Annual Report

2022

Contents

Cover image courtesy of the Royal Australian Navy.

Image courtesy of the Royal Australian Navy.

Transmittal Letter

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30 September 2022

Senator the Hon Katy Gallagher
Minister for Finance
Parliament House
Canberra ACT 2600

Dear Minister,

ASC Pty Ltd 2022 Annual Report

I am pleased to submit the 2022 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 2022 Annual Report includes the financial statements for ASC and its controlled entities for the year ended 30 June 2022, and reports on ASC's performance and progress. ASC achieved a profit after tax of $20.3 million.

ASC continued to meet the Royal Australian Navy's requirements for high levels of availability of the Collins Class submarine fleet, working within the Submarine Enterprise to mitigate COVID-19 related disruptions in a challenging year.

In 2021-2022, ASC completed year two of Performance Period Four of the In-Service Support Contract. Performance Period Four is an eight-year contract extension comprising two, four-year activity periods. In South Australia, ASC continued a Full-Cycle Docking maintenance activity and commenced another. In Western Australia, several maintenance activities took place. These included a Mid-Cycle Docking that incorporated a sonar system and communications centre upgrade, which will be installed across the fleet.

ASC continued to fulfil its remaining obligations on the Hobart Class Air Warfare Destroyer Program, including the completion of delivery certificate scope for each ship. ASC's involvement in the program concluded in May 2022. ASC continued its work on the Offshore Patrol Vessel Program as a subcontractor to Luerssen Australia for the first two ships, *Arafura* and *Eyre*, under construction at the Osborne Naval Shipyard in South Australia.

ASC executed an agreement with the Australian Government to implement the Sovereign Shipbuilding Talent Pool, to retain, grow and develop Australia's shipbuilding workforce.

I commend ASC's workforce for achieving the company's objectives during another year impacted by COVID-19. The persistence and adaptability demonstrated by ASC's employees and leadership team has resulted in an excellent service to the Royal Australian Navy and the nation.

I am grateful for your endorsement of this document and its tabling in Parliament.

Yours sincerely,

BRUCE CARTER
Chairman

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Company Profile

A proprietary limited company registered under the *Corporations Act 2001*, ASC Pty Ltd (ASC) is a Government Business Enterprise (GBE) owned by the Commonwealth of Australia (CoA) and represented by the Minister for Finance, Senator the Hon Katy Gallagher.

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 Royal Australian Navy (RAN) through the Submarine Training and Systems Centre (STSC) at HMAS *Stirling* in Western Australia (WA), and continues to provide these services today.

At the conclusion of the six Collins Class submarine (CCSM) build program in 2003, ASC was awarded the contract for the fleet's through-life support, maintenance and design upgrades. This resulted in changes to the program's governance, and the implementation of innovations and improvements by ASC that have since ensured submarine availability at or above international benchmark.

ASC is now in the Systems Design Phase of the CCSM Life of Type Extension (LOTE) Program, which will extend the service life of all six submarines into the 2040s.

ASC is recognised for its supply chain capability and is committed to maximising Australian industry capability. It has grown Australian Industry Content (AIC) to more than 90% through the CCSM In-Service Support Contract (ISSC).

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 (Government) selected ASC as the shipbuilder for the Hobart Class Air Warfare Destroyer (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. ASC's involvement in the program concluded in May 2022, following execution of the AWD Alliance Close Out Deed.

In 2017, ASC entered into a contract to support prime contractor, Luerssen Australia, to construct the first two Offshore Patrol Vessels (OPVs), *Arafura* and *Eyre* at Osborne in South Australia (SA). This work is ongoing.

In 2018, ASC Shipbuilding was announced as the shipbuilder for the Hunter Class Frigate Program. ASC Shipbuilding separated from ASC and became a subsidiary of BAE Systems Australia, responsible for designing and building the nine frigates. ASC Shipbuilding was subsequently renamed 'BAE Systems Maritime Australia' in 2021.

In September 2021, ASC established the Sovereign Shipbuilding Talent Pool (SSTP), with the Government, to retain, grow and develop the shipbuilding workforce impacted by the Attack Class Submarine (ACSM) Program decision. Retention of this skilled workforce is important to support the transition to build and sustain Australia's future nuclear-powered submarines (SSNs).

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 delivers its services across two sites: ASC North in Osborne, SA and ASC West in Henderson, WA and employs more than 1,600 workers.

Vision

To be Australia's sovereign submarine builder and maintainer – indispensable in delivering our nation's maritime strategy.

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 corresponding behaviours which are the guiding principles that define how ASC conducts its business and what it stands for as a company. These are referred to as the company's PRIDE values:

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.

Financial Highlights

Two-year performance at a glance

	2021-2022 $'m	2020-2021 $'m
Revenue from contracts with customers	573.5	582.5
Interest income	0.5	0.5
Other income and other revenue	1.7	5.5
Total revenue and other income	**575.7**	**588.5**
Earnings before interest, tax, depreciation and amortisation	**53.8**	**83.3**
Depreciation and amortisation	(20.6)	(26.4)
Earnings before interest and tax (EBIT)	**33.2**	**56.9**
Interest expense	(4.6)	(5.1)
Income tax expense	(8.8)	(15.6)
Operating profit before tax	29.1	52.3
Operating profit after tax	**20.3**	**36.7**
EBIT/total revenue and other income (%)	5.8%	9.7%
Shareholder's equity	185.1	176.7
Return on equity (%)	11.0%	20.8%
Dividend paid	12.2	6.5
Total assets	**535.8**	**525.7**


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Chairman's Report

On behalf of the Board of ASC, I am pleased to present the company's 2022 Annual Report.

As Australia's sovereign submarine capability, ASC carries a significant responsibility to the RAN and the nation.

ASC has continued to deliver high levels of CCSM availability to meet the RAN's requirements. The company has also successfully progressed the CCSM LOTE Program, which is critical to ensure Australia's powerful submarine capability is maintained into the 2040s.

ASC's workforce maintained its strong commitment to the company's objectives as the COVID-19 pandemic continued to challenge the business.

During the 2021-2022 financial year, ASC undertook a business restructure. Its CCSM Group remains dedicated to core CCSM business. The newly created Submarine Capability Development Group (SCDG) is charged with coordinating expert support to the Nuclear-Powered Submarine Taskforce (NPST), as it considers the SSN program. This includes delivering the SSTP to retain, grow and develop Australia's shipbuilding workforce.

ASC appreciates that its core role is to successfully deliver CCSM sustainment and the fleet's LOTE. The restructure ensures the company maintains absolute focus on these critical programs, while assisting the NPST to prepare for the SSN program.

In 2021-2022, ASC recorded an after tax profit of $20.3 million, compared to $36.7 million in 2020-2021, and annual revenue and other income of $575.7 million, compared to $588.5 million last financial year.

The reporting year saw the conclusion of ASC's work on the Hobart Class AWD Program. This program, led by an innovative alliance model, demonstrated the adaptability and world-class capabilities of Australia's shipbuilding sector and has provided the RAN with its most potent warships.

ASC continued to provide Luerssen Australia with skilled resources to support its delivery of the first two OPVs at the Osborne Naval Shipyard in SA.

ASC's workforce of more than 1,600 highly skilled employees is critical to the company's important work sustaining the CCSMs and maintaining Australia's sovereign submarine capability. On behalf of the ASC Board, I wish to acknowledge and congratulate each team member for their efforts.

Attracting, retaining and developing skilled workers remains a high priority for ASC. It is also central to the Government's goal to grow Australia's sovereign submarine capability. Competition for skilled labour remains intense in the shipbuilding sector, and ASC is focused on addressing these skills challenges.

The tenacity demonstrated by ASC's workforce, its leadership team and supply chain partners during 2021-2022, has resulted in ASC's continued ability to deliver a reliable and efficient service to its customer, the RAN.

Bruce Carter
Chairman

ASC's workforce of more than 1,600 highly skilled employees is critical to the company's important work sustaining the CCSMs.

Chief Executive Officer and Managing Director's Report

Introduction

ASC continued to deliver high levels of availability of the CCSMs during the 2021-2022 reporting year.

This achievement is particularly noteworthy considering the ongoing impacts of the COVID-19 pandemic. ASC maintained a steady focus on the wellbeing of its people, and its core business. It also worked closely with supply chain stakeholders to minimise health risks and mitigate impacts on the CCSM ISSC schedule.

ASC continued to meet or exceed its contractual requirements on all major program deliverables throughout the reporting period.

Collins Class Submarine Program

In 2021-2022, ASC completed the second year of Performance Period Four (PP4) of the ISSC, continuing a two-year Full-Cycle Docking (FCD) in SA and commencing another, and completing several shorter term maintenance activities in WA, including one Mid-Cycle Docking (MCD). Short-notice operational service responses were also conducted at domestic ports.

ASC has applied efficiencies realised in preceding FCDs to its current FCD maintenance activity, including a reduction in refurbishment times for the diesel engines and the main propulsion motor. The MCD included the installation of a new sonar system and communications centre, which is being delivered across the fleet.

ASC continued to collaborate with the RAN to expand the training ASC delivers at the STSC at Garden Island, WA. ASC's STSC and LOTE teams are working closely to ensure LOTE activities are considered in future training.

During 2021-2022, ASC received funding approval to complete LOTE design activities for the program's core work package; completed the Systems Requirements Review; and continued the Systems Design Phase. ASC also deepened its engagement with its industry partners for design and major equipment.

Shipbuilding

During 2021-2022, ASC formally concluded its involvement in the construction of three highly capable AWDs for the RAN, completing delivery of certificate scope for each ship and executing the AWD Alliance Close Out Deed with the CoA and Raytheon in May 2022.

ASC continued to work with Luerssen Australia to deliver the OPV Program, providing specialist personnel and systems to support the construction of the first two OPVs in SA.

Nuclear-Powered Submarine Taskforce Support

During 2021-2022, ASC undertook a business restructure into two key units: the CCSM Group, which focuses on the company's core business of sustaining the CCSMs, and the SCDG, which provides support to the NPST.

In September 2021, ASC contracted with the Government to establish the SSTP. This important program redeployed workers impacted by the ACSM Program decision. Retention of this skilled workforce is important to support the transition to build and sustain Australia's future SSNs. The SSTP consists of five streams including work on existing ASC programs, education and training, industry placements and services to the NPST. During the financial year, 223 eligible workers accepted employment offers with ASC through the SSTP. At 30 June 2022, 179 had transitioned into their new roles.

Workforce

ASC acknowledges that its skilled workforce is its most critical asset. Attracting, retaining and developing its employees is crucial to meeting the company's objectives and maintaining Australia's sovereign submarine capability. ASC's permanent workforce grew by 24% during the reporting period, with many new recruits transitioning from the ACSM Program.

During 2021-2022, ASC completed all the actions in its inaugural 'Reflect' Reconciliation Action Plan (RAP), awarded its first annual external Science, Technology, Engineering and Maths (STEM) Award, and delivered unconscious bias training to its workforce.

The delivery of ASC's internal Communication and Engagement Strategy and Cultural Transformation Program continued. Many staff engagement activities were hosted in a hybrid environment to accommodate employees working from home, as COVID-19 limited on-site attendance throughout the year.

ASC maintained timely internal communications to ensure team members were kept informed on revised COVID-19 processes and protocols, and encouraged employees to maintain their physical and mental health throughout the pandemic.

Safety and Environment

ASC is committed to continually improving its Work, Health, Safety and Environment (WHSE) performance, and ensuring environmental management and sustainability is integrated through all areas of its business.

The company's WHSE Strategy drives improvement in ASC's safety culture. Additional initiatives during 2021-2022 included the launch of a WHSE Reward and Recognition Program, which aligns with the company's PRIDE values. A new environmental management framework was developed, which thoroughly integrates ASC's environmental management system within its safety management system, leveraging established safety systems and tools.

Digital Transformation Program

ASC's Digital Transformation Program (DTP) supports the company's digital shipyard transition by delivering more streamlined processes, enhanced integration between systems and expanded real-time data. Implementation of the program commenced during the reporting period.

The DTP is critical for ASC to embrace cutting-edge technologies and support the Submarine Enterprise through efficient and modern operations.

Conclusion

I am very pleased with ASC's achievements throughout another dynamic year, which has been marked by many external challenges.

Our workforce has maintained its focus on achieving the company's goals, and demonstrated innovation and persistence in preparing for and mitigating external disruptions, while upholding ASC's commitment to quality and value.

ASC will continue to focus on its core deliverable of providing world-class submarine sustainment, while supporting the Government to prepare for the SSN program.

Stuart Whiley
Chief Executive Officer and Managing Director

ASC continued to meet or exceed its contractual requirements on all major program deliverables throughout the reporting period.

Collins Class Submarine Program

ASC is Australia's sovereign submarine company and the prime contractor responsible for CCSM sustainment.

The performance and availability of the Collins fleet is critical to maintaining the nation's submarine capability.

In partnership with Australia's Submarine Enterprise and CCSM suppliers, ASC ensures it meets the RAN's availability and performance requirements for the CCSMs, while generating efficiencies.

In 2021-2022, ASC completed the second year of PP4 of the ISSC with the CoA. The contract took effect on 1 July 2020 for an eight-year term, comprising two four-year activity periods.

Through the ISSC, ASC is responsible for CCSM maintenance and upgrade activities, platform systems integration, design, engineering and supply chain management services.

During the reporting period, ASC continued to deliver submarine availability, capability and operational support that met or exceeded agreed performance measurements.

ASC is also responsible for submariner training and submarine lifecycle support.

Collins Class Submarine Sustainment

An FCD maintenance activity continued at ASC North during the reporting period, and another commenced in May 2022.

An MCD was completed at ASC West in April 2022, that included installation of a new sonar system and communications centre. These upgrades are being delivered across the entire fleet, to ensure its potency into the future.

ASC also commenced one intermediate docking, and undertook two intermediate maintenance periods along with several supported maintenance periods, at ASC West. An unscheduled docking to identify and rectify an operational issue was completed in November 2021. Several short-notice operational service responses were conducted.

ASC continued to meet or exceed its contractual requirements on all major program deliverables throughout the reporting period, achieving satisfactory performance or better in all five key performance indicators that assess submarine availability, submarine capability, capability improvement, operational defects, and in-service support.

Life of Type Extension Program

The LOTE Program is a key enabler for Australia's continued deployment of CCSM capability into the 2040s.

The program will extend the service life of each of the six submarines in the CCSM fleet for an additional 10 years beyond their initial planned withdrawal dates, with First of Class implementation to commence in 2026 on HMAS *Farncomb*. The LOTE upgrades will be implemented during the submarines' scheduled FCDs.

ASC will replace the propulsion systems, diesel engines and generators, and the power conversion and distribution systems. There will be an optronics and a cooling system upgrade, together with a range of assessments of systems for further update and upgrade.

During the reporting year, ASC received funding approval to complete design activities for the program's core work package, completed the Systems Requirements Review and engaged in procurement activities for the main propulsion motor, the diesel engines and generators, the power conversion and distribution system, and the command and control system.

Work continued on the Systems Design Phase, and ASC engaged with partners, including SAAB Kockums and several major equipment suppliers.

ASC will maximise Australian industry participation as it progresses the LOTE Program.

ASC will maximise Australian industry participation as it progresses the LOTE Program.

Collins Class Submarine Program *continued*

Supply Chain

ASC continues to maintain over 90% AIC in the CCSM sustainment program and is striving to further increase the participation of Australian suppliers. The company's complex supply chain of approximately 1,200 active participants is vital to delivering the CCSM and LOTE Programs.

Maintaining strong relationships with supply chain partners is imperative to ASC achieving the RAN's CCSM performance requirements. Working closely with these stakeholders, ASC's procurement, inventory, warehousing and logistics functions delivered value for money and security of supply as the COVID-19 pandemic continued to disrupt global supply chains.

In December 2021, ASC launched its Sovereign Supply Chain Hub to capture more Australian suppliers into the CCSM supply chain. The hub provides information and resources to encourage small and medium enterprises to consider participating in ASC's supply chain.

ASC continued its long term relationship with the Industry Capability Network (ICN) to develop a deeper understanding of Australian industry capability, by leveraging ICN's supply chain information, enhancing the breadth and depth of supplier capability information, and growing its supply chain data through additional information requests to users of its ICN Gateway supplier capability portal.

ASC maintained its commitment to a supply chain free of slavery. The company strengthened its systems, processes and controls to assess and address modern slavery risks, as part of its three-year rolling strategy.

Submarine Training and Systems Centre

ASC has delivered initial and advanced submariner training for the RAN at the STSC at HMAS *Stirling*, Garden Island, since 1992. State of the art training is delivered through a variety of methods, including virtual reality technology that provides a realistic, 3D environment.

The current five-year training service contract, which commenced in July 2018, expanded the number of training development staff and ASC's provision of courses into the warfare department.

During the 2021-2022 financial year, the RAN notified ASC of its intention to exercise the first three-year extension clause of the contract, which will commence from July 2023.

Employees continued to maintain a customer focus while working flexibly during the COVID-19 pandemic. In 2021-2022, ASC:

- Delivered 253 training courses.
- Provided initial training to 120 new entry submariners.
- Provided advanced training to 248 submariners.
- Provided crew training to 456 submariners.
- Achieved an assessment in the 'superior' range across all contracted key performance indicators.
- Supported operational submarine crews with training and crew certification.
- Assisted in the design and development of the first CCSM Command Course, for implementation by the RAN.
- Provided specialised training to ASC staff in WA.
- Secured a new contract through the Defence Support Services Panel to provide a Blended Learning Developer role for three years, which will support the RAN's vision to move more courses into an online environment.
- Received a one-year extension to a current multimedia contract role.
- Extended digital training technologies into mixed reality utilising holographic device, HoloLens.
- Continued collaboration with ASC's LOTE team to ensure cooperation across activities that will affect the training centre in the future.

COVID-19 Impact on the CCSM Program

ASC continued to adapt its workplace routines and protocols to manage the impacts of COVID-19, to ensure the safety of its workforce and minimise disruption to its operations and supply chains.

Modified protocols for site and submarine access, workplace density, scheduling practices and work pack processes continued, including mask-wearing and site-entry temperature checks.

Planned maintenance activities were disrupted as a result of COVID-19 impacts. ASC worked within the Submarine Enterprise, including the Capability Acquisition and Sustainment Group (CASG) and the RAN, and supply chain stakeholders on case by case mitigation strategies to minimise the impact on CCSM availability.

The company's achievements in meeting or exceeding CCSM program requirements demonstrated its adaptability and commitment to its customer, throughout the pandemic.

Collins Class Submarine Program *continued*

Sites

ASC operates from two major sites in SA and WA. ASC's facilities in SA utilise Government owned infrastructure that is leased from Australian Naval Infrastructure.

ASC's WA facilities at Henderson and Garden Island (HMAS *Stirling*), are located on land owned by the WA and Australian Governments. During 2021-2022, ASC acquired additional land to accommodate its growing staff and contractor parking requirements.

Negotiations to procure further office and workshop capacity close to ASC's Henderson facility took place, with details expected to be finalised early in the 2022-2023 financial year. This will support upcoming maintenance activities including training requirements.

In June 2022, ASC signed a tenancy agreement to establish an office at the Lot Fourteen innovation precinct in the Adelaide central business district. The site will serve as a science and technology base for ASC's engineering team to collaborate with other parties to enhance CCSM sustainment and LOTE outcomes. The city location was chosen to enable connections with universities, students and potential research and business partners.

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.

The Submarine Enterprise comprises CASG, the RAN, and several industry participants including ASC.

During 2021-2022, ASC worked within the Submarine Enterprise to deliver the submarine capability required by the 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.
- Advancement of LOTE design activities.
- Ongoing support for the growth of Australia's sovereign submarine capability, such as installing sonar upgrades.

Future Performance Targets

The Submarine Enterprise Board continually reviews ASC's performance targets through its governance fora, to ensure availability and reliability of the CCSMs and to improve cost efficiencies.

Focus areas remain unchanged from the previous reporting period, including agreement 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.

Submarine Capability Development Group

ASC was restructured into two business units during 2021-2022: the CCSM Group and the SCDG. This division ensures ASC retains focus on its core CCSM work, with a separate group dedicated to providing support to the NPST through the SSTP by leveraging the combined resources of the team.

Sovereign Shipbuilding Talent Pool

During 2021-2022, ASC contracted with the Government to deliver the SSTP. The program was established in September 2021 to retain, grow and develop the shipbuilding workforce impacted by the ACSM decision. Retention of this skilled workforce is important to support the transition to build and sustain Australia's future SSNs.

Workers from the discontinued ACSM Program were encouraged to apply to the SSTP through an online portal, with a dedicated team job-matching them to suitable roles within ASC. ASC began transitioning Naval Group Australia (NGA) and Lockheed Martin Australia (LMA) workers from October 2021, with the majority of SSTP applications received in November and December 2021. The transitional process is continuing, with staff reporting a seamless process, supported by information sessions, training, and safety and security inductions.

At 30 June 2022, through the SSTP 223 eligible workers had accepted roles at ASC, of which 179 had transitioned into the company across program management, commercial, engineering, corporate, operations and supply chain areas. Additional skilled NGA and LMA employees are expected to complete the transition into ASC during the second half of 2022.

The SSTP consists of five streams, including work on existing ASC programs, education and training, industry placements and services to the NPST.

The focus to 30 June 2022 has been the deployment of eligible workers onto existing ASC programs including CCSM sustainment and LOTE.

The transitional process is continuing, with staff reporting a seamless process, supported by information sessions, training, and safety and security inductions.

Shipbuilding

During 2021-2022, ASC concluded its involvement in the AWD Program and continued to support Luerssen Australia to deliver the OPV Program.

Hobart Class Air Warfare Destroyer Program

As the lead shipbuilder for the AWD Program, ASC fulfilled its remaining obligations under the Alliance Based Target Incentive Agreement (ABTIA) in 2021-2022. ASC's responsibilities included completing the delivery of certificate scope for each ship and the rectification of warranty scope.

In May 2022 ASC, Raytheon and the CoA executed the AWD Alliance Close Out Deed, which formally concluded the 14 year AWD Program.

Offshore Patrol Vessel Program

The OPV contract is part of the Government's National Naval Shipbuilding Program, which includes the construction of 12 replacement patrol boats for the RAN's Armidale class. The new vessels will provide greater capability and endurance than the previous fleet.

ASC is subcontracted to Luerssen Australia for the provision of resources and services to construct the first two OPVs in SA, NUSHIPs *Arafura* and *Eyre*. ASC provides specialist personnel, systems and procedures for hull construction and mechanical equipment and piping installation.

Work, Health, Safety and Environment

The health and safety of employees, contractors and visitors to ASC's facilities remains the company's highest priority.

ASC is committed to the continuous improvement of its WHSE performance. The company's WHSE Strategy provides a roadmap to strengthen ASC's generative safety culture and focusses on building awareness and capability through clearly defined responsibilities and accountabilities.

Leaders across the organisation have a clear understanding, acceptance of, and engagement with, their WHSE responsibilities and accountability. Employees are empowered to take control of their own safety, based on a culture of trust, transparency and open communication. Positive WHSE behaviours are recognised and rewarded.

In October 2021 ASC launched its WHSE Reward and Recognition Program, which aligns to the company's PRIDE values. The program was embraced by ASC's workforce, with nominations received across all categories, including Monthly Safety Leader and WHSE Initiatives.

Other achievements throughout 2021-2022 included:

- The launch of ASC's WHSE Risk Competency and Leadership training program, to build capability, deeper understanding and knowledge in focus areas.
- The launch of ASC's Safety Critical Risk Program and associated Lifesaving Commitments, to improve the management of significant risks.
- The implementation of a new WHSE Incident Investigation Framework, to establish a consistent and improved investigation process for personnel safety and environmental harm related events.
- The establishment of Operational Safety Risks Groups as governance fora to support the management and monitoring of the Safety Critical Risk Program.
- The development and execution of a WHSE Communication and Consultation Framework, to embed a two-way exchange of important WHSE information between ASC and its workers.
- The successful deployment of weekly rapid antigen testing for all employees and ongoing management of COVID-19 controls.
- The successful completion of ASC's external audit for WHS Management System International Standard ISO 45001, with no non-conformances noted.
- The successful recertification of ASC's Mental Health First Aid Program, including the identification of further training requirements and specific points of contact across ASC to support positive mental health.

Notifiable WHS Incidents

The *Work Health Safety Act 2011* defines safety incidents that are deemed 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 2021-2022 reporting period, Comcare was notified of four incidents, with two resulting in serious personal injury or illness to ASC workers, and two dangerous incidents as portrayed in Table 1. This represents a significant improvement (60%) in notifiable events compared to 2020-2021. Comcare did not investigate or implement formal action upon any of the four notifiable events.

Notifiable Incidents

	2021-2022	2020-2021
Deaths	0	0
Dangerous incidents	2	5
Serious personal injury or illness	2	5
Total Incidents	**4**	**10**

Table 1: ASC notifiable incidents.


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Work, Health, Safety and Environment *continued*

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's five-year forecast from July 2021 set a 20% reduction target for each financial year for LTIs and LTI frequency rate (LTIFR)*. This target was overachieved in 2021-2022, with a recorded total LTIFR of 1.0 (all site-based workers, including contractors), representing a 47% improvement on the previous financial year, see Figure 1.

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.

ASC's five-year forecast from July 2021 set a 20% reduction target for all MTIs and MTI frequency rates (MTIFR)*. The MTIFR for ASC was 3.0 in 2021-2022 (all site-based workers, including contractors) representing a 19% improvement on the previous financial year, see Figure 2.

Lost Time Injury Frequency Rate

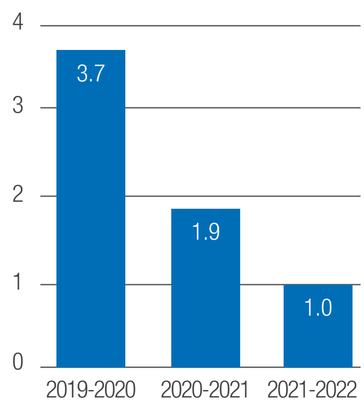

Figure 1: ASC LTIFR comparison.

**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

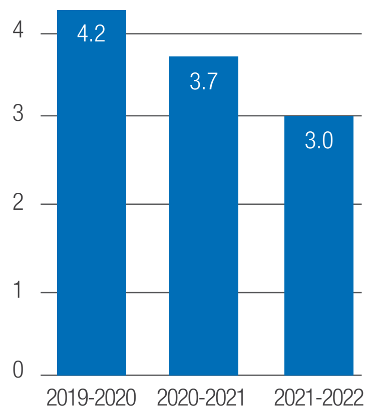

Figure 2: ASC MTIFR comparison.

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

Work, Health, Safety and Environment *continued*

Environmental Performance

ASC is committed to protecting the natural environment, and is ensuring environmental management and sustainability is integrated throughout all areas of its business.

ASC proactively manages environmental risks, with all environmental hazards and risks identified and appropriately mitigated. The company improved its environmental management frameworks to ensure strong compliance, during the reporting period.

Key achievements included:

- The development of a new environmental management framework, to better align and integrate ASC's environmental management system within its safety management system, and leverage existing safety capability, systems and tools.
- The development of site specific Aspect Impact Registers, to identify, assess and manage environmental risks.
- The development of site specific Environmental Management Control Plans, to detail the environmental setting and sensitive receptors of ASC facilities, and significant environmental risks and opportunities.
- The successful completion of ASC's surveillance audit for WHSE Management System International Standard ISO 14001 with no non-conformances.

ASC's total waste diversion, as a percentage of waste produced, is shown in Figure 3. The significant reduction in waste diversion across ASC's sites was primarily due to management of the ASC South facility transferring to BAE Maritime Australia during the financial year. This reduced the total due to strong levels of waste diversion at the South facility in comparison to lower diversion at ASC West.

Environmental Regulation

ASC's operations are subject to environmental regulation under both federal and state legislation. The company holds environmental licenses and permits for its operations in SA and WA, and recognises its obligation to comply with the relevant environmental protection and conservation acts. Accordingly, ASC records, investigates and reports any breaches of federal and local legislation to the respective regulator.

There were no breaches of environmental regulations during 2021-2022.

Annual Total Waste Diversion (%)

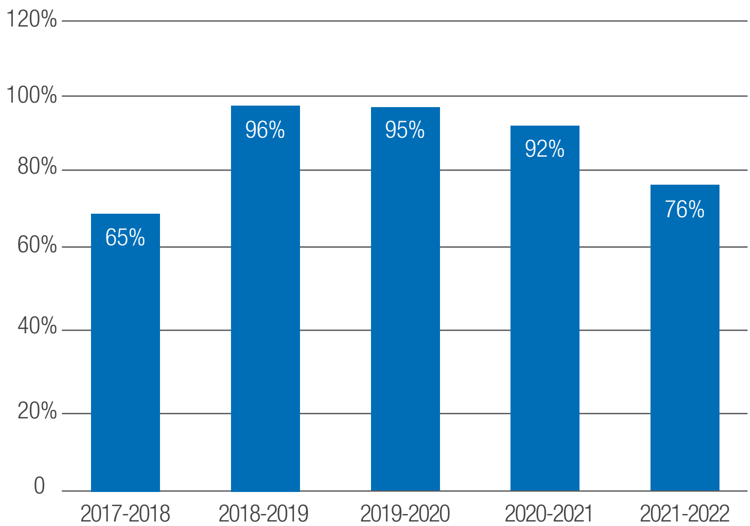

Figure 3: ASC's annual total waste diversion.

People and Culture

The unique knowledge and expertise of ASC's workforce is its most valuable asset, and is critical to maintaining Australia's sovereign submarine capability. Continuing to attract, retain and develop skilled employees is an ongoing priority for ASC.

ASC's workforce grew over the reporting period from 1,336 permanent employees to 1,662, at 30 June 2022. A significant proportion of this increase occurred following the discontinuation of the ACSM Program, and the subsequent establishment of the SSTP, which resulted in the transfer of 179 employees into ASC during the financial year.

Key Achievements

Key achievements throughout 2021-2022 included:

- The completion of all planned actions in ASC's inaugural 'Reflect' RAP.
- The implementation of new learning frameworks, including a Talent Development Program with additional online learning, formalised job mentoring and job shadowing, and a new Leadership Development Program.
- The implementation of programs to support succession planning.

ASC's People and Culture Strategy ensures the company has the required human resources to achieve its operational and strategic goals.

ASC's People and Culture Strategy ensures the company has the required human resources to achieve its operational and strategic goals. Approaches developed and enhanced throughout 2021-2022 enriched ASC's value proposition to attract new employees, and reinforced frameworks for retaining and developing existing employees.

ASC continued to embed the actions of its Communication and Engagement Strategy, delivering many of these in a hybrid environment with a high percentage of the workforce offsite during peak COVID-19 periods.

- The introduction of a secondary school STEM Award to support recruitment activities and encourage students to consider careers in STEM disciplines at ASC.
- The enhancement of ASC's Culture and Engagement Plan.
- The improvement of communication channels to refine how and when ASC communicates with employees, to ensure messaging is timely, relevant and effective.
- The delivery of events and activities that improve the experiences of employees at work. Initiatives included employee recognition events, NAIDOC Week activities and the launch of a new employee recognition program.

Diversity and Inclusion

ASC continued to deliver on its diversity and inclusion initiatives throughout the reporting period.

ASC recognises that its business is strengthened by diversity. An inclusive, safe and secure working environment also enhances the organisation as an employer of choice, encourages employee retention, contributes to positive employee experiences, and supports employees as they achieve their career goals.

ASC's 'Reflect' RAP was embraced by employees, and its successful implementation valued by the workforce as a meaningful contribution towards reconciliation.

Further actions were taken to grow ASC's Women's Network, which provides women at ASC with networking opportunities and training to support their careers, while building diversity advocates across the business.

Learning and Development

ASC is committed to empowering its employees to reach their full potential.

During the 2021-2022 period, the company introduced many additions to its eLearning programs including new safety training and new leadership courses, and a new three-day corporate induction program, which assisted in the smooth transition of employees joining ASC through the SSTP.


MRC = 1100KG
C2M3

Apprentice and Graduate Programs

ASC's Apprenticeship Program develops tradespeople in a unique environment, working on the CCSM fleet. The program employs more than 70 apprentices across electrical, fabrication and mechanical streams.

More than 30 new apprentices were recruited during 2021-2022, with 12 joining ASC from NGA.

ASC's Graduate Program enables participants to gain valuable experience working on a submarine platform, by rotating them across different areas of the business over a two-year period.

Twelve new engineers were recruited through the Graduate Program during the reporting period, including three who transitioned from NGA through the SSTP.

ASC Employees, as at 30 June 2022

	Male			Female			
	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
NSW	-	-	-	-	-	-	-
Qld	-	-	-	-	-	-	-
SA	934	16	950	165	29	194	1,144
Tas	-	-	-	-	-	-	-
Vic	-	-	-	-	-	-	-
WA	428	7	435	69	14	83	518
ACT	-	-	-	-	-	-	-
NT	-	-	-	-	-	-	-
External Territories	-	-	-	-	-	-	-
Overseas	-	-	-	-	-	-	-
Total	**1,362**	**23**	**1,385**	**234**	**43**	**277**	**1,662**

Table 2: ASC's employee numbers by gender, location and employment status as at 30 June 2022.

Digital Transformation Program

ASC's DTP is supporting the company's digital shipyard transition by delivering more streamlined processes, enhanced integration between systems and expanded real-time data.

The program is promoting greater performance and reliability, building more comprehensive knowledge retention, and supporting ASC's ability to deliver future submarine programs such as the LOTE.

The first phase of the program focuses on upgrading and integrating ASC's systems across its supply chain, people and culture, finance and operations functions, through a new Enterprise Resource Planning platform.

During the reporting period, the DTP moved into an implementation phase. Activities centred on system design and releasing system functionality into finance operations and capturing stakeholder management processes.

Data was migrated following a data quality management audit that identified and resolved any issues within existing data.

A project to digitise ASC's planning and inventory management was completed to support the automation of work packages and the optimisation of stock management.

The DTP will enable ASC to embrace cutting-edge technologies and optimally support the Submarine Enterprise through efficient and modern operations.

ASC's employees have played a significant role in shaping the DTP and are continuing to design the transformation of the business as the program progresses.

ASC's employees have played a significant role in shaping the DTP and are continuing to design the transformation of the business as the program progresses.

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 4 for the ASC Group structure.

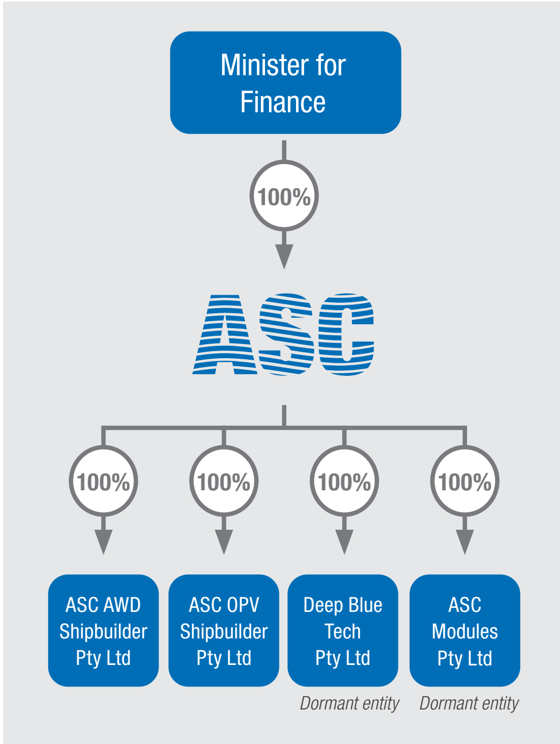

Figure 4: ASC Group structure.

On 11 June 2004, ASC was proclaimed as a 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. ASC's Board composition at 30 June 2022 is as follows:

BRUCE CARTER

Chairman
Appointed: 1/1/2010
To: 31/12/2023

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, 2018 and 2021.

Bruce is currently a Director of Bank of Queensland Ltd, Crown Resorts Ltd, AIG Australia Ltd and One Rail Australia.

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

GEOFF ROHRSHEIM

Deputy Chair
Appointed: 15/3/2019
To: 14/3/2025

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

Joining the ASC Board in 2019, Geoff was appointed as Deputy Chair in March 2022.

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.

DR ROSALIND DUBS

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

Rosalind Dubs is currently a Non-Executive Director of SmartSat CRC Ltd.

Other former positions include: Director of ANU Enterprise Pty Ltd, Astronomy Australia Ltd, Science in Australia Gender Equity (SAGE) Ltd, Aristocrat Leisure Ltd, Taronga Conservation Society, Structural Monitoring Systems Plc and Deputy Vice-Chancellor University of Technology Sydney.

Rosalind has held senior executive roles with Thales SA in Germany, France and Australia, and with Airservices Australia, the Australian National University and CSIRO.

Corporate Governance *continued*

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 Global Listed Infrastructure Limited, Felix Group Holdings Limited and Gelion Plc. She is also Chair of the Audit and Risk Committees for Felix Group Holdings Limited and Gelion Plc.

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: 8/2/2025

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 Non-Executive Director of Root Partnerships Pty Ltd and PMB Defence Pty Ltd, and a Member of the Business Advisory Group for Anacacia Capital.

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*, in 2011, which influenced the improvement of RAN engineering and warship maintenance arrangements.

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

JULIE COOPER

Non-Executive Director
Appointed: 18/3/2022
To: 17/3/2025

Julie Cooper's international executive career spans roles in banking, brewing and defence, including management consulting with McKinsey & Company in London.

Julie is Chair of the South Australian Film Corporation and Nova Systems. She is a Non-Executive Director of Credit Union South Australia, Helping Hand Aged Care, the National Board of the Australian Institute of Company Directors, and the Adelaide Crows Foundation. She is also an Advisory Board Member of the Sarah Group.

DENISE GOLDSWORTHY AO

Non-Executive Director
Appointed: 01/05/2022
To: 30/4/2025

Denise Goldsworthy's executive background spans leadership roles in operations and technology at BHP (steel) and Rio Tinto (iron ore), including Director Major Projects, and Managing Director of Dampier Salt and HIsmelt.

She founded Alternate Futures Pty Ltd, a company that fosters innovation by connecting Australian research organisations, industry and technology start-ups.

Denise is Chancellor at Edith Cowan University, Chair of Gascoyne Gateway and Navy Clearance Diver Trust, and a Board Director of Western Power and Leichhardt Industrials. She was awarded the Telstra Australian Business Woman of the Year in 2010.

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, projects, schedule and systems engineering roles within the business. In 2005 he was appointed General Manager, CCSMs and became responsible for the delivery of CCSM support services in both SA and WA.

Prior to immigrating 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.


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Corporate Governance *continued*

Attendance 2021-2022

Attendance at Board and committee meetings during 2021-2022 was as follows:

	Board		Audit Committee		Human Resources and Remuneration Committee		Business Assurance and Security Committee (BASC)	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bruce Carter	17	17	-	-	4	4	4	3
Geoff Rohrsheim	17	17	-	-	-	-	4	4
Dr Rosalind Dubs	17	16	-	-	-	-	4	4
Paul Rizzo	17	15	5	4	-	-	4	3
Loretta Reynolds	17	15	5	5	4	4	-	
Joycelyn Morton	17	16	5	5	4	4	-	
Julie Cooper*	17	2	5	1	-	-	-	
Denise Goldsworthy AO**	17	1	-	-	-	-	4	1
Stuart Whiley	17	17	-	-	-	-	-	

Table 3: ASC Board and committee meeting attendance 2021-2022.

*Julie Cooper was appointed as ASC Non-Executive Director on 18 March 2022.

**Denise Goldsworthy was appointed as ASC Non-Executive Director on 1 May 2022.

There were nine scheduled Board meetings and eight out-of-session Board meetings.

Committee Membership

Audit Committee	BASC	Human Resources and Remuneration Committee
Joycelyn Morton (Chair) Paul Rizzo Loretta Reynolds Julie Cooper (from June 2022)	Paul Rizzo (Chair) Bruce Carter Rosalind Dubs Geoff Rohrsheim Denise Goldsworthy (from June 2022)	Loretta Reynolds (Chair) Bruce Carter Joycelyn Morton

Corporate Governance *continued*

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 2021-2022 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 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.
- 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 ASC complies with its work, health and safety obligations, including by taking reasonable steps to:
    - o Acquire and keep up-to-date knowledge of work health and safety matters.
    - o Gain an understanding of the nature of ASC's operations and the hazards and risks within those operations.
    - o Ensure appropriate resources are available and processes implemented to enable hazards to be identified and risks eliminated or minimised.
    - o Ensure ASC has appropriate processes for receiving and considering information regarding incidents, hazards and risks, and responding in a timely way to that information.
    - o Ensure the business implements processes for complying with work health and safety laws, regulations and codes of practice.
    - o 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 2022, the committee consisted of Joycelyn Morton (Chair), Paul Rizzo, Loretta Reynolds and Julie Cooper. More information about the Audit Committee can be found at: www.asc.com.au/about-asc/corporate-governance/.

Corporate Governance *continued*

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 2022, 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 2022, the committee consisted of Paul Rizzo (Chair), Bruce Carter, Rosalind Dubs, Geoff Rohrsheim and Denise Goldsworthy.

Board Membership

During the 2021-2022 reporting year Julie Cooper and Denise Goldsworthy joined the Board, on 18 March 2022 and 1 May 2022 respectively.

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

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


ASC
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Corporate Governance *continued*

Risk Management

ASC is committed to risk management as an integral part of its business. Both the Audit Committee (financial risk) and BASC (non-financial risk) are responsible for monitoring ASC's risk management performance. ASC risk management involves:

- Identifying corporate risk.
- Assessing the likelihood of risk 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. In 2021-2022, the program was predominantly delivered via new online interactive learning modules which covered:

- Corporate Governance (comprising modules relating to ASC's code of conduct, whistleblower protection and fraud and corruption).
- Intellectual Property (including a course dedicated to ASC's management and protection of Saab Kockums intellectual property).
- Employment (comprising modules relating to equal opportunity, anti-discrimination, sexual harassment and bullying).
- Defence Export Controls (now called Controlled Technology).
- OPV Program intellectual property.

The BASC is responsible for approving and monitoring the program.

Payments To Other Related Australian Government Entities

	Aggregate value $	Number of transactions
Department of Defence (DoD)	17,063,627	15
Australian Naval Infrastructure Pty Ltd	12,095,931	28
ANAO	342,163	3
Comcare	85,481	1
The Bureau of Meteorology	13,186	15
Department of Industry, Science and Resources	11,444	2

Table 4: Payments to 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 whom 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 Commonwealth Remuneration Tribunal (the Tribunal).

A summary of KMP remuneration for the financial year 2021-2022 is included in Tables 6 and 7.

ASC's approach to senior executive remuneration is summarised below.

Senior Executive Remuneration Overview

ASC'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, including a deferred retention component, should the required company performance and individual objectives be achieved.

The remuneration of ASC's Managing Director is in accordance with the relevant determination of the Tribunal and the role is currently classified as a Principal Executive Officer Band E, and includes an at risk amount of up to 20% of total remuneration.

Setting Senior Executive Remuneration

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

ASC's 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.

Review of Senior Executive Remuneration

ASC's 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 Tribunal determinations. The ASC Board is responsible for the approval of senior executive remuneration packages and the award of annual individual STIs following recommendations from the Human Resource and Remuneration Committee.

Key Management Personnel Remuneration *continued*

Linking Company and Individual 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.

Non-Executive Director Fees

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

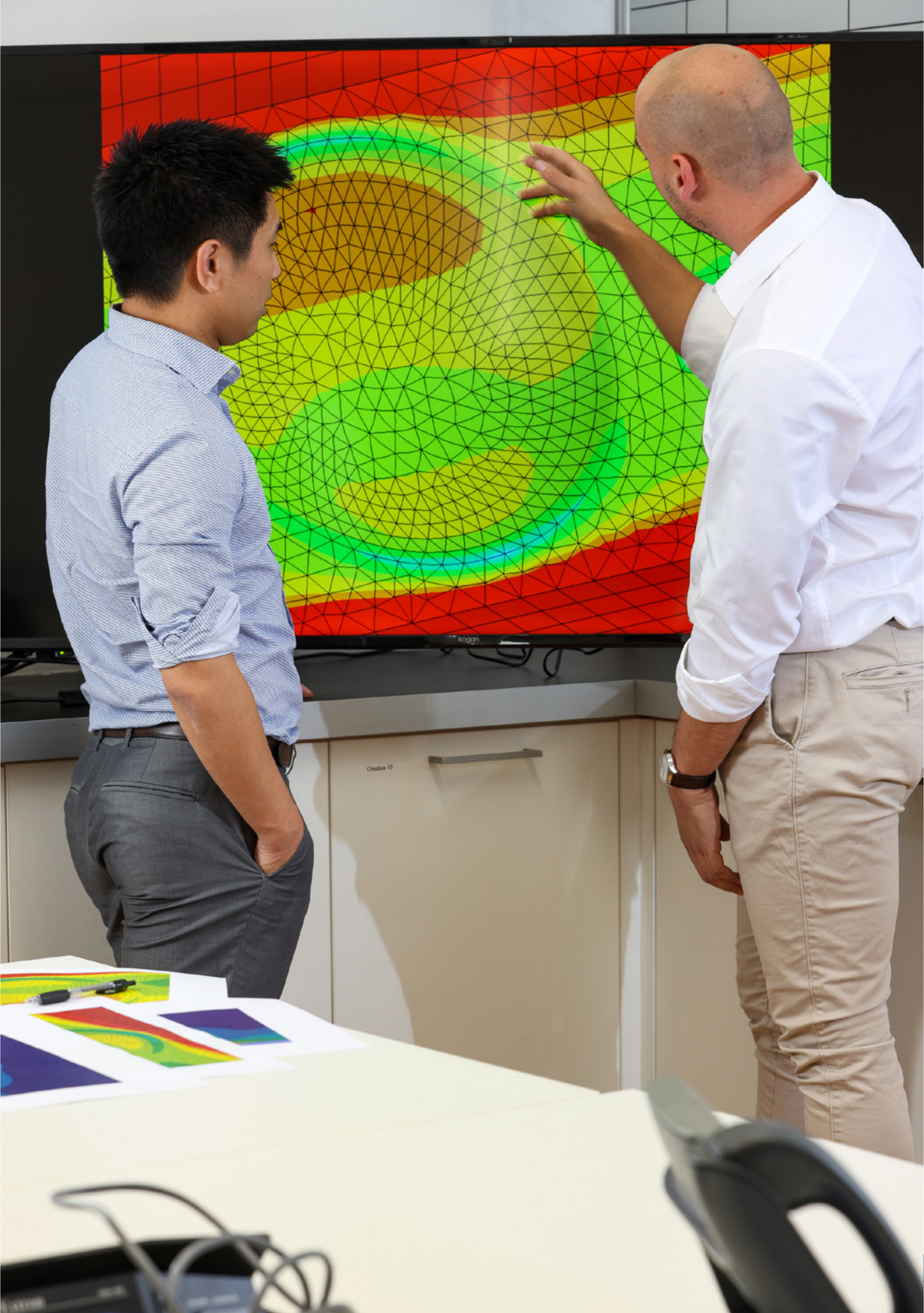
Fees for Non-Executive Directors are set through the determinations of the Tribunal. The Tribunal makes the determination in accordance with subsections of the *Remuneration Tribunal Act 1973*.

The Deputy Chair position came into effect on 18 March 2022. The Tribunal sets annual Chair, Deputy Chair and Board Member fees (exclusive of superannuation contributions) for all activities undertaken by Non-Executive Directors on behalf of ASC. Board Member fees are not payable to the Chair and Deputy Chair and committee fees are not paid to the Chair or members of the Human Resources and Remuneration Committee.

The following table details the fees for Non-Executive Directors for the financial years 2021-2022 and 2020-2021.

Non-Executive Position	From 1 July 2021 $	From 1 July 2020 $
Chair – Board	166,290	166,290
Deputy Chair – Board	124,720	-
Member – Board	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 5: Fees for Non-Executive Directors for the financial years 2021-2022 and 2020-2021.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Key Management Personnel Remuneration 2021-2022 *continued*

			Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
			Base salary (1)	STI	Other benefits and allowances	Superannuation contributions (2)	Long Service Leave (3)	Other long-term benefits (4)	(5)	
Name and Position Title		Note	$	$	$	$	$	$	$	$
Current Senior Executives										
Stuart Whiley, Managing Director and Chief Executive Officer	**2021-2022**		**650,083**	**133,367**	**-**	**27,500**	**15,983**	**-**	**-**	**826,933**
	2020-2021		659,980	133,000	-	25,000	16,000	-	-	833,980
Paul Gay, Chief Operating Officer - Collins	**2021-2022**		**475,434**	**83,707**	**-**	**27,500**	**10,568**	**84,086**	**-**	**681,294**
	2020-2021		424,470	85,973	-	25,000	9,769	86,363	-	631,575
Christian Hamilton, Chief Strategy Officer	**2021-2022**		**390,128**	**69,538**	**-**	**27,500**	**8,750**	**69,852**	**-**	**565,768**
	2020-2021		289,258	63,423	-	25,000	7,207	63,711	-	448,599
Ashley Menadue, Chief Financial Officer	**2021-2022**		**459,251**	**90,812**	**-**	**42,817**	**10,701**	**91,223**	**-**	**694,804**
	2020-2021		459,286	87,705	-	25,000	10,491	88,104	-	670,586
Former Senior Executives										
Martin Edwards, Executive Manager Maritime Services Group (MSG) MSG and Interim Executive Manager Engineering	**2021-2022**	**6**	**277,372**	**-**	**-**	**11,073**	**6,590**	**-**	**380,153**	**675,188**
	2020-2021		464,280	79,690	-	25,000	10,668	80,052	-	659,690
Grand Total:	**2021-2022**		**2,252,268**	**377,423**	**-**	**136,390**	**52,592**	**245,161**	**380,153**	**3,443,987**
	2020-2021		2,297,274	449,791	-	125,000	54,135	318,230	-	3,244,430

Table 6: Remuneration of KMP for the 2020-2021 and 2021-2022 financial years.

Notes:

1. Base salary includes annual leave accrued in the year, allowances paid and difference to superannuation concessional cap.
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 $27,500) 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 guarantee rates were 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 include 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 has previously been accrued.
6. Martin Edwards ceased employment on 7 February 2022. A significant portion of his responsibilities were transferred to Christian Hamilton, Chief Strategy Officer.

Key Management Personnel Remuneration 2021-2022 *continued*

			Short-term benefits			Post-employment benefits	Other long-term benefits	Termination benefits	Total remuneration
			Base salary	STI	Other benefits and allowances (1)	Superannuation contributions	Long Service Leave		
Name and Position Title		Note	$	$	$	$	$	$	$
ASC Pty Ltd									
Bruce Carter, Chair	**2021-2022**		**-**	**-**	**166,290**	**16,629**	**-**	**-**	**182,919**
	2020-2021		-	-	166,290	15,798	-	-	182,088
Geoffrey Rohrsheim, Director / Deputy Chair	**2021-2022**	**2**	**-**	**-**	**99,047**	**9,905**	**-**	**-**	**108,952**
	2020-2021		-	-	85,460	8,119	-	-	93,579
Julie Cooper, Director	**2021-2022**	**3**	**-**	**-**	**22,821**	**2,282**	**-**	**-**	**25,103**
	2020-2021		-	-	-	-	-	-	-
Rosalind Dubs, Director	**2021-2022**	**4**	**-**	**-**	**85,460**	**8,546**	**-**	**-**	**94,006**
	2020-2021		-	-	85,460	8,119	-	-	93,579
Denise Goldsworthy, Director	**2021-2022**	**5**	**-**	**-**	**13,445**	**1,345**	**-**	**-**	**14,790**
	2020-2021		-	-	-	-	-	-	-
Joycelyn Morton, Director	**2021-2022**	**6**	**-**	**-**	**103,334**	**-**	**-**	**-**	**103,334**
	2020-2021		-	-	98,882	3,982	-	-	102,864
Loretta Reynolds, Director	**2021-2022**	**7**	**-**	**-**	**85,780**	**8,578**	**-**	**-**	**94,358**
	2020-2021		-	-	85,780	8,149	-	-	93,929
Paul Rizzo, Director	**2021-2022**	**8**	**-**	**-**	**101,450**	**10,145**	**-**	**-**	**111,595**
	2020-2021		-	-	101,450	9,638	-	-	111,088
Grand Total:	**2021-2022**		**-**	**-**	**677,627**	**57,430**	**-**	**-**	**735,057**
	2020-2021		-	-	623,322	53,805	-	-	677,127

Table 7: Remuneration of Non-Executive Directors for the 2020-2021 and 2021-2022 financial years.

Notes:

1. Director fees have been classified as Other benefits and allowances.
2. Geoffrey Rohrsheim is a member of BASC and Deputy Chair from 18 March 2022.
3. Julie Cooper commenced as a Director from 18 March 2022. Julie Cooper is a member of the Audit Committee.
4. Rosalind Dubs is a member of the BASC.
5. Denise Goldsworthy commenced as a Director on 1 May 2022. Denise Goldsworthy is a member of the BASC.
6. Joycelyn Morton is the Chair of the Audit Committee. Approved employer shortfall exemption certificate (opt out of superannuation) from 1 July 2021 to 30 June 2022.
7. Loretta Reynolds is a member of the Audit Committee.
8. Paul Rizzo is the Chair of the BASC and a member of the Audit Committee.


ASC
ASC
Take
Five

Financial Report

30 June 2022

Consolidated financial statements:

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 2022

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 2022.

Directors

The following persons were directors of the Group and the Company during the entire financial year up to the date of this report, unless otherwise noted:

Bruce James Carter

Geoffrey Roland Rohrsheim

Julie Anne Cooper (appointed 18 March 2022)

Dr Rosalind Vivienne Dubs

Denise Carol Goldsworthy (appointed 1 May 2022)

Joycelyn Cheryl Morton

Loretta Anne Reynolds

Paul John Rizzo

Stuart Paul Whiley

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 2022 are set out below.

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 CCSMs under the ISSC.

LOTE related activities:

The LOTE Program is a key enabler for Australia's continued deployment of the CCSM capability into the 2040s. The program will extend the service life of each of the six submarines in the CCSM fleet for an additional 10 years beyond their initial planned withdrawal dates, with First of Class implementation to commence in 2026 on HMAS *Farncomb*. The LOTE upgrades will be implemented during the submarines' scheduled FCDs.

SSTP related activities:

The Company is contracted to the Government to deliver the SSTP to manage workers impacted by the cessation of the ACSM Program. Through the AUKUS Agreement, the Government is in the planning phase of acquiring SSN technology. The Company is supporting the Government by providing subject matter expertise to the NPST through the SSTP.

Hobart Class AWD related activities:

The Group is the main shipbuilder for the construction of the three AWDs for the CoA. The Group is part of the ABTIA with other members of the AWD Alliance, the CoA represented by the CASG and Raytheon Australia. The ABTIA committed the Alliance members to work as an integrated team to deliver the RAN's next generation warships, with all obligations being concluded during the year ended 30 June 2022. The Group is also contracted under the ASC Maritime Standing Offer for Services with the DoD to provide engineering support services to the AWD Program Management Office to support a range of requirements.

OPV related activities:

The Group is a subcontractor to Luerssen Australia for the construction of the first two of 12 Arafura Class OPVs in SA.

Consolidated result

The consolidated profit of the Group for the financial year attributable to the shareholders of the Company was $20,293,000 (2021: $36,727,000) after provision for income tax expense of $8,761,000 (2021: $15,587,000).

Review of operations

CCSM related activities:

The Company is operating in year two of PP4 of the ISSC, which commenced on 1 July 2020, after Performance Period 3 concluded on 30 June 2020. The PP4 contract is for a period of eight years, 1 July 2020 to 30 June 2028. The Company will continue to work with and support the RAN in line with PP4 of the ISSC.

LOTE related activities:

The systems design phase of LOTE was completed during the first half of the current financial year. On 11 February 2022, the Company executed an agreement with the CoA to engage in the next phase of the LOTE scope which includes undertaking detailed design, to be completed by the end of May 2024.

SSTP related activities:

The Company was contracted to the Government to deliver the SSTP to manage NGA and LMA workers impacted by the cessation of the ACSM Program. The Company and the CoA signed a Heads of Agreement (HoA) for the development and the management of the SSTP on 8 October 2021. The Company received a SSTP Management Services Agreement (MSA) from the DoD, which was executed on 14 February 2022. Following the signing of the MSA, the Company has established a Program Management Office to manage the MSA and related services.

Hobart Class AWD related activities:

The Group, together with the Alliance, have concluded negotiations and executed the AWD Program Close Out Deed, which, has formally ended the AWD Program and therefore the Group will have no further obligations under ABTIA outstanding. ASC AWD Shipbuilder Pty Ltd, a subsidiary of ASC Pty Ltd, will continue to operate under the existing ASC Maritime Standing Offer for Services until December 2023, to ensure any remaining obligations can be satisfied and as such will continue as a going concern for at least a period of greater than 12 months from the date of this report.

OPV related activities:

The Group continues to provide support to the OPV Program prime contractor, Luerssen, through provision of resources and services. The OPV Program achieved a significant milestone on 16 December 2021, with the launch of ship one. Steady progress has been made on the build of ship two.

Dividends - ASC Pty Ltd

The Directors declared an unfranked final dividend of $2.1 million on 29 August 2022 for the year ended 30 June 2022.

Dividends paid during the financial year were as follows:

	June 2022 $'000	June 2021 $'000
Final dividend for the year ended 30 June 2021 paid on 27 October 2021	**2,100**	3,200
Interim dividend for the year ended 30 June 2022 paid on 29 April 2022	**10,100**	2,100
Special dividend paid on 29 April 2021	**-**	1,200
	12,200	6,500

State of affairs

An update on the Group's contractual obligations is provided under Review of operations above. There have been no other significant changes in the state of affairs of the Group during the period.

Environmental regulation

The operations of the Group and the Company are subject to environmental regulation under both CoA and State legislation in relation to activities undertaken on our sites in SA and WA.

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, which forms part of ASC's corporate management system. All of the Group sites, comprised of the SA and WA submarine facilities and the SA 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' report

For the year ended 30 June 2022 *continued*

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.

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 49.

Rounding of amounts

The consolidated entity is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investment 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
29 August 2022

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 2021–22 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of ASC Pty Ltd and its controlled entities for the year ended 30 June 2022, 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

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
29 August 2022

Directors' declaration

For the year ended 30 June 2022

The directors declare that, in the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 54 to 111 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 2022 and of its performance for the year ended on that date; and

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

Note 1(a) confirms that the consolidated 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
29 August 2022

Australian National
Audit Office

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 controlled entities) for the year ended 30 June 2022 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 2022 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 2022 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 statement, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2022, 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 as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In 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

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
29 August 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	**June 2022 $'000**	June 2021 $'000
Revenue	4(a)	**575,655**	588,546
Expenses			
Materials and subcontractors		**181,007**	213,049
Labour		**304,492**	254,672
Depreciation and amortisation expense	5	**20,564**	26,359
Reversal of asset impairment provision	5	**(5,286)**	-
Lease expense		**611**	305
Other expenses		**40,252**	36,434
Finance expenses	5	**4,961**	5,413
Total expenses		**546,601**	536,232
Profit before income tax		**29,054**	52,314
Income tax expense	6(a)	**8,761**	15,587
Profit after income tax		**20,293**	36,727
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligation	8(e)(vi)	**494**	203
Income tax relating to these items	6(c)	**(148)**	(61)
Other comprehensive income for the year, net of tax		**346**	142
Total comprehensive income for the year		**20,639**	36,869
Profit is attributable to:			
Owners of ASC Pty Ltd		**20,293**	36,727
Total comprehensive income for the year is attributable to:			
Owners of ASC Pty Ltd		**20,639**	36,869

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 2022

	Notes	June 2022 $'000	June 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**192,794**	180,861
Trade and other receivables	7(b)	**126,293**	139,809
Contract assets	4(b)	**7,844**	15,516
Unpaid share capital	8(c)	**-**	11,000
Inventories		**47**	34
Current tax receivables		**-**	127
Other current assets		**4,889**	4,662
Total current assets		**331,867**	352,009
Non-current assets			
Net pension assets	8(e)(ii)	**1,005**	425
Property, plant and equipment	8(a)	**27,394**	20,389
Right-of-use assets	8(b)	**114,473**	123,883
Intangible assets	8(d)	**30,804**	5,735
Deferred tax assets	6(d)	**28,358**	21,214
Other non-current assets	9	**1,925**	2,073
Total non-current assets		**203,959**	173,719
Total assets		**535,826**	525,728

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 2022 *continued*

	Notes	June 2022 $'000	June 2021 $'000
LIABILITIES			
Current liabilities			
Trade and other payables	7(c)	**50,153**	70,180
Contract liabilities	4(b)	**52,337**	48,426
Advances	7(d)	**59,412**	48,838
Lease liabilities	7(f)	**14,320**	13,545
Current tax liabilities		**9,087**	-
Provisions	8(f)	**52,103**	46,772
Total current liabilities		**237,412**	227,761
Non-current liabilities			
Non-interest bearing liabilities	7(e)	**134**	134
Lease liabilities	7(f)	**106,016**	114,744
Provisions	8(f)	**7,171**	6,435
Total non-current liabilities		**113,321**	121,313
Total liabilities		**350,733**	349,074
Net assets		**185,093**	176,654
EQUITY			
Share capital	10(a)	**65,000**	65,000
Retained earnings	10(b)	**120,093**	111,654
Total equity		**185,093**	176,654

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 2022

	Attributable to owners of ASC Pty Ltd		
	Share capital $'000	Retained earnings $'000	Total equity $'000
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	-	(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**
Balance at 1 July 2021	65,000	111,654	176,654
Profit for the period	-	20,293	20,293
Remeasurement of defined benefit obligations	-	494	494
Income tax relating to these items	-	(148)	(148)
Total comprehensive income for the year	**-**	**20,639**	**20,639**
Transactions with owners in their capacity as owners:			
Dividend paid	-	(12,200)	(12,200)
Balance at 30 June 2022	**65,000**	**120,093**	**185,093**

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 2022

	Notes	June 2022 $'000	June 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		**659,752**	561,526
Payments to suppliers and employees (inclusive of GST)		**(598,498)**	(530,697)
Income taxes paid		**(6,840)**	(27,286)
Net cash inflow from operating activities	19(a)	**54,414**	3,543
Cash flows from investing activities			
Interest received		**515**	570
Payments for property, plant and equipment	8(a)	**(8,554)**	(5,240)
Payment for software development costs	8(d)	**(24,208)**	(5,735)
Proceeds from sale of property, plant and equipment		**948**	385
Net cash (outflow) from investing activities		**(31,299)**	(10,020)
Cash flows from financing activities			
Dividends paid		**(12,200)**	(6,500)
Proceeds from issues of shares and other equity securities		**11,000**	11,000
Proceeds from advances	19(b)	**67,666**	32,000
Repayment of advances	19(b)	**(58,837)**	(49,282)
Principal element of lease payments	19(b)	**(13,715)**	(13,808)
Interest paid		**(4,636)**	(5,094)
Net cash (outflow) from financing activities		**(10,722)**	(31,684)
Net increase/(decrease) in cash and cash equivalents		**12,393**	(38,161)
Cash and cash equivalents at the beginning of the financial year		**180,861**	219,183
Effects of exchange rate changes on cash and cash equivalents		**(460)**	(161)
Cash and cash equivalents at end of year	7(a)	**192,794**	180,861

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

Notes to the consolidated financial statements

For the year ended 30 June 2022

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies

The consolidated financial statements for the year ended 30 June 2022 comprise of ASC Pty Ltd (the Company) and its subsidiaries (together referred to as the Group or the consolidated entity). The consolidated financial statements are presented in Australian dollars.

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

The consolidated financial statements were authorised for issue on 29 August 2022. The directors have the power to amend and reissue financial statements.

(a) Basis of preparation

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

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Group comply with Australian Accounting Standards as issued by the AASB.

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

Historical cost convention

These consolidated 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 consolidated 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 consolidated 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 the ASIC, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with the Instrument unless otherwise stated.

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

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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 2022 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).
- 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, interpretations and amendments, 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) during and up to 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) 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 presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either program specific contract exchange rates or 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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(c) Foreign currency (continued)

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 at fair value through other comprehensive income are recognised in other comprehensive income.

(d) 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 benefit) for the period is the tax payable (or receivable) on the current period's taxable income (or loss) 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.

Current income tax expense 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. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(d) Taxation (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is probable that future taxable income will be available, against which the Group may utilise those temporary differences and losses. Deferred tax assets are reduced to the extent that it is no longer probable that future taxable income will be available.

Deferred tax liabilities and assets are not recognised for temporary differences between the tax base and carrying amount 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 and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group 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.

(e) 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 Consolidated 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.

(f) Revenue recognition

Revenue is recognised when control of a good or service transfers to the customer and is measured as the amount (transaction price) 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 is 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

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 Group 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 progress towards completion are revised due to a change in circumstances, a resultant increase or decrease in the estimated revenues or costs are reflected in 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.

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 will be completed. The cost of delivery is determined for each deliverable at inception of the contract, with revenue and profit being recognised on the cost as it is incurred, 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 progress towards completion are revised due to a change in circumstances, a resultant increase or decrease in the estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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 they are 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 Group, with continuous control transferred to the customer as services are provided.

Where costs are reimbursed from the customer on a periodic basis based on 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 Group are not eligible for reimbursement from the customer, these costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

Survey and quote contract

Survey and quote contracts are related to ad-hoc services provided or special services outside the scope of a primary 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.

Interest income

Interest income on financial assets measured 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 deducting the loss allowance.

(g) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, 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.

Included in Cash and cash equivalents are amounts advanced to the Group by the CoA for the purpose of funding the working capital requirements of projects. The amounts advanced have certain contractual restrictions placed on the use of these funds. The funds maintained may only be applied to the direct project under which it was advanced, for expenditure incurred and claims for reimbursement from the CoA. The amount that exceeds the value of the direct project expenditure incurred and unbilled is defined as restricted cash.

Cash and cash equivalents are measured at amortised cost.

Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

(h) 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 12 months after the reporting date. Refer to note 1(o) for impairment of financial assets.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(i) Contract balances

The recognition of contact assets (unbilled amounts) and contract liabilities (deposits or advances received) on the Consolidated Statement of Financial Position is dependent on the timing of revenue 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, either at periodic intervals or upon achievement of contractual milestones.

Contract assets disclosed in the Consolidated Statement of Financial Position are recognised 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.

(j) 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.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. 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 expenses are recognised in profit or loss in the period in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives which range between one and twenty years.

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. Further details are disclosed in note 1(o).

Gains and losses on disposal of assets are determined by comparing proceeds with carrying amount. Gains or losses are recognised in the Consolidated Statement of Comprehensive Income.

1 Summary of significant accounting policies (continued)

(l) 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 components 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 Consolidated Statement of Financial Position. 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 lease incentives received).

The Group depreciates the right-of-use asset 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 potential impairment indicators exist.

Lease payments included in the measurement of the lease liability include; 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 guarantees 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 net 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 lease 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 against the right-of-use asset, or profit or 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 produce a constant periodic rate of interest on the remaining balance of the lease 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 computer and other equipment.

(m) Intangible assets

Software - DTP

Costs associated with maintaining software programmes 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:

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(m) Intangible assets (continued)

- 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 will be amortised on a straight-line basis over its expected useful life of five years.

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 SaaS subscription costs are recognised as an expense as incurred, similar to a service contract.

(n) 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(o) 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 Group 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.

(p) 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 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group 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 employees in SA. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the Group 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 2022 *continued*

1 Summary of significant accounting policies (continued)

(q) Provisions (continued)

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

In the Consolidated 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.

(r) 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 reporting 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 accumulated sick leave is recognised in Provisions for employee benefits. All other short-term employee benefit obligations are presented within Trade and other 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 reporting period in which the employees render the related service. They are recognised in Provisions 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 Consolidated Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least 12 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 Consolidated 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

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 Consolidated Statement of Changes in Equity and in the Consolidated 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.

(s) Advances

Advances represent working capital advances provided by the CoA under various projects. Advances are initially recognised at fair value, and are subsequently measured at amortised cost.

Advances are removed from the Consolidated Statement of Financial Position when the project obligations specified in the contract are discharged, cancelled or expired.

Advances are classified as current liabilities by the Group.

(t) Interest and non-interest bearing liabilities

Interest and non-interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred, and 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 liability using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the facility 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.

Interest and non-interest bearing liabilities are removed from the Consolidated 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.

Interest and non-interest bearing liabilities 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 end of the reporting period.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

1 Summary of significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs incurred in the construction of a 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 to profit or loss in the period in which they are incurred.

(v) Contributed equity

Ordinary shares are classified as equity.

(w) 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.

(x) 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.

(y) 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.

Investments in subsidiaries

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

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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

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 Group 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 good or service 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 the best estimate of the standalone selling price of each distinct good or service in the contract.

The Group has an Estimate at Completion (EAC) process in which management reviews the progress and completion of 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 judgement 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 to complete many of the types of performance obligations performed by the Group, 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 may 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 the 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 predominantly recognises revenue over time, because of the continuous transfer of control to the customer. The Group uses costs incurred to date, relative to total EAC, to measure progress towards satisfying performance obligations. Incurred costs represent work performed which corresponds with and best depicts the transfer of control to the customer. Contract costs include labour, materials, subcontractor costs and overheads.

CCSM Program revenue and profit recognition

In relation to the PP4 contract for the maintenance of the CCSMs, reviews of actual costs incurred and other components relating to performance scores and pain/gain calculations are performed on a periodic basis by management throughout the course of the contract, on both a year-to-date and contract time frame basis.

Adjustments will be made to revenue recognised if there are circumstances (e.g. resulting in a change in profit estimates compared to actuals), which indicate an increase or decrease resulting from meeting performance scores. Adjustments are recognised in profit or loss in the period in which the circumstances change.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

2 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

LOTE Program revenue and profit recognition

In accounting for the revenue recognition for the LOTE design contract, reviews of actual costs incurred to date, progress towards completion, program schedule, identified risks and opportunities, and estimated total contract revenue and costs, are performed on a periodic basis by management throughout the course of the contract, on both a year-to-date and contract time frame basis.

Adjustments are made to revenue recognised over the contract time frame if there are changes in circumstances, changes in actuals or estimates for the remaining contract time frame. Adjustments are recognised in profit or loss in the period in which the changes occur.

SSTP Program revenue and profit recognition

In accounting for revenue recognition for the SSTP management services fee, reviews of actual costs incurred, forecast costs to complete the services over the contracted period, actual and key performance indicator scores, are performed on a periodic basis by management throughout the course of the contract, on both a year-to-date basis and contract time frame basis.

Adjustments are made to revenue recognised over the contract time frame if there are changes in actual or forecast costs or key performance indicator scores. Adjustments are recognised in profit or loss in the period in which the changes occur.

AWD Program revenue and profit recognition

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. During the current year the expected loss was reviewed on a quarterly basis based on management's most recent forecasts and application of 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. Any future changes to estimates of contract revenue or contract costs resulting in a change to the estimated profit or loss of the project will be accounted for as a change in accounting estimate and recognised in the period that the change occurs.

Loss provisions of $14,256,282 has been recognised to-date at 30 June 2022 (2021: $17,913,665) in relation to the difference between total contract revenue and costs incurred. No further loss provisions will be recognised, as the AWD Program Close Out Deed has been executed, which, has formally ended the AWD Program and therefore the Group will have no further obligations under ABTIA.

OPV Program revenue and profit recognition

Forecasts of costs to complete the construction of the two OPVs were undertaken as part of a formal quarterly process. Following the execution of a Contract Change Proposal (CCP) on 6 April 2021, the contract with Luerssen changed from a Fixed Price Lump Sum Contract to a Time and Materials Services Contract (cost reimbursable).

As a result of the CCP, management's forecast 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 was no longer loss making. The loss provision of $10,730,619 recognised in the year ended 30 June 2020 was reversed in the year ended 30 June 2021, the impact of which was recognised in profit or loss.

2 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

DTP

Costs incurred during the development and implementation phases of the DTP are capitalised if the definition of an intangible asset are met (refer to note 1(m)). 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 profit or 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. The exercise of judgement requires a detailed 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 to the Consolidated Statement of Financial Position. Costs that do not meet the capitalisation criteria described in note 1(m) are expensed to profit or loss in the period in which they are incurred.

In addition, judgement is made in determining the transition point from the research phase to the development phase. Costs incurred in the research phase are generally expensed to profit or loss and costs incurred in the development phase are considered for capitalisation if and when the capitalisation criteria in AASB 138 *Intangible Assets* are met. 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. The Group assesses whether the contract contains an identifiable asset, if the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the term of the lease and has the right to direct how and for what purpose the asset is used throughout the term of the lease.

In determining the lease term, management applies judgement to determine whether or not an option would be reasonably certain to be exercised. To help determine the lease term, management considers all facts and circumstances, including past practice and any costs that would reasonably be incurred to replace the asset, should a lease extension option not be taken. 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 lease payments 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 leased asset in a similar economic environment.

Net pension assets / liabilities

Estimating the present value of a defined benefit obligation requires a number of significant assumptions that are determined on an actuarial basis (including discount rate and future salary increase). Refer to note 8(e)(iii) for details of significant assumptions used in the estimate of the present value of defined benefit obligations.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

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 financial 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 BASC, which is responsible for the oversight of non-financial risks.

Both committees report regularly to the Board on their activities.

	June 2022 $'000	June 2021 $'000
Financial assets		
Cash and cash equivalents	**192,794**	180,861
Trade and other receivables	**126,293**	139,809
	319,087	320,670

	June 2022 $'000	June 2021 $'000
Financial liabilities		
Trade and other payables	**50,153**	70,180
Advances	**59,412**	48,838
Non-interest bearing liabilities	**134**	134
Lease liabilities	**120,336**	128,289
	230,035	247,441

(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.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

3 Financial and capital risk management (continued)

(a) Credit risk

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.

Recognised financial instruments

	June 2022 $'000	June 2021 $'000
Trade receivables		
Counterparties with external credit rating		
Aaa (CoA)	**125,896**	132,249
Credit rating not determined	**241**	7,515
Total trade receivables	**126,137**	139,764
A3 or higher rated cash at bank, short term deposits and interest receivable		
Cash and cash equivalents	**192,794**	180,861
Interest receivable	**156**	45
	192,950	180,906

The credit risk on financial assets of the Group which have been recognised on the Consolidated Statement of Financial Position, is the carrying amount, net of any loss allowance provisions as summarised above.

The ISSC, which is a substantial proportion of the Group's operations, receives a substantial portion of its funding from the CoA, who has a Moody's credit rating of Aaa. Therefore the Group 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 (2021: nil).

(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 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 under the relevant contracts. Due to the nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

3 Financial and capital risk management (continued)

(b) Liquidity risk (continued)

The Group maintains the following lines of credit:

- $47,000,000 overdraft facility not drawn down at balance date (2021: $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;
- $30,000,000 multi option bank facility not drawn down at balance date (2021: $30,000,000). The facility is reviewed annually by management; and
- $5,000,000 bank facility not drawn down at balance date. The facility was opened during the current financial year. The facility is reviewed annually by management.

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. During the current financial year, subsequent to execution of the AWD Program Close Out Deed, the advance funding from the AWD project of $16.8 million was repaid to the CoA. The AWD advance funding at the end of the financial year was nil (2021: $16.8 million) and ISSC advance funding at the end of the financial year was $32.0 million (2021: $32.0 million).

Under the SSTP HoA, the Company received advance funding of $10.0 million from the CoA in December 2021. When the Company transitioned from the HoA to the SSTP MSA, the Company repaid the HoA advance funding and concurrently received advance funding of $7.0 million for the SSTP project from the CoA in June 2022, of which $1.7 million was receivable as at the end of the financial year. As such the SSTP advance funding at the end of the financial year was $7.0 million (2021: nil).

Maturities of financial liabilities

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

Contractual maturities of financial liabilities At 30 June 2022	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives							
Non-interest bearing	-	50,153	-	-	160	50,313	50,287
Advances	-	59,412	-	-	-	59,412	59,412
Lease liabilities	9,304	9,275	18,493	71,504	31,551	140,127	120,336
Total non-derivatives	**9,304**	**118,840**	**18,493**	**71,504**	**31,711**	**249,852**	**230,035**
At 30 June 2021							
Non-derivatives							
Non-interest bearing	-	70,180	-	-	160	70,340	70,314
Advances	-	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

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 returns.

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 Group are denominated in Australian dollars except as set out below.

		Consolidated Entity	
	Currency	**June 2022 AUD $'000**	June 2021 AUD $'000
Financial assets			
Cash and cash equivalents	USD	**2,522**	754
	EUR	**6,900**	5,301
	GBP	**878**	141
	SEK	**637**	771
Trade and other receivables	EUR	**293**	-
	SEK	**212**	-
Financial liabilities			
Trade and other payables	USD	**180**	(28)
	EUR	**172**	243
	GBP	**53**	(10)
	SEK	**222**	179
	CHF	**(22)**	-
Advances	USD	**-**	-
	EUR	**-**	-
	GBP	**-**	-

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

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 Group 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 2022		30 June 2021	
Financial assets	**$'000**	**Effective interest rate**	$'000	Effective interest rate
Cash and cash equivalents	192,794	0.23%	180,861	0.29%
Trade and other receivables	126,293	-	139,809	-
Total financial assets	**319,087**		**320,670**	

	30 June 2022		30 June 2021	
Financial liabilities	**$'000**	**Effective interest rate**	$'000	Effective interest rate
Trade and other payables	50,153	-	70,180	-
Advances	59,412	-	48,838	-
Non-interest bearing liabilities	134	0.25%	134	0.25%
Lease liabilities	120,336	3.75%	128,289	3.75%
Total financial liabilities	**230,035**		**247,441**	

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 2022, if market interest rates had a parallel shift of +75 basis points/- 75 basis points from year-end rates, assuming all other variables held constant, equity and profit or loss would have increased (decreased) by the amounts shown below. The analysis for 30 June 2022 has been performed on the same basis as 30 June 2021. 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 2022 *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%**	
At 30 June 2022	**Carrying amount $'000**	**Profit $'000**	**Other equity $'000**	**Profit $'000**	**Other equity $'000**
Financial assets					
Cash and cash equivalents	192,794	(1,446)	-	1,446	-
Trade and other receivables	126,293	(1)	-	1	-
Financial liabilities					
Trade and other payables	(50,153)	-	-	-	-
Advances	(59,412)	(160)	-	160	-
Non-interest bearing liabilities	(134)	-	-	-	-
Lease liabilities	(120,336)	(903)	-	903	-
Total increase/(decrease)		(2,510)	-	2,510	-

		Interest rate risk			
		-0.75%		**+0.75%**	
At 30 June 2021	**Carrying amount $'000**	**Profit $'000**	**Other equity $'000**	**Profit $'000**	**Other equity $'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)	-	-	-	-
Advances	(48,838)	(118)	-	118	-
Non-interest bearing liabilities	(134)	-	-	-	-
Lease liabilities	(128,289)	(962)	-	962	-
Total increase/(decrease)		(2,436)	-	2,436	-

Capital risk management

The objectives of the Group in managing capital are to safeguard the ability to continue as a going concern, such that the Group may continue to provide returns for the shareholder, 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 to capital risk management adopted by the Group during the current year.

The financial undertakings in relation to the multi option bank 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; and
- 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 2022 *continued*

4 Revenue

a) Disaggregation of revenue

The Group derives the following types of revenue:

	June 2022 $'000	June 2021 $'000
Revenue from contracts with customers by contract type		
Target cost estimate contract	**304,629**	299,698
Cost reimbursable contract	**67,326**	50,486
Fixed price contract	**2,094**	31,826
Survey and quote contract	**73,109**	76,319
Services contract	**126,302**	124,196
	573,460	582,525
Interest income		
Interest income	**514**	570
Other income		
Related parties - depreciation and overhead recovery	**-**	5,088
Profit/(loss) on sale of assets	**948**	363
Other income	**733**	-
	1,681	5,451
	575,655	588,546

	June 2022 $'000	June 2021 $'000
Revenue from contracts with customers by timing of revenue recognition		
Over time	**461,268**	446,139
At a point in time	**112,192**	136,386
	573,460	582,525

	June 2022 $'000	June 2021 $'000
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period		
Target cost estimate contract	**9,451**	29,783
Fixed price contract	**-**	16,430
Survey and quote contract	**1,348**	2,857
	10,799	49,070

4 Revenue (continued)

(b) Contract assets and liabilities

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

	June 2022 $'000	June 2021 $'000
Contract assets		
CCSMs	**4,520**	1,025
MSG	**3,324**	14,491
	7,844	15,516

The balance of contract assets represent 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 2022 $'000	June 2021 $'000
Contract liabilities		
CCSMs	**46,852**	48,225
MSG	**1,294**	201
SCDG	**4,191**	-
	52,337	48,426

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 2022 $'000	June 2021 $'000
Aggregate amount of transaction price that are partially or fully unsatisfied as at 30 June		
CCSMs	**959,796**	1,331,060
MSG	**-**	2,709
SCDG	**279,873**	-
	1,239,669	1,333,769

Management expects that 45% of the transaction price allocated to the unsatisfied contracts as at 30 June 2022 (2021: 37%) will be recognised as revenue during the next reporting period with the remaining 55% (2021: 63%) being recognised beyond the next reporting period.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

5 Other income and expense items

Items included in profit before income tax

	June 2022 $'000	June 2021 $'000
Depreciation		
Plant and equipment	**5,784**	10,937
Right-of-use assets	**15,172**	15,830
	20,956	26,767
Depreciation recovery	**(636)**	(652)
Depreciation net of recovery	**20,320**	26,115
Amortisation		
Contribution to Henderson Common User Facility (CUF)	**244**	244
Total depreciation and amortisation	**20,564**	26,359

	June 2022 $'000	June 2021 $'000
Reversal of asset impairment provision		
Reversal of asset impairment provision	**(5,286)**	-
	(5,286)	-

In previous financial years the Group recognised impairment provisions against property, plant and equipment, as a result of uncertainty regarding the continuation of the FCD program in SA. During the current financial year in September 2021, the CoA announced that the FCD program will remain in SA. This event was considered to be a trigger to reverse the previously recognised impairment provisions. As a result, the Group reversed all of the previous impairment provisions during the current financial year, the total of the reversal was $5.3 million, which has been recognised in the Consolidated Statement of Comprehensive Income.

	June 2022 $'000	June 2021 $'000
Finance costs		
Interest expense relating to leases	**4,635**	5,077
Interest expense/(income), net	**-**	17
Bank charges	**326**	319
	4,961	5,413
Project provisions		
Reversal of AWD project loss provision	**(3,657)**	(3,767)
Reversal of OPV project loss provision	**-**	(10,731)

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

6 Income Tax

(a) Income tax expense

	June 2022 $'000	June 2021 $'000
Recognised in the Consolidated Statement of Comprehensive Income		
Current tax expense		
Current year	**16,054**	12,540
Total current tax expense	**16,054**	12,540
Deferred income tax		
Temporary differences arising during the year, net of reversal	**(7,293)**	3,047
Total deferred tax (benefit)/expense	**(7,293)**	3,047
Income tax expense	**8,761**	15,587
Income tax expense is attributable to:		
Profit from continuing operations	**8,761**	15,587

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

	June 2022 $'000	June 2021 $'000
Profit from continuing operations before income tax expense	**29,054**	52,314
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	**8,716**	15,694
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development tax incentive	**-**	(113)
Non-deductible expenses	**45**	6
Income tax expense	**8,761**	15,587

(c) Amounts recognised directly in equity

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

	June 2022 $'000	June 2021 $'000
Net deferred tax	**148**	61

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

6 Income Tax (continued)

(d) Deferred tax assets

Net position as presented in the Consolidated Statement of Financial Position.

	June 2022 $'000	June 2021 $'000
Net deferred tax		
Deferred tax assets	**63,537**	59,162
Deferred tax liabilities	**(35,179)**	(37,948)
	28,358	21,214

	June 2022 $'000	June 2021 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**36,101**	38,457
Employee benefits	**16,895**	15,197
Property, plant and equipment	**529**	2,204
Deferred income	**7,207**	-
Project recognised profit	**-**	296
Sundry items	**2,805**	3,008
	63,537	59,162

Movements in Deferred tax assets	**Lease liabilities $'000**	**Employee benefits $'000**	**Property, plant and equipment $'000**	**Deferred income $'000**	**Project recognised profit $'000**	**Sundry items $'000**	**Total $'000**
At 1 July 2020	41,696	15,272	2,127	-	4,513	2,459	66,067
(charged)/credited							
- to profit and loss adjustment for prior year	-	-	-	-	-	-	-
- to profit or loss current year	(3,239)	(75)	77	-	(4,217)	549	(6,905)
At 1 July 2021	38,457	15,197	2,204	-	296	3,008	59,162
(charged)/credited							
- to profit and loss adjustment for prior year	-	-	-	-	-	-	-
- to profit or loss current year	(2,356)	1,698	(1,675)	7,207	(296)	(203)	4,375
At 30 June 2022	36,101	16,895	529	7,207	-	2,805	63,537

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

6 Income Tax (continued)

(e) Deferred tax liabilities

	June 2022 $'000	June 2021 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**34,343**	37,136
Net pension assets	**301**	127
Sundry items	**535**	685
	35,179	37,948

Movements in Deferred tax liabilities	Right-of-use assets $'000	Net pension asset $'000	Sundry items $'000	Total $'000
At 1 July 2020	40,981	99	665	41,745
(charged)/credited				
- to equity	-	61	-	61
- to profit or loss	(3,845)	(33)	20	(3,858)
At 1 July 2021	37,136	127	685	37,948
(charged)/credited				
- to equity	-	148	-	148
- to profit or loss	(2,793)	26	(150)	(2,917)
At 30 June 2022	34,343	301	535	35,179

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

7 Financial assets and financial liabilities

(a) Cash and cash equivalents

	June 2022 $'000	June 2021 $'000
Current assets		
Cash at bank and on hand	**88,644**	67,538
Other cash and cash equivalents	**104,150**	113,323
	192,794	180,861

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

Included in Cash and cash equivalents are amounts advanced to the Group by the CoA for the purpose of funding the working capital requirements of the ISSC and SSTP projects. The amounts advanced have certain contractual restrictions placed on the use of these funds. The funds maintained may only be applied to the direct project under which it was advanced, for 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.

Also included in Cash and cash equivalents are amounts advanced to the Group by the CoA for the purpose of the Company's DTP.

At 30 June 2022, the balance of restricted cash was $20.4 million (2021: $15.7 million). Refer to note 7(d) for further information regarding advances.

(b) Trade and other receivables

	June 2022 $'000	June 2021 $'000
Current assets		
Trade receivables		
Trade receivables	**98,324**	137,898
Loss allowance provision	**(4,479)**	(4,403)
	93,845	133,495
Other receivables		
Accrued revenue	**32,130**	6,056
Other receivables	**162**	213
Interest receivable	**156**	45
	32,448	6,314
	126,293	139,809

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

Accounts Receivable Ageing Profile	30 June 2022 Gross carrying amount $'000	30 June 2022 Effective loss rate	30 June 2021 Gross carrying amount $'000	30 June 2021 Effective loss rate
Not past due	125,851	3.29%	143,994	0.56%
Past due 1-30 days	3,678	-	179	-
Past due 31-60 days	26	-	35	-
Past due 61-90 days	255	-	-	-
Past due +90 days	962	35.34%	4	-
	130,772		**144,212**	

Amounts recognised in profit or loss

The write-downs of receivables recognised during the year ended 30 June 2022 totalled $0.3 million (2021: $1.3 million write down).

The loss allowance provisions for trade receivables as at reporting date reconciles to the opening loss allowance provision as follows:

	June 2022 $'000	June 2021 $'000
Opening balance	**(4,403)**	(3,479)
(Increase)/decrease in loss allowance provision recognised in the profit and loss during the year	**(340)**	(1,275)
Reversal/(written off) during the year as uncollectible	**264**	351
Closing balance	**(4,479)**	(4,403)

Loss allowance provisions as at 30 June 2022 and 30 June 2021 represent expected credit losses on amounts to be received. The loss allowance provisions have 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 2022 *continued*

7 Financial assets and financial liabilities (continued)

(c) Trade and other payables

	June 2022 $'000	June 2021 $'000
Current liabilities		
Trade payables	**4,133**	7,133
Accrued expenses	**41,413**	54,896
GST payable	**4,607**	8,151
	50,153	70,180

(d) Advances

	June 2022 $'000	June 2021 $'000
Current - Unsecured		
Government advances	**59,412**	48,838

Government advance

Government advances represent working capital advances provided by the CoA under various projects as explained below.

ISSC advance

At 30 June 2022, the balance of the advance was $32.0 million (2021: $32.0 million). The advance is paid by the CoA 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 2022, the balance of the advance was nil (2021: $16.8 million). During the current year, subsequent to execution of the AWD Program Close Out Deed, the advance funding from the AWD project was repaid to the CoA. Advances paid by the CoA were both in Australian and foreign currencies and were required to be separately maintained in CoA interest bearing accounts.

SSTP advance

As at 30 June 2022, the balance of the advance was $7.0 million (2021: nil). The Company received advance funding of $7.0 million for the SSTP project from the CoA in June 2022, of which $1.7 million was receivable as at the end of the financial year. It can only be used for direct project costs incurred for the SSTP activities. The interest income from this advance accrues to the benefit of the CoA. The advance is repayable at the end of the contracted program period.

DTP advance

As at 30 June 2022, the balance of the advance was $20.4 million (2021: nil). The advance was paid by the CoA in Australian dollars. The advance will be used for costs incurred for the Company's DTP. The balance is held as an advance as is repayable until the treatment for recognition of the advance is concluded.

7 Financial assets and financial liabilities (continued)

(e) Non-interest bearing liabilities

	June 2022 $'000	June 2021 $'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 $134,342 as at 30 June 2022 (2021: $134,007).

(f) Lease liabilities

	June 2022 $'000	June 2021 $'000
Lease liabilities - unsecured		
Current	**14,320**	13,545
Non-current	**106,016**	114,744
	120,336	128,289

8 Non-financial assets and liabilities

(a) Property, plant and equipment

	June 2022 $'000	June 2021 $'000
Plant and equipment		
Cost	**102,265**	99,461
Accumulated depreciation	**(80,801)**	(83,286)
	21,464	16,175
Asset under construction		
Assets under construction	**5,930**	4,214
	5,930	4,214
Total property, plant and equipment	**27,394**	20,389

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

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 2022			
Opening net book amount	16,175	4,214	20,389
Additions	460	8,094	8,554
Transfers	6,378	(6,378)	-
Depreciation charge	(5,882)	-	(5,882)
Disposals	(13)	-	(13)
Reclassification of property, plant and equipment to intangibles	(940)	-	(940)
Reversal of asset impairment provision	5,286	-	5,286
Closing net book amount	21,464	5,930	27,394

	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

(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 2022 $'000	June 2021 $'000
Land		
Gross value	**30,179**	29,659
Accumulated depreciation	**(5,759)**	(3,829)
	24,420	25,830
Buildings		
Gross value	**127,540**	122,848
Accumulated depreciation	**(38,593)**	(26,023)
	88,947	96,825

8 Non-financial assets and liabilities (continued)

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

	June 2022 $'000	June 2021 $'000
Other plant and equipment		
Gross value	**3,143**	2,593
Accumulated depreciation	**(2,037)**	(1,365)
	1,106	1,228
Total right-of-use assets	**114,473**	123,883

	Land $'000	**Buildings $'000**	**Other plant and equipment $'000**	**Total $'000**
Year ended 30 June 2022				
Opening net book amount	25,830	96,825	1,228	123,883
Additions	520	5,202	550	6,272
Remeasurement	-	(510)	-	(510)
Depreciation charge	(1,930)	(12,570)	(672)	(15,172)
Closing net book amount	24,420	88,947	1,106	114,473

	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)	(15,828)
Closing net book amount	25,830	96,825	1,228	123,883

(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, and were received over five years.

	June 2022 $'000	June 2021 $'000
Unpaid share capital		
Current	**-**	11,000

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(d) Intangible assets

	June 2022 $'000	June 2021 $'000
Work in progress		
Gross value	**27,270**	5,735
Accumulated depreciation	**-**	-
	27,270	5,735
Computer software		
Gross value	**3,613**	-
Accumulated depreciation	**(79)**	-
	3,534	-
Total intangible assets	**30,804**	5,735

	Work in progress $'000	**Computer software $'000**	**Total $'000**
Year ended 30 June 2022			
Opening net book amount	5,735	-	5,735
Additions	21,535	2,673	24,208
Re-classification from property, plant and equipment to Intangible assets	-	940	940
Depreciation charge	-	(79)	(79)
Closing net book amount	27,270	3,534	30,804

	Work in progress $'000	**Computer software $'000**	**Total $'000**
Year ended 30 June 2021			
Opening net book amount	-	-	-
Additions	5,735	-	5,735
Re-classification from property, plant and equipment to Intangible assets	-	-	-
Depreciation charge	-	-	-
Closing net book amount	5,735	-	5,735

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(d) Intangible assets (continued)

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

During the current financial year, the internally generated intangible asset was in development and implementation phases.

Subsequent to the end of the financial year, the internally generated intangible asset was determined to be ready for use and therefore amortisation has commenced.

(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 2022 was carried out by David O'Keefe, Fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Limited in June 2022.

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 2022 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

Statement of financial position amount

The amounts recognised in the Consolidated 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 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**

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
1 July 2021	**(3,758)**	**4,183**	**425**
Current service cost	(76)	-	(76)
Interest (expense)/income	(22)	-	(22)
Expected return on plan assets	-	39	39
Total amount recognised in profit or loss	(98)	39	(59)
Remeasurements			
Gain/(loss) from change in financial assumptions	364	-	364
Experience gains/(losses)	10	120	130
Total amount recognised in other comprehensive income	374	120	494
Contributions:			
Employers	-	145	145
Payments from plan:			
Benefit payments	656	(656)	-
30 June 2022	**(2,826)**	**3,831**	**1,005**

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

Contributions by the Company and its controlled entities to the defined benefits plan are based on 10% of all defined members' salaries for the year ended 30 June 2022. Actuarial assessments are made at no more than three yearly intervals. The last such full assessment was made as at 1 July 2021 and the next triennial review will be on 1 July 2024.

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 1 July 2021 that no additional contribution was required 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:

	2022 Australia	2021 Australia
Discount rate	**4.2%**	1.0%
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**	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**+ (-) 0.5%**	+ (-) 0.5%	**43,000**	95,000	**(46,000)**	(100,000)
Future salary increase	**+ (-) 0.5%**	+ (-) 0.5%	**(46,000)**	(97,000)	**43,000**	94,000

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

Balance sheet amounts

The major categories of plan assets are as follows:

	30 June 2022				30 June 2021			
	Quoted $'000	**Un-quoted $'000**	**Total $'000**	**in % $'000**	Quoted $'000	Un-quoted $'000	Total $'000	in %
Equity instruments	**1,609**	**-**	**1,609**	**42.0%**	1,590	-	1,590	38.0%
Debt instruments	**1,226**	**-**	**1,226**	**32.0%**	1,196	-	1,196	28.6%
Property	**230**	**-**	**230**	**6.0%**	251	-	251	6.0%
Other securities	**766**	**-**	**766**	**20.0%**	1,146	-	1,146	27.4%
Total	**3,831**	**-**	**3,831**	**100.0%**	4,183	-	4,183	100.0%

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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(e) Employee benefit obligations (continued)

(iv) Defined benefit liability employer contributions

The weighted average duration of the defined benefit obligation is 5 years (2021: 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 2022					
Defined benefit obligation	**-**	**2,533**	**224**	**538**	**3,295**
30 June 2021					
Defined benefit obligation	-	2,874	320	536	3,730

(v) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:	**June 2022 $'000**	June 2021 $'000
Current service cost	**(76)**	29
Interest cost	**(22)**	73
Expected return on plan assets	**39**	(60)
Total included in employee benefits expense	**(59)**	42
Actual return on plan assets	**159**	495

(vi) Amounts recognised in other comprehensive income

	June 2022 $'000	June 2021 $'000
Actuarial gains/(losses) recognised in the year	**494**	203
Cumulative actuarial losses recognised in other comprehensive income	**(3,144)**	(3,638)

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

8 Non-financial assets and liabilities (continued)

(f) Provisions

	June 2022			June 2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**51,183**	**5,071**	**56,254**	45,561	4,583	50,144
Self-insured workers compensation	**920**	**2,100**	**3,020**	1,211	1,852	3,063
	52,103	**7,171**	**59,274**	46,772	6,435	53,207

(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.

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 2022 $'000	June 2021 $'000
Current leave obligations expected to be settled after 12 months	**34,498**	32,920

Self-insured workers compensation

The consolidated entity is self-insured for risks associated with workers' compensation for all staff in SA. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *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 values for Trade and other receivables, Trade and other payables, Advances and Non-interest bearing liabilities approximate their fair values.

9 Other non-current assets

	June 2022 $'000	June 2021 $'000
Non-current assets		
Contribution to the Henderson CUF	**1,925**	2,073

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 2020	65,000	64,971
Discount on shares issued	-	29
Balance 30 June 2021	65,000	65,000
Opening balance 1 July 2021	65,000	65,000
Balance 30 June 2022	**65,000**	**65,000**

(ii) Ordinary shares

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

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. $65.0 million of shares issued as at 30 June 2022 (2021: $54.0 million) have been fully paid.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

10 Equity (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	Notes	**June 2022 $'000**	June 2021 $'000
Balance 1 July		**111,654**	81,285
Net profit for the period		**20,293**	36,727
Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of retirement benefit obligation, net of tax	8(e)	**346**	142
Dividends		**(12,200)**	(6,500)
Balance 30 June		**120,093**	111,654

(c) Dividends

	June 2022 $000	June 2021 $000
Final dividend for the year ended 30 June 2021 of 3 cents (2020: 5 cents) per fully paid share paid on 27 October 2021	**2,100**	3,200
Special dividend paid on 29 April 2021	**-**	1,200
Interim dividend for the year ended 30 June 2022 of 15.5 cents (2021: 3 cents) per fully paid share paid on 29 April 2022	**10,100**	2,100
Total unfranked dividends	**12,200**	6,500

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

The Directors declared an unfranked final dividend of $2.1 million on 29 August 2022 for the year ended 30 June 2022.

Dividend franking account

	June 2022 $'000	June 2021 $'000
Class C (30%) franking credits	**$224,847**	$213,543

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 2022 *continued*

11 Commitments

(a) Capital expenditure commitments

	June 2022 $'000	June 2021 $'000
Property, plant and equipment and Intangible assets	**3,683**	1,347

(b) Non-cancellable leases

	June 2022 $'000	June 2021 $'000
Non-cancellable future short term and low value leases not provided for in the financial statements and payable:		
Within one year	**161**	234
Later than one year but not later than five years	**71**	-
Later than five years	**-**	-
	232	234

(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 STSC, 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 $4.0 million (2021: $3.6 million). No liability has been recognised by the consolidated entity in relation to these guarantees as at 30 June 2022 and 30 June 2021 as the guarantees are provided for under bank facilities, see note 3(b) for total available bank facilities.

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

- to the CoA in relation to ASC AWD Shipbuilder Pty Ltd's obligations to the CoA in connection with the Hobart Class AWD 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 2022 *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 maintenance 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 AWD 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 2022 $'000	June 2021 $'000
Current		
Trade receivables	**225**	1,046
Other receivables	**35**	139
Total current assets pledged as security	**260**	1,185
Non-current		
Plant and equipment	**14,061**	14,708
Total assets pledged as security	**14,321**	15,893

14 Economic dependency

During the years ended 30 June 2022 and 30 June 2021, the Group's normal trading activities and the majority of operating revenues generated were related to the following parties:

- CoA - contracts for the ISSC maintenance and LOTE of six submarines, the construction of three AWDs and the Government's transition partner to deliver the SSTP; and
- 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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

16 Related party transactions

(a) Key management personnel compensation

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

	June 2022 $	June 2021 $
Short-term employee benefits	**3,307,318**	3,370,387
Post-employment benefits	**193,820**	178,805
Other long-term benefits	**297,753**	372,365
Termination benefits	**380,153**	-
	4,179,044	3,921,557

There were 13 key management personnel during the current financial year (2021: 11).

(b) Loans to key management personnel

No loans were made available to key management personnel during the financial year (2021: nil).

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

There have been no transactions with key management personnel during the financial year (2021: 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 up to the date of this report, unless otherwise noted:

Bruce James Carter

Geoffrey Roland Rohrsheim

Julie Anne Cooper (appointed 18 March 2022)

Dr Rosalind Vivienne Dubs

Denise Carol Goldsworthy (appointed 1 May 2022)

Joycelyn Cheryl Morton

Loretta Anne Reynolds

Paul John Rizzo

Stuart Paul Whiley

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

16 Related party transactions (continued)

(f) Other related parties

Australian government ministers

There have been no transactions with any Australian government ministers during the financial year (2021: nil).

Shareholders

In performing its contracts, the Group has transacted on normal commercial terms and conditions with its shareholder, the CoA 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 $531,314,000 (2021: $522,997,000).

Certain expenditure incurred by the Group 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 2022 $'000	June 2021 $'000
The gross amounts receivable from the shareholders in relation to these transactions are:	**130,035**	143,249

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

16 Related party transactions (continued)

(i) Advances from the CoA and its related parties

Government Advances

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**	-	-	-	-	-

June 2022	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year	$48,837,939	-	-	-	-	-
Advances received	$67,666,077	-	-	-	-	-
Advances repaid	($58,837,430)	-	-	-	-	-
Interest charged	($509)	-	-	-	-	-
Interest received	-	-	-	-	-	-
Other movements - advance outstanding	$1,745,938	-	-	-	-	-
End of year (source currency)	$59,412,015	-	-	-	-	-
End of year (AUD equivalent)	$59,412,015	-	-	-	-	-
Total (AUD equivalent)	**$59,412,015**	-	-	-	-	-

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

17 Interests in other entities

(a) Material subsidiaries

The Company's principal subsidiaries at 30 June 2022 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
		2022 %	2021 %	
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 OPVs
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.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

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 2022 $'000	June 2021 $'000
Balance sheet		
Current assets	**327,392**	298,606
Non-current assets	**203,861**	184,538
Total assets	**531,253**	483,144
Current liabilities	**232,941**	203,127
Non-current liabilities	**113,322**	121,313
Total liabilities	**346,263**	324,440
Shareholders' equity		
Issued capital	**65,000**	65,000
Retained earnings	**119,990**	93,704
Net assets / total equity	**184,990**	158,704
Profit or loss for the year	**38,140**	28,428
Other comprehensive income/(loss)	**346**	142
Total comprehensive income/(loss)	**38,486**	28,570

The parent entity made a 100% provision against intercompany loans to its subsidiary, ASC AWD Shipbuilder Pty Ltd of $4,931,076 (2021: $26,141,057).

(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 SA 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 STSC 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 $4,010,775 (2021: $3,633,003).

No liability has been recognised in relation to these financial guarantees in accordance with the policy set with note 1(x), as the fair values of these guarantees as at 30 June 2022 and 30 June 2021 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; and
- ASC AWD Shipbuilder Pty Ltd.

Notes to the consolidated financial statements

For the year ended 30 June 2022 *continued*

18 Parent entity financial information (continued)

(d) Contingent liabilities of the parent entity

For information about contingent liabilities regarding uncertain income tax treatments and guarantees entered into by the parent entity, see note 12 and note 18(b).

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

As at 30 June 2022, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $3,683,364 (30 June 2021: $1,347,353). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

19 Cash flow information

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

	June 2022 $'000	June 2021 $'000
Profit for the year	**20,293**	36,727
Adjustment for		
Depreciation and amortisation	**15,914**	27,011
Net exchange differences	**255**	252
Interest received	**(514)**	(570)
Interest expense	**4,635**	5,094
Pension costs	**(86)**	110
Loss allowance recognised	**76**	1,275
(Profit)/loss on disposal of fixed assets	**(935)**	(363)
Other	**(54)**	334
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**15,377**	(66,843)
(Increase)/decrease in contract assets	**7,672**	3,986
(Increase)/decrease in inventories	**(13)**	7
(Increase)/decrease in prepayments	**(227)**	1,744
(Increase)/decrease in deferred tax assets	**(7,144)**	3,047
Increase/(decrease) in contract liabilities	**3,911**	(17,049)
Increase/(decrease) in trade creditors	**(20,027)**	24,032
Increase/(decrease) in current tax liability/asset	**9,214**	(14,746)
Increase/(decrease) in provisions	**6,067**	(505)
Net cash inflow/(outflow) from operating activities	**54,414**	3,543

Notes to the consolidated financial statements

For the year ended 30 June 2022 *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.

	Advances $'000	Lease liabilities $'000	Non-interest bearing liabilities $'000	Total $'000
Balance at 1 July 2020	65,954	139,849	134	205,937
Additions and remeasurement	-	2,248	-	2,248
Net financing cash flows[1]	(17,282)	(13,808)	-	(31,090)
Non-cash changes:				
Effects of changes in exchange rates	92	-	-	92
Other - interest	74	-	-	74
Balance at 30 June 2021	48,838	128,289	134	177,261
Balance at 1 July 2021	48,838	128,289	134	177,261
Additions and remeasurement	-	5,762	-	5,762
Net financing cash flows[1]	8,829	(13,715)	-	(4,886)
Non-cash changes:				
Effects of changes in exchange rates	-	-	-	-
Other - oustanding advance	1,745	-	-	1,745
Balance at 30 June 2022	59,412	120,336	134	179,882

[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	**June 2022 $**	June 2021 $
Audit and review of financial statements	**294,500**	290,381

The ANAO has contracted PwC to provide audit related services on the ANAO's behalf.

(ii) Other services provided by the auditor (ANAO)	**June 2022 $**	June 2021 $
Agreed upon procedures - remuneration services	**21,000**	20,675

(iii) Other services provided by PwC	**June 2022 $**	June 2021 $
Tax compliance and consulting services to expatriate employees	**70,253**	188,025
Transformation assurance services for DTP	**250,836**	-
	321,089	188,025

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)
28E Contents of annual report		
(a)	The purposes of the company as included in the company's corporate plan for the reporting period.	5, 46
(aa)	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period.	12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27
(b)	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers.	5
(c)	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period.	34
(d)	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act.	n/a
(e)	Particulars of non compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reportingperiod; or (b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act.	n/a
(f)	Information on each director of the company during the reporting period.	29, 30, 31
(g)	An outline of the organisational structure of the company (including any subsidiaries of the company).	28
(ga)	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees; (b) statistics on part time employees; (c) statistics on gender;	26
(h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company.	15
(i)	Information in relation to the main corporate governance practices used by the company during the reporting period.	28, 33, 34, 36, 38
(j)(k)	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): (a) the decision making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	38
(l)	Any significant activities or changes that affected the operations or structure of the company during the reporting period.	46, 47
(m)	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company.	n/a

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.	49, 51, 52, 53
(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.	39, 40, 42
(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;	34
	(b) the name of each member of the audit committee;	33
	(c) the qualifications, knowledge, skills or experience of each member of the audit committee;	30, 31
	(d) information about each member's attendance at meetings of the audit committee;	33
	(e) the remuneration of each member of the audit committee.	43

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.	46, 47
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.	46, 47
1 (b)	Information on dividends paid or recommended.	47, 58
1 (c)	Details of any community service obligations the government business enterprise has including:	n/a
	(a) an outline of actions taken to fulfil those obligations; and	
	(b) an assessment of the cost of fulfilling those obligations.	
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

Glossary

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 Investment Commission
AWD	Air Warfare Destroyer
BASC	Business Assurance and Security Committee (ASC Board)
CASG	Capability Acquisition and Sustainment Group (Department of Defence)
CCP	Contract Change Proposal
CCSM	Collins Class Submarine
CoA	Commonwealth of Australia
CUF	Common User Facility
DoD	Department of Defence
DTP	Digital Transformation Program
EAC	Estimate at Completion
EBIT	Earnings Before Interest and Tax
FCD	Full-Cycle Docking
GBE	Government Business Enterprise
GST	Goods and Services Tax
HMAS	Her Majesty's Australian Ship
HoA	Heads of Agreement
ICN	Industry Capability Network
IFRS	International Financial Reporting Standards
ISSC	In-Service Support Contract
KMP	Key Management Personnel
LMA	Lockheed Martin Australia
LOTE	Life of Type Extension
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MCD	Mid-Cycle Docking
MSA	Management Services Agreement
MSG	Maritime Services Group
MTI	Medically Treated Injury
MTIFR	Medically Treated Injury Frequency Rate
NGA	Naval Group Australia
NPST	Nuclear-Powered Submarine Taskforce
OPV	Offshore Patrol Vessel
PP4	Performance Period Four of the In-service Support Contract (2020-2024)
RAN	Royal Australian Navy
RAP	Reconciliation Action Plan
SA	South Australia
SAAS	Software as a Service
SCDG	Submarine Capability Development Group
SSN	Nuclear-Powered Submarine
SSTP	Sovereign Shipbuilding Talent Pool
STEM	Science, Technology, Engineering and Maths
STI	Short Term Incentive
STSC	Submarine Training and Systems Centre
TFR	Total Fixed Remuneration
WA	Western Australia
WHSE	Workplace Health Safety and Environment

Corporate Directory

Directors

Bruce Carter
Chairman

Geoff Rohrsheim
Deputy Chair

Stuart Whiley
Managing Director

Dr Rosalind Dubs

Joycelyn Morton

Loretta Reynolds

Paul Rizzo

Julie Cooper

Denise Goldsworthy AO

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
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Media Queries
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Supply Chain Queries
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ASC's Annual Reports can
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