules related to core topics: Corporate Governance, Intellectual Property, Employment and WHSE).
- Defence Export Controls (now called Controlled Technology).
- Kockums intellectual property.
- OPV Program intellectual property.

The BASC is responsible for approving and monitoring the program.

Transactions with other related Australian Government entities

In performing its contracts, ASC has transacted on normal commercial terms and conditions with the following related entities.

	Aggregate value	Number of transactions
ANAO	199,960	5
Comcare	105,048	1
DoD	135,424	22
Medicare	37,404	8
Australian Naval Infrastructure Pty Ltd	12,581,263	59
	13,059,099	95

Table 8, Transactions with other related Australian Government entities.

Key Management Personnel Remuneration

ASC's key management personnel (KMP) are the Non-Executive Directors, the Managing Director and those senior executives who hold authority and responsibility for planning, directing and controlling ASC's strategic direction.

Fees for Non-Executive Directors are set by the relevant determination of the Remuneration Tribunal.

A summary for KMP remuneration for the financial year 2020/2021 is included at Table 10.

Senior Executive Remuneration Overview

ASC Pty Ltd's senior executive remuneration structure has been developed to ensure that its senior executives are remunerated commensurate with the market and incentivised to deliver against the corporate objectives. ASC's senior executive remuneration is structured with a total fixed remuneration (TFR) amount, together with a short term incentive (STI) payment, should the required company performance and individual objectives be achieved.

The remuneration of the ASC Pty Ltd Managing Director is in accordance with the relevant determination of the Remuneration Tribunal. The role is currently classified as a Principal Executive Office Band E and includes an at risk amount of up to 20 per cent of total remuneration.

Setting Senior Executive Remuneration

ASC senior executive remuneration packages are developed to ensure that, as much as possible, the total remuneration amount is competitive when compared to similar organisations.

ASC senior executive TFR consists of salaries and wages, allowances and other non-monetary benefits, annual leave and superannuation. When establishing an appropriate TFR for an ASC senior executive, the following elements are considered:

- Market data
- Risk and complexity of the role
- The executive's experience and skills
- Performance
- Internal relativity within the senior executive group

Benchmarking and Review of Senior Executive Remuneration

ASC senior executive roles are independently benchmarked against reference market data gathered from market research and augmented with survey data. The most recent benchmarking exercise was conducted in November 2019.

As a result of the November 2019 benchmarking activity, a new incentive program was introduced which resulted in changes to the application of the STI scheme. Of note was the inclusion of a deferred component which is payable 12 months after it is earnt.

The ASC Board's Human Resource and Remuneration Committee reviews senior executive remuneration packages annually to ensure they are reflective of company and individual performance and market conditions, as well as any relevant Remuneration Tribunal determinations. The ASC Board is responsible for the approval of senior executive remuneration packages and the award of annual individual STI's following recommendations from the Human Resource and Remuneration Committee.

Linking Performance to STI Payments

To ensure that ASC's strategic objectives are achieved, each senior executive remuneration package contains a portion of 'at risk' remuneration paid as an STI payment. The STI program is a core element of ASC's senior executive remuneration package as it is tied directly to the successful completion of both company and individually assigned objectives which are directly aligned to ASC's strategy and are set out in relevant Board approved Game Plans.

The STI allows ASC to:

- Incentivise the delivery of corporate objectives aligned to ASC's strategy.
- Reward senior executives who have contributed to ASC's success during the performance period.

Key Management Personnel Remuneration *continued*

Non-Executive Director Fees

All Non-Executive Directors of ASC Pty Ltd are appointed by the Minister for Finance.

Fees for Non-Executive Directors are set through the determinations of the Commonwealth Remuneration Tribunal (the Tribunal). The Tribunal makes the Determination in accordance with subsections of the *Remuneration Tribunal Act 1973.*

The Tribunal sets annual Chair and Board Member fees (exclusive of superannuation contributions) for all activities undertaken by Non-Executive Directors on behalf of ASC Pty Ltd. Committee fees are not payable to the Chair.

The following table details the fees for Non-Executive Directors for the financial years 2020/2021 and 2019/2020.

Non-Executive position	From 1 July 2020	From 1 July 2019
Chair	$166,290	$166,290
Member	$77,620	$77,620
Chair – Audit Committee	$16,320	$16,320
Member – Audit Committee	$8,160	$8,160
Chair – Business Assurance and Security Committee	$15,670	$15,670
Member – Business Assurance and Security Committee	$7,840	$7,840

Table 9, Fees for Non-Executive Directors for the 2019/2020 and the 2020/2021 financial years.

Key Management Personnel Remuneration 2020/2021

			Short-term benefits			Post-employment benefits	Other long-term benefits			
			Base salary (1)	Bonuses	Other benefits and allowances	Superannuation contributions (2)	Long Service Leave (3)	Other long-term benefits (4)	Termination benefits (5)	**Total remuneration**
Name and Position Title		Note	$	$	$	$	$	$	$	$
ASC Pty Ltd										
Stuart Whiley Managing Director and Chief Executive Officer	**2020/2021**		**659,980**	**133,000**	**0**	**25,000**	**16,000**	**0**	**0**	**833,980**
	2019/2020		648,286	129,515	0	25,000	16,000	0	0	818,801
Martin Edwards Executive Manager Maritime Services Group	**2020/2021**		**464,280**	**79,690**	**0**	**25,000**	**10,668**	**80,052**	**0**	**659,690**
	2019/2020		447,463	74,764	13,087	46,307	10,668	74,764	0	667,053
Paul Gay Executive Manager CCSM Group	**2020/2021**		**424,470**	**85,973**	**0**	**25,000**	**9,769**	**86,363**	**0**	**631,575**
	2019/2020		409,995	74,884	0	25,000	9,769	74,884	0	594,532
Christian Hamilton Executive Manager Strategy & Communications	**2020/2021**		**289,258**	**63,423**	**0**	**25,000**	**7,207**	**63,711**	**0**	**448,600**
	2019/2020		301,298	52,086	0	27,567	7,207	52,086	0	440,244
Wendy Hoad General Counsel	**2020/2021**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019/2020	6	5,930	0	0	731	100	0	0	6,761
Ashley Menadue Chief Financial Officer	**2020/2021**		**459,286**	**87,705**	**0**	**25,000**	**10,491**	**88,104**	**0**	**670,586**
	2019/2020		440,887	82,712	0	30,886	10,491	82,712	0	647,688
Grand Total:	**2020/2021**		**2,297,275**	**449,791**	**0**	**125,000**	**54,135**	**318,230**	**0**	**3,244,431**
	2019/2020		2,253,859	413,961	13,087	155,491	54,235	284,446	0	3,175,079

Table 10, Remuneration of KMP for the 2019/2020 and 2020/2021 financial years.

Notes:

1. Base salary includes annual leave accrued in the year, allowances paid and difference to superannuation concessional cap. No salary increases since July 2019.
2. ASC's policy is to pay superannuation guarantee on all applicable ordinary time earnings (e.g. salary, at risk components, allowances). Where the superannuation concessional cap (currently $25,000) would be exceeded, Senior Executives may request that the superannuation be converted to a cash payment. Where this has occurred the cash payment is included in base salary, at risk components or other long term benefits as applicable.
   Superannuation at 9.5% in 2019/2020, 9.5% in 2020/2021 and 10% in 2021/2022.
3. Long service leave relates to amounts accrued during the relevant period.
4. Other long term benefits includes deferred component of incentive scheme which is payable 12 months after it is earnt including superannuation guarantee.
5. Termination benefits exclude payment of statutory benefits for long service leave and annual leave, which have previously been accrued.
6. Wendy Hoad ceased employment on 5 July 2019.

Key Management Personnel Remuneration 2020/2021 *continued*

			Short-term benefits			Post-employment benefits	Long-term benefits		
			Base salary	Bonuses	Other benefits and allowances (1)	Superannuation contributions	Long Service Leave	Termination benefits	**Total remuneration**
Name and Position title		Note	$	$	$	$	$	$	$
ASC Pty Ltd									
Bruce Carter Chairman	**2020/2021**		**0**	**0**	**166,290**	**15,798**	**0**	**0**	**182,088**
	2019/2020		0	0	166,290	15,798	0	0	182,088
Rosalind Dubs Director	**2020/2021**	**2**	**0**	**0**	**85,460**	**8,119**	**0**	**0**	**93,579**
	2019/2020		0	0	85,460	8,119	0	0	93,579
Gary Gray Director	**2020/2021**		**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019/2020	3	0	0	59,471	5,650	0	0	65,121
Joycelyn Morton Director	**2020/2021**	**4**	**0**	**0**	**98,882**	**3,982**	**0**	**0**	**102,864**
	2019/2020		0	0	93,940	8,924	0	0	102,864
Loretta Reynolds Director	**2020/2021**	**5**	**0**	**0**	**85,780**	**8,149**	**0**	**0**	**93,929**
	2019/2020		0	0	85,780	8,149	0	0	93,929
Paul Rizzo Director	**2020/2021**	**6**	**0**	**0**	**101,450**	**9,638**	**0**	**0**	**111,088**
	2019/2020		0	0	101,450	9,638	0	0	111,088
Geoffrey Rohrsheim Director	**2020/2021**	**7**	**0**	**0**	**85,460**	**8,119**	**0**	**0**	**93,579**
	2019/2020		0	0	85,460	8,119	0	0	93,579
	2020/2021		**0**	**0**	**623,322**	**53,805**	**0**	**0**	**677,127**
	2019/2020		0	0	677,851	64,397	0	0	742,248

Table 11, Remuneration of Non-Executive Directors for the 2019/2020 and 2020/2021 financial years.

Notes:

1. Director fees have been classified as Other benefits and allowances.
2. Rosalind Dubs is a member of the BASC.
3. Gary Gray was a member of the BASC. Gary Gray ceased to be a Director on 11 March 2020.
4. Joycelyn Morton is the Chair of the Audit Committee. Approved employer shortfall exemption certificate (opt out of superannuation) from 01 July to 31 December 2020.
5. Loretta Reynolds is a member of the Audit Committee.
6. Paul Rizzo is the Chair of the BASC and a member of the Audit Committee.
7. Geoffrey Rohrsheim is a member of the BASC.


ASC

Financial Report

30 June 2021

This financial report covers ASC Pty Ltd and its controlled entities.
This financial report is presented in Australian dollars (unless otherwise noted).

Directors' report

For the year ended 30 June 2021

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 2021.

Directors

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

Bruce James Carter

Dr Rosalind Vivienne Dubs

Paul John Rizzo

Loretta Anne Reynolds

Joycelyn Cheryl Morton

Stuart Paul Whiley

Geoffrey Roland Rohrsheim

More information about the directors can be found on the Group's website at www.asc.com.au.

Principal activities

The principal activities of the Group during the course of the financial year ended 30 June 2021 are set out below. No significant change in the nature of these activities occurred during the year.

CCSM related activities:

The major submarine related activities include maintenance, design development, engineering and upgrading of six submarines for the RAN. These activities were undertaken for the CCSM under the ISSC.

Hobart Class AWD related activities:

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

OPV related activities:

ASC is a subcontractor to Luerssen Australia for the construction of the first two of 12 Arafura Class OPVs in South Australia.

Consolidated result

The consolidated profit of the Group for the financial year attributable to the shareholders of ASC Pty Ltd was $36,727,000 (2020: $22,557,000) after provision for income tax expense of $15,587,000 (2020: $9,683,000).

Review of operations

CCSM related activities:

The Company has just completed the first year of PP4 of the ISSC which commenced on 1 July 2020 after PP3 concluded on 30 June 2020. The Company will continue to work with and support the RAN in line with PP4 of the ISSC.

Hobart Class AWD related activities:

ASC, together with the Alliance, continues to close out obligations relating to the current scope of deliverables, primarily the warranty and delivery certificate scopes which is expected to be completed in financial year 2021-22.

In previous years, a decision was made by the directors that it was probable that the forecast of the cost to complete the three AWDs would exceed contract revenues. As such, an expected loss was recognised in line with AASB 15 *Revenue from Contracts with Customers.* The expected loss has been reviewed in the current period based on management's most recent forecast. Losses on this contract before tax of $17.9m have been recognised to date.

OPV related activities:

Consolidation of the first OPV has been completed, with activities being prioritised to support the blast and paint schedule. Block construction on the second OPV continues, with a focus on supporting the consolidation schedule to achieve the half ship in 2021.

On 6 April 2021, a Contractor Change Proposal (CCP) was executed formalising Luerssen's obligation as the principal contractor and shipbuilder. The contract has changed from a

Fixed Price Lump Sum Contract to a Time and Materials Services Contract. Luerssen has adopted the role of Principal Contractor under the *Work, Health and Safety Act (2011)* and the day to day management of production, scheduling, planning and other operational activities utilising ASC workforce and subcontractors. As a result of the CCP, the loss provision of $10.7m that was recognised in the previous year in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 15 *Revenue from Contracts with Customers* was reversed in the current year.

Dividends - ASC Pty Ltd

The Directors declared an unfranked final dividend of $2.1 million on 31 August 2021 for the year ended 30 June 2021.

Dividends paid during the financial year were as follows:

	2021	2020
	$'000	$'000
Final dividend for the year ended 30 June 2020 paid on 29 October 2020.	**3,200**	5,800
Interim dividend for the year ended 30 June 2021 paid on 29 April 2021.	**2,100**	4,000
Special dividend paid on 29 April 2021.	**1,200**	800
	6,500	10,600

State of affairs

There have been no significant changes in the state of affairs of the Group during the year.

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/NZS ISO 14001:2016 Environment Management Systems (EMS), which forms part of ASC's corporate management system. All of the Group sites, comprised of the South Australian and Western Australian submarine facilities and the South Australian shipbuilding facility, have accreditation for AS/NZS ISO 14001:2016 Environment Management Systems.

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

Events subsequent to the end of the reporting period

There are no 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.

Directors' benefit

Since the end of the previous financial year, no director of the Group 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 Group, its controlled entities or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Indemnification and insurance of directors and officers

(a) Indemnification

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

(b) Insurance premiums

Since the end of the previous financial year the Group, 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 Group 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 Group, which are not indemnified by the Group 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.

Directors' report

For the year ended 30 June 2021 *continued*

Lead auditor's independence declaration

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

Rounding of amounts

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

Signed in accordance with a resolution of directors.

Bruce James Carter
Director

Stuart Paul Whiley
Director

Adelaide
31 August 2021

Australian National
Audit Office

Bruce Carter
Chairman of the Board
ASC Pty Ltd and its Controlled entities
640 Mersey Road, Osborne SA 5017

ASC PTY LTD AND ITS CONTROLLED ENTITIES FINANCIAL REPORT 2020–21
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 2021, 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

Scott Sharp
Executive Director
Delegate of the Auditor-General

Canberra
31 August 2021

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Directors' declaration

For the year ended 30 June 2021

The directors declare that, in the directors' opinion:

(a) the financial statements and notes set out on pages 50 to 103 are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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

Bruce James Carter
Director

Stuart Paul Whiley
Director

Adelaide
31 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of ASC Pty Ltd

Opinion

In my opinion, the financial report of ASC Pty Ltd (the Company) and the Group (the Company and its subsidiaries) for the year ended 30 June 2021 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and the Group's financial positions as at 30 June 2021 and of their performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report of the Company and the Group, which I have audited, comprises the following as at 30 June 2021 and for the year then ended:

- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows;
- Notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the director's report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue Forrest ACT 2603
Phone (02) 6203 7300

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company 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 the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Australian National Audit Office

Scott Sharp

Executive Director

Delegate of the Auditor-General

Canberra

31 August 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	June 2021 $'000	June 2020 $'000
Revenue	4(a)	**588,546**	675,881
Expenses			
Materials and subcontractors		**(213,049)**	(245,443)
Labour		**(254,672)**	(298,425)
Depreciation and amortisation expense	5	**(26,359)**	(26,277)
Lease expense		**(305)**	(7,024)
Other expenses		**(36,434)**	(60,495)
Finance costs	5	**(5,413)**	(5,977)
Profit before income tax		**52,314**	32,240
Income tax expense	6(a)	**(15,587)**	(9,683)
Profit for the year		**36,727**	22,557
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligation	8(e)(vi)	**203**	(513)
Income tax relating to these items		**(61)**	154
Other comprehensive income for the year, net of tax		**142**	(359)
Total comprehensive income for the year		**36,869**	22,198
Profit is attributable to:			
Owners of ASC Pty Ltd		**36,727**	22,557
Total comprehensive income for the year is attributable to:			
Owners of ASC Pty Ltd		**36,869**	22,198

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	June 2021 $'000	June 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**180,861**	219,183
Trade and other receivables	7(b)	**139,809**	74,240
Contract assets	4(b)	**15,516**	19,502
Unpaid share capital	8(c)	**11,000**	11,000
Inventories		**34**	41
Current tax receivables		**127**	-
Other current assets		**4,662**	6,406
Total current assets		**352,009**	330,372
Non-current assets			
Net pension assets	8(e)(ii)	**425**	332
Property, plant and equipment	8(a)	**20,389**	26,352
Right-of-use assets	8(b)	**123,883**	137,465
Intangible assets	8(d)	**5,735**	-
Deferred tax assets	6(d)	**21,214**	24,321
Unpaid share capital	8(c)	**-**	10,971
Other non-current assets	9	**2,073**	2,317
Total non-current assets		**173,719**	201,758
Total assets		**525,728**	532,130

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2021 *continued*

	Notes	June 2021 $'000	June 2020 $'000
LIABILITIES			
Current liabilities			
Trade and other payables	7(c)	**70,180**	46,148
Contract liabilities	4(b)	**48,426**	65,475
Interest bearing liabilities	7(d)	**48,838**	65,954
Lease liabilities	7(d)	**13,545**	13,547
Current tax liabilities		**-**	14,602
Provisions	8(f)	**46,772**	47,291
Total current liabilities		**227,761**	253,017
Non-current liabilities			
Non-interest bearing liabilities	7(d)	**134**	134
Lease liabilities	7(d)	**114,744**	126,302
Provisions	8(f)	**6,435**	6,421
Total non-current liabilities		**121,313**	132,857
Total liabilities		**349,074**	385,874
Net assets		**176,654**	146,256
EQUITY			
Share capital	10(a)	**65,000**	64,971
Retained earnings	10(b)	**111,654**	81,285
Total equity		**176,654**	146,256

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to owners of ASC Pty Ltd		
	Share capital $'000	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2019	64,671	69,617	134,288
Profit for the period	-	22,557	22,557
Remeasurement of defined benefit obligations	-	(513)	(513)
Income tax relating to these items	-	154	154
Total comprehensive income for the year	**-**	**22,198**	**22,198**
Transactions with owners in their capacity as owners:			
Dividend paid (refer to Note 10(c))	-	(10,600)	(10,600)
In specie dividend / separation adjustment	-	70	70
Unwinding of the discount of share capital issued	300	-	300
	300	(10,530)	(10,230)
Balance at 30 June 2020	**64,971**	**81,285**	**146,256**
Balance at 1 July 2020	64,971	81,285	146,256
Profit for the period	-	36,727	36,727
Remeasurement of defined benefit obligations	-	203	203
Income tax relating to these items	-	(61)	(61)
Total comprehensive income for the year	**-**	**36,869**	**36,869**
Transactions with owners in their capacity as owners:			
Dividend paid (refer to Note 10(c))	-	(6,500)	(6,500)
Unwinding of the discount of share capital issued	29	-	29
	29	(6,500)	(6,471)
Balance at 30 June 2021	**65,000**	**111,654**	**176,654**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	June 2021 $'000	June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**561,526**	771,924
Payments to suppliers and employees (inclusive of goods and services tax)		**(530,697)**	(730,610)
Income taxes paid		**(27,286)**	(5,831)
Net cash inflow from operating activities	19(a)	**3,543**	35,483
Cash flows from investing activities			
Interest received		**570**	1,762
Payments for property, plant and equipment	8(a)	**(5,240)**	(4,953)
Payment for software development costs	8(d)	**(5,735)**	-
Proceeds from sale of property, plant and equipment		**385**	730
Net cash (outflow) from investing activities		**(10,020)**	(2,461)
Cash flows from financing activities			
Dividends paid		**(6,500)**	(10,600)
Proceeds from issues of shares and other equity securities		**11,000**	11,000
Proceeds from borrowings	19(b)	**32,000**	36,092
Repayment of borrowings	19(b)	**(49,282)**	(36,000)
Principal element of lease payments	19(b)	**(13,808)**	(13,003)
Interest paid		**(5,094)**	(5,507)
Net cash (outflow) from financing activities		**(31,684)**	(18,018)
Net (decrease) increase in cash and cash equivalents		**(38,161)**	15,004
Cash and cash equivalents at the beginning of the financial year		**219,183**	204,105
Effects of exchange rate changes on cash and cash equivalents		**(161)**	74
Cash and cash equivalents at end of year	7(a)	**180,861**	219,183

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Image courtesy of the Royal Australian Navy.

Notes to the consolidated financial statements

For the year ended 30 June 2021

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies

The consolidated financial statements for the year ended 30 June 2021 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.

The financial statements were authorised for issue on 31 August 2021. The directors have the power to amend and reissue financial statements.

(a) Basis of preparation

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

(i) Compliance with International Financial Reporting Standards

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

Historical cost convention

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

- financial assets and liabilities (including derivative instruments) - measured at fair value
- retirement benefit obligations - plan assets measured at fair value

Critical accounting estimates and judgements

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

Rounding of amounts

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

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

(ii) Revised standards and interpretations applied

There were no new or amended standards and interpretations that had a material impact for the Group for the current reporting period.

(iii) Impact of standards issued but not yet applied

Certain new accounting standards, interpretations and amendments have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These new accounting standards include:

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020* and Other Amendments (effective for years beginning on or after 1 January 2022)

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* (effective for years beginning on or after 1 January 2023)

Based on preliminary assessment of these new accounting standards, they are not expected to have a material impact on the Group in the current or future reporting periods.

(b) Principles of consolidation

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Details of the subsidiaries are set out in Note 17. They are deconsolidated from the date that control ceases.

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

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

(c) Revenue recognition

Revenue is recognised when control of a good or service transfers to the customer and is measured as the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Revenue is recognised depending on the type of contract as described below.

Target Cost Estimate contract

Revenue is traded on the cost as it is incurred while profit is based on a performance score against the contract and pain/gain formula based on cost. As the contract progresses and the profit estimates are refined, so is the value of the profit to be traded. Revenue are predominately recognised over time as the customer receives and uses the benefits simultaneously.

The transaction price is based on fixed and variable components as follows:

- Fixed - determined based on contract targeted costs and are not subject to changes due to performance criteria
- Variable - components of the transaction price that is varied based on the performance scores and pain/gain considerations set out in the contract, such as meeting targeted profit based on actual costs incurred.

The outcomes of the stipulated performance scores and pain/gain calculations are considered in relation to revenue and profit estimates. If the outcomes cannot be reliably estimated until late in the contract, no pain/gain is recognised until it is capable of reliable estimation.

Cost reimbursable contract

If costs are reimbursed progressively as they are incurred with no exposure to risk, revenue and profit is traded on the cost as it is incurred. Revenue is recognised based on all eligible reimbursable costs (transaction price) as part of the contract criteria over time as the costs are incurred by the Company, with continuous control transferred to the customer as services are provided.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Where costs are reimbursed from the customer on a periodic basis based on costs, cost includes labour, materials and site-costs. Revenue is recognised based on eligible and approved reimbursable costs (transaction price) for the period as part of the contract criteria at a point in time. Requirements related to the performance of the contract are determined by the customer in advance and once the requirements are determined, they are not subject to change.

In the situation where costs incurred by the Company are not eligible for reimbursement from the customer, these costs are recognised in the profit or loss in the period in which they are incurred.

Fixed price contract

Revenue is recognised progressively as costs are incurred using the proportion of actual cost incurred over total contract cost as the measure of performance/milestones, as the customer receives and uses the benefits simultaneously. Revenue is determined based on actual labour hours, materials, other costs spent relative to the total expected costs of the contract. The transaction price is based on the amount of consideration in which the Company is expected to receive in relation to services provided in exchange of goods or services to the customer in line with contract terms.

If estimates surrounding revenue, project costs and extent of progress towards completion are revised due to circumstances change, a resultant increase or decrease in the estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed price contracts, the customer pays the fixed amount based on contract terms and if services rendered exceed the payments to be received, a contract asset is recognised. If the payment received exceeds the services rendered, a contract liability is recognised.

Survey and quote contract

Survey and quote contracts are predominately related to ad-hoc services provided or services outside the scope of the main contract. Work performed is provided progressively over time to the customer, revenue and profit is to be recognised on the cost as it is incurred, with continuous control transferred to the customer as services are provided.

If the customer is obliged to make payment on completion and delivery, revenue recognition will be deferred until the end of the contract.

Services contract

The extent of services to be provided under a contract is assessed to determine the number of deliverables (performance obligations) and the period over which the deliverables are completed.
The cost of delivery is determined for each deliverable with revenue and profit being recognised progressively over the period in which the deliverables are satisfied.

Where there are multiple deliverables, the transaction price will be allocated to each of the deliverables based on the stand-alone pricing or where the stand-alone pricing is not able to be directly observed, an estimate is used based on the expected costs to be incurred.

If estimates surrounding revenue, project costs and extent of progress towards completion are revised due to circumstances change, a resultant increase or decrease in the estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Interest income

Interest income on financial assets at amortised cost is recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Contract balances

The recognition of contact assets (unbilled amounts) and contract liabilities (deposits or advances received) on the Statement of Financial Position is dependent on the timing of revenues recognised and contract billing milestones.

Contract assets

Billing occurs subsequent to revenue recognition, resulting in contract assets. Amounts are billed as work in progress in accordance with agreed-upon contractual terms at periodic intervals or upon achievement of contractual milestones.

Contract assets disclosed in the balance sheet are net of a loss allowance for lifetime expected credit losses.

Contract liabilities

Advances received, progress billings received in advance of the performance of contract activities, labour over recoveries and project losses are recognised as contract liabilities.

(e) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (unless otherwise stated), 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. To the extent they are not recoverable, foreign exchange gains and losses are recognised in profit or loss.

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 fair value of other comprehensive income are recognised in other comprehensive income.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

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.

Depreciation on 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 as follows:

- Plant and Equipment 1 - 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(p).

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

(g) Intangible assets

(i) Software - Digital Transformation Program

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Research and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent to the development and implementation phases and when the software is ready for use, capitalised development costs are expected to be amortised on a straight-line basis over its expected useful life. As at 30 June 2021, the software is still currently in development and implementation phases.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Software - Software as a Service (SaaS) (cloud based)

Customisation and configuration costs in relation to SaaS cloud based software have been expensed as incurred when the Group does not have the ability to customise or modify the software and does not have control to these applications through exclusive rights or the ownership of the intellectual property.

Ongoing subscription costs have been recognised as an expense as they have been incurred, similarly to a service contract.

(h) Leases

At the start of a contract, the Group determines whether a contract is, or contains, a lease. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease component based on their relative stand-alone prices.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) less any lease incentives receivable, variable payments that are dependent on an index or rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual value guarantee or early termination clause, if the early termination is reasonably expected and payments arising from options reasonably certain to be exercised. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Group measures the lease liability at the present value of the lease payments discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate (being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions).

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to product a constant periodic rate of interest on the remaining balance of the liability for each period.

For short-term leases and leases of low-value assets, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low-value leases comprise various pool cars and computer equipment.

1 Summary of significant accounting policies (continued)

(i) 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 entitles are set off in the consolidated financial statements.

In addition to its own current and deferred tax amounts, the Group 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 substantially 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(j) Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Retirement benefit obligations

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

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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 statement of financial position.

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(k) Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore subsequently measures them at amortised cost using the effective interest method. 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. Refer to Note 1(p) for impairment of financial assets.

(l) 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.

(m) 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

(n) 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 for all staff in South Australia. 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. The provision is based on an actuarial assessment.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(n) Provisions (continued)

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

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

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

(o) 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.

(p) Impairment

Financial assets

The Group measures the expected credit losses of its financial assets from the moment of its acquisition and throughout the life of the financial asset. Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. The amount of impairment loss is recognised in profit or loss within other expenses. If, in a subsequent period, the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognised, the reversal of the previously recognised expected credit loss is recognised in profit or loss.

Non-financial assets

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.

(q) Cash and cash equivalents

Cash and cash equivalents include:

- cash at bank and on 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

Cash and cash equivalents are measured at amortised cost.

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

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(r) Financial assets

Financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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.

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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value, less any expected credit losses, 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.

(s) Interest and non-interest bearing liabilities

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

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

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

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

(t) 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.

(u) 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

1 Summary of significant accounting policies (continued)

(v) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments* and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers.*

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 associates or subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(w) Parent entity financial information

The financial information for the parent entity, ASC Pty Ltd, disclosed in Note 18 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(x) 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 and profit recognition

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.

The majority of the Group's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts. For contracts with multiple performance obligations, the Group allocates the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

2 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

The Group has an Estimate at Completion (EAC) process in which management reviews the progress and execution of our performance obligations. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule, technical requirements and other contract requirements.

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and costs at completion is complex, subject to variables and requires significant judgement. It is common for some long term contracts to contain performance fees, incentive fees or other provisions that can either increase or decrease the transaction price. These variable amounts are generally awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. The Group estimates transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

The Group recognises revenue predominantly over time as the Group performs because of the continuous transfer of control to the customer, using costs incurred to date relative to total EAC to measure progress towards satisfying our performance obligations. Incurred costs represent work performed which corresponds with and best depicts the transfer of control to the customer. Contract costs include labour, material and subcontractor costs and overheads.

CCSM Program

A review of actual costs incurred and other components relating to the performance scores and pain/gain calculations in relation the Performance Period Four (PP4) contract for the maintenance of the CCSM is performed on a periodic basis by management during the course of the contract on a year-to-date and contract timeframe basis.

Adjustments to the revenue recognised will be made if there have been circumstances (e.g. which has resulted in a change in profit estimates compared to actuals) with increases or decreases resulting from meeting the performance scores recognised in the profit or loss.

AWD Program

Forecasts 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. As at 30 June 2021, the expected loss has been reviewed in the current period based on management's most recent forecast and accounting standard AASB 15 *Revenue from Contracts with Customers.*

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.

Loss provisions of $17,913,665 have been recognised to-date at 30 June 2021 (30 June 2020: $21,142,320) in relation to difference between total contract revenue and forecasted costs to be incurred based on the most recent Management's forecast.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

2 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

OPV Program

Forecasts of costs to complete the construction of the two OPVs are undertaken as part of a formal quarterly process. Following the execution of a CCP on 6 April 2021, management's forecasts of costs to complete the two OPVs indicated that the total costs related to the contract will match total contract revenues and that the contract is no longer loss making.

As a result of the CCP, the loss provision of $10,730,619 recognised in the year ending 30 June 2020 (prior year) was reversed in the year ended 30 June 2021 and recognised in the profit or loss.

Digital Transformation Program

Costs incurred during the development and implementation phases of the Digital Transformation Program (DTP) are capitalised if the definition of an intangible asset are met (Refer to Note 1(g)). Cost capitalised by the Group can be reliably measured, directly attributable to the DTP and are incurred during the development and implementation phases. Example of development and implementation costs include labour hours in relation to testing and release management, services received in relation to DTP for technical integration and materials used.

Costs incurred during the research phase and for on-going maintenance are expensed to the profit of loss in the period in which they occur. Examples of research and on-going maintenance costs include operational training and review costs after implementation.

Judgement is required during the analysis of costs incurred during the development and implementation phases, including configuration and customisation costs which are analysed to determine the appropriate accounting treatment which requires a deep understanding of certain technical aspects of the associated costs and the DTP. If there is a level of control and the capitalisation criteria under AASB 138 *Intangible Assets* is met, it is recognised as an asset and capitalised. Costs that do not meet the capitalisation criteria noted in Note 1(g) are expensed to the profit or loss in the period in which they are incurred.

In addition, judgement is made in determining the transition point from research to development phases, costs incurred in the research phase are generally expensed to the profit or loss and costs incurred in the development phases are considered for capitalisation when the criteria in AASB 138 *Intangible Assets* have been demonstrated. The Group has considered the adequacy of financial and other resources to complete the development as a key factor in determining the transition point.

Leases

The Group determines whether a contract is, or contains, a lease at the commencement date. This is done by assessing whether the contract contains an identified asset, has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and has the right to direct how and for what purpose the asset is used throughout the period of use. In determining the lease term, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken to help determine the lease term. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The present value of the lease payment is discounted using the Group's incremental borrowing rate. This rate represents the rate of interest of the Group's overdraft facility which would be the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds to obtain an asset of a similar value to the right of use asset in a similar economic environment.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

2 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

Net pension assets / liabilities

The present value of a defined benefit contribution plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions (including discount rates, future salary increases and expected rate of return). Refer to Note 8(e)(ii) for details of the assumptions used in the determination of the present value.

3 Financial and capital risk management

Financial risk management

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has charged the 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 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.

	June 2021 $'000	June 2020 $'000
Financial assets		
Cash and cash equivalents	**180,861**	219,183
Trade and other receivables	**139,809**	74,240
	320,670	293,423
Financial liabilities		
Trade and other payables	**70,180**	46,148
Interest bearing liabilities	**48,838**	65,954
Non-interest bearing liabilities	**134**	134
Lease liabilities	**128,289**	139,849
	247,441	252,085

(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 the one substantial customer of the Group is the CoA with an Aaa credit rating from Moody's.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

3 Financial and capital risk management (continued)

(a) Credit risk (continued)

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 A3 from Moody'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 12 for details). Such guarantees are issued in accordance with the ASC corporate management policies and are only provided to support a financial or commercial arrangement.

Financial securities received

In the prior year, credit risk arose in relation to $0.9 million of financial securities issued by domestic and 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 foreign banks in 2012 has resulted in the credit ratings of these banks falling below the rating level approved by ASC's corporate management policies. However, the affected financial securities expired in the current year and the Group is no longer exposed to this risk.

Recognised financial instruments	**June 2021 $'000**	June 2020 $'000
Trade receivables		
Counterparties with external credit rating		
Aaa (Commonwealth of Australia)	**132,249**	72,220
A3	**-**	1,774
Baa2	**-**	47
Credit rating not determined	**7,515**	113
Total trade receivables	**139,764**	74,154
Aa3- rated cash at bank, short term deposits and interest receivable		
Cash and cash equivalents	**180,861**	219,183
Interest receivable	**45**	86
	180,906	219,269

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 loss allowance provisions as summarised above.

A substantial proportion of the consolidated entity's operations are in relation to the ISSC for six Collins Class submarines, the Hobart Class AWD program for the construction of the Navantia-designed AWDs and the OPV program as a subcontractor to Luerssen Australia.

The ISSC and AWD projects receive a substantial portion of their entire funding from the CoA, who has a Moody's credit rating of Aaa. Therefore the consolidated entity has immaterial exposure to credit risk in its operations.

Off statement of financial position financial instruments

The Group has not entered into any off statement of financial position financial instruments during the period (June 2020: nil).

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

3 Financial and capital risk management (continued)

(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.

The Group's ISSC, AWD and OPV programs 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:

- $47,000,000 overdraft facility not utilised at balance date (2020: $47,000,000). The facility does not have an expiry date but is reviewed annually by the provider. Interest would be payable at the rate of Bank Bill Overdraft Rate plus margin; and
- $30,000,000 multi option bank facility not utilised at balance date (2020: $30,000,000). The facility is reviewed annually by management. The current facility will expire in November 2021.

The Group received advance funding from the CoA for the ISSC project and the AWD project under the ABTIA. The ABTIA requires regular review of the advance amount which may be increased or decreased after consideration by the CoA as to the working capital requirements for the AWD project.

Maturities of financial liabilities

The tables below analyse the consolidated entity's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non interest bearing	-	70,180	-	-	160	70,340	70,314
Variable rate (including bank overdraft)	-	48,838	-	-	-	48,838	48,838
Lease liabilities	9,061	9,061	17,665	51,776	64,302	151,865	128,289
Total non-derivatives	**9,061**	**128,079**	**17,665**	**51,776**	**64,462**	**271,043**	**247,441**
At 30 June 2020							
Non-derivatives							
Non interest bearing	-	46,148	-	-	160	46,308	46,282
Variable rate (including bank overdraft)	-	65,954	-	-	-	65,954	65,954
Lease liabilities	9,279	9,279	17,695	51,282	80,631	168,166	139,849
Total non-derivatives	9,279	121,381	17,695	51,282	80,791	280,428	252,085

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

3 Financial and capital risk management (continued)

(c) Market risk

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

Foreign exchange risk

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

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

	Currency	June 2021 AUD $'000	June 2020 AUD $'000
Financial assets			
Cash and cash equivalents	USD	**754**	2,707
	EUR	**5,301**	3,280
	GBP	**141**	421
	CAD	**-**	272
	SEK	**711**	-
	Total	**6,907**	6,680
Trade and other receivables	USD	**-**	46
	EUR	**-**	554
	GBP	**-**	-
	Total	**-**	600
Financial liabilities			
Trade and other payables	USD	**(28)**	-
	EUR	**243**	60
	GBP	**(10)**	-
	SEK	**179**	-
	Total	**384**	60
Interest bearing liabilities	USD	**-**	1,986
	EUR	**-**	4,120
	GBP	**-**	437
	CAD	**-**	229
	Total	**-**	6,772

3 Financial and capital risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

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

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

	30 June 2021		30 June 2020	
Financial assets	$'000	Effective interest rate	$'000	Effective interest rate
Cash and cash equivalents	180,861	0.29%	219,183	0.83%
Trade and other receivables	139,809	-	74,240	-
Total financial assets	**320,670**		**293,423**	

	30 June 2021		30 June 2020	
Financial liabilities	$'000	Effective interest rate	$'000	Effective interest rate
Trade and other payables	70,180	-	46,148	-
Interest-bearing liabilities	48,838	-	65,954	0.31%
Non interest-bearing liabilities	134	0.25%	134	0.25%
Lease liabilities	128,289	3.75%	139,849	3.75%
Total financial liabilities	**247,441**		**252,085**	

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

Sensitivity

At 30 June 2021, 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 for 30 June 2021 has been performed on the same basis as 30 June 2020. The main interest rate risk arises from cash receivables and loans and other receivables with variable interest rates.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

3 Financial and capital risk management (continued)

(c) Market risk (continued)

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

Summarised sensitivity analysis

		Interest rate risk			
		-0.75%		+0.75%	
	Carrying amount	Profit	Other equity	Profit	Other equity
At 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	180,861	(1,356)	-	1,356	-
Trade and other receivables	139,809	-	-	-	-
Financial liabilities					
Trade and other payables	(70,180)	-	-	-	-
Interest bearing liabilities	(48,838)	-	-	-	-
Non interest bearing liabilities	(134)	-	-	-	-
Lease liabilities	(128,289)	(962)	-	962	-
Total increase/(decrease)		(2,318)	-	2,318	-

		Interest rate risk			
		-0.75%		+0.75%	
	Carrying amount	Profit	Other equity	Profit	Other equity
At 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	219,183	(1,644)	-	1,644	-
Trade and other receivables	74,240	(1)	-	1	-
Financial liabilities					
Trade and other payables	(46,148)	-	-	-	-
Interest bearing liabilities	(65,954)	(72)	-	72	-
Non interest bearing liabilities	(134)	-	-	-	-
Lease liabilities	(139,849)	(1,049)	-	1,049	-
Total increase/(decrease)		(2,766)	-	2,766	-

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.

The financial undertakings in relation to the multi-option facility are as follows:

- interest coverage ratio to be greater than 3.5 times as at the end of the financial year
- gearing ratio to be less than 50% as at the end of the financial year
- leverage ratio to be less than 3.5 times as at the end of the financial year

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

4 Revenue

a) Disaggregation of revenue

The Group derives the following types of revenue:	June 2021 $'000	June 2020 $'000
Revenue from contracts with customers by contract type		
Target cost estimate contract	**299,698**	311,884
Cost reimbursable contract	**50,486**	157,071
Fixed price contract	**31,826**	49,350
Survey and quote contract	**76,319**	36,004
Services contract	**124,196**	115,754
	582,525	670,063
Interest income		
Other parties from financial assets at amortised cost	**570**	1,762
Other income		
Related parties - depreciation and overhead recovery	**5,088**	3,447
Other	**363**	609
	5,451	4,056
	588,546	675,881

Revenue from contract with customers by timing of revenue recognition		
Over time	**446,139**	573,215
At a point in time	**136,386**	96,848
	582,525	670,063

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.		
Target cost estimate	**29,783**	8,293
Services contract	**-**	6,659
Fixed price contract	**16,430**	38,238
Survey and quote contract	**2,857**	449
	49,070	53,639

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

4 Revenue (continued)

(b) Contract assets and liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	June 2021 $'000	June 2020 $'000
Contract assets		
Collins Class Submarines	**1,025**	17,046
Maritime Services Group	**14,491**	2,456
	15,516	19,502

The balance of contract assets represents amounts to be billed subsequent to revenue recognition. These amounts are billed as work in progress in accordance with agreed upon contractual terms at periodic intervals or upon achievement of contractual milestones.

	June 2021 $'000	June 2020 $'000
Contract liabilities		
Collins Class Submarines	**48,225**	37,576
Maritime Services Group	**201**	27,899
	48,426	65,475

The balance of contract liabilities represent advances received, progress billings received in advance of the performance of contract activities, labour over recoveries and project loss provision.

(c) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from the following contracts.

	June 2021 $'000	June 2020 $'000
Aggregate amount of transaction price that are partially or fully unsatisfied as at 30 June.		
Collins Class Submarines	**1,331,060**	119,380
Maritime Services Group	**2,709**	140,543
	1,333,769	259,923

Management expects that 37% of the transaction price allocated to the unsatisfied contracts as at 30 June 2021 (2020: 68%) will be recognised as revenue during the next reporting period with the remaining 63% (2020: 32%) will be recognised beyond that.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

5 Other income and expense items

Items included in profit before income tax

	June 2021 $'000	June 2020 $'000
Depreciation		
Plant and equipment	**10,937**	11,348
Right-of-use assets (leases)	**15,830**	15,387
	26,767	26,735
Depreciation recovery	**(652)**	(702)
Depreciation net of recovery	**26,115**	26,033
Amortisation		
Contribution to Henderson Common User Facility (CUF)	**244**	244
Total depreciation and amortisation	**26,359**	26,277
Finance costs		
Interest expense relating to leases	**5,077**	5,415
Interest expense from financial liabilities at amortised costs	**17**	92
Bank charges	**319**	470
	5,413	5,977
Project provisions		
(Release) on AWD project loss provision	**(3,767)**	(7,149)
(Reversal) recognition of loss provision on the OPV contract	**(10,731)**	10,731

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

6 Income Tax

(a) Income tax expense

	June 2021 $'000	June 2020 $'000
Recognised in the income statement		
Current tax expense		
Current year	**12,540**	19,467
Adjustments for prior years	**-**	(428)
Total current tax expense	**12,540**	19,039
Deferred income tax		
Temporary differences arising during the year, net of reversal	**3,047**	(9,784)
Adjustment for prior years deferred tax	**-**	428
Total deferred tax expense/(benefit)	**3,047**	(9,356)
Income tax expense	**15,587**	9,683
Income tax expense is attributable to:		
Profit from continuing operations	**15,587**	9,683

(b) Reconciliation of income tax expense to prima facie tax payable

	June 2021 $'000	June 2020 $'000
Profit from continuing operations before income tax expense	**52,314**	32,240
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	**15,694**	9,672
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development tax incentive	**(113)**	-
Non-deductible expenses	**6**	11
Income tax expense	**15,587**	9,683

(c) Amounts recognised directly in equity

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

	June 2021 $'000	June 2020 $'000
Net deferred tax	**61**	(154)

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

6 Income Tax (continued)

(d) Deferred tax assets

Net position as presented in the statement of financial position

	June 2021 $'000	June 2020 $'000
Net deferred tax		
Deferred tax assets	**59,162**	66,067
Deferred tax liabilities	**(37,948)**	(41,746)
	21,214	24,321

	June 2021 $'000	June 2020 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**38,457**	41,696
Employee benefits	**15,197**	15,269
Property, plant and equipment	**2,204**	2,127
Project recognised profit	**296**	4,513
Sundry items	**3,008**	2,462
	59,162	66,067

Movements	**Lease liabilities $'000**	**Employee benefits $'000**	**Property, plant and equipment $'000**	**Project recognised profit $'000**	**Sundry items $'000**	**Total $'000**
At 1 July 2019	-	11,953	1,267	1,601	1,130	15,951
(charged)/credited						
- to profit and loss adjustment for prior year	-	-	-	(428)	-	(428)
- to profit or loss current year	41,696	3,316	860	3,339	1,332	50,544
At 1 July 2020	41,696	15,269	2,127	4,513	2,462	66,067
(charged)/credited						
- to profit and loss adjustment for prior year	-	-	-	-	-	-
- to profit or loss current year	(3,239)	(72)	77	(4,217)	546	(6,905)
At 30 June 2021	38,457	15,197	2,204	296	3,008	59,162

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

6 Income Tax (continued)

(e) Deferred tax liabilities

	June 2021 $'000	June 2020 $'000
The balance comprises temporary differences attributable to:		
Right of use assets	**37,136**	40,981
Net pension assets	**127**	100
Sundry items	**685**	665
	37,948	41,746

Movements	**Right of use assets $'000**	**Net pension asset $'000**	**Sundry items $'000**	**Total $'000**
At 1 July 2019	-	228	912	1,140
(charged)/credited				
- to equity	-	(154)	-	(154)
- to profit or loss	40,981	26	(247)	40,760
At 1 July 2020	40,981	100	665	41,746
(charged)/credited				
- to equity	-	61	-	61
- to profit or loss	(3,845)	(33)	20	(3,858)
At 30 June 2021	37,136	127	685	37,948

7 Financial assets and financial liabilities

(a) Cash and cash equivalents

	June 2021 $'000	June 2020 $'000
Current assets		
Cash at bank and on hand	**67,538**	105,503
Other cash and cash equivalents	**113,323**	113,680
	180,861	219,183

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

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 CoA for the purposes of funding the working capital requirements of the ISSC and AWD projects 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 the direct project expenditure incurred and unbilled as at balance date is defined as restricted cash. At 30 June 2021, the balance of restricted cash was nil (2020: $9.6 million).

(b) Trade and other receivables

	June 2021 $'000	June 2020 $'000
Current		
Trade receivables		
Trade receivables	**137,898**	45,135
Loss allowance provision	**(4,403)**	(3,479)
	133,495	41,656

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

	June 2021 $'000	June 2020 $'000
Other receivables		
Accrued revenue	**6,056**	30,470
Other receivables	**213**	2,028
Interest receivable	**45**	86
	6,314	32,584
	139,809	74,240

Accounts Receivable Ageing Profile	**30 June 2021 Gross carrying amount $'000**	**30 June 2021 Effective loss rate**	30 June 2020 Gross carrying amount $'000	30 June 2020 Effective loss rate
Not past due	143,994	0.56%	77,635	0.00%
Past due 1-30 days	179	0.00%	43	0.00%
Past due 31-60 days	35	0.00%	25	0.00%
Past due 61-90 days	-	0.00%	12	0.00%
Past due +90 days	4	0.00%	4	0.00%
	144,212		**77,719**	

Amounts recognised in profit or loss

The write-downs of receivables to net realisable value recognised during the year ended 30 June 2021 amounted to $1.3 million (2020: $1.0 million write down).

The loss allowance provision for trade receivables as at 30 June reconcile to the opening loss allowance as follows:

	June 2021 $'000	June 2020 $'000
Opening balance	**(3,479)**	(2,251)
(Increase) decrease in loss allowance provision recognised in the profit and loss during the year	**(1,275)**	(976)
Reversal / (written off) during the year as uncollectible	**351**	(252)
Closing balance	**(4,403)**	(3,479)

Loss allowance provision as at 30 June 2021 and 30 June 2020 represents expected credit losses on amounts to be received. The loss allowance has been determined based on specific circumstances and is not directly attributable to the ageing of receivables balances.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

7 Financial assets and financial liabilities (continued)

(c) Trade and other payables

	June 2021 $'000	June 2020 $'000
Current liabilities		
Trade payables	**7,133**	8,536
Accrued expenses	**54,797**	36,109
GST payable	**8,250**	1,503
	70,180	46,148

(d) Borrowings

Interest bearing liabilities	June 2021 $'000	June 2020 $'000
Current - Unsecured		
Government advance	**48,838**	65,954

Government advance

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

ISSC advance

At 30 June 2021, the balance is $32.0 million (June 2020: $32.0 million). The advance paid by the CoA is in Australian dollars. It can only be used for the reimbursement of payments by the Company for direct project costs incurred for the ISSC activities. The interest income from this advance funding will be deducted against the reimbursement claim of direct project costs.

ABTIA advance

At 30 June 2021, the balance is $16.8 million (June 2020: $34.0 million). Advances paid by the CoA are both in Australian and foreign currencies and are required to be separately maintained in a CoA interest bearing account.

Funds advanced can only be used for the reimbursement of payments by 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 of the AWD project.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

7 Financial assets and financial liabilities (continued)

(d) Borrowings (continued)

Non interest bearing liabilities

	June 2021 $'000	June 2020 $'000
Non current - unsecured		
Term loan	**134**	134
	134	134

Term loan

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

The term loan to ASC Pty Ltd has been discounted to its fair value of $134,007 as at 30 June 2021 (2020: $133,700).

Lease liabilities

	June 2021 $'000	June 2020 $'000
Unsecured		
Current	**13,545**	13,547
Non-current	**114,744**	126,302
	128,289	139,849

8 Non-financial assets and liabilities

(a) Property, plant and equipment

	June 2021 $'000	June 2020 $'000
Plant and equipment		
Cost	**99,461**	136,232
Accumulated depreciation	**(83,286)**	(113,636)
	16,175	22,596
Asset under construction		
Assets under construction	**4,214**	3,756
	4,214	3,756
Total property, plant and equipment	**20,389**	26,352

8 Non-financial assets and liabilities (continued)

(a) Property, plant and equipment (continued)

	Plant and equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2021			
Opening net book amount	22,596	3,756	26,352
Additions	116	5,124	5,240
Transfers	4,666	(4,666)	-
Depreciation charge	(10,937)	-	(10,937)
Disposals	(266)	-	(266)
Closing net book amount	16,175	4,214	20,389

	Plant and equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2020			
Opening net book amount	31,741	1,663	33,404
Additions	197	4,756	4,953
Transfers	2,683	(2,663)	20
Depreciation charge	(11,348)	-	(11,348)
Disposals	(677)	-	(677)
Closing net book amount	22,596	3,756	26,352

(i) Non-current assets pledged as security

Refer to Note 13 for information on non-current assets pledged as security by the Group.

(b) Right-of-use assets

	June 2021 $'000	June 2020 $'000
Land		
Gross value	**29,659**	29,086
Accumulated depreciation	**(3,829)**	(1,855)
	25,830	27,231
Buildings		
Gross value	**122,848**	122,037
Accumulated depreciation	**(26,023)**	(12,869)
	96,825	109,168
Other plant and equipment		
Gross value	**2,593**	1,729
Accumulated depreciation	**(1,365)**	(663)
	1,228	1,066
Total right-of-use assets	**123,883**	137,465

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(b) Right-of-use assets (continued)

	Land $'000	Buildings $'000	Other plant and equipment $'000	Total $'000
Year ended 30 June 2021				
Opening net book amount	27,231	109,168	1,066	137,465
Additions	574	-	899	1,473
Remeasurement	-	811	(36)	775
Depreciation charge	(1,975)	(13,154)	(701)	(15,830)
Closing net book amount	25,830	96,825	1,228	123,883

	Land $'000	Buildings $'000	Other plant and equipment $'000	Total $'000
Year ended 30 June 2020				
Opening net book amount	-	-	-	-
Implementation of AASB 16	28,955	118,999	1,729	149,683
Remeasurement	131	3,038	-	3,169
Depreciation charge	(1,855)	(12,869)	(663)	(15,387)
Closing net book amount	27,231	109,168	1,066	137,465

(c) Unpaid share capital

The Company issued $55 million in share capital to the shareholder in March 2017 as part of the separation of ASC Engineering Pty Ltd from the ASC Group, discounted to fair value at 30 June 2021. Amounts are to be received over 5 years.

	June 2021 $'000	June 2020 $'000
Unpaid share capital		
Current	**11,000**	11,000
Non current	**-**	10,971
	11,000	21,971

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(d) Intangible assets

	June 2021 $'000	June 2020 $'000
Digital Transformation Program		
At cost	**5,735**	-

The Company is undertaking the Digital Transformation Program to modernise and transform the Company's business processes, addressing the risk of future technical obsolescence and improving its capability to deliver efficient and effective support to the Submarine Enterprise.

(e) Employee benefit obligations

(i) Superannuation plan

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

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

The trustee of the Fund is Equity Trustees Limited. Iress is the administrator of the Fund.

The investment policies and strategies of the trustee of the Fund are to invest the assets of the Fund in a manner to ensure compliance with the *Superannuation Industry (Supervision) Act 1993* and any other legislation. The trustee has formulated and given effect to an investment strategy that recognises the whole of the Fund's circumstances, including the risk and potential return of investments in relation to the Fund's investment objectives.

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

(ii) Defined benefit pension plans

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

An actuarial assessment of the fund as at 30 June 2021 was carried out by David O'Keefe, Fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Limited in June 2021.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

Statement of financial position amount

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year as follows:

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
1 July 2019	**(5,341)**	**6,101**	**760**
Current service cost	(75)	-	(75)
Interest (expense)/income	(96)	-	(96)
Expected return on plan assets	-	123	123
Total amount recognised in profit or loss	(171)	123	(48)
Remeasurements			
Gain/(loss) from change in financial assumptions	(223)	-	(223)
Experience gains/(losses)	(27)	(263)	(290)
Total amount recognised in other comprehensive income	(250)	(263)	(513)
Contributions:			
Employers	-	133	133
Payments from plan:			
Benefit payments	642	(642)	-
30 June 2020	**(5,120)**	**5,452**	**332**

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
1 July 2020	**(5,120)**	**5,452**	**332**
Current service cost	(29)	-	(29)
Interest (expense)/income	(73)	-	(73)
Expected return on plan assets	-	60	60
Total amount recognised in profit or loss	(102)	60	(42)
Remeasurements			
Gain/(loss) from change in financial assumptions	(58)	-	(58)
Experience gains/(losses)	(174)	435	261
Total amount recognised in other comprehensive income	(232)	435	203
Contributions:			
Employers	-	(68)	(68)
Payments from plan:			
Benefit payments	1,696	(1,696)	-
30 June 2021	**(3,758)**	**4,183**	**425**

Contributions by the Company and its controlled entities to the defined benefits plan are based on 9.5% of all defined members' salaries for the year ended 30 June 2021. Actuarial assessments are made at no more than three yearly intervals. The last such full assessment was made as at 22 November 2018 and the next triennial review will be on 1 July 2021.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

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

Using the funding method described above and particular actuarial assumptions as to the plan's future performance (as detailed in the sections below), the actuary recommended in the actuarial review as at 22 November 2018 that a contribution needs to be made by the Company and its controlled entities to the Fund for employees who are members of the defined benefit plan. The recommendation of the actuary has been adopted by the Company and its controlled entities.

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

Significant estimate: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	2021 Australia	2020 Australia
Discount rate	**1.0%**	1.3%
Salary growth rate	**4.0%**	4.0%

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

			Impact on defined benefit obligation			
	Change in assumption		**Increase in assumption**		**Decrease in assumption**	
	2021	2020	**2021**	2020	**2021**	2020
Discount rate	**+ (-) 0.5%**	+ (-) 0.5%	**95,000**	141,000	**(100,000)**	(148,000)
Future salary increase	**+ (-) 0.5%**	+ (-) 0.5%	**(97,000)**	(144,000)	**94,000**	139,000

Balance sheet amounts

The major categories of plan assets are as follows:

	30 June 2021				30 June 2020			
	Quoted $'000	**Un-quoted $'000**	**Total $'000**	**in % $'000**	Quoted $'000	Un-quoted $'000	Total $'000	in % $'000
Equity instruments	**1,590**	**-**	**1,590**	**38.0%**	2,372	-	2,372	43.5%
Debt instruments	**1,196**	**-**	**1,196**	**28.6%**	1,963	-	1,963	36.0%
Property	**251**	**-**	**251**	**6.0%**	349	-	349	6.4%
Other securities	**1,146**	**-**	**1,146**	**27.4%**	768	-	768	14.1%
Total	**4,183**	**-**	**4,183**	**100.0%**	5,452	-	5,452	100.0%

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

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. Modelling has indicated an investment return of 6-7% could be targeted using a 50/50 portfolio.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
Inflation risks	The majority of the plans' defined benefit obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

(iv) Defined benefit liability employer contributions

The weighted average duration of the defined benefit obligation is 5 years (2020: 5 years). The expected maturity analysis of discounted defined benefit obligations is as follows:

	Less than a year $'000	**Between 1 - 2 years $'000**	**Between 2 - 5 years $'000**	**Over 5 years $'000**	**Total $'000**
30 June 2021					
Defined benefit obligation	-	2,874	320	536	3,730
30 June 2020					
Defined benefit obligation	-	4,049	325	249	4,623

(v) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:	**June 2021 $'000**	June 2020 $'000
Current service cost	**29**	75
Interest cost	**73**	96
Expected return on plan assets	**(60)**	(123)
Total included in employee benefits expense	**42**	48
Actual return on plan assets	**495**	(140)

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

(vi) Amounts recognised in other comprehensive income

	June 2021 $'000	June 2020 $'000
Actuarial gain/(loss) recognised in the year	**203**	(513)
Cumulative actuarial (losses) recognised in other comprehensive income	**(3,638)**	(3,841)

(f) Provisions

	June 2021			June 2020		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**45,561**	**4,583**	**50,144**	45,826	4,632	50,458
Self insured workers compensation	**1,211**	**1,852**	**3,063**	1,465	1,789	3,254
	46,772	**6,435**	**53,207**	47,291	6,421	53,712

(i) Information about individual provisions and significant estimates

Employee benefits, including on costs

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

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

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

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.

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

	June 2021 $'000	June 2020 $'000
Current leave obligations expected to be settled after 12 months	**32,920**	30,836

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

8 Non-financial assets and liabilities (continued)

(g) Recognised fair value measurements

(i) Fair value hierarchy

Disclosed fair values

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

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

9 Other non-current assets

	June 2021 $'000	June 2020 $'000
Non-current assets		
Contribution to the Henderson CUF	**2,073**	2,317

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

10 Equity

(a) Share capital

(i) Movements in ordinary shares:

Details	**Number of shares (thousands)**	**$'000**
Opening balance 1 July 2019	65,000	64,671
Discount on shares issued	-	300
Balance 30 June 2020	65,000	64,971
Opening balance 1 July 2020	65,000	64,971
Balance 30 June 2021	65,000	64,971

(ii) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. $54.0 million of shares issued as at 30 June 2021 (2020: $43.0 million) have been fully paid.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

10 Equity (continued)

(b) Retained earnings

Movements in retained earnings were as follows:	Notes	June 2021 $'000	June 2020 $'000
Balance 1 July		**81,285**	69,617
Net profit for the period		**36,727**	22,557
Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of retirement benefit obligation, net of tax	8(e)	**142**	(359)
In specie dividend / separation adjustment		**-**	70
Dividends		**(6,500)**	(10,600)
Balance 30 June		**111,654**	81,285

(c) Dividends

	June 2021 $000	June 2020 $000
Final dividend for the year ended 30 June 2020 of 5 cents (2019: 9 cents) per fully paid share paid on 29 October 2020	**3,200**	5,800
Special dividend paid on 29 April 2021	**1,200**	800
Interim dividend for the year ended 30 June 2021 of 3 cents (2020: 6 cents) per fully paid share paid on 29 April 2021	**2,100**	4,000
Total unfranked dividends	**6,500**	10,600

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

The Directors declared an unfranked final dividend of $2.1 million on 31 August 2021 for the year ended 30 June 2021.

Dividend franking account

	June 2021 $'000	June 2020 $'000
Class C (30%) franking credits	**213,543**	186,513

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

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of the dividends recognised as a liability at year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at year-end; and
- 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

11 Commitments

(a) Capital expenditure commitments

	June 2021 $'000	June 2020 $'000
Property, plant and equipment	**1,347**	805

(b) Non-cancellable leases

	June 2021 $'000	June 2020 $'000
Non-cancellable future short term and low value leases not provided for in the financial statements and payable:		
Within one year	**234**	302
Later than one year but not later than five years	**-**	8
Later than five years	**-**	-
	234	310

(c) Other commitments

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

12 Contingent liabilities and contingent assets

The consolidated entity has arranged for the issuance of a bank guarantee in favour of Return to Work Corporation of South Australia for the purpose of self-insurance under the *Return to Work Regulations 2015*, a bank guarantee in favour of the DoD for the purpose of a performance security deed for the Training School contract, and a bank guarantee in favour of Westim Pty Ltd for the Bibra Lake warehouse lease. The total value of the bank guarantees arranged by the consolidated entity is $3.6 million (2020: $6.2 million). No liability has been recognised by the consolidated entity in relation to these guarantees as at 30 June 2021 and 30 June 2020.

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

- to Australian Naval Infrastructure Pty Ltd in relation to ASC AWD Shipbuilder Pty Ltd's obligation to Australian Naval Infrastructure Pty Ltd in connection with the CUF
- to Bath Iron Works Australia Corporation in relation to ASC AWD Shipbuilder Pty Ltd's obligations to Bath Iron Works Australia Corporation in connection with the strategic capability service agreements
- 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.

Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 *Income Taxes* are applied where there is uncertainty over income tax treatments. Based on certain restructures of the ASC Group undertaken by its Shareholder, there is some uncertainty as to the tax implications of these transactions.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

13 Registered charges

The CoA holds a fixed charge over the moveable manufacturing plant and equipment owned by the Company in relation to the submarine build contract.

The CoA of Australia also holds a 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 CoA in relation to these charges.

	June 2021 $'000	June 2020 $'000
Current		
Trade receivables	**1,046**	5,993
Other receivables	**139**	1,987
Total current assets pledged as security	**1,185**	7,980
Non-current		
Plant and equipment	**14,708**	14,975
Total assets pledged as security	**15,893**	22,955

14 Economic dependency

During the years ended 30 June 2021 and 30 June 2020, the Group's normal trading activities and the majority of operating revenues generated were related to the following parties:

- CoA - contract for the maintenance of six submarines and the construction of three AWDs
- Luerssen Australia - acting as a subcontractor for the construction of two OPVs

15 Events occurring after the reporting period

There are no 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.

16 Related party transactions

(a) Key management personnel compensation

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

	June 2021 $	June 2020 $
Short-term employee benefits	**3,370,388**	3,365,177
Post-employment benefits	**178,805**	213,469
Other long term benefits	**372,365**	338,681
	3,921,558	3,917,327

There were 11 key management personnel for the year (2020: 14).

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

16 Related party transactions (continued)

(b) Loans to key management personnel

No loans were made available to key management personnel during the financial year (2020: nil).

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

There have been no transactions with key management personnel during the financial year (2020: nil).

(d) Subsidiaries

Interests in subsidiaries are set out in Note 17(a).

(e) Directors

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

Bruce James Carter	Joycelyn Cheryl Morton
Dr Rosalind Vivienne Dubs	Stuart Paul Whiley
Paul John Rizzo	Geoffrey Roland Rohrsheim
Loretta Anne Reynolds	

(f) Other related parties

Australian government ministers

There have been no transactions with any Australian government ministers during the financial year (2020: nil).

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 CoA is the ultimate parent entity.

(g) Transactions with other related parties

During the year, the amounts received or receivable by the consolidated entity from the CoA for various projects was $522,997,000 (2020: $607,136,000).

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

(h) Balances with shareholders

	June 2021 $'000	June 2020 $'000
The aggregate amounts receivable from the shareholders in relation to these transactions are:	**143,249**	94,192

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

16 Related party transactions (continued)

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

Government Advance

June 2020	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year	$59,089,304	$1,363,148	£244,095	$215,093	€2,517,770	-
Advances received	$36,000,000	-	-	-	-	-
Advances repaid	($36,000,000)	-	-	-	-	-
Interest charged	($4,539)	-	-	-	-	-
Interest received	$96,332	-	-	-	-	-
End of year (source currency)	$59,181,097	$1,363,148	£244,095	$215,093	€2,517,770	-
End of year (AUD equivalent)	$59,181,097	$1,986,229	$436,976	$229,136	$4,120,063	-
Total (AUD equivalent)	**$65,953,501**					

June 2021	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year	$59,181,097	$1,363,148	£244,095	$215,093	€2,517,770	-
Advances received	$32,000,000	-	-	-	-	-
Advances repaid	($42,000,000)	($1,674,114)	(£244,095)	($215,093)	(€2,517,770)	-
Interest charged	($7,980)	-	-	-	-	-
Interest received	$38,577	-	-	-	-	-
Other movements	($373,755)	$310,966	-	-	-	-
End of year (source currency)	$48,837,939	-	-	-	-	-
End of year (AUD equivalent)	$48,837,939	-	-	-	-	-
Total (AUD equivalent)	**$48,837,939**					

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

17 Interests in other entities

(a) Material subsidiaries

The Company's principal subsidiaries at 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Principal activities
		2021 %	2020 %	
ASC AWD Shipbuilder Pty Ltd	Australia	**100.0**	100.0	Part of the alliance executing the AWD program
ASC OPV Shipbuilder Pty Ltd	Australia	**100.0**	100.0	Construction of two Offshore Patrol Vessels
ASC Modules Pty Ltd	Australia	**100.0**	100.0	Dormant
Deep Blue Tech Pty Ltd	Australia	**100.0**	100.0	Dormant

All subsidiaries have reporting dates of 30 June.

18 Parent entity financial information

(a) Summary financial information

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

	June 2021 $'000	June 2020 $'000
Balance sheet		
Current assets	**298,606**	259,483
Non-current assets	**184,538**	190,740
Total assets	**483,144**	450,223
Current liabilities	**203,127**	180,893
Non-current liabilities	**121,313**	132,725
Total liabilities	**324,440**	313,618
Shareholders' equity		
Issued capital	**65,000**	64,971
Retained earnings	**93,704**	71,634
Net assets / total equity	**158,704**	136,605
Profit or loss for the year	**28,428**	(2,706)
Other comprehensive income (loss)	**142**	(359)
Total comprehensive income (loss)	**28,570**	(3,065)

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

18 Parent entity financial information (continued)

(a) Summary financial information (continued)

The parent entity made a 100% provision against intercompany loans to its subsidiary, ASC AWD Shipbuilder Pty Ltd of $26,141,000 (2020: $27,759,000) which reduced by $1,618,000 (eliminated on consolidation).

(b) Guarantees entered into by the parent entity

The Company has arranged the issuance of a bank guarantee in favour of Return to Work Corporation of South Australia for the purpose of self-insurance under the *Return to Work Regulations 2015*, a bank guarantee in favour of the DoD for the purpose of a performance security deed for the Training School contract and a bank guarantee in favour of Westim Pty Ltd for the Bibra Lake warehouse lease. The total value of the bank guarantee arranged by the parent company is $3,633,003 (2020: $3,577,503).

In the prior year, the parent entity provided a bank guarantee of $2,634,000 issued by a subsidiary. This bank guarantee expired during the current reporting period.

No liability has been recognised in relation to these financial guarantees in accordance with the policy set with Note 1(v), as the fair values of these guarantees as at 30 June 2021 and 30 June 2020 are immaterial.

(c) Financial support by the parent entity

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

- ASC OPV Shipbuilder Pty Ltd
- 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 2021 or 30 June 2020. For information about guarantees given by the parent entity, please see above.

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

As at 30 June 2021, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $1,347,353 (30 June 2020: $523,333). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

19 Cash flow information

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

	June 2021 $'000	June 2020 $'000
Profit for the year	**36,727**	22,557
Adjustment for		
Depreciation and amortisation	**27,011**	26,979
Net exchange differences	**252**	-
Interest received	**(570)**	(1,762)
Interest expense	**5,094**	5,507
Loss allowance recognised	**1,275**	976
(Profit)/loss on disposal of fixed assets	**(363)**	(52)
Pension costs	**110**	(85)
Income tax expense	**15,587**	9,683
Income tax paid	**(27,286)**	(5,831)
SAFA loan revaluation	**-**	130
Other	**334**	-
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(66,843)**	55,034
(Increase)/decrease in contract assets	**3,986**	(9,666)
(Increase)/decrease in inventories	**7**	71
(Increase)/decrease in prepayments	**1,744**	(2,547)
Increase/(decrease) in contract liabilities	**(17,049)**	(34,891)
Increase/(decrease) in trade creditors	**24,032**	(41,476)
Increase/(decrease) in provisions	**(505)**	10,856
Net cash inflow (outflow) from operating activities	**3,543**	35,483

Notes to the consolidated financial statements

For the year ended 30 June 2021 *continued*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Interest bearing liabilities $'000	Lease liabilities $'000	Non-interest bearing liabilities $'000	Total $'000
Balance at 1 July 2019	65,788	-	3	65,791
Recognised on adoption of AASB 16	-	152,852	-	152,852
Net financing cash flows[1]	92	(13,003)	-	(12,911)
Non-cash changes:				
Effects of changes in exchange rates	74	-	-	74
Other	-	-	131	131
Balance at 30 June 2020	65,954	139,849	134	205,937
Balance at 1 July 2020	65,954	139,849	134	205,937
Additions and remeasurement	-	2,249	-	2,249
Net financing cash flows[1]	(17,282)	(13,808)	-	(31,090)
Non-cash changes:				
Effects of changes in exchange rates	92	-	-	92
Other	74	-	-	74
Balance at 30 June 2021	48,838	128,289	134	177,262

[1] Financing cash flows consist of the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows.

20 Remuneration of auditors

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

(i) Audit and other assurance services	**2021 $**	2020 $
Audit and review of financial statements	**290,381**	293,373
Total remuneration for audit and other assurance services	**290,381**	293,373

The Australian National Audit Office (ANAO) has contracted PricewaterhouseCoopers to provide audit related services on the ANAO's behalf.

(ii) Other services provided by the auditor (ANAO)	**June 2021 $**	June 2020 $
Agreed upon procedures - remuneration services	**20,675**	18,598

(iii) Other services provided by PricewaterhouseCoopers	**June 2021 $**	June 2020 $
Tax compliance and consulting services to expatriate employees	**188,025**	177,530

Index of PGPA Requirements

This list of requirements has been prepared in accordance with Resource Management Guide No. 137, Annual Report for corporate Commonwealth entities, published by the Department of Finance (Public Management Reform Agenda group) in May 2018.

Description		Page(s)
(n)	Particulars of any reports on the company given by: (a) the Auditor General, or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission	45, 47-49
(o)	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report	N/A
(oa)	Information about executive remuneration	36-38
(ob)	The following information about the audit committee for the company:	
	(a) a direct electronic address of the charter determining the functions of the audit committee;	32
	(b) the name of each member of the audit committee;	29-30
	(c) the qualifications, knowledge, skills or experience of each member of the audit committee;	29-30
	(d) information about each member's attendance at meetings of the audit committee;	31
	(e) the remuneration of each member of the audit committee	39

28F Disclosure requirements for government business enterprises		
1 (a)(i)	An assessment of significant changes in the company's overall financial structure and financial conditions	42-43
1 (a)(ii)	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition	42-43
1 (b)	Information on dividends paid or recommended	6, 43, 53-54, 95
1 (c)	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	N/A
2	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	N/A

Acronyms

AASB	Australian Accounting Standards Board
ABTIA	Alliance Based Target Incentive Agreement
ACSM	Attack Class Submarine
AIC	Australian Industry Content
ANAO	Australian National Audit Office
ASIC	Australian Securities and Investments Commission
AWD	Air Warfare Destroyer
BASC	Business Assurance and Security Committee
CASG	Capability Acquisition and Sustainment Group
CCP	Contractor Change Proposal
CCSM	Collins Class Submarine
CoA	Commonwealth of Australia
CUF	Common User Facility
D&I	Diversity and Inclusion
DoD	Department of Defence
DTP	Digital Transformation Program
EAC	Estimate at Completion
EMS	Environmental Management System
ERP	Enterprise Resource Planning
FCD	Full Cycle Docking
FSTO	Future Submarine Technical Office
FY	Financial Year
GBE	Government Business Enterprise
GST	Goods and Services Tax
HMAS	Her Majesty's Australian Ship
ISSC	In-Service Support Contract
KMP	Key Management Personnel
LOTE	Life of Type Extension
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MCD	Mid Cycle Docking
MME	Master of Maritime Engineering
MSG	Maritime Services Group
MTI	Medically Treated Injury
MTIFR	Medically Treated Injury Frequency Rate
OPV	Offshore Patrol Vessel
PP4	Performance Period Four
PRIDE	Protect Respect Integrity Discipline Excellence
RFID	Radio-Frequency Identification
RAN	Royal Australian Navy
SA	South Australia
STI	Short Term Incentive
STSC	Submarine Training and Systems Centre
TFR	Total Fixed Remuneration
WA	Western Australia
WHSE	Work Health Safety Environment

Corporate Directory

Directors

Bruce Carter
Chairman

Stuart Whiley
Managing Director

Rosalind Dubs

Joycelyn Morton

Loretta Reynolds

Paul Rizzo

Geoff Rohrsheim

Company Secretary

Ivan Witt

Auditors

ANAO and PwC (agent for ANAO)

Bankers

Westpac Banking Corporation

ASC North

(Registered and head office)
694 Mersey Road
Osborne SA 5017

Postal address:
GPO Box 2472
Adelaide SA 5001

Phone: +61 8 8348 7000

ASC West

20 Nautical Drive
Henderson WA 6166

Postal address:
GPO Box 599
Rockingham WA 6168

Phone: +61 8 9410 4100

Useful email contacts

Employment Opportunities
careers@asc.com.au

Media Queries
communications@asc.com.au

Other queries
info@asc.com.au

ABN: 64 008 605 034

Website

www.asc.com.au

ASC's Annual Reports can
be found at www.asc.com.au

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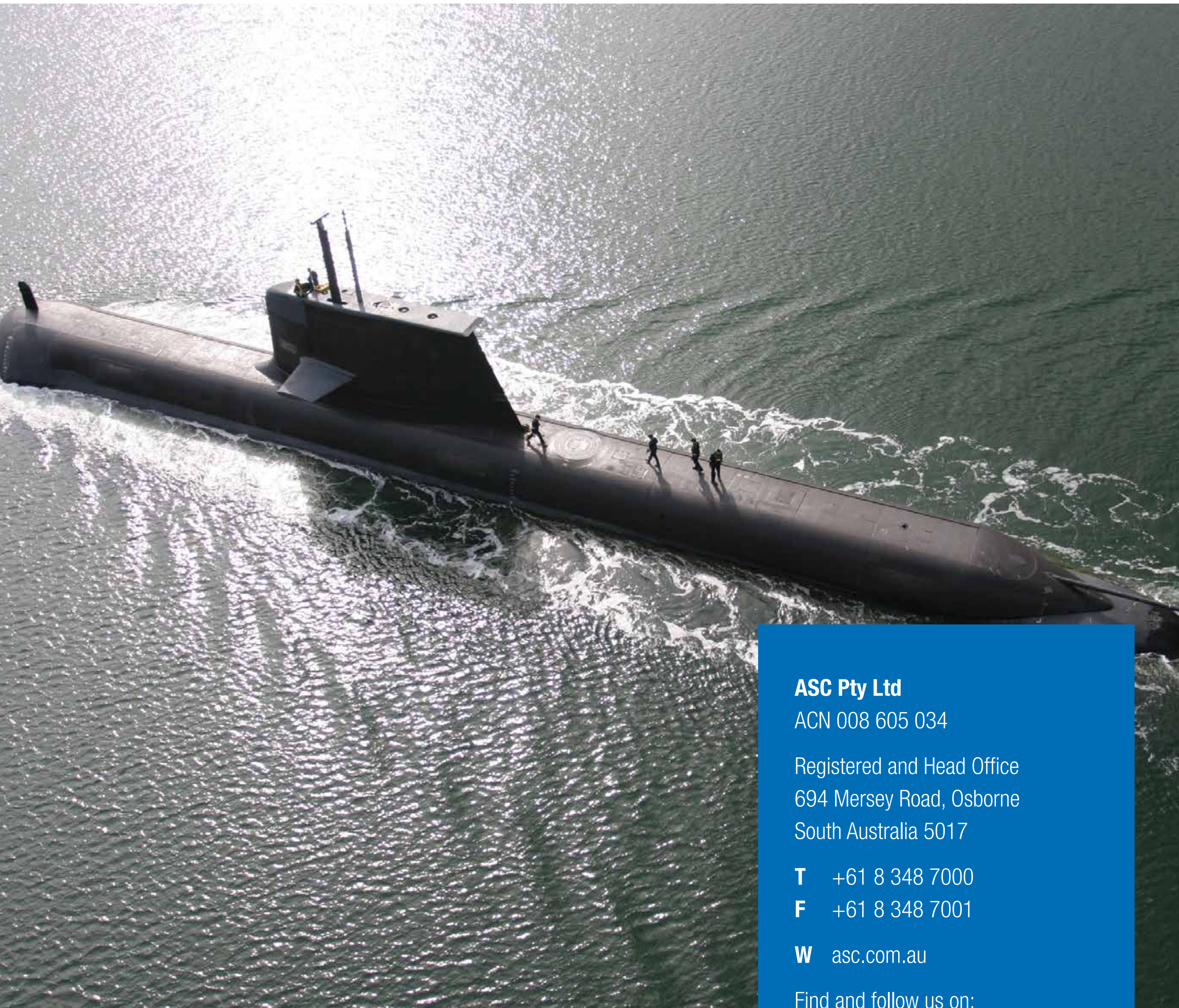

ASC Pty Ltd
ACN 008 605 034

Registered and Head Office
694 Mersey Road, Osborne
South Australia 5017

T +61 8 348 7000
F +61 8 348 7001

W asc.com.au

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