Australia's Submarine Company

ANNUAL REPORT 2024

Acknowledgement of Country

We acknowledge the Traditional Owners of the lands and waters on or near ASC's operations in South Australia and Western Australia – the Kaurna people of the Adelaide Plains and the Whadjuk Noongar people of Perth's Swan Coastal Plain.

We pay our respects to elders past and present, and we extend that respect to all Aboriginal and Torres Strait Islander peoples.

Artwork by Aaron Hayden

Aaron Hayden resides in Western Australia and was born in Port Lincoln, South Australia. With strong connections in both South Australia and Western Australia, ASC engaged Aaron to illustrate both states in our Reconciliation Action Plan artwork.

The artwork represents ASC's values of protect, respect, integrity, discipline and excellence and uniquely depicts people working together on both the land and on water. The symbol at the centre depicts ASC people coming together through water and the Great Australian Bight.

Contents

Glossary

ACSM	Attack Class Submarine
AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
AMWU	Australian Manufacturing Workers' Union
ANAO	Australian National Audit Office
ANI	Australian Naval Infrastructure
AO	Order of Australia
AS	Australian Standard
ASA	Australian Submarine Agency
ASIC	Australian Securities and Investments Commission
AUKUS	Australia, United Kingdom, United States
AWD	Air Warfare Destroyer
AWU	Australian Workers' Union
BASC	Business Assurance and Security Committee
CCSM	Collins Class Submarine
CEDS	Consolidated Entity Disclosure Statement
CEO	Chief Executive Officer
CEPU	Communications, Electrical, Energy and Plumbing Union
CoA	Commonwealth of Australia
CO2-e	Carbon Dioxide Equivalent
Cth	Commonwealth
DoF	Department of Finance
D&I	Diversity and Inclusion
DSTG	Defence Science and Technology Group
DTP	Digital Transformation Program
EA	Enterprise Agreement
EAC	Estimate at Completion
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ESG	Environmental, Social and Governance
ExCo	Executive Committee
E3	Enable Our Potential, Evolve Our Capability, Embrace Our Future
FCD	Full-Cycle Docking
FoC	First of Class
FTE	Full-Time Equivalent
GBE	Government Business Enterprise
GHG	Greenhouse Gas
GST	Goods and Services Tax
HCFP	Hunter Class Frigate Program
HMAS	His Majesty's Australian Ship
HRRC	Human Resources and Remuneration Committee
IASB	International Accounting Standards Board
ID	Intermediate Docking
IFRS	International Financial Reporting Standards
IJV	Incorporated Joint Venture
IMT	Integrated Management Team
IP	Intellectual Property
ISO	International Organization for Standardization
ISSC	In-Service Support Contract
IMP	Intermediate Maintenance Period
IT	Information Technology
KMP	Key Management Personnel
LEAD	Leverage, Energise, Adapt and Defend
LLC	Limited Liability Company
LOTE	Life of Type Extension
LTI	Lost-Time Injury
LTIFR	Lost-Time-Injury Frequency Rate
MCD	Mid-Cycle Docking
MCS	Multi-Class Sustainment
MD	Managing Director
MTI	Medically Treated Injury
MSA	Management Services Agreement
MSO	Maritime Standing Offer
MTIFR	Medically Treated Injury Frequency Rate
NSSG	Naval Shipbuilding and Sustainment Group
NYSE	New York Stock Exchange
OJT	On-The-Job Training
PAT	Profit After Tax
PBT	Profit Before Tax
PEO	Principal Executive Office
P&C	People and Culture
PHNSY	Pearl Harbor Naval Shipyard
PIA	Protected Industrial Action
PLC	Public Limited Company
PMT	Project Management Team
PP4	Performance Period Four
PP5	Performance Period Five
PRIDE	Protect, Respect, Integrity, Discipline, Excellence
PSM	Public Service Medal
PwC	PricewaterhouseCoopers
RAN	Royal Australian Navy
RIFR	Recordable Injury Frequency Rate
SA	South Australia
SCR	Safety Critical Risk
SME	Subject Matter Expert
SRF-West	Submarine Rotational Force – West
SSN	Submersible Ship Nuclear
SSTP	Sovereign Shipbuilding Talent Pool
STI	Short-Term Incentive
STMP	Submarine Tender-Assisted Maintenance Period
STSC	Submarine Training and Systems Centre
TA-SM	Training Authority – Submarines
TFR	Total Fixed Remuneration
TRRR	Total Remuneration Reference Rate
TNA	Transaction Negotiation Authority
UK	United Kingdom
US	United States
VCS	Virginia Class Submarine
WA	Western Australia
WHSE	Work Health, Safety and Environment

Transmittal Letter

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30 September 2024

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

Dear Minister,

ASC Pty Ltd 2024 Annual Report

I am pleased to submit the 2024 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 2024 Annual Report includes the financial statements for ASC and its controlled entities for the financial year ended 30 June 2024, and reports on ASC's performance and progress. ASC achieved a profit after tax (PAT) of $19.0 million.

During the reporting period, ASC continued to meet the Royal Australian Navy's (RAN) performance targets for the Collins Class submarine (CCSM) fleet and made significant progress on the CCSM Life of Type Extension (LOTE) project.

In 2023-24, ASC completed year four of Performance Period Four (PP4) of its CCSM In-Service Support Contract (ISSC) and finalised negotiations with the Commonwealth of Australia (CoA) for Performance Period Five (PP5), which is a four-plus-four-year contract.

In South Australia (SA), ASC progressed a Full-Cycle Docking (FCD) activity. In Western Australia (WA), two Intermediate Maintenance Periods (IMP) and a Mid-Cycle Docking (MCD) were conducted.

In March 2024, ASC welcomed the CoA's announcement that ASC had been selected as its Sovereign Submarine Partner to sustain and jointly build conventionally armed, nuclear-powered submarines (known as SSNs – 'Submersible Ship Nuclear') in Australia. ASC appreciates the importance of this work to the nation and is proud to accept this significant responsibility.

I commend ASC's workforce for achieving the company's objectives during another year of intense program activity and change in the shipbuilding industry and at ASC. The capability demonstrated by ASC's employees and its leadership team has resulted in ASC delivering a high standard of service to its customer.

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

Yours sincerely,

Bruce Carter

Bruce Carter AO
Chair

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Company Profile

Introduction

Established in 1985, ASC is Australia's sovereign submarine company. Its highly skilled staff offer a depth of submarine design, project management, supply chain, build and engineering experience and expertise that is unparalleled in Australia's defence industry. ASC built the nation's CCSMs and now sustains them. It is also delivering the CCSM LOTE and has been selected by the Australian Government as the sole sustainer and joint builder of SSNs in Australia. ASC plays a leading role in training the RAN's submariners.

Background and History

The first Australian defence company to achieve global standard ISO 55001 certification for the management of complex physical assets, ASC is registered under the *Corporations Act 2001* and owned by the CoA, represented by the Department of Finance (DoF). It employs over 2,400 permanent and contracted employees across two states, primarily in Osborne, SA, and Henderson, WA.

ASC was chosen in 1987 as the prime contractor to deliver six conventionally powered CCSMs – Australia's first sovereign-built submarine fleet. The first submarine was completed in 1996 and the last in 2003.

In 1992, ASC commenced submariner training services for the RAN through the Submarine Training and Systems Centre (STSC) at HMAS *Stirling*, Garden Island, WA. ASC continues to perform this role today.

At the conclusion of the CCSM build in 2003, ASC was awarded the contract for the fleet's through-life support, maintenance and design upgrades, and in 2012 the ISSC for the boats' ongoing sustainment and design enhancements.

In 2004, ASC changed its name from 'Australian Submarine Corporation' to ASC Pty Ltd and established a new division, ASC Shipbuilding, to facilitate future business. In 2005, following a competitive tender, the CoA selected ASC as the shipbuilder for the Hobart Class Air Warfare Destroyer (AWD) Program, as part of the AWD Alliance.

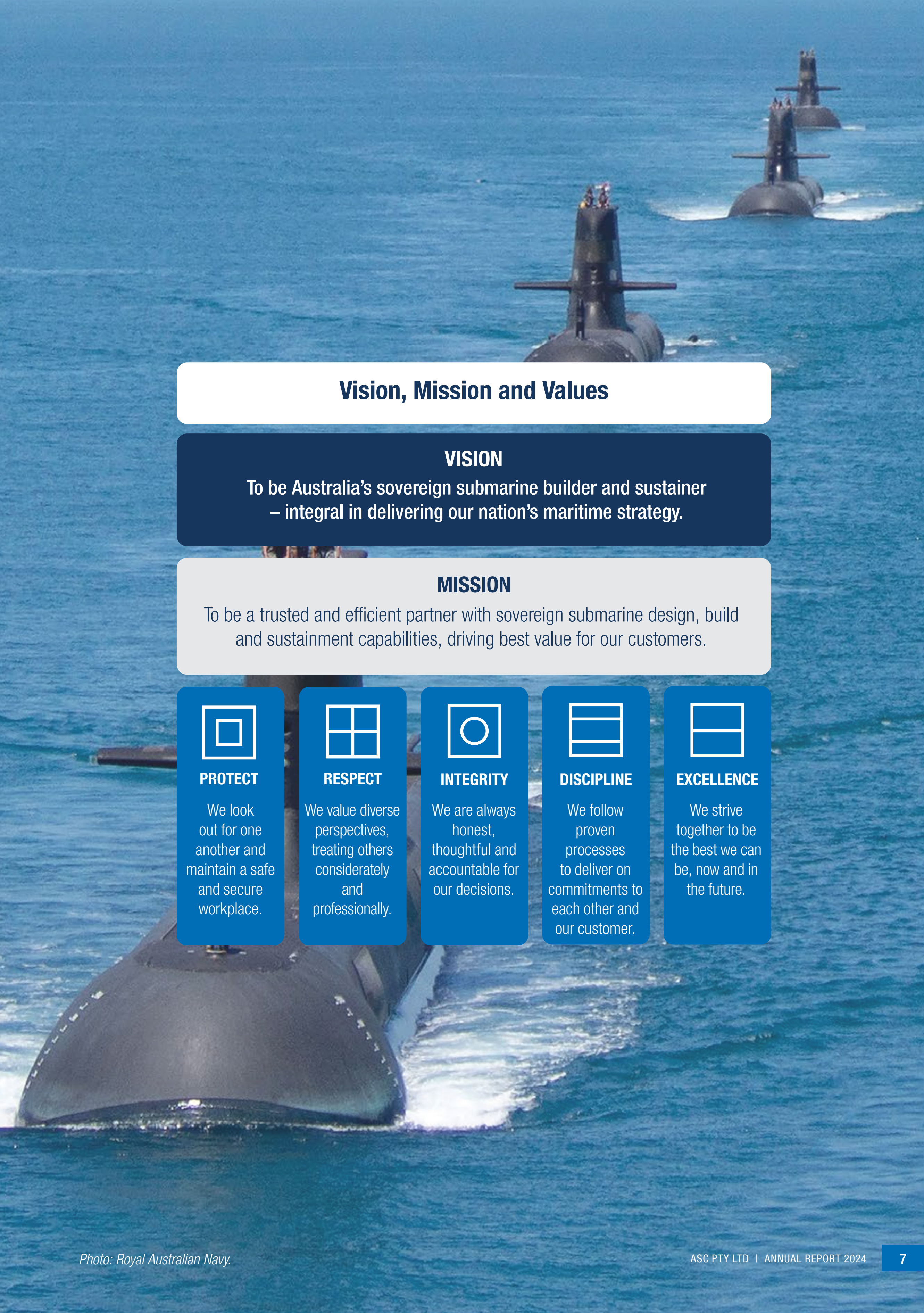
The first Hobart Class destroyer, HMAS *Hobart*, was delivered in 2017, providing the RAN its most advanced and complex warship. HMAS *Brisbane* followed in 2018 and HMAS *Sydney* in March 2020, with the RAN formally accepting all three.

In June 2018, ASC Shipbuilding Pty Ltd was announced as the shipbuilder for the RAN's Hunter Class Frigate Program (HCFP). Six months later, BAE Systems Australia acquired ASC Shipbuilding, and that entity now trades as BAE Systems Maritime Australia. ASC is not contracted to the HCFP.

In 2021, following the CoA's decision to cancel the Attack Class Submarine (ACSM) Program in favour of acquiring SSNs through AUKUS (a trilateral security partnership between Australia, the United Kingdom (UK) and United States of America (US)), ASC was contracted by the CoA to deliver the Sovereign Shipbuilding Talent Pool (SSTP) Program to retain and develop Australia's submarine workforce.

In 2022, ASC's implementation of the LOTE for all six CCSMs was confirmed. The LOTE project will extend the operational life of the CCSM fleet, and will include the replacement or refurbishment of the boats' propulsion systems, diesel engines, generators, power conversion and distribution systems, and a cooling system update. LOTE planning and preparation is underway and First of Class (FoC) implementation will commence in mid-2026 on HMAS *Farncomb* during its nominal two-year FCD.

In March 2024, ASC was selected by the CoA as its Sovereign Submarine Partner for Australia's SSN program, marking the beginning of an exciting new era for the company. ASC is the sole sustainer of SSNs in Australia, including forward rotating boats, Australia's US-built Virginia Class submarines (VCSs) and sovereign-built SSN-AUKUS; and the joint builder, in partnership with BAE Systems UK (BAE Systems) of Australia's SSN-AUKUS submarines.



Vision, Mission and Values

VISION

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

MISSION

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

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.

Photo: Royal Australian Navy.

Chair's Report

On behalf of the ASC Board, I am pleased to present the company's 2023-24 Annual Report.

ASC carries a significant responsibility to the RAN and the nation. The company appreciates that the ongoing sustainment of the RAN's CCSM fleet is crucial to Australia's national security, and it continued to meet the RAN's CCSM performance targets throughout the reporting period. ASC exceeded performance in four of the RAN's five Key Performance Indicators and delivered a satisfactory level of performance in the fifth. This was despite disruptions caused by protected industrial action (PIA) undertaken by the Australian Manufacturing Workers' Union (AMWU), Australian Workers' Union (AWU), Communications, Electrical, Energy and Plumbing Union (CEPU) and ASC's trades and warehouse workers during bargaining for the ASC Pty Ltd (South Australia) Enterprise Agreement 2024.

In 2023-24, the company successfully progressed the CCSM LOTE project, which is nearing completion of the Detailed Design Phase (the first phase of the LOTE project).

On 22 March 2024, the CoA announced ASC's selection as Australia's Sovereign Submarine Partner to support the build and sustainment of SSNs in Australia. ASC will be the:

- sole sustainer of SSNs in Australia, including visiting boats rotating through Submarine Rotational Force – West (SRF-West, from 2027), Australia's US-built VCSs (from 2032) and the Australian-built SSN-AUKUS boats (from 2042); and
- joint builder, through an incorporated Joint Venture (IJV) formed with BAE Systems, of Australia's SSN-AUKUS submarines (construction to begin by the end of this decade).

ASC proudly accepts this responsibility and has commenced its transition into a nuclear-ready, multi-program organisation. The transition requires significant time and investment to grow ASC's workforce and to adapt its company structure, culture, capabilities and operating model, and includes the establishment of US and UK subsidiaries.

In 2023-24, ASC recorded a PAT of $19.0 million, compared to $21.5 million in 2022-23, and annual revenue from contracts with customers, income from government grants and other income of $843.5 million, compared to $768.1 million in 2022-23.

ASC's workforce is critical to the company's important work sustaining the CCSM fleet, preparing to sustain and build SSNs, and training the RAN's submariners.

Competition for skilled labour remains intense in the shipbuilding sector, and ASC is addressing these challenges. Attracting, retaining and developing skilled workers remains critical for ASC. It is also central to the CoA's goal to grow Australia's sovereign submarine capability.

The commitment demonstrated by the majority of ASC's workforce, its leadership team and supply chain partners during 2023-24 has resulted in ASC's continued ability to deliver a reliable and efficient service to its customer, the RAN. On behalf of the ASC Board, I wish to acknowledge and congratulate all for their efforts.

Bruce Carter AO
Chair

Chief Executive Officer and Managing Director's Report

ASC, with its Submarine Enterprise partners, continued to meet the RAN's CCSM performance targets throughout 2023-24.

Collins Class Submarine Program

In 2023-24, ASC completed the fourth year of PP4 (2020-24) under the CoA's CCSM ISSC and finalised negotiations for PP5, which is a four-plus-four-year contract.

In SA, significant work was completed on an FCD. However, progress through the FCD's final stages slowed in May 2024 when the AMWU, AWU, CEPU and ASC's trades and warehouse workers commenced PIA during bargaining for the ASC Pty Ltd (South Australia) Enterprise Agreement 2024.

Resolving these negotiations swiftly will be important for ongoing CCSM Program delivery.

In WA, several sustainment activities were undertaken, including the completion of two three-month CCSM IMPs and a 12-month CCSM MCD, and the commencement of a six-month Intermediate Docking (ID).

Significant progress was made on the CCSM LOTE during the reporting period, and the program is on track for mid-2026 FoC implementation.

ASC's submariner training services continued to expand in collaboration with the RAN's Training Authority – Submarines (TA-SM), with ASC providing initial training to approximately 90 new RAN submariners, and career and operational training to approximately 340 current RAN submariners.

Nuclear-Powered Submarine Program

ASC welcomed the CoA's March 2024 announcement that it had been selected as the Sovereign Submarine Partner for Australia's SSN Program. In the months following the announcement and leading up to 30 June 2024, ASC initiated preparations for its key roles as:

- sustainer of forward rotating submarines, Australia's own sovereign VCSs, and new SSN-AUKUS Class submarines; and
- joint builder, through an IJV to be formed with BAE Systems, of Australia's SSN-AUKUS submarines.

As a result of the announcement, ASC has redesigned its operating model (see page 19), strategic workforce plan (see pages 15 and 17), and significant operational planning and related activities are underway to transition ASC into a nuclear-capable organisation (see page 23). This includes the creation of two new entities in the UK and the US to support the delivery of its SSN program obligations.

Safety and Environment

ASC remains committed to continually improving its Work Health, Safety and Environment (WHSE) performance, and ensuring that environmental management and sustainability is further integrated into its operations.

During 2023-24 ASC launched its WHSE Strategy 2024-2027, which will continue to drive many safety activities and improvements, standardise ways of working and define outputs to support ASC's people.

Digital Transformation

ASC is on a journey of digital transformation in support of the CCSM program and its SSN program obligations. ASC's Digital Transformation Program (DTP) will support the company's digital shipyard transition by delivering more streamlined processes, enhanced integration between systems and expanded real-time data.

Program implementation continued in 2023-24, with:

- embedment of Tranche 1, Release 2, which replaced legacy human resources, supply chain and some operations systems with one streamlined application; and
- planning for Tranche 2, an upgraded Product Lifecycle Management system to enhance engineering processes.

Conclusion

I am very pleased with ASC's achievements throughout 2023-24. ASC's leadership team, with the dedication of its workforce, has delivered the company's objectives during a time of intense change.

During the year to come, ASC will continue to focus on its core deliverable of meeting the RAN's CCSM availability requirements, while progressing preparations for the CoA's SSN sustainment and build programs.

Stuart Whiley
Chief Executive Officer and Managing Director

Photo: Royal Australian Navy.

1

Multi-Class Sustainment

Multi-Class Sustainment

ASC's MCS Program is responsible for ongoing CCSM sustainment, including the LOTE; providing support to forward rotating SSNs at HMAS *Stirling*; and sustaining Australia's SSNs – VCSs (from 2032) and the new SSN-AUKUS (from 2042).

Integrated across ASC's SA and WA sites, the MCS Program optimises ASC's specialist in-service sustainment capabilities across all submarine classes in accordance with the Australian Submarine Enterprise's priorities to achieve 'best for enterprise' outcomes.

Collins Class Submarine Program

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

In partnership with the Australian Submarine Enterprise and CCSM suppliers, ASC reached its key ISSC PP4 performance requirements throughout 2023-24, with cumulative CCSM Materiel Readiness Days exceeding the RAN's benchmark target.

At ASC North, ASC began its fifth two-year FCD. This revealed emerging maintenance issues not previously experienced on the CCSM fleet. Consequently, an extended maintenance period was agreed with the CoA to address them.

In October 2023, negotiations began with the ASC North trade workforce regarding ASC Pty Ltd (South Australia) Enterprise Agreement 2024 (to replace ASC Pty Ltd Enterprise Agreement 2021, which expired on 26 March 2024). During the negotiations, the workforce elected to take PIA, which was ongoing at 30 June 2024; the earliest possible resolution of this will be key to ensuring the maintenance program's ongoing success.

In WA, ASC successfully completed two CCSM IMPs at the RAN's HMAS *Stirling*, Garden Island facility. While at ASC West, Henderson, the company executed a 12-month CCSM MCD, and commenced a six-month ID.

In parallel to the planned sustainment activities, ASC continued to support the CCSM fleet through Operational Period Maintenance activities, with ASC personnel deployed to operational CCSMs domestically and internationally.

Life of Type Extension

The LOTE project will, in conjunction with ongoing CCSM sustainment, enable the RAN's CCSMs to continue operating effectively for 10 years beyond their original withdrawal dates, ensuring Australia retains a potent, conventionally powered submarine capability during the transition to SSNs.

Through the LOTE, ASC will pre-emptively address key reliability and obsolescence issues that may occur during the boats' life extension periods, with support from original CCSM designer Saab Kockums.

Recognising that the LOTE scope will be determined by Defence on a platform-by-platform basis, major work to be conducted during CCSMs' planned LOTE FCD periods will include the refurbishment or installation of new:

- propulsion systems;
- diesel engines and generators;
- power conversion and distribution systems; and
- cooling systems.

A range of hull assessments will also be conducted.

ASC achieved all LOTE contract milestones during the 2023-24 reporting period, including:

- finalising contracts with all major equipment suppliers for the first shipset of supplies;
- progressing detailed design and qualification testing with suppliers;
- progressing design integration of new systems and equipment;
- completing an initial support system review, focused on crew training; and
- developing the implementation strategy that will guide installation of updates during CCSMs' LOTE FCDs.

ASC will continue to maximise Australian industry participation as the LOTE project progresses.

Supply Chain

The global supply chain environment stabilised in 2023-24, with supply-and-demand balance improving in most commodities. However, key geographical areas and commodity groups remained disrupted, including:

- European suppliers impacted by high demand due to the ongoing conflict in Ukraine, and the consolidation of manufacturing facilities; and
- electrical and electronic component manufacturers, as these components remained in high demand, attracting longer lead times and higher pricing.

During 2023-24 ASC's supply chain strategy remained focused on achieving security of supply, value for money and building capability within Australia's sovereign supply chain.

Following ASC's selection as the sole sustainer and joint builder of Australia's SSNs, ASC collaborated with the CoA and international entities to review and expand Australia's industrial footprint to support this work.

ASC continued to enhance its supplier relationships, with the establishment of key sustainment contracts for:

- blast-and-paint services;
- non-destructive testing services;
- weapons discharge system supply and maintenance;
- battery breaker and switchboard supply and maintenance; and
- production consumables.

ASC successfully submitted its 2023 Modern Slavery Statement to the Australian Government's Attorney-General's Department and continued to execute its Modern Slavery Risk Management and Implementation Plan (2023-25).

Submariner Training

ASC provides submariner training services to the RAN's TA-SM based at the STSC, HMAS *Stirling*, Garden Island, WA.

Forty-five staff are employed at the STSC, including instructors, training developers, learning technology specialists and administrative support staff.

ASC's achievements during 2023-24 included:

- providing initial training to approximately 90 new RAN submariners;
- providing career and operational training to approximately 340 current RAN submariners;
- developing or upgrading 20 training courses;
- contributing training expertise to two key RAN programs:
  - SEA2000 Maritime Mining; and
  - SEA1450 Life of Type Extension;
- contributing to the development of new Static Ship Control Simulators; and
- delivering submarine technical familiarisation training to over 160 Australian Submarine Enterprise staff.

Nuclear-Powered Submarine Sustainment

Australia's SSN Sustainment Program is being rolled out in three phases, in line with the CoA's Optimal Pathway for Australia's acquisition of SSNs:

- **Phase 1:** Rotational maintenance of visiting SSNs at HMAS *Stirling*, known as SRF-West.
- **Phase 2:** Australia will acquire three VCSs from the US with the potential to acquire up to two more if required.
- **Phase 3:** SSN-AUKUS Class submarines will be built in Australia at Osborne, SA. Sustainment will commence post their delivery to the RAN.

Key Activities

US deployments for VCS sustainment training

ASC deployed 28 individuals to the US in June 2024 as part of the first Australian cohort to commence two-to-three-year VCS sustainment training at the Pearl Harbor Naval Shipyard (PHNSY).

Between March and June 2024, an internal and external recruitment campaign was conducted to attract candidates to take on the deployments. ASC's public recruitment campaign targeted roles that are not currently resourced in the CCSM Program, such as nuclear engineering, radiological controls and tradespeople with bespoke welding competences. CCSM trades were recruited concurrently to mitigate any impact on CCSM Program performance.

Preparing to support first maintenance of a visiting VCS

In 2023-24 ASC undertook significant preparations to support US Navy Submarine Tender-assisted Maintenance Period (STMP) requirements for a planned VCS visit to Australia in August 2024. This involved the design and manufacture of a fire-fighting system and provision of a range of exotic services.

Contributing to Australian Submarine Agency (ASA) VCS sustainment working and steering groups

ASC made significant contributions to quarterly ASA working and steering groups, in support of all phases of VCS sustainment in Australia.

Recognising ASC's crucial role as Australia's sovereign sustainer, the ASA drew on ASC's experience as the nation's CCSM sustainer to shape its processes and plans for the development and delivery of VCS sustainment capability.

Workforce planning and development

ASC's SSN sustainment workforce activities during 2023-24 were focused on identifying the required workforce, and the initiatives to deploy and develop it, in readiness to support SRF-West. This included:

- establishing an interim SSN sustainment mobilisation team;
- working with the Naval Shipbuilding and Sustainment Group (NSSG), ASA and US partners to determine short- and medium-term resource profiles, including on-the-job training (OJT) and overseas deployment workforces, as well as required workforce management principles;
- conducting a long-term workforce supply analysis process;
- identifying priority early workforce initiatives; and
- preparing to support sending personnel to the PHNSY for VCS sustainment training.

Photo: BAE Systems.

2

SSN-AUKUS Build

SSN-AUKUS Build

During 2023-24 ASC continued to support the ASA in its work to determine optimal arrangements for building Australia's new SSN-AUKUS Class submarines.

This took the form of:

- discrete information gathering and/or provision tasks, and individual secondments to support the ASA; and
- engaging with BAE Systems and the ASA to negotiate the programmatic and commercial arrangements required to support establishment of the SSN-AUKUS Build Program.

Workforce Planning and Development

As with the SSN Sustainment Program, ASC's SSN-AUKUS Build workforce activities during 2023-24 were focused on identifying the workforce that the build will require, and the necessary initiatives to deploy and develop it.

In addition to progressing the definition of immediate workforce demands and workforce management principles, ASC:

- developed a long-term demand forecast, and short- and medium-term resource profiles;
- conducted a long-term workforce supply analysis process; and
- developed activities to foster a 'nuclear mindset'.

Sovereign Shipbuilding Talent Pool

The SSTP was established in October 2021 following the CoA's cancellation of the ACSM program, to retain, grow and develop Australia's shipbuilding workforce as the nation embarked on the acquisition of its SSN fleet.

ASC was contracted to retain 90% of affected Naval Group Australia and Lockheed Martin Australia ACSM workers.

Over the course of the program, ASC has consistently achieved results above this target, maintaining an average of 96.99% retention of affected workers, and 95% retention in 2023-24.

Additionally, in 2023-24, ASC continued to support the ASA through many activities, including:

- deploying specialist teams to both the US and UK;
- developing and implementing Early Careers Program offerings;
- various learning and development initiatives; and
- seconding ASC subject matter experts (SMEs) to directly support ASA teams.

ASC also:

- supported ASC personnel obtaining SSN-related postgraduate qualifications in the UK, including in Nuclear Science and Technology, and Physics and Technology of Nuclear Reactions; and
- contributed to the development of an Australian SSN capability and workforce strategy.

3

Transformation

Transformation

ASC's appointment as the CoA's Sovereign Submarine Partner in Australia's SSN program has necessitated two major organisational changes:

- migration to a capability-based operating model; and
- the restructure of ASC's executive leadership team to a C-suite-model executive committee (ExCo).

Both changes were initiated and communicated to ASC staff in late March 2024. The 'E3' program – which represents 'enable our potential, evolve our capability, embrace our future' – was established soon after, in April 2024, to manage the implementation.

ASC's programs now fall into two areas - MCS and SSN-AUKUS. Each retains accountability to deliver its individual program, with dedicated core resources.

The company has created a Nuclear and Capability Development function, which is responsible for ASC's capability model and provides the programs with the required capabilities to deliver on their scopes of work.

It also provides independent nuclear technical authority, assurance and capability development (people and processes) in conjunction with ASC's People and Culture (P&C) team.

The Corporate Services functions – Information Technology (IT), Security, Finance and Commercial, Strategy and Transformation, WHSE, Legal, and P&C – provide centre-of-excellence support across the organisation.

The Strategy and Transformation Office's responsibility is to define and oversee ASC-wide strategic priorities and large-scale transformations, unify the physical and cyber security functions (recognising the integrated threat), and provide solutions alongside ASC's IT services.

Finally, to underpin ASC's work in the US and UK, two international entities have been established. Their purpose is to fulfil ASC's duty of care to personnel deployed to the US and UK, and minimise risks to the delivery of AUKUS objectives.

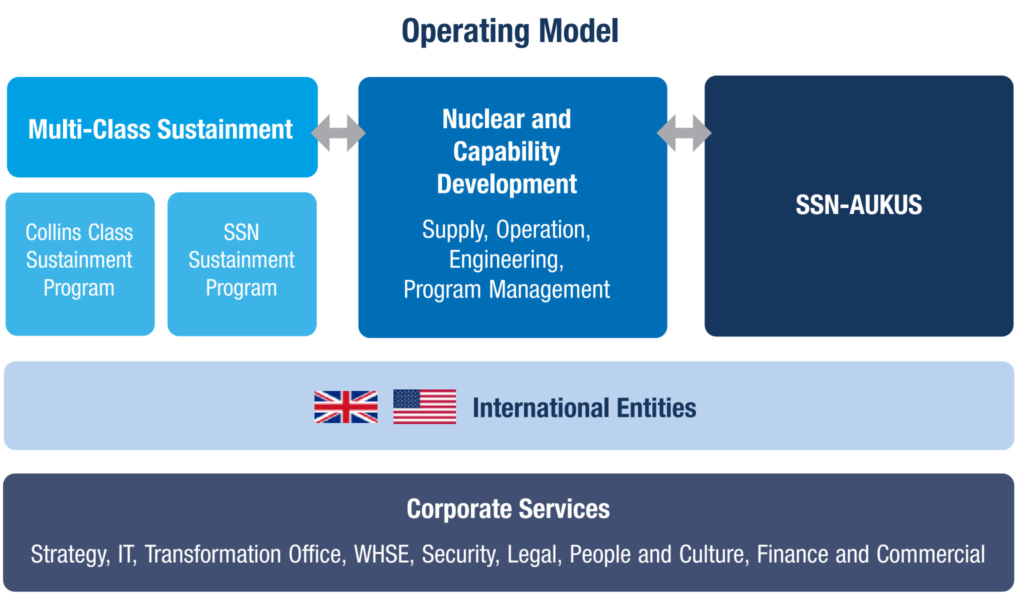


Figure 1: ASC's operating model.

Four streams of work were initiated under the E3 program to deliver the operating model change:

1. Structure and People – the implementation of a new organisational structure which supports the operating model change, with associated scope and position changes, and role filling to enhance capability utilising internal and external talent.
2. ExCo and Risk Governance – the implementation of a revised risk framework, and ExCo governance processes and cadence.
3. Process and Systems – ensuring cross-functional processes are redesigned to fit the new operating model, systems are updated accordingly, and transition criteria developed for the structural moves.
4. Change and Communications – ensuring ASC's change-readiness and supporting each function as it transitions into the new operating model.

Digital Transformation Program

ASC's DTP will enable the company's digital shipyard transition through enhanced systems integration, streamlined processes and expanded real-time data access using cutting-edge technology.

The program will increase performance and reliability, enable more comprehensive knowledge retention and enhance ASC's ability to support the Australian Submarine Enterprise.

The DTP is being delivered in two tranches. Tranche 1 is focused on upgrading and integrating ASC's systems across supply chain management, P&C, finance and operations functions, with the implementation of a new Enterprise Resource Planning platform in July 2023; Tranche 2 will enhance ASC's engineering processes through an upgraded Product Lifecycle Management system.

Activity during the reporting period centred on:

- supporting Tranche 1's release into the business, through an initial 'hyper care' period followed by handover to ASC's IT team for business-as-usual management; and
- planning for Tranche 2.

Tranche 2 planning involved incorporating lessons learned from Tranche 1, updating contracts with partners, refining an implementation plan, and finalising funding pathways.

Photo: Royal Australian Navy.

4

Nuclear Preparedness

Nuclear Preparedness

ASC recognises its responsibility to assure the safety and security of the AUKUS Submarine Enterprise, its employees and the communities it operates in.

ASC must attain and preserve the 'social licence to operate', underpinned by transparent and ongoing community engagement and the pursuit of technical excellence.

Nuclear Culture Development

ASC will continue to evolve its culture to operate in a nuclear environment, which will bring significantly greater complexity, risk consequence and regulation.

In 2023-24, ASC completed a scoping exercise to understand its cultural requirements and determine which aspects of the company's operations and ways of working will need to be enhanced or changed to achieve the social licence to operate from its stakeholders, including its workforce.

As a result, ASC has committed to:

- delivering a business-wide Cultural Transformation Program that will evolve ASC's PRIDE (Protect, Respect, Integrity, Discipline, Excellence) values and behaviours to align with the requirements for successful operation in a nuclear environment;
- ensuring alignment with the ASA's Nuclear Mindset Principles; and
- embedding the evolved PRIDE values and behaviours.

ASA's Nuclear Mindset Principles

The ASA's Nuclear Mindset Principles will be woven into ASC's values and training packages. The nuclear mindset and culture is intrinsic to the company's operations, security and safety.

The nuclear mindset is a set of shared qualities, attitudes and behaviours that shape how the submarine enterprise thinks, acts and learns. It reflects ASC's dedication to excellence and an unwavering commitment to the safety, security and safeguards of naval nuclear propulsion technology.

The nuclear mindset consists of 10 principles, and a commitment to individual and collective behaviours that underpin how ASC will manage and oversee the safe and secure delivery of Australia's SSN program. These can be briefly described as:

1. **Nuclear safety is paramount**
   Nuclear safety is a collective and individual responsibility and behaviour. It is delivered through a suitably qualified and experienced workforce with safety foremost in the mind, utilising a questioning attitude and integrated management systems.
2. **Genuine commitment to nuclear security and safeguards**
   Safeguards and security are essential. It is vital to deliver an uncompromised security capability, whilst implementing safeguards with the highest levels of transparency and integrity. Maintaining an active and current understanding of threats is key.
3. **The best people, dedicated to excellence**
   Select, train and mentor the best people to assure excellence in the workplace. All must have clear roles with defined responsibilities and qualifications, be involved in continuous, relevant training and strive for excellence.
4. **Maximise lethality, reliability, availability and readiness**
   Minimise downtime for essential systems, and monitor and report on reactor performance indicators. Ensure that reactor design objectives deliver a warship that can perform its mission and return. The material condition of systems is maximised to meet military capability.
5. **Accountability**
   Set the highest standards, have clear accountabilities, and accept responsibility. Respond to mistakes and errors appropriately and hold people accountable to standards and expectations. Never blame anyone for an honest mistake, promptly reported.

6. **Strive for improvement**
Conduct frequent, thorough and detailed reviews and audits, to highlight improvements in processes and practices, whilst actively seeking and providing feedback. Utilise independent assessment to eliminate blind spots and work together for the betterment of the nuclear program.

7. **Compliance with approved standards and procedures**
Obtain and adhere to current authorised processes and procedures and don't take shortcuts, ensuring errors are corrected and paying attention to detail. Simple and enforced procedures and processes.

8. **Not living with deficiencies**
Address problems, defects and deficiencies, and always investigate events to identify root causes, rather than treating symptoms.

9. **Decisions are considered, well-informed and underpinned by strong technical evidence**
Value and respect technical expertise, seeking all available facts and evidence prior to making decisions, and remain open to alternate views. Manage risks in accordance with the context and learn from the past.

10. **Clear and effective communication**
Value open and frank communications, communicate clearly and effectively, and use formal documentation for important communications such as policies, processes, procedures, training and qualifications.

ASC's other nuclear-preparedness activities during 2023-24 included:

- expanding its nuclear training to broaden the existing knowledge base of ASC nuclear-trained employees through additional placements with US and UK partners, and attaining postgraduate qualifications;
- planning for the imminent deployment of ASC personnel to role-shadow with counterparts in the US SSN sustainment program;
- engaging with the emerging Australian Naval Nuclear Power Safety Regulator to understand the emerging regulatory framework and nuclear site licence process;
- engaging with relevant US Navy bodies in preparation for gaining accreditation to support full maintenance of US SSNs through SRF-West (from 2027); and
- working closely with the ASA, Australian Radiation Protection and Nuclear Safety Agency, and the Australian Safeguards and Non-Proliferation Office to understand ASC's obligations for nuclear security and the prevention of nuclear weapons proliferation in Australia.

ASA's Nuclear Mindset Principles

Nuclear safety is paramount

Genuine commitment to nuclear security and safeguards

The best people, dedicated to excellence

Maximise lethality, reliability, availability and readiness

Accountability

Strive for improvement

Compliance with approved standards and procedures

Not living with deficiencies

Decisions are well-informed and underpinned by strong technical evidence

Clear and effective communication

Figure 2: ASA's nuclear mindset principles.

5

Security

Security

Protective Security

ASC manages protective security in accordance with the company's regulatory and contractual obligations and prioritises it as a key aspect of ASC's core values and licence to operate. The discipline is becoming increasingly important as Australia's national security environment becomes more complex.

Protective security management is undertaken across the four pillars of security: Governance, Physical Security, Personnel Security and Information Security. Throughout 2023-24, protective security enhancements continued to support the delivery of critical capability in a layered approach encompassing five activities:

Protective Security

DETER
Discourage the attack or threat from occurring.

DETECT
Identify and verify threats as they are occurring.

DELAY
Postpone a threat from achieving its objectives.

RESPOND
Actively respond to any threat or incident that is occurring, or has occurred.

RECOVER
Minimise the impact of security incidents on ASC and its customers.

Cyber Security

ASC is part of the nation's critical infrastructure, and a key player in the defence industrial base. It prioritises best practice cyber security as a key foundation of its licence to operate.

ASC's cyber security capability is agile and efficient, with objectives and resources aligned to five key actions.

Significant enhancements were delivered in these capability areas during 2023-24, through both human resources and technological systems.

Cyber Security 5 Key Actions

IDENTIFY
Identify and manage cyber security risk to the organisation.

PROTECT
Protect the organisation's people, data, technology and processes.

DETECT
Detect cyber attacks and anomalous activities, including insider threats.

RESPOND
Degrade, contain and stop active cyber attacks and learn from the past.

RECOVER
Minimise the impact of cyber incidents on the organisation.

6

Work Health, Safety and Environment

Work Health, Safety and Environment

ASC remains committed to continually improving its WHSE performance and integrating environmental management and sustainability throughout its operations.

In Q1 2024, ASC launched its WHSE Strategy 2024-2027. The strategy involves stakeholders proactively across the workforce, improves processes and enables better two-way feedback and collaboration.

Five key principles underpin the strategy's delivery:

1. **Information and awareness**
   We effectively communicate understandable and accessible WHSE information to our workforce, which is reflective of business needs.
2. **Organisational collaboration and standardisation**
   We consult, cooperate and coordinate WHSE activities with our workforce to create relevant and standardised improvements.
3. **Smart systems analysis reporting and governance**
   We report on systems and their constituent elements, and proactive WHSE performance, using data that is valid, reliable and accurate.
4. **Health, safety, wellbeing, environmental and cultural excellence**
   We embed and foster ASC PRIDE values in all WHSE activities and behaviours to inspire our workforce.
5. **Innovation and continuous improvement**
   We continually reflect on the way we work to find innovative ways to improve.

ASC's WHSE Strategy 2024-2027 will continue to drive activities, implement improvements, standardise ways of working and clearly define outputs to support ASC's workforce.

ASC maintained its commitment to environmental stewardship and best practice during 2023-24, strengthening its Environmental Management System and securing ISO14001 recertification.

Key Achievements

- Implemented WHSE leadership interactions as a cascaded safety target to improve leaders' engagement in safety across the business.
- Continued to deliver ASC's WHSE Risk Competency and Leadership training program to build capability, deeper understanding and knowledge in key areas.
- Finalised the implementation of LEAD Boards across SA and WA operations to support two-way communication and reinforce a safety mindset at the start of all production shifts.
- Finalised improvements to the ASC Safety Critical Risk (SCR) Program.
- Finalised a new WHSE Incident Investigation framework to ensure a consistent and improved investigation process for events related to personnel safety and environmental harm.
- Deployed ASC's first 'Risk Reduction Hub' at ASC North. The hub provides staff with a creative space in which to collaboratively conceive multifaceted solutions to complex legacy risks.
- Continued to embed the WHSE Positive Impact Awards to further promote, and increase awareness of, ASC's Reward and Recognition Program.
- Concluded the Health Services business capability assessment, which supported an optimised and integrated Injury Management, Rehabilitation and Health Monitoring system.
- Continued to execute ongoing employee health surveillance programs in line with legislated requirements. This included skin cancer screening, flu vaccinations, and increasing the number of Employee Assistance Program sessions available to individuals to further support mental health. The program also broadened in 2023-24 to incorporate US requirements for the deployment of ASC personnel to the PHNSY.
- Expanded the company's WHSE secondment program to include WA, and recruited environmental specialists and WHSE graduates in both WA and SA.

International Entity Establishment

In 2024 ASC established an ASC entity in the UK (Australian Submarine Corporation Limited) and the US (Australian Submarine Corporation, LLC).

The work commenced in April 2024 and remained ongoing at 30 June 2024. ASC engaged an external consultant to assist in understanding ASC's WHSE obligations, including the identification and adaptation of WHSE legal obligations that would apply to the ASC international entities in their respective countries and, in the case of the US, state jurisdictions.

The consultant's final output will be a manual for each ASC international entity that amalgamates and appropriately adapts the various ASC departments' policies. ASC will ensure the ASC international entities' WHSE management systems remain current and effective, including by:

- identifying, updating and integrating all other relevant and applicable ASC WHSE policies not included in the consultant's scope of work;
- providing ongoing WHSE support and assurance activities; and
- customising and providing access to the company's 'myosh' safety management application and other ASC digital WHSE systems.

Psychosocial Risk Improvements

In April 2023, the CoA amended the Work Health and Safety Regulations 2011 to prescribe a requirement for employers to identify and manage psychosocial hazards.

ASC initiated significant organisational changes during 2023-24, compounding the need to demonstrate, and ensure, that psychosocial risk is being effectively managed and improved.

Consequently, ASC confirmed plans to establish a Psychosocial Risk Working Group, which is expected to be established in late 2024.

The overarching aim of the Psychosocial Risk Workgroup will be to engage relevant SMEs and the broader ASC workforce to:

- identify psychosocial hazards prevalent at ASC; and
- implement mitigation strategies and continuous improvement.

Notifiable WHS Incidents

The *Work Health and Safety Act 2011* defines safety incidents that are deemed notifiable to COMCARE, the national authority in work health and safety, and workers' compensation. Under s. 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, or involves a dangerous incident.

During the 2023-24 reporting period, five incidents were notified to COMCARE: one resulted in serious personal injury or illness to ASC workers; four were considered 'dangerous' (see Table 1). COMCARE did not elect to investigate or implement formal action for any.

Notifiable Incidents	2023-24	2022-23
Deaths	0	0
Dangerous incidents	4	1
Serious personal injury or illness	1	3
Total incidents	**5**	**4**

Table 1: ASC notifiable incidents 2023-24.

Lost-time Injuries

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

ASC's five-year WHSE strategy set a 20% reduction target for each financial year for total LTIs and the LTI frequency rate (LTIFR). The LTIFR for 2022-23 was 1.1 across all site-based workers including contractors; this reduced to 0.5 for the 2023-24 period (see Figure 3).

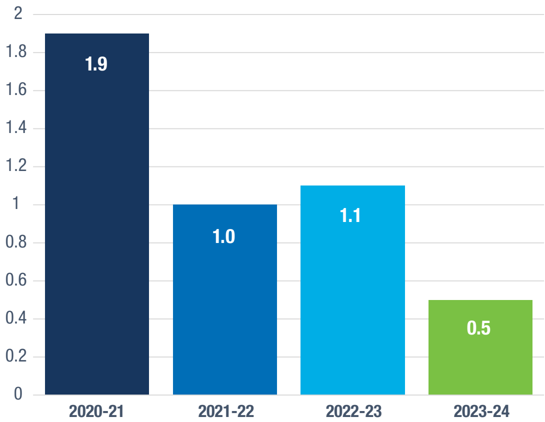


Figure 3: ASC LTIFR comparison.

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

Medically Treated 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 WHSE strategy set a 20% reduction target for all MTIs and MTI frequency rates (MTIFR). The company's 2023-24 MTIFR was 1.4 across all site-based workers, including contractors, representing an improvement on the previous financial year (see Figure 4).

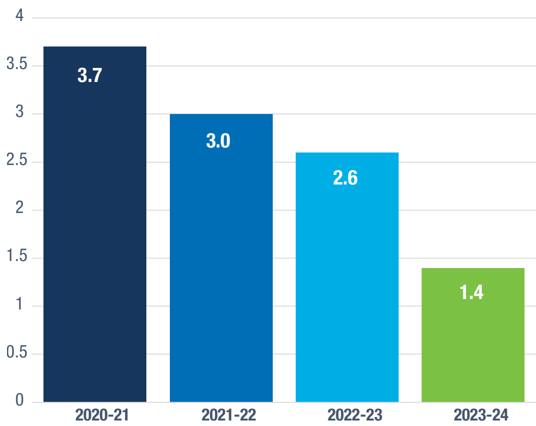


Figure 4: ASC MTIFR comparison.

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

Recordable Injury Frequency Rate

The recordable injury frequency rate (RIFR) captures the total number of LTIs and MTIs per million hours worked. ASC's five-year strategy sets a 20% reduction target in the company's RIFR for each financial year. The RFIR for 2022-23 was 3.9 across all site-based workers, including contractors; this decreased to 1.89 for 2023-24 (exceeding the 2.56 target), representing a 48.5% reduction.

Proactive Reporting

ASC's ratio of WHSE hazard reports being proactively submitted in 2023-24 was 61%, which is 9% below ASC's stated target of 70% or better. However, with the ASC Executive Safety and Environment Council's endorsement, the company chose to begin measuring proactive reporting using a different method. From 2024-25, ASC will report on WHSE activities with a focus on preventative measures, providing a more mature and informative marker of proactive WHSE performance.

Environmental Performance

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

The company's efforts throughout 2023-24 remained focused on strengthening its Environmental Management System. Key achievements included:

- implementing ASC's integrated Environmental Management Framework to better align with ASC's WHS management systems and leverage existing safety capability and tools to further strengthen the company's approach to environmental management and compliance;
- developing a greenhouse gas (GHG) emissions monitoring and reporting framework in alignment with ASC's Sustainability program and the Climate Action in Government Operations strategy; and
- improving chemical management processes, accountability and assurance using the ChemAlert platform.

ASC continued to proactively seek opportunities to minimise resource consumption in its operations. Waste management at all ASC sites is handled by specialist providers and all waste streams, including e-waste, scrap metal, oils and industrial fluids, are appropriately segregated for disposal, recycling or energy recovery.

Sustainability

During the 2022-23 reporting period ASC engaged a third-party sustainability service provider to facilitate an Environmental, Social and Governance (ESG) materiality assessment. This involved the provider conducting in-depth surveys with ASC SMEs to identify the sustainability-related areas and issues that are of greatest importance to the company and its stakeholders.

In 2023-24, based on this assessment, further consultation with the provider and comparative industry benchmarking, ASC identified 16 key sustainability themes to focus its efforts and associated reporting on in the coming years.

These themes were spread across the three ESG pillars:

Environment themes

To enable the company to effectively manage its impacts and dependencies on nature, minimise harm and create a positive impact, ASC will focus on:

- reducing energy and GHGs*;
- mitigating climate risk;
- enhancing waste management;
- enhancing water management; and
- protecting biodiversity and ecosystems.

Social themes

To assist the company in positively impacting the people it engages with, ASC will focus on:

- further strengthening its culture of health and safety*;
- further increasing employee engagement and wellbeing*;
- enhancing workforce diversity and inclusion (D&I)*;
- expanding its talent pipeline*; and
- attracting and retaining the right talent*.

Governance themes

To support the company in establishing a robust governance framework that promotes transparency, accountability and ethical decision-making, ASC will focus on:

- strengthening ethics and accountability*;
- tightening information security*;
- reinforcing supply chain sustainability;
- ensuring delivery of quality and safe assets;
- monitoring risk and compliance; and
- reviewing and refining corporate governance structure.

All themes marked with an asterisk (*) were prioritised for action in 2024-25.

Executive sponsors were assigned to each sustainability pillar, and SMEs from relevant business areas assigned to coordinate activities for each theme.

The SMEs also formed an ESG Working Group, through which they will report progress to the ASC ExCo and the ASC Business Assurance and Security Committee (BASC).

See *P&C* (page 37) and *Corporate Governance* (page 43) for more information on ASC's social and governance activities.

Greenhouse Gas Emissions

The GHG Emissions Inventory shown in tables 2 and 3 presents ASC's GHG emissions for the 2023–24 period. The results are presented on the basis of carbon-dioxide-equivalent (CO2-e) emissions and have been calculated in accordance with the CoA's Net Zero Emissions Reporting Framework.

ASC's emissions boundary includes facilities in Adelaide and Osborne, SA and Henderson and Bibra Lake, WA. The reported emissions are the cumulative emissions of these facilities, plus any shared emissions (e.g. flights) attributed proportionately, resulting in an emissions breakdown of 72% to ASC North and 28% for ASC West. Emissions that could not be quantified due to the unavailability of data will be incorporated in future reporting years.

ASC will expand on its GHG emissions reporting during 2024-25 and work collaboratively with ANI, which owns the sites that ASC operates on, and internal stakeholders to identify opportunities to optimise its emissions profile, moving towards net zero over time.

2023-24 Greenhouse Gas Emissions Inventory – Location-Based Method

Emission Source	Scope 1 t CO2-e	Scope 2 t CO2-e	Scope 3 t CO2-e	Total t CO2-e
Electricity (Location-Based Approach)	N/A	4,974.120	1,068.345	6,042.465
Natural Gas	919.489	N/A	190.928	1,110.418
Solid Waste*	N/A	N/A	162.840	162.840
Refrigerants*†	0.000	N/A	N/A	0.000
Fleet and Other Vehicles	32.598	N/A	8.996	41.593
Domestic Commercial Flights	N/A	N/A	833.833	833.833
Domestic Hire Car*	N/A	N/A	0.000	0.000
Domestic Travel Accommodation*	N/A	N/A	387.982	387.982
Other Energy	61.669	N/A	20.167	81.836
Total t CO2-e	**1,013.756**	**4,974.120**	**2,673.091**	**8,660.967**

Table 2: ASC's 2023-24 GHG emissions inventory – location-based method.

*Note: the table above presents emissions related to electricity usage using the location-based accounting method. CO2-e = Carbon Dioxide Equivalent. *Indicates emission sources collected for the first time in 2023-24. The quality of data is expected to improve over time as emissions reporting matures. †Indicates optional emission source for 2023-24 emissions reporting.*

2023-24 Electricity Greenhouse Gas Emissions

Emission Source	Scope 2 t CO2-e	Scope 3 t CO2-e	Total t CO2-e	Percentage of Electricity Use
Electricity (Location-Based Approach)	4,974.120	1,068.345	6,042.465	**100%**
Market-based electricity emissions	10,383.984	1,281.973	11,665.958	**81.28%**
Total renewable electricity				**18.72%**
Mandatory renewables[1] *Voluntary renewables*[2]	-	-	-	**18.72%** **0.00%**

Table 3: ASC's 2023-24 electricity GHG emissions.

Note: the table above presents emissions related to electricity usage using both the location-based and the market-based accounting methods. CO2-e = Carbon Dioxide Equivalent. [1]Mandatory renewables is the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage. [2]Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).

Environmental Incidents

ASC's operations are subject to environmental regulation under both federal and state legislation. The company recognises its obligation to comply with all relevant environmental protection and conservation acts. Accordingly, ASC records, investigates and reports any breaches to the respective regulator. ASC recorded no externally notifiable environmental incidents in the 2023-24 period, and continues to proactively manage environmental hazards, risks and minor incidents using WHS-aligned systems and processes.

Environmental Licences

ASC holds a number of environment-related licences and permits for its operations in SA (ASC North) and WA (ASC West).

ASC North

ASC Pty Ltd SA EPA Licence 1367
ASC Pty Ltd SA EPA Exemption 50766
HALON Special Permit HSP16745
SA Water Trade Waste Discharge Permit T205875
Refrigeration Trading Authorisation AU09911

ASC West

Department of Environment Regulation Registration 1981
Refrigeration Trading Authorisation AU09911
HALON Special Permit HSP16745
Water Corporation Trade Waste Permit 22792

7

People and Culture

People and Culture

ASC's P&C Strategy ensures the company has the required human capital to achieve its operational and strategic goals.

During 2023-24, ASC's permanent workforce grew to 2,126. This increase included, but was not limited to:

- 46 apprentices (14 more than in 2022-23); and
- 50 graduates (16 more than in 2022-23).

At 30 June 2024, ASC employed a total of 122 apprentices and 76 graduates.

The company was successful in meeting its established staff-retention performance target for the period: maintaining a voluntary unplanned staff turnover rate of less than 10%. ASC's overall 2023-24 turnover rate was 9.74%. Unplanned turnover (resignations and terminations) increased from 6.88% to 7.28% over the same period.

Key Achievements

A range of initiatives were undertaken in 2023-24 to support CCSM Program delivery and build a future workforce to support the CoA's SSN Program. This included:

- enhancing ASC's employer brand to aid recruitment and retention and promoting it nationally through the 'A Deeper Purpose' marketing campaign, contributing to a 400% increase in visitors to the ASC website following the CoA's March 2024 announcement of ASC as its Sovereign Submarine Partner for the sustainment and joint build of SSNs in Australia;
- growing all areas of the ASC workforce, but particularly Engineering, Operations and support functions;
- increasing job applications by more than 140% year on year, partly attributable to attending over 35 national careers fairs and conducting several social media recruitment campaigns;
- significantly boosting graduate (engineering and corporate) and apprentice intakes, with a 230% year-on-year increase in total applications, and a 250% increase in female applications;
- implementing six Program Management traineeships;
- commencing and progressing the development of competency frameworks for Engineering, Operations, Program Management and Supply;
- developing technical training frameworks across Engineering and Operations;
- conducting a range of activities to support future SSN Program requirements and manage CCSM risks, including:
    - workforce planning;
    - developing and negotiating (with the CoA) a Global Mobility Framework to compensate international deployments;
    - implementing a capability accelerator program to support capability uplift within Engineering, Operations, Program Management and Supply;
    - managing US and UK deployments in accordance with the ASA's requirements;
    - developing and executing external advertising campaigns to attract candidates across Australia to undertake international deployments; and
    - working on the establishment of ASC entities in the US and UK; and
- continuing to develop ASC's leadership capability through the Leading at ASC, Emerging Leaders and Transformational Leadership programs.

ASC Permanent Workforce by Gender, Location and Employment Status, at 30 June 2024

	Male			Female			Non-binary, prefers not to answer, uses a different term			Total
State	FT	PT	Total	FT	PT	Total	FT	PT	Total	
NSW	2	0	2	0	0	0	0	0	0	2
Qld	0	0	0	0	0	0	0	0	0	0
SA	1161	29	1190	244	33	277	1	0	1	1468
Tas	0	0	0	0	0	0	0	0	0	0
Vic	3	1	4	0	0	0	0	0	0	4
WA	494	3	497	95	19	114	0	0	0	611
ACT	0	0	0	0	1	1	0	0	0	1
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	39	0	39	1	0	1	0	0	0	40
Total	**1699**	**33**	**1732**	**340**	**53**	**393**	**1**	**0**	**1**	**2126**

Table 4: ASC permanent workforce by gender, location and employment status, at 30 June 2024.

Diversity and Inclusion

Recognising that workplace D&I contributes to positive employee experiences, supports career development and encourages employee retention, ASC continued to deliver on its D&I initiatives during 2023-24.

Key D&I achievements included:

- introducing childcare support for primary care givers and paid superannuation for unpaid parental leave;
- gaining continued endorsement from Work180 as an Employer of Choice for all Women;
- executing actions committed to in ASC's 'Innovate' Reconciliation Action Plan; and
- increasing the participation of women in the ASC workforce to 19.21%.

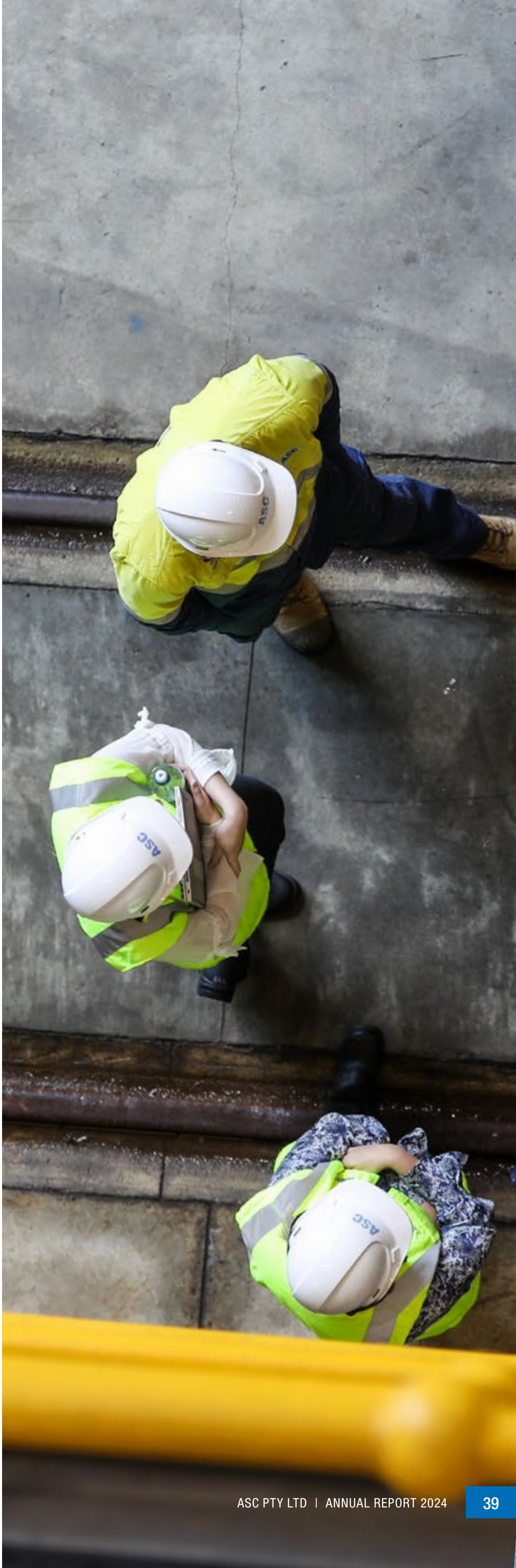
Organisational Learning and Development

Throughout 2023-24, ASC remained committed to empowering its employees to reach their full potential. Major organisational learning and development activity included:

- delivering leadership and talent-development programs tailored for emerging leaders and potential successors to senior leadership roles;
- developing technical training programs to accelerate knowledge transfer and reduce time to competency for critical skills within the workforce;
- developing onboarding programs in support of ASC core capabilities, reducing time to competency and improving employee experience;
- supporting the deployment of ASC personnel to train with overseas partners in preparation for ASC's role as sole sustainer of SSNs in Australia;
- supporting expanded cohorts coming to ASC through the CoA's Early Careers Program, including in traineeships, apprenticeships, corporate and engineering graduate programs, and an undergraduate engineering program;
- expanding career progression and advanced skills offerings for employees;
- increasing the use of technology-enabled learning and the delivery of eLearning programs;
- leveraging improvements made available through the DTP and embedding new software and systems;
- identifying workforce capability requirements to meet LOTE deliverables;
- investing in ASC's Learning Centre at Port Adelaide;
- developing ASC's Quill Way trade training facility in Henderson, WA; and
- strengthening collaboration with the RAN's STSC.

Nuclear Culture

ASC has a requirement to evolve its culture to operate in a nuclear environment, which will bring significantly greater complexity, risk consequence and regulation. The company's response to this during 2023-24 is detailed on page 23.



Industrial Relations

Enterprise Agreements

ASC finalised negotiations for two new enterprise agreements (EAs) in 2023-24: ASC Pty Ltd (Western Australia) Submarine Safety and Certification Group Enterprise Agreement 2023; and ASC Pty Ltd (Western Australia) Trade Planning Enterprise Agreement 2023.

Negotiations began for two trade-based EAs, to replace the:

- ASC Pty Ltd Enterprise Agreement 2021, which expired on 26 March 2024 and covered approximately 350 employees in SA across trade, operator and warehouse functions; and
- ASC Pty Ltd (Western Australia) Enterprise Agreement 2021, which will expire on 11 August 2024, and covers approximately 250 employees in WA across trade and operator functions.

Bargaining for the replacement SA trade agreement, ASC Pty Ltd (South Australia) Enterprise Agreement 2024, was initiated in October 2023, and negotiations were ongoing at 30 June 2024. A number of SA-based ASC employees engaged in PIA under the *Fair Work Act 2009* from 6 May 2024. This involved work stoppages and bans on overtime and the performance of higher duties and was ongoing at 30 June 2024.

Bargaining for the replacement WA trade agreement, ASC Pty Ltd (Western Australia) Enterprise Agreement 2024, was initiated in March 2024 and was ongoing at 30 June 2024.

ASC Enterprise Agreements at 30 June 2024

Agreement	Coverage	Expiry
ASC Pty Ltd Enterprise Agreement 2021	Warehouse and Trade employees whose primary place of employment is in SA (around 350 employees).	26 March 2024
ASC Pty Ltd (Western Australia) Enterprise Agreement 2021	Trade employees whose primary place of employment is in WA (around 250 employees).	11 August 2024
AMWU / ASC Pty Ltd Enterprise Agreement Production Team Leads ASC North 2021	Operations Team Lead employees whose primary place of employment is in SA (around 20 employees).	13 October 2024
ASC Pty Ltd (Western Australia) Submarine Safety and Certification Group Enterprise Agreement 2023	Submarine Certification Group employees whose primary place of employment is in WA (around 20 employees).	1 July 2026
ASC Pty Ltd (Western Australia) Team Leads Enterprise Agreement 2022	Operations Team Lead employees whose primary place of employment is in WA (around 20 employees).	3 July 2026
ASC Pty Ltd (Western Australia) Trade Planning Enterprise Agreement 2023	Trade Planning employees whose primary place of employment is in WA (around 10 employees).	22 April 2028

Table 5: ASC EAs at 30 June 2024.


ASC

Photo: Royal Australian Navy.

8

Corporate Governance

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 shares issued in the capital of ASC are owned by the CoA, acting through the DoF. The ASC Group's structure is shown in Figure 5.

Company Structure

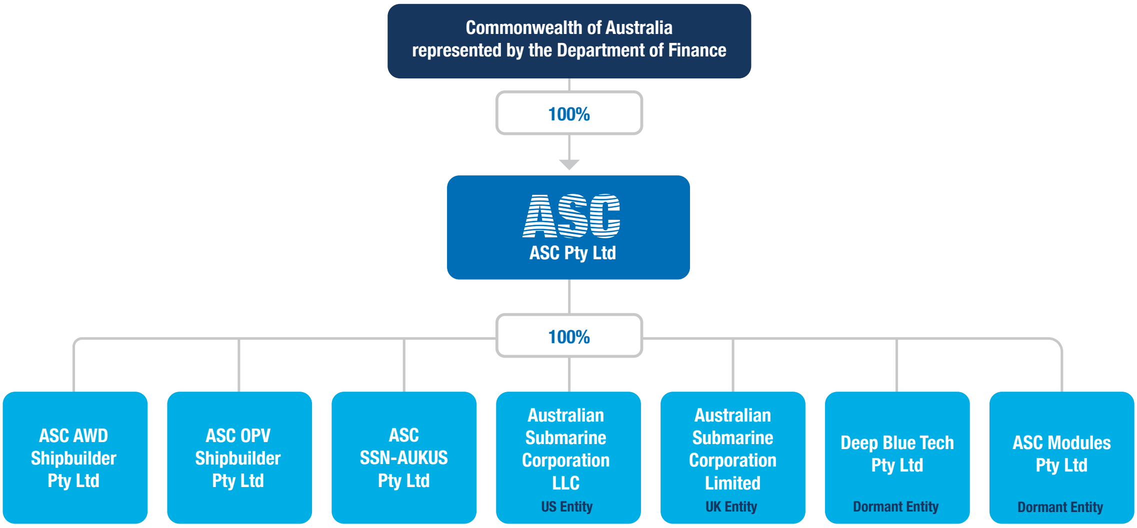


Figure 5: ASC Group structure.

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

Directors

ASC's directors are appointed to the company's Board for a term by the Minister for Finance. ASC's Board composition at 30 June 2024 was as follows:

Bruce Carter AO
Chair

MBA, FICA, FAICD, BEc
Appointed: 1/1/2010

Bruce is a long-serving Director and Chair of ASC, joining the Board in 2010 and overseeing ASC's 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 in 2015, 2018, 2021 and 2023.

Bruce is currently a Director of Bank of Queensland Ltd, AIG Australia Ltd (Chair) and Lovisa Holdings Ltd. He is a former Partner of Ferrier Hodgson and Ernst and Young, and a former Director of Genesee & Wyoming Inc (NYSE) and Crown Resorts Ltd.

Geoff Rohrsheim
Deputy Chair

BE (Hons) (Aerospace), MEngSc, GAICD
Appointed: 15/3/2019

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

He joined the ASC Board in 2019 and was appointed Deputy Chair in March 2022.

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

Geoff is involved in multiple leadership roles across various technology ventures and has been recognised for leadership and innovation with the Pearcey Foundation's SA Entrepreneur Award in 2017 and EY's Entrepreneur of the Year for the southern region in 2006.

He is a former Board member of the Australian Cyber Collaboration Centre, Alcidion Corporation (ASX:ALC), Seeley International, Business SA (South Australian Chamber of Commerce and Industry) and RAA Insurance.

Dr Janis Cocking PSM
Non-Executive Director

BSc (Hons), DEng, PSM, FTSE
Appointed: 24/01/2023

Janis spent more than 40 years with the Defence Science and Technology Group (DSTG) and its predecessors, undertaking and leading science and technology programs, particularly in the maritime domain.

A world-recognised undersea technology expert, she was previously DSTG Chief, Maritime Division and Chief, Science Strategy and Program Division. Janis is a former Board member of the Australian Maritime College of the University of Tasmania.

Janis received an Institute of Public Administration Centenary Medal for her work supporting the CCSMs. Her outstanding contributions to defence science and technology have also been recognised through a Public Service Medal in 2018, and DSTG's establishment of the Janis Cocking Leadership Award in 2019.

Dr Rosalind Dubs

Non-Executive Director

BSc (Hons), Dr ès Sc, FTSE, FAICD
Appointed: 1/5/2013

Rosalind is currently a Non-Executive Director of SmartSat CRC Ltd, and Chair of the iLAuNCH Advisory Board.

Her former positions include: Director of Aristocrat Leisure Limited, the Taronga Conservation Society, ANU Enterprise Pty Ltd, Astronomy Australia Ltd, Science in Australia Gender Equity (SAGE) Ltd, and Structural Monitoring Systems Plc; Deputy Vice-Chancellor (External Relations) at University of Technology Sydney; and senior executive roles with Thales SA (in Germany, France and Australia), Airservices Australia, the Australian National University, and CSIRO.

Loretta Reynolds

Non-Executive Director

FAICD, SFFin, IP, GDLP, LL.B, BEc
Appointed: 9/2/2016

Loretta is a Partner and Chair 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 also a Non-Executive Director of infrastructure advisory and project management company RP Infrastructure and a member of the Business Advisory Group for Anacacia Capital.

Alice Williams

Non-Executive Director

BCom, FCPA, FAICD, CFA
Appointed: 18/04/2023

Alice has over 30 years' senior management and board-level experience, specialising in major-project governance, investment management, corporate advisory and equity fundraising. She has particular expertise in technology and cyber security governance and transformational technology projects.

Alice is a former Director of NM Rothschild and Sons (Australia) Limited, Vice-President of JP Morgan Australia, and Non-Executive Director for such organisations as Cooper Energy, Defence Health, Telstra Sale Company Limited and the Australian Accounting Standards Board (AASB).

She has served as Commissioner for the Victorian Competition and Efficiency Commission, Chair of the 2004 Wheat Marketing Review Panel and as a member of the Foreign Investment Review Board.

Alice is currently a Non-Executive Director of Djerriwarrh Investments, Mercer Investments Australia Ltd, Advance Asset Management Ltd, Vocus, ProMedicus and Tobacco Free Portfolios.

Directors

Stuart Whiley
Managing Director

BSc (Hons), FIEAust, CPEng, GAICD
Appointed: 12/2/2018

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

His career with ASC spans more than 30 years, during which time he has held various submarine program, project, schedule and systems engineering roles. In 2005 he was appointed General Manager, Collins Class Submarines and became responsible for the delivery of CCSM support services in 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 Dowty working in a naval/weapons environment.

It was recently announced that Stuart will not seek a new contract at the end of his current term in January 2026.

Attendance

The ASC Board meets as often as required. During 2023-24 it met 13 times, including four out-of-session meetings[1].

Members of the ASC Executive Leadership Team and other senior managers attend Board meetings by invitation. All Board committees provide a standing invitation for any Director to attend their meetings (rather than limiting attendance to committee members). Committee agendas and papers are provided to all Directors to ensure they are aware of matters to be considered.

Director	Board			Audit Committee			Human Resources and Remuneration Commmittee			Business Assurance and Security Committee		
	Held[1]	Eligible	Attended	Held	Eligible	Attended	Held	Eligible	Attended	Held	Eligible	Attended
Bruce Carter AO	13	13	13	-	-	-	6	6	6	4	4	4
Geoff Rohrsheim	13	13	12	-	-	-	-	-	-	4	4	3
Dr Rosalind Dubs	13	13	13	5	5	5	-	-	-	4	4	4
Loretta Reynolds	13	13	12	5	5	4	6	6	6	-	-	-
Denise Goldsworthy AO[2]	13	5	5	-	-	-	6	4	4	4	2	2
Dr Janis Cocking PSM	13	13	13	-	-	-	-	-	-	4	4	4
Alice Williams	13	13	12	5	5	4	-	-	-	-	-	-
Stuart Whiley	13	13	13	-	-	-	-	-	-	-	-	-

Table 6: ASC Board and committee meeting attendance 2023-24.

1. The four out-of-session meetings took place on 3 November 2023, and 12 January, 18 March and 25 June 2024. There were also two Board Circulating Resolutions on 20 May and 14 June 2024. 2. Denise Goldsworthy AO served as a Non-Executive Director until her cessation as a member of the Board, the BASC and the Human Resources and Remuneration Committee (HRRC) on 31 December 2023.

Board Committees Membership

Audit Committee	Business Assurance and Security Committee	Human Resources and Remuneration Committee
Alice Williams (Chair) Loretta Reynolds Dr Rosalind Dubs	Geoff Rohrsheim (Chair) Bruce Carter AO Dr Rosalind Dubs Dr Janis Cocking PSM Denise Goldsworthy AO (until 31 December 2023)	Loretta Reynolds (Chair) Bruce Carter AO Denise Goldsworthy AO (until 31 December 2023)

Table 7: ASC Board committees membership 2023-24.

Ministerial Directions

In accordance with its constitution, ASC is subject to direction by the Minister for Finance. The Minister gave ASC no directions during 2023-24.

Corporate Governance

ASC has adopted a corporate governance protocol which establishes:

- charters for the Board, Audit Committee, HRRC and BASC; and
- a Code of Conduct.

The Board monitors performance against its corporate governance objectives at each Board meeting. It also conducts full performance reviews every year, alternating between internal and external reviews. The most recent reviews were undertaken:

- internally, in November 2022; and
- externally in November 2023.

External performance review results are distributed to the DoF and Minister for Finance.

ASC Board Charter

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

- overseeing the ASC Group, including control and accountability systems;
- appointing ASC's MD and Company Secretary, monitoring their performance and, where appropriate, removing them;
- approving other executive appointments, organisational changes and senior management remuneration policies and practices;
- monitoring and reviewing senior management's performance and strategy implementation, and ensuring they're appropriately resourced;
- providing strategic advice to management;
- determining the ASC Group's strategy and monitoring its performance against agreed objectives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, as well as financial and other reporting;
- approving budgets and other key performance indicators, reviewing 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 ensure appropriate frameworks are in place;
- reviewing and overseeing the implementation of ASC's Code of Conduct for directors and executives;
- appointing ASC Board committees and approving their composition and any charters;
- 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:
    - acquire, and keep up to date, knowledge of work health and safety matters;
    - understand the nature of ASC's operations and associated hazards and risks;
    - ensure appropriate resources are available, and processes implemented, to identify hazards and eliminate or minimise risks;
    - ensure ASC has appropriate processes for receiving and considering information regarding incidents, hazards and risks, and responding in a timely way;
    - ensure the business implements processes for complying with work health and safety laws, regulations and codes of practice; and
    - verify the provision, and use, of the resources and processes referred to above.

The ASC Board Charter can be downloaded at: www.asc.com.au/about-asc/corporate-governance

Audit Committee

The Audit Committee assists the ASC Board in achieving its objectives relating to:

- financial and performance reporting;
- financial 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 auditors, both internal and external, in compliance with all applicable laws; and
- verifying that financial compliance strategies and functions are effective.

At 30 June 2024 the committee consisted of Alice Williams (Chair), Loretta Reynolds and Dr Rosalind Dubs. For further information about the Audit Committee, visit: www.asc.com.au/about-asc/corporate-governance

Human Resources and Remuneration Committee

The HRRC assists the ASC Board in fulfilling its corporate governance and oversight responsibilities relating to the company's people strategy. This includes:

- remuneration components;
- performance measurements and accountability frameworks;
- recruitment and retention;
- talent management; and
- succession planning.

At 30 June 2024 the committee consisted of Loretta Reynolds (Chair) and Bruce Carter AO.

Business Assurance and Security Committee

The BASC's objectives are to ensure:

- 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;
- adequate systems are in place for the effective management of physical and cyber security;
- a culture of compliance is being promoted; and
- compliance strategies and functions are effective.

At 30 June 2024 the committee consisted of Geoff Rohrsheim (Chair), Bruce Carter AO, Dr Rosalind Dubs and Dr Janis Cocking PSM.

Board Membership

During 2023-24, Denise Goldsworthy AO ceased as a Non-Executive Director.

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 shareholders' and other stakeholders' interests; and
- 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). PricewaterhouseCoopers (PwC) has been appointed as the ANAO's subcontractor auditor for the purposes of ASC's audit.

The Audit Committee oversees internal audits, while the Group Internal Audit Manager reports to the Audit Committee and contributes to the achievement of ASC's goals and objectives by:

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

Risk Management

ASC is committed to ensuring that enterprise risk management is maintained as a core enabling discipline within the organisation by establishing risk management processes, systems and governance to ensure strategic objectives and corporate governance responsibilities are met.

ASC recognises that risk management is integral to good management practice and effective corporate governance and is necessary to ensure sound business decisions are made based on sufficient risk information.

The ASC Board, through the BASC, has accountability for risk management oversight and promoting an adequate risk culture. This includes:

- reviewing key risks and guiding their management; and
- ensuring that an appropriate risk management framework is established and maintained.

Both the Audit Committee (financial risk) and the BASC (non-financial risk) are responsible for monitoring ASC's risk management performance.

ASC's Risk Management Framework is based on the AS ISO 31000:2018 guidelines, with the Executive Risk Management Committee monitoring its effective implementation. The Risk Governance structure has been aligned to ASC's new operating model, establishing executive-level and organisation-unit-level Risk Boards, ensuring adequate risk assessment, mitigation and oversight.

Legal Compliance

ASC's Legal Compliance Program is approved and monitored by the BASC. In 2023-24, the program was delivered via online interactive learning modules, which covered:

- Corporate Governance, comprising modules relating to ASC's Code of Conduct, whistleblower protection, fraud and corruption and modern slavery;
- Intellectual Property (IP), including a course dedicated to ASC's management and protection of Saab Kockums IP;
- Employment, comprising modules relating to equal opportunity, anti-discrimination, sexual harassment and bullying;
- Work Health and Safety, comprising modules relating to managing risks, incident notification, hazardous manual tasks and representatives and committees; and
- Controlled Technology, covering Defence export controls, including ASC's compliance under the US International Traffic in Arms Regulations regulatory regime.

Payments to Other Related Australian Government Entities

	Aggregate value $	Number of transactions
ANI	18,728,502	107
ANAO	466,685	5
Department of Defence	1,596,159	16
Comcare	106,208	1

Table 8: Payments to other related Australian Government entities.

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Remuneration Report

Remuneration Report

The Remuneration Report outlines ASC's approach to setting remuneration and provides the remuneration of ASC's key management personnel (KMP) for the year ended 30 June 2024.

ASC's KMP have the authority and responsibility for planning, directing and controlling ASC's strategic direction throughout the year. The personnel identified in this report include ASC's Non-Executive Directors, the CEO and MD and certain other senior executive positions.

Name	Position	Term as KMP 2023-24
Non-Executive Directors		
Bruce James Carter AO	Chair, Non-Executive Director	Full year
Geoffrey Roland Rohrsheim	Deputy Chair, Non-Executive Director	Full year
Dr Janis Louise Cocking PSM	Non-Executive Director	Full year
Dr Rosalind Vivienne Dubs	Non-Executive Director	Full year
Denise Carol Goldsworthy AO	Non-Executive Director	Ceased 31 December 2023
Loretta Anne Reynolds	Non-Executive Director	Full year
Alice Morrice Williams	Non-Executive Director	Full year
Senior Executives		
Stuart Whiley	MD and CEO	Full year
Paul Gay [1]	Chief Operating Officer – MCS	Full year
Christian Hamilton [2]	Chief Operating Officer – SSN-AUKUS Transition	Full year
Joanne Horne [4]	Chief People and Workforce Development Officer	Appointed 31 March 2024
Rebecca Livesey [4]	Chief Strategy and Transformation Officer	Appointed 31 March 2024
Ashley Menadue [3]	Chief Financial and Commercial Officer	Full year
Alex Walsh [4]	Chief Nuclear and Capability Officer	Appointed 31 March 2024

Table 9: Key Management Personnel for the financial year 2023-24.

1. Paul Gay was appointed as Chief Operating Officer – MCS on 31 March 2024. He was previously Chief Operating Officer – Collins.
2. Christian Hamilton was appointed as Chief Operating Officer – SSN-AUKUS Transition on 31 March 2024. He was previously Chief Strategy Officer.
3. Ashley Menadue was appointed as Chief Financial and Commercial Officer on 31 March 2024. He was previously Chief Financial Officer.
4. These individuals were appointed to the above KMP roles on 31 March 2024. They previously held roles within the organisation that were non-KMP. Remuneration is disclosed within this report from the date they were appointed to these KMP roles.

Non-Executive Director Fees

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

Fees for Non-Executive Directors are set through the determinations of the Commonwealth Remuneration Tribunal, an independent statutory body overseeing the remuneration of key Commonwealth offices. The Tribunal makes the determinations in accordance with subsections of the *Remuneration Tribunal Act 1973 (Cth).*

The current fees (excluding superannuation) paid to ASC Non-Executive Directors for the 2023-24 and 2022-23 financial years are outlined below. It is noted that the Chair and Deputy Chair receive no additional fees for membership on ASC's committees.

Non-Executive Position	From 1 July 2023 $	From 1 July 2022 $
Chair - Board	177,710	170,870
Deputy Chair – Board	133,280	128,150
Member – Board	82,960	79,760
Chair – Audit Committee	17,450	16,770
Member – Audit Committee	8,730	8,390
Chair – BASC	16,760	16,110
Member – BASC	8,390	8,060

Table 10: Fees for Non-Executive Directors for the financial years 2023-24 and 2022-23.

Non-Executive Director Remuneration

Amounts paid to each Non-Executive Director are disclosed in the following table. Board and committee fees are presented as 'Other benefits and allowances'.

			Short-term benefits	Post-employment benefits	
Name		**Note**	**Other benefits and allowances $**	**Superannuation contributions $**	**Total remuneration $**
Bruce James Carter AO	**2023-24**		**177,710**	**19,548**	**197,258**
	2022-23		170,870	17,941	188,811
Geoffrey Roland Rohrsheim	**2023-24**	**1**	**133,280**	**14,661**	**147,941**
	2022-23		142,937	15,008	157,945
Dr Janis Louise Cocking PSM	**2023-24**	**2**	**91,350**	**10,049**	**101,399**
	2022-23		38,015	3,992	42,007
Julie Cooper	**2023-24**		**-**	**-**	**-**
	2022-23	3	39,849	4,184	44,033
Dr Rosalind Vivienne Dubs	**2023-24**	**4**	**100,509**	**11,056**	**111,565**
	2022-23		96,830	10,167	106,997
Denise Carol Goldsworthy AO	**2023-24**	**5**	**45,925**	**5,052**	**50,977**
	2022-23		88,808	9,325	98,133
Joycelyn Morton	**2023-24**		**-**	**-**	**-**
	2022-23	6	80,072	-	80,072
Loretta Anne Reynolds	**2023-24**	**7**	**91,690**	**10,086**	**101,776**
	2022-23		88,150	9,256	97,406
Paul Rizzo	**2023-24**		**-**	**-**	**-**
	2022-23	8	42,980	4,513	47,493
Alice Morrice Williams	**2023-24**	**9**	**99,552**	**10,951**	**110,503**
	2022-23		19,111	2,007	21,118
Grand Total	**2023-24**		**740,016**	**81,403**	**821,419**
	2022-23		807,622	76,393	884,015

Table 11: Remuneration of Non-Executive Directors for the financial years 2023-24 and 2022-23.

1. *Geoffrey Rohrsheim is the Chair of the BASC.*
2. *Dr Janis Cocking PSM is a Member of the BASC.*
3. *Julie Cooper ceased as a Director of the Board and as a Member of the Audit Committee on 12 December 2022.*
4. *Dr Rosalind Dubs is a Member of the BASC. Dr Rosalind Dubs is also a Member of the Audit Committee, excluding a period appointed as temporary Chair of the Audit Committee from 24 August 2023 to 10 September 2023.*
5. *Denise Goldsworthy AO ceased as a Director of the Board and as a Member of the BASC on 31 December 2023.*
6. *Joycelyn Morton ceased as a Director of the Board and as the Chair of the Audit Committee on 31 March 2023.*
7. *Loretta Reynolds is a Member of the Audit Committee.*
8. *Paul Rizzo ceased as a Director of the Board and as a Member of the Audit Committee on 14 December 2022. Paul Rizzo ceased as the Chair of the BASC on 29 August 2022.*
9. *Alice Williams is the Chair of the Audit Committee, excluding a period when Dr Rosalind Dubs was appointed as temporary Chair of the Audit Committee from 24 August 2023 to 10 September 2023.*

Chief Executive Officer and Managing Director Remuneration

ASC's CEO and MD is appointed by the CoA through the Minister for Finance.

The CEO and MD role has been declared by the Commonwealth Remuneration Tribunal as a Principal Executive Office (PEO) under the *Remuneration Tribunal Act 1973 (Cth)*. The remuneration for this office has been determined and paid in accordance with the Remuneration Tribunal's guidance and is comprised of two components: total fixed remuneration (TFR) and at-risk performance pay (short-term incentive or STI).

The Remuneration Tribunal sets the Total Remuneration Reference Rate (TRRR) range and at-risk performance pay for this office. For 2023-24 the CEO and MD was paid the upper range limit of TRRR at the discretion of the Board. For 2023-24 the CEO and MD was eligible for STI of up to a maximum of 30% of TFR.

Senior Executive Remuneration

The remuneration structure for ASC's senior executives reporting to the CEO and MD is developed by the CEO and MD in consultation with the ASC Board's HRRC.

ASC's senior executive remuneration is structured with a TFR amount, together with an STI payment of up to 40% of Base Salary, excluding superannuation. Actual STI is tied to a range of annual company and individual objectives. Senior executive STI includes a deferred retention component; 50% of senior executive STI is paid 12 months after the end of the financial year.

ASC's Senior Executive remuneration packages are developed so as to ensure, as much as possible, that the total remuneration amount is competitive when compared to similar organisations and senior executives are incentivised to deliver against company objectives.

When establishing an appropriate TFR for an ASC senior executive, the following elements are considered: market data; role risk and complexity; the executive's experience and skills; performance; and internal relativity within the senior executive group.

ASC's senior executive roles are independently benchmarked against reference market data gathered from market research and augmented with survey data. The CoA's March 2024 announcement of ASC as its Sovereign Submarine Partner for the sustainment and joint build of SSNs in Australia resulted in significant changes in the organisation's operating model and organisational structure. New senior executive positions were subject to an external remuneration benchmarking exercise, which was conducted to ensure that remuneration packages were aligned to market expectations.

The ASC Board's HRRC 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 HRRC recommendations.

Executive Contractual Remuneration

The following table presents contractual TFR, inclusive of superannuation and presents the maximum potential STI for Executive KMP roles as at 30 June 2024.

Executive KMP roles	TFR as at 30 June 2024 $	Maximum potential STI %
CEO and MD	**887,051**	30
Chief Nuclear and Capability Officer	**667,584**	40
Chief Financial and Commercial Officer	**640,000**	40
Chief Operating Officer – MCS	**619,296**	40
Chief Operating Officer – SSN-AUKUS Transition	**537,774**	40
Chief People and Workforce Development Officer	**521,435**	40
Chief Strategy and Transformation Officer	**521,435**	40

Table 12: Remuneration of Executive KMP roles as at 30 June 2024.

Linking Company and Individual Performance to Remuneration

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. 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-assigned and individually assigned objectives, all directly aligned to ASC's strategy.

The STI allows the ASC Board to incentivise the delivery of corporate objectives aligned to ASC's strategy and reward senior executives who have contributed to ASC's success during the performance period.

Senior executive STI includes a deferred retention component; 50% of senior executive STI is paid 12 months after the end of the financial year.

Executive Remuneration

The following table represents the remuneration receivable by KMP executives applicable to the relevant year. All amounts are disclosed on an accruals basis. Base salary is required to include annual leave paid and movements in the individual annual-leave entitlements. Base salary also includes differences to superannuation concessional cap. These disclosure requirements result in a base salary disclosed that will vary from individual contractual TFR.

The total amount payable for individual STI outcomes for 2023-24 includes superannuation at the applicable guarantee rates when payable. Excluding the CEO and MD, a portion of STI outcomes are payable in October 2024, presented in 'Short-term benefits'; the deferred retention component is payable in July 2025 and is presented in 'Other long-term benefits'.

		Short-term benefits			Post-employment benefits	Other long-term benefits		
Name		Base Salary (1) $	Bonuses $	Other benefits and allowances $	Superannuation contributions (2) $	Long-service leave (3) $	Other long-term benefits $	Total remuneration $
Stuart Whiley	**2023-24**	**949,111**	**252,809**	**-**	**27,500**	**38,189**	**-**	**1,267,609**
	2022-23	892,718	230,289	-	27,500	89,241	-	1,239,748
Paul Gay	**2023-24**	**574,841**	**91,123**	**-**	**27,500**	**49,786**	**91,531**	**834,781**
	2022-23	495,404	82,162	-	27,500	3,621	82,532	691,218
Christian Hamilton	**2023-24**	**508,246**	**89,020**	**-**	**27,500**	**45,176**	**89,420**	**759,362**
	2022-23	412,607	78,510	-	27,500	40,189	78,864	637,669
Joanne Horne	**2023-24**	**134,885**	**25,273**	**7,260**	**6,913**	**3,530**	**25,386**	**203,247**
	2022-23	-	-	-	-	-	-	-
Rebecca Livesey	**2023-24**	**131,410**	**22,392**	**-**	**6,913**	**3,407**	**22,492**	**186,614**
	2022-23	-	-	-	-	-	-	-
Ashley Menadue	**2023-24**	**603,100**	**103,193**	**-**	**27,500**	**52,811**	**103,655**	**890,259**
	2022-23	488,457	90,534	-	27,500	16,198	90,942	713,631
Alex Walsh	**2023-24**	**161,923**	**29,506**	**-**	**16,630**	**3,931**	**29,638**	**241,628**
	2022-23	-	-	-	-	-	-	-
Grand Total	**2023-24**	**3,063,516**	**613,316**	**7,260**	**140,456**	**196,830**	**362,122**	**4,383,500**
	2022-23	2,289,186	481,495	-	110,000	149,248	252,338	3,282,267

Table 13: Remuneration of Executive KMP for the financial years 2023-24 and 2022-23.

1. Annual leave is required to be presented as a component of base salary. The amounts disclosed for annual leave are determined in accordance with AASB standard AASB 119 Employee Benefits and reflect the movement in individuals' annual-leave-provision balances. The comparative 2022-23 disclosure of annual leave within base salary has been updated from $107,305 to $254,642 to align with the current-year presentation and provide greater transparency. 2. ASC's policy is to pay superannuation guarantee on all applicable ordinary-time earnings (e.g. salary, at-risk components, allowances) based on the superannuation guarantee rate at the time of payment. Where the superannuation concessional cap (2023-24: $27,500) would be exceeded, senior executives may request that the superannuation be converted to a cash payment. Where this has occurred, the amount converted to cash payment is included in base salary. 3. The amounts disclosed for long-service leave are determined in accordance with AASB 119 Employee Benefits and reflect the movement in individuals' long-service leave balances. The comparative 2022-23 disclosure of long-service leave has been updated from $52,366 to $149,248, to align with the current-year presentation and provide greater transparency.

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Financial Highlights

Financial Highlights

Two-year Performance at a Glance

ASC Group financial highlights	2023-24 $m	2022-23 $m
Revenue from contracts with customers	794.7	728.9
Income from government grants	39.3	33.0
Interest income	7.9	5.9
Other income	1.6	0.3
Total revenue and other income	**843.5**	**768.1**
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**62.7**	**55.6**
Depreciation and amortisation	(38.4)	(26.0)
Earnings Before Interest and Tax (EBIT)	**24.3**	**29.6**
Interest expense	(5.3)	(4.7)
Income tax expense	(7.9)	(9.3)
Operating profit before tax (PBT)	26.9	30.8
Operating PAT	**19.0**	**21.5**
Dividend paid	10.6	5.1
Shareholder's equity	**209.5**	**201.3**
Total assets	**600.5**	**604.3**
EBITDA/Total revenue and other income (%)	**7.4%**	**7.2%**
EBIT/Total revenue and other income (%)	**2.9%**	**3.9%**
EBITDA/Shareholder's equity (%)	**29.9%**	**27.6%**
EBIT/Shareholder's equity (%)	**11.6%**	**14.7%**
PAT/Shareholder's equity (%)	**9.1%**	**10.7%**

11

Financial Report

Financial Report

ASC Pty Ltd ABN 64 008 605 034
Incorporated in the Australian Capital Territory

Consolidated financial report for the year ended 30 June 2024

Contents

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 2024

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 2024.

Directors

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

- Bruce James Carter AO
- Geoffrey Roland Rohrsheim
- Dr Janis Louise Cocking PSM
- Dr Rosalind Vivienne Dubs
- Denise Carol Goldsworthy AO (ceased 31 December 2023)
- Loretta Anne Reynolds
- Alice Morrice Williams
- 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 financial year ended 30 June 2024 are set out below.

Multi Class Sustainment

CCSM ISSC related activities

The major submarine related activities included the maintenance, design, development, engineering and upgrading of six CCSMs for the RAN under the ISSC.

CCSM LOTE related activities

The LOTE project is a key enabler for Australia's continued deployment of the CCSMs capability into the 2040s. The program will extend the service life of each of the six submarines in the fleet for an additional 10 years beyond their initial planned withdrawal dates. The LOTE upgrades will be implemented during the submarines' scheduled FCDs.

SRF-West related activities

On 22 March 2024 the CoA announced their selection of ASC as its Sovereign Submarine Partner to sustain SSNs in Australia. SSN Sustainment will be conducted solely by ASC and initially take place at HMAS *Stirling* in WA. Work will commence on US and UK boats rotating through SRF-West from 2027, followed by Australia's future US-built VCSs from 2032 and later, the sovereign-built SSN-AUKUS.

SSN-AUKUS Transition

SSTP related activities

The Company is contracted to the CoA to deliver the SSTP, which supported the transition of workers impacted by the cessation of the ACSM Program. The CoA is in the planning phase of acquiring SSN technology through the AUKUS agreement. The Company is supporting the CoA by providing SMEs to the ASA through the SSTP.

SSN-AUKUS mobilisation related activities

On 22 March 2024 the CoA announced that the Company had been selected as a Sovereign Submarine Partner to jointly build SSNs in Australia. The Company and BAE Systems are collaborating to establish a long-term IJV to build Australia's SSN-AUKUS submarines in Osborne, SA. Construction will commence later this decade, with the first boat delivered in the early 2040s.

Shipbuilding

Hobart Class AWD related activities

The Group was the main shipbuilder for the construction of the three AWDs for the CoA under an Alliance based contract, known as the Alliance Based Target Incentive Agreement (ABTIA).

All obligations under the ABTIA were concluded during the year ended 30 June 2022. The Group is also contracted under the Maritime Standing Offer (MSO) for services with the CoA to provide support to the AWD Program Management Office for a range of requirements.

Offshore Patrol Vessel (OPV) related activities

The Group is a subcontractor to Luerssen Australia for the construction of the first two of twelve 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 $18,978,000 (2023: $21,524,000) after provision for income tax expense of $7,940,000 (2023: $9,295,000).

Review of Operations

Multi Class Sustainment

CCSM ISSC review of operations

The Company is currently closing out PP4 of the ISSC and commencing PP5 which began on 1 July 2024. PP5 covers a period of eight years, with the first four years (1 July 2024 to 30 June 2028) at an agreed target cost estimate and the latter four years at an indicative budget. Contract extensions every four years are subject to the Company receiving a satisfactory rating within the activity period's strategic review and CoA acceptance of the Company's contract proposal. The PP5 ISSC was entered into on 28 June 2024.

CCSM LOTE review of operations

The program is in the detailed design phase. The program continues to experience significant growth with tasking statement amendments executed to include the detailed design for all major subcontractors, as well as the FoC procurement of major systems.

SRF-West review of operations

The SRF-West program provides services to grow and develop the early stages of a sovereign sustainment capability for SSNs as part of the AUKUS Agreement.

SSN-AUKUS Transition

SSTP review of operations

The Company continues its contract as the CoA's transition partner to deliver the SSTP which has managed the transition of affected workers from Naval Group Australia and Lockheed Martin Australia who were impacted by the cessation of the ACSM Program, to employment with the Company.

The Company entered into the SSTP MSA with the Department of Defence on 14 February 2022. The Company's Program Management Office continues to manage the MSA and related services, including retention, growth and development of Australia's shipbuilding workforce.

SSN-AUKUS mobilisation review of operations

In collaboration with the CoA and UK industrial partners, the Company is participating in the early stages of program mobilisation for the design and construction of the SSN-AUKUS.

Shipbuilding

Hobart Class AWD review of operations

The Group, together with its Alliance partners, executed the AWD Program Close Out Deed, formally ending the AWD program. The Group has no further obligations under the ABTIA. ASC AWD Shipbuilder Pty Ltd, a subsidiary of ASC Pty Ltd, will continue to operate to support existing MSO services until December 2025, to ensure any remaining obligations can be satisfied and as such continues as a going concern.

OPV review of operations

The Group continues to provide support to the SEA1180 OPV Program Prime Contractor, Luerssen Australia, through provision of resources and services. The primary focus for Ship One is to achieve the technical requirements and certification of systems prior to sea trials. A milestone was achieved with the successful launch of Ship Two on 22 November 2023.

Dividends – ASC Pty Ltd

Dividends paid during the financial year were as follows:

	2024 $'000	2023 $'000
Final dividend for the year ended 30 June 2023 of 15.2 cents (2022: 3.2 cents) per fully paid share, paid on 27 October 2023	**9,900**	2,100
Interim dividend for the year ended 30 June 2024 of 1.1 cents (2023: 4.6 cents) per fully paid share, paid on 26 April 2024	**700**	3,000
	10,600	5,100

On 28 August 2024, the directors declared an unfranked final dividend of 5.8 cents per fully paid share, totalling $3.8m for the year ended 30 June 2024, to be paid by 30 October 2024.

State of affairs

An update on the Group's contractual obligations is provided under Review of Operations above. Significant changes in the state of affairs of the Group during the period were the incorporation of two new, wholly owned subsidiaries: Australian Submarine Corporation Limited, incorporated in the UK; and Australian Submarine Corporation, LLC, incorporated in the US. These subsidiaries support international activities aligned with AUKUS programs in the respective countries.

Environmental regulation

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

The Group is committed to achieving a high standard of environmental performance consistent with the requirements of AS/NZS ISO 14001:2015 Environment Management Systems (EMS), which forms part of ASC's corporate management system. The Group's sites, comprised of the SA and WA submarine facilities and the SA shipbuilding facility, have accreditation for AS/NZS ISO 14001:2015 Environment Management Systems.

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

Climate Action in Government Operations

The Group is required to report on emissions from its operations in line with the CoA's Net Zero in Government Operations Strategy.

Events subsequent to the end of the reporting period

On 9 August 2024, ASC SSN-AUKUS Pty Ltd, a wholly-owned subsidiary of ASC Pty Ltd, was incorporated.

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

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 financial report) 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 (excluding the Group itself 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.

Auditor's independence declaration

The Auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 66.

Rounding of amounts

The consolidated entity is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' 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 AO, Director

Stuart Paul Whiley, Director

Adelaide
28 August 2024

Photo: Royal Navy.

Australian National
Audit Office

Bruce Carter AO
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 2023–24
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the ASC Pty Ltd and its controlled entities for the year ended 30 June 2024, 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
28 August 2024

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

Directors' declaration

For the year ended 30 June 2024

The directors declare that, in the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 76 to 117 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 2024 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; and

(c) the consolidated entity disclosure statement on page 118 is true and correct.

Note 19(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 AO, Director

Stuart Paul Whiley, Director

Adelaide
28 August 2024

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 its subsidiaries (together 'the Group') for the year ended 30 June 2024 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year then ended; and

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

The financial report of the Group, which I have audited, comprises the following as at 30 June 2024 and for the year then ended:

- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows;
- Notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information;
- Consolidated entity disclosure statement; 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 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 their delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the director's report for the year ended 30 June 2024 but does not include the financial statements 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.

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.

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

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:

(a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and

(b) the consolidated entity disclosure statement that is true and correct and in accordance with the Corporations Act 2001; and

for such internal control as the directors determine is necessary to enable the preparation of:

(a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

(b) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of 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 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 the 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 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 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 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
28 August 2024

Financial Statements

ASC Pty Ltd

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2024

	Notes	June 2024 $'000	June 2023 $'000
Revenue from contracts with customers	1(a)	**794,697**	728,905
Income from government grants	2(a)	**39,327**	32,958
Labour		**393,304**	359,682
Materials and subcontractors		**288,027**	291,759
Repairs and maintenance		**16,226**	14,299
Depreciation and amortisation	3(a)	**38,399**	25,954
Lease expense		**992**	1,985
Finance expenses	3(b)	**5,575**	5,090
Net foreign exchange (gains)/losses		**97**	(3)
Other expenses		**74,022**	38,486
Other income	3(c)	**(9,536)**	(6,208)
Total expenses and other income		**807,106**	731,044
Profit before income tax		**26,918**	30,819
Income tax expense	4(a)	**7,940**	9,295
Profit after income tax		**18,978**	21,524
Other comprehensive income ***Items that will not be reclassified to profit or loss***			
Remeasurement of defined benefit pension plan		**(148)**	(371)
Income tax benefit/(expense) relating to these items	4(c)	**44**	111
Other comprehensive income/(loss) for the year, net of tax		**(104)**	(260)
Total comprehensive income for the year		**18,874**	21,264
Profit is attributable to: Owners of ASC Pty Ltd		**18,978**	21,524
Total comprehensive income for the year is attributable to: Owners of ASC Pty Ltd		**18,874**	21,264

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

ASC Pty Ltd

Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	June 2024 $'000	June 2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**232,366**	168,770
Trade and other receivables	5(c)	**106,022**	179,737
Contract assets	1(b)	**10,009**	15,196
Other current assets		**4,822**	8,599
Total current assets		**353,219**	372,302
Non-current assets			
Property, plant and equipment	6(a)	**34,866**	33,734
Intangible assets	6(b)	**36,371**	47,895
Right-of-use assets	6(c)	**125,459**	114,066
Deferred tax assets	4(d)	**48,641**	34,062
Other non-current assets		**1,925**	2,252
Total non-current assets		**247,262**	232,009
Total assets		**600,481**	604,311
LIABILITIES			
Current liabilities			
Trade and other payables	5(d)	**89,445**	79,530
Contract liabilities	1(b)	**23,555**	60,715
Other current liabilities	2(b)	**11,406**	11,803
Lease liabilities	5(e)	**16,826**	17,328
Provisions	6(d)	**60,305**	56,073
Advances	5(b)	**45,994**	56,954
Current tax liabilities		**13,225**	6,900
Total current liabilities		**260,756**	289,303
Non-current liabilities			
Lease liabilities	5(e)	**117,091**	103,908
Provisions	6(d)	**12,968**	9,708
Non-interest bearing liabilities		**135**	135
Total non-current liabilities		**130,194**	113,751
Total liabilities		**390,950**	403,054
Net assets		**209,531**	201,257
EQUITY			
Share capital	7(a)	**65,000**	65,000
Retained earnings		**144,531**	136,257
Total equity		**209,531**	201,257

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

ASC Pty Ltd

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

	Attributable to owners of ASC Pty Ltd		
	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2022	65,000	120,093	185,093
Profit for the period	-	21,524	21,524
Items of other comprehensive income recognised directly in retained earnings:			
Remeasurement of defined benefit pension plan	-	(371)	(371)
Income tax benefit/(expense) relating to these items	-	111	111
Total comprehensive income for the year	-	**21,264**	**21,264**
Transactions with owners in their capacity as owners:			
Dividend paid	-	(5,100)	(5,100)
Balance at 30 June 2023	**65,000**	**136,257**	**201,257**
Balance at 1 July 2023	65,000	136,257	201,257
Profit for the period	-	18,978	18,978
Items of other comprehensive income recognised directly in retained earnings:			
Remeasurement of defined benefit pension plan	-	(148)	(148)
Income tax benefit/(expense) relating to these items	-	44	44
Total comprehensive income for the year	**-**	**18,874**	**18,874**
Transactions with owners in their capacity as owners:			
Dividend paid	-	(10,600)	(10,600)
Balance at 30 June 2024	**65,000**	**144,531**	**209,531**

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

ASC Pty Ltd

Consolidated Statement of Cash Flows

For the year ended 30 June 2024

	Notes	June 2024 $'000	June 2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		**863,221**	745,558
Receipts from government grants (inclusive of GST)		**51,462**	36,557
Interest expense relating to defined benefit pension plan		**(117)**	(100)
Payments to suppliers and employees (inclusive of GST)		**(793,702)**	(734,484)
Income taxes paid		**(16,150)**	(17,074)
Net cash inflow/(outflow) from operating activities	8(a)	**104,714**	30,457
Cash flows from investing activities			
Payments for property, plant and equipment	6(a)	**(9,422)**	(13,507)
Payments for software development costs	6(b)	**(13,113)**	(22,927)
Proceeds from sale of property, plant and equipment		**1,151**	252
Interest received		**8,378**	5,247
Net cash inflow/(outflow) from investing activities		**(13,006)**	(30,935)
Cash flows from financing activities			
Principal element of lease payments	8(b)	**(16,893)**	(15,772)
Interest paid relating to leases		**(5,144)**	(4,641)
Dividends paid	7(b)	**(10,600)**	(5,100)
Proceeds from advances	8(b)	**36,537**	33,746
Repayment of advances	8(b)	**(32,000)**	(32,000)
Net cash inflow/(outflow) from financing activities		**(28,100)**	(23,767)
Net increase/(decrease) in cash and cash equivalents		**63,608**	(24,245)
Cash and cash equivalents at the beginning of the financial year		**168,770**	192,794
Effects of exchange rate changes on cash and cash equivalents		**(12)**	221
Cash and cash equivalents at end of year		**232,366**	168,770

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


ASC STORES
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Notes to the consolidated financial statements
30 June 2024

Contents of the notes to the consolidated financial statements

1. Revenue from contracts with customers and contract balances

(a) Revenue from contracts with customers

Material accounting policies - revenue from contracts with customers

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 contracts

Revenue is traded on 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 revenue to be recognised. Revenue is recognised over time as the customer receives and uses the benefits simultaneously.

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

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

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

Cost reimbursable contracts

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.

S&Q contracts

S&Q contracts provide ad-hoc services 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.

Services contracts

The extent of services to be provided under a contract is assessed to determine the number of performance obligations and the period over which the performance obligations will be completed. The cost of delivery is determined for each performance obligation at inception of the contract, with revenue and profit being recognised on the cost as it is incurred, over the period the performance obligations 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.

For services revenue that is recognised over time, 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 is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For services revenue that is recognised at a point in time, revenue is recognised when the inventory is acquired and legal title has passed to the customer.

Significant estimates and judgements - revenue from contracts with customers

Significant judgement required to identify performance obligations in a contract

The Group undertakes a number of long-term 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 stand-alone selling price of each distinct good or service in the contract.

Significant estimates and judgements, estimate at completion (EAC) process

The Group has an 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, representing 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.

EAC process - CCSM ISSC program revenue recognition

In accounting for revenue recognition for the PP4 contract of the CCSM ISSC, a review of: actual costs incurred; actual and forecast key performance indicator scores; and pain/gain calculations, are performed on a periodic basis by management throughout the term of the contract, on both a year-to-date basis and contract-term basis.

Adjustments will be made to revenue recognised if there are circumstances 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.

EAC process - CCSM LOTE program revenue recognition

In accounting for revenue recognition for the LOTE contract, a review of: actual costs incurred; progress towards completion of program schedule; risks and opportunities; and estimated total contract revenue and costs, are performed on a periodic basis by management throughout the term of the contract, on both a year-to-date basis and contract-term 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.

Disaggregation of revenue from contracts with customers

The Group derives the following types of revenue:

	June 2024			June 2023		
Revenue from contracts with customers by contract type	**Over time $'000**	**At a point in time $'000**	**Total $'000**	**Over time $'000**	**At a point in time $'000**	**Total $'000**
Target cost estimate contracts	**390,291**	**-**	**390,291**	368,068	-	368,068
Cost reimbursable contracts	**27,665**	**-**	**27,665**	30,315	-	30,315
S&Q contracts	**229,327**	**-**	**229,327**	197,039	-	197,039
Services contracts	**15,762**	**131,652**	**147,414**	11,849	121,634	133,483
	663,045	**131,652**	**794,697**	607,271	121,634	728,905

(b) Contract assets and liabilities

Material accounting policies - contract assets and liabilities

The recognition of contract assets and contract liabilities on the Consolidated Statement of Financial Position is dependent on the timing of revenue recognised and contractual billing terms. Contract assets and contract liabilities are presented net when they relate to the same contract with a customer and the Group expects to recognise the impacts through profit or loss over the remaining contractual term.

Contract assets

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

Contract assets disclosed in the Consolidated Statement of Financial Position are recognised net of a loss allowance for lifetime expected credit losses.

Contract liabilities

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

Disaggregation of contract assets and liabilities

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

	June 2024 $'000	June 2023 $'000
Contract assets		
MCS	**9,230**	14,566
SSN-AUKUS Transition	**779**	594
Shipbuilding	**-**	36
	10,009	15,196
Contract liabilities		
MCS	**22,616**	59,421
Shipbuilding	**939**	1,294
	23,555	60,715

	June 2024 $'000	June 2023 $'000
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period:		
Target cost estimate contracts	**26,241**	-

(c) Unsatisfied long-term contracts

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

	June 2024 $'000	June 2023 $'000
Aggregate amount of transaction price that are partially or fully unsatisfied		
MCS	**2,409,856**	638,345
SSN-AUKUS Transition	**1,329**	2,728
	2,411,185	641,073

Management expects that 28% of the transaction price allocated to the unsatisfied contracts as at 30 June 2024 (2023: 86%) will be recognised as revenue during the next reporting period with the remaining 72% (2023: 14%) being recognised beyond the next reporting period.

The PP5 ISSC was entered into on 28 June 2024. The 30 June 2024 MCS unsatisfied long-term contracts disclosed includes the first four years of the PP5 ISSC (1 July 2024 to 30 June 2028).

2. Government grants

(a) Income from government grants

Material accounting policies - income from government grants

The Group recognised income from government grants in relation to SSTP contract services. Government grants are recognised in the Consolidated Statement of Comprehensive Income on a systematic basis over the periods in which the Group recognises expenditure for which the grant is intended to compensate.

	June 2024 $'000	June 2023 $'000
Income from government grants - SSTP	**39,327**	32,958

(b) Other current liabilities

Material accounting policies - deferred government grants

Government grants which are received in advance of the Group incurring the related expenditure are deferred and recognised in the Consolidated Statement of Financial Position when the grant is received.

	June 2024 $'000	June 2023 $'000
Deferred government grants - SSTP	**11,406**	11,803

(c) Correction of presentation of income from government grants

The prior period revenue balance was restated to reflect a correction of an error impacting prior periods. The restatement reclassified income of $32,958,000 as government grants which was previously classified as revenue.

3. Other income and expense items

Items included in profit before income tax:

(a) Depreciation and amortisation

	June 2024 $'000	June 2023 $'000
Plant and equipment	**7,855**	6,859
Intangible assets	**12,119**	1,789
Right-of-use assets	**18,181**	17,079
Contribution to Henderson Common User Facility (CUF)	**244**	244
	38,399	25,971
Depreciation recovery	**-**	(17)
	38,399	25,954

(b) Finance expenses

	June 2024 $'000	June 2023 $'000
Interest expense relating to leases	**5,144**	4,641
Interest expense relating to defined benefit pension plan	**117**	100
Bank charges	**314**	349
	5,575	5,090

(c) Other income

Material accounting policies - 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.

	June 2024 $'000	June 2023 $'000
Interest income	**7,886**	5,865
Profit/(loss) on sale of assets	**1,150**	252
Other income	**500**	91
	9,536	6,208

4. Income tax

Material accounting policies - income tax

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 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.

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.

Tax consolidation

The head entity, ASC Pty Ltd, and its wholly-owned Australian resident subsidiaries have formed an income tax consolidated 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 Statement of Financial Position.

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.

(a) Income tax expense

	June 2024 $'000	June 2023 $'000
Current tax expense		
Current year	**22,292**	14,887
Adjustments for prior years	**183**	-
Total current tax expense	**22,475**	14,887
Deferred income tax		
Temporary differences arising during the year	**(14,351)**	(5,592)
Adjustment for prior years deferred tax	**(184)**	-
Total deferred tax expense/(benefit)	**(14,535)**	(5,592)
Income tax expense	**7,940**	9,295
Income tax expense is attributable to: Profit from continuing operations	**7,940**	9,295

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

	June 2024 $'000	June 2023 $'000
Profit from continuing operations before income tax expense	**26,918**	30,819
Tax at the Australian tax rate of 30.0% (2023: 30.0%)	**8,075**	9,246
Tax effect of amounts which are not deductible (taxable) in calculating taxable income: Non-deductible/(non-assessable) amounts	**(134)**	49
Subtotal	**7,941**	9,295
Adjustments for current tax of prior periods	**(1)**	-
Income tax expense	**7,940**	9,295

(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 2024 $'000	June 2023 $'000
Deferred tax (benefit)/expense: remeasurement of defined benefit asset	**(44)**	(111)

(d) Deferred tax assets

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

	June 2024 $'000	June 2023 $'000
Net deferred tax		
Deferred tax assets	**86,899**	69,123
Deferred tax liabilities	**(38,258)**	(35,061)
	48,641	34,062

	June 2024 $'000	June 2023 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**40,175**	36,371
Employee benefits	**20,720**	18,791
Contract balances	**14,512**	9,586
Intangible assets	**4,921**	-
Property, plant and equipment	**855**	749
Sundry items	**5,716**	3,626
	86,899	69,123

Movement in deferred tax assets	Lease liabilities $'000	Employee benefits $'000	Contract balances $'000	Intangible assets $'000	Property, plant and equipment $'000	Sundry items $'000	Total $'000
Balance at 1 July 2022 (charged)/credited	36,101	16,895	7,207	-	529	2,805	63,537
- to profit or loss	270	1,896	2,379	-	220	821	5,586
Balance at 30 June 2023 (charged)/credited	**36,371**	**18,791**	**9,586**	**-**	**749**	**3,626**	**69,123**
- to profit or loss	3,804	1,929	4,926	4,921	106	2,090	17,776
Balance at 30 June 2024	**40,175**	**20,720**	**14,512**	**4,921**	**855**	**5,716**	**86,899**

(e) Deferred tax liabilities

	June 2024 $'000	June 2023 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**37,638**	34,220
Defined benefit pension plan	**175**	202
Sundry items	**445**	639
	38,258	**35,061**

Movement in deferred tax liabilities	Right-of-use assets $'000	Defined benefit pension plan $'000	Sundry items $'000	Total $'000
Balance at 1 July 2022 (charged)/credited	34,343	301	535	35,179
- to equity	-	(111)	-	(111)
- to profit or loss	(123)	12	104	(7)
Balance at 30 June 2023 (charged)/credited	**34,220**	**202**	**639**	**35,061**
- to equity	-	(44)	-	(44)
- to profit or loss	3,418	17	(194)	3,241
Balance at 30 June 2024	**37,638**	**175**	**445**	**38,258**

5. Financial assets and financial liabilities

Material accounting policies - financial assets

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

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.

Impairment

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.

Fair value hierarchy

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.

The Group recognised an asset (2023: asset) within other non-current assets in respect of a defined benefit superannuation plan. The asset 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 an independent actuary using the projected unit credit method.

(a) Cash and cash equivalents

Material accounting policies - 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.

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.

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 the SSTP. 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. The amount that will be released upon achievement of future implementation milestones, and subsequent CoA approval of those milestone acquittal statements, is defined as restricted cash.

At 30 June 2024, the balance of restricted cash was $39.0m (2023: $16.0m).

	June 2024 $'000	June 2023 $'000
Current assets		
Cash at bank and on hand	**208,141**	50,348
Other cash and cash equivalents	**24,225**	118,422
	232,366	168,770

(b) Advances

Material accounting policies - advances

Advances are initially recognised at fair value, and are subsequently measured at amortised cost. Working capital advances are removed from the Consolidated Statement of Financial Position when the program obligations specified in the contract are discharged, cancelled or expire.

Advances are classified as current liabilities on the Consolidated Statement of Financial Position.

	June 2024 $'000	June 2023 $'000
Current - Unsecured		
Government advances	**45,994**	56,954

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

CCSM ISSC advance

At 30 June 2024, the balance of the advance was nil (2023: $32.0m). During the year ended 30 June 2024, the advance was repaid to the CoA.

SSTP advance

As at 30 June 2024, the balance of the advance was $7.0m (2023: $7.0m). The advance can only be used for direct project costs incurred for the SSTP. The advance was paid by the CoA in Australian dollars. The interest income from the advance accrues to the benefit of the CoA and will be deducted against invoiced direct project costs. The advance is repayable at the end of the contract term in February 2025.

DTP advance

Advances are provided by the CoA for the development of intangible assets. These advances reduce the directly attributable costs capitalised as part of the intangible asset upon meeting program obligations.

As at 30 June 2024, the balance of the advance was $39.0m (2023: $18.0m), of which nil (2023: $2.0m) was receivable from the CoA as at the end of the financial year. The advance can only be used for DTP implementation. The advance was paid by the CoA in Australian dollars. During the year ended 30 June 2024 $13.5m (2023: $4.5m) of the advance was released upon achievement of the second DTP implementation milestone. The remaining balance is held as an advance and will be released upon the achievement of two further implementation milestones and subsequent CoA approval of the milestone acquittal statements.

(c) Trade and other receivables

Material accounting policies - 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, less any loss allowance. 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.

	June 2024 $'000	June 2023 $'000
Current assets		
Trade receivables		
Trade receivables	**100,485**	163,584
Loss allowance provision	**(3,598)**	(3,885)
	96,887	159,699
Other receivables		
Accrued revenue	**6,322**	17,014
Other receivables	**2,531**	2,250
Interest receivable	**282**	774
	9,135	20,038
Total trade and other receivables	**106,022**	179,737

(d) Trade and other payables

Material accounting policies - 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.

	June 2024 $'000	June 2023 $'000
Current liabilities		
Trade payables	**18,092**	3,377
Accrued expenses	**67,287**	70,807
GST payable	**4,066**	5,346
	89,445	79,530

(e) Leases

Material accounting policies - 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.

Significant estimates and judgements - leases

Significant judgement required to determine the lease term

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.

Significant estimate - incremental borrowing rates

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.

	June 2024 $'000	June 2023 $'000
Lease liabilities - unsecured		
Current	**16,826**	17,328
Non-current	**117,091**	103,908
	133,917	121,236

The total cash outflow for leases in the year ended 30 June 2024 was $22.0m (2023: $20.4m).

6. Non-financial assets and liabilities

Material accounting policies - non-financial assets

Impairment

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually, by comparing its carrying amount with its recoverable amount.

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.

(a) Property, plant and equipment

Material accounting policies - 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.

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.

	June 2024 $'000	June 2023 $'000
Plant and equipment		
Cost	**77,265**	70,229
Accumulated depreciation	**(57,048)**	(53,735)
	20,217	16,494
Computer software and equipment		
Cost	**36,591**	32,847
Accumulated depreciation	**(28,603)**	(24,838)
	7,988	8,009
Leasehold improvements		
Cost	**6,761**	4,857
Accumulated depreciation	**(2,423)**	(1,725)
	4,338	3,132
Assets under construction		
Costs under construction	**2,323**	6,099
	2,323	6,099
Total property, plant and equipment	**34,866**	33,734

	Plant and equipment $'000	Computer software and equipment $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2024					
Opening net book amount	16,494	8,009	3,132	6,099	33,734
Additions	6,276	2,746	400	-	9,422
Transfers	761	1,512	1,503	(3,776)	-
Re-classification from property, plant and equipment to intangible assets	-	(435)	-	-	(435)
Depreciation	(3,314)	(3,844)	(697)	-	(7,855)
Closing net book amount	**20,217**	**7,988**	**4,338**	**2,323**	**34,866**

	Plant and equipment $'000	Computer software and equipment $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2023					
Opening net book amount	15,111	2,992	3,361	5,930	27,394
Additions	-	12	-	13,495	13,507
Transfers	4,909	7,771	338	(13,018)	-
Re-classification from property, plant and equipment to intangible assets	-	-	-	(308)	(308)
Depreciation	(3,526)	(2,766)	(567)	-	(6,859)
Closing net book amount	**16,494**	**8,009**	**3,132**	**6,099**	**33,734**

(b) Intangible assets

Material accounting policies - intangible assets

Software - DTP

Development costs that are directly attributable to the design and testing of identifiable and unique software assets controlled by the Group are recognised as an intangible asset when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the intangible asset include employee costs and an appropriate portion of relevant overheads. Capitalised costs are presented net of the DTP advance when released and approved by the CoA. Upon achievement of DTP implementation milestones and subsequent CoA approval of the milestone acquittal statements, the advance is reclassified from liabilities to an offset against the DTP intangible asset, on the basis that the obligation has been settled.

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.

Costs associated with maintaining software programs are recognised as an expense as incurred.

Subsequent to the development and implementation phases and when the software is ready for use, capitalised development costs, net of the DTP advance received which has been released, will be amortised on a straight-line basis over its expected useful life of five years.

Software - Software as a Service (SaaS)

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 IP.

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

Significant estimates and judgements - accounting for the DTP

Significant judgement required to identify the transition from the research phase to the development and implementation phase

Judgement is applied in determining the transition point from the research phase to the development phase. The Group has considered the adequacy of financial and other resources to complete the development as a key factor in determining the transition point.

This judgement is significant to the financial statements as it directly impacts the accounting treatment of the costs incurred in the DTP.

Costs incurred during the development and implementation phases of the DTP are capitalised if the definition of an intangible asset is met. Costs capitalised by the Group can be reliably measured, are directly attributable to the DTP and are incurred during the development and implementation phases. Examples of development and implementation costs include labour hours and contractor services received directly in relation to the development and implementation of a software asset.

Significant judgement required to appropriately account for costs incurred in the development and implementation phase

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 accounting standards 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 are expensed to profit or loss in the period in which they are incurred.

	June 2024 $'000	June 2023 $'000
Work in progress		
Cost of assets under development and implementation	**-**	42,056
	-	42,056
Internally generated		
Cost	**46,002**	3,786
Accumulated amortisation	**(11,903)**	(796)
	34,099	2,990
Computer software		
Cost	**4,435**	3,921
Accumulated amortisation	**(2,163)**	(1,072)
	2,272	2,849
Total intangible assets	**36,371**	47,895

	Work in progress $'000	Internally generated $'000	Computer software $'000	Total $'000
Year ended 30 June 2024				
Opening net book amount	42,056	2,990	2,849	47,895
Additions	13,113	-	-	13,113
Transfer of completed internally generated intangible assets	(55,169)	55,169	-	-
Release of DTP advance	-	(12,953)	-	(12,953)
Re-classification from property, plant and equipment to intangible assets	-	-	435	435
Amortisation	-	(11,107)	(1,012)	(12,119)
Closing net book amount	**-**	**34,099**	**2,272**	**36,371**

	Work in progress $'000	Internally generated $'000	Computer software $'000	Total $'000
Year ended 30 June 2023				
Opening net book amount	27,270	-	3,534	30,804
Additions	22,927	-	-	22,927
Transfer of completed internally generated intangible assets	(4,097)	4,097	-	-
Release of DTP advance	(4,044)	(311)	-	(4,355)
Re-classification from property, plant and equipment to intangible assets	-	-	308	308
Amortisation	-	(796)	(993)	(1,789)
Closing net book amount	**42,056**	**2,990**	**2,849**	**47,895**

During the year ended 30 June 2024, the Group spent $3.9m (2023: $2.6m) on research and development expenditure, recognised as an expense, relating to future tranches of the DTP.

(c) Right-of-use assets

	June 2024 $'000	June 2023 $'000
Land		
Cost	**31,042**	30,769
Accumulated depreciation	**(9,857)**	(7,788)
	21,185	22,981
Buildings		
Cost	**168,587**	141,995
Accumulated depreciation	**(67,260)**	(51,618)
	101,327	90,377
Plant and equipment		
Cost	**3,889**	1,273
Accumulated depreciation	**(942)**	(565)
	2,947	708
Total right-of-use assets	**125,459**	114,066

	Land $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2024				
Opening net book amount	22,981	90,377	708	114,066
Additions	-	-	2,709	2,709
Remeasurements	273	26,592	-	26,865
Depreciation	(2,069)	(15,642)	(470)	(18,181)
Closing net book amount	**21,185**	**101,327**	**2,947**	**125,459**

	Land $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2023				
Opening net book amount	24,420	88,947	1,106	114,473
Additions	-	12,964	-	12,964
Remeasurements	589	3,119	-	3,708
Depreciation	(2,028)	(14,653)	(398)	(17,079)
Closing net book amount	**22,981**	**90,377**	**708**	**114,066**

Plant and equipment prior year comparatives as at 30 June 2023 have been restated for cost and accumulated depreciation by $1,872,000 to derecognise immaterial fully depreciated assets.

(d) Provisions

Material accounting policies - provisions

Recognition of a provision

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.

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. All other short-term employee obligations are presented within trade and other payables.

Other long-term employee benefit obligations

The Group has liabilities for long service leave and annual leave that 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 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.

Material accounting policies - 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 2024 $'000	June 2023 $'000
Current leave obligations expected to be settled after twelve months	**39,226**	38,629

Material accounting policies – self-insured workers compensation

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.

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

In the Consolidated Statement of Financial Position, the provision is recognised net of a receivable for recoveries when the Group 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.

	June 2024			June 2023		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits, including on costs	**58,932**	**10,140**	**69,072**	55,087	7,544	62,631
Self-insured workers compensation	**1,373**	**2,828**	**4,201**	986	2,164	3,150
	60,305	**12,968**	**73,273**	56,073	9,708	65,781

7. Equity

(a) Share capital

Material accounting policies - 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. $65.0m of shares issued as at 30 June 2024 (2023: $65.0m) have been fully paid.

Ordinary shares

Details	Number of shares (thousands)	$'000
Opening balance 1 July 2022	65,000	65,000
Balance 30 June 2023	**65,000**	**65,000**
Opening balance 1 July 2023	65,000	65,000
Balance 30 June 2024	**65,000**	**65,000**

(b) Dividends

Material accounting policies - dividends

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

	June 2024 $'000	June 2023 $'000
Final dividend for the year ended 30 June 2023 of 15.2 cents (2022: 3.2 cents) per fully paid share, paid on 27 October 2023	**9,900**	2,100
Interim dividend for the year ended 30 June 2024 of 1.1 cents (2023: 4.6 cents) per fully paid share, paid on 26 April 2024	**700**	3,000
Total unfranked dividends	**10,600**	5,100

On 28 August 2024, the directors declared an unfranked final dividend of 5.8 cents per fully paid share, totalling $3.8m for the year ended 30 June 2024, to be paid by 30 October 2024. This is not recognised as a liability at year end.

Dividend franking account

	June 2024 $'000	June 2023 $'000
Class C (30%) franking credits	**261,575**	239,811

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.

8. Cash flow information

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

	June 2024 $'000	June 2023 $'000
Profit after income tax	**18,978**	21,524
Adjustment for:		
Depreciation and amortisation	**38,399**	25,954
Interest received	**(8,378)**	(5,247)
Interest expense	**5,261**	4,741
Non-cash net pension asset expense	**23**	34
Loss allowance recognised	**-**	(594)
(Profit)/loss on sale of assets	**(1,150)**	(252)
Other	**(271)**	690
Net exchange differences	**97**	(3)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**71,194**	(53,549)
(Increase)/decrease in contract assets	**5,187**	(7,352)
(Increase)/decrease in other current assets	**3,778**	(3,663)
(Increase)/decrease in deferred tax assets	**(14,579)**	(5,704)
Increase/(decrease) in trade and other payables	**9,915**	29,377
Increase/(decrease) in contract liabilities	**(37,160)**	8,378
Increase/(decrease) in other current liabilities	**(397)**	11,803
Increase/(decrease) in provisions	**7,492**	6,507
Increase/(decrease) in current tax liability	**6,325**	(2,187)
Net cash inflow/(outflow) from operating activities	**104,714**	30,457

(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 2022	59,412	120,336	134	179,882
Additions	32,000	12,964	1	44,965
Remeasurements	-	3,708	-	3,708
Advances repaid	(32,000)	-	-	(32,000)
Net financing cash flows	-	(15,772)	-	(15,772)
Non-cash changes:				
Advances reclassified due to milestone achievements	(4,489)	-	-	(4,489)
Advances receivable[1]	2,031	-	-	2,031
Balance at 30 June 2023	**56,954**	**121,236**	**135**	**178,325**
Balance at 1 July 2023	56,954	121,236	135	178,325
Additions	34,506	2,709	-	37,215
Remeasurements	-	26,865	-	26,865
Advances repaid	(32,000)	-	-	(32,000)
Net financing cash flows	-	(16,893)	-	(16,893)
Non-cash changes:				
Advances reclassified due to milestone achievements	(13,466)	-	-	(13,466)
Balance at 30 June 2024	**45,994**	**133,917**	**135**	**180,046**

[1] *Non-cash changes include advances receivable, which will be presented as financing cash flows in the Consolidated Statement of Cash Flows when received.*

9. 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 risks.

Both committees report regularly to the Board on their activities.

(a) Credit risk

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

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.

Trade and other receivables and contract assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

The Group's credit exposures to customers, including trade and other receivables and contract assets are substantially from the CoA, which has a Moody's credit rating of Aaa.

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 Group's corporate management policies and are only provided to support a financial or commercial arrangement.

(i) Recognised financial instruments

	June 2024 $'000	June 2023 $'000
A3 or higher rated cash at bank, short term deposits and interest receivable		
Cash and cash equivalents	**232,366**	168,770
Interest receivable	**282**	774
	232,648	169,544
Trade and other receivables		
Counterparties with external credit rating Aaa (CoA)	**101,314**	174,308
Credit rating not determined	**4,426**	4,655
Total trade and other receivables	**105,740**	178,963
Contract assets		
Counterparties with external credit rating Aaa (CoA)	**10,009**	15,160
Credit rating not determined	**-**	36
Total contract assets	**10,009**	**15,196**

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 Group receives a substantial portion of its funding from the CoA, which has a Moody's credit rating of Aaa. Therefore the Group has immaterial exposure to credit risk in its operations.

(ii) Ageing profile

	30 June 2024		30 June 2023	
Trade and other receivables	**Gross carrying amount $'000**	**Effective loss rate**	**Gross carrying amount $'000**	**Effective loss rate**
Not past due	96,985	3.71%	171,547	2.10%
Past due 1-30 days	11,771	0.00%	4,102	0.00%
Past due 31-60 days	205	0.00%	3,964	0.00%
Past due 61-90 days	131	0.00%	1,166	0.00%
Past due 90+ days	528	0.00%	2,843	10.09%
	109,620		**183,622**	

The balance of contract assets was not past due at 30 June 2024 and 30 June 2023. The effective loss rate on contract assets was nil (2023: nil).

(iii) Loss allowance provision

The write-down of trade receivables recognised during the year ended 30 June 2024 was nil (2023: $0.1m write-up).

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

	June 2024 $'000	June 2023 $'000
Opening balance	**(3,885)**	(4,479)
(Increase)/decrease in loss allowance provision recognised in profit or loss	**-**	53
Reversal/(written off) as uncollectible	**287**	541
Closing balance	**(3,598)**	(3,885)

The loss allowance provision for contract assets was nil at 30 June 2024 and 30 June 2023.

Loss allowance provisions represent expected credit losses on amounts to be received. The loss allowance provisions have been determined based on specific circumstances and are not directly attributable to the ageing of receivables balances.

(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.

Group Treasury aims to maintain flexibility in liquidity by maintaining sufficient working capital and access to facilities.

The Group maintains the following lines of credit:

- $47.0m overdraft facility not drawn down at balance date (2023: $47.0m). The facility does not have an expiry date but is reviewed annually by the provider. If drawn down, interest would be payable at the Bank Bill Swap Rate plus margin;
- $30.0m multi option bank facility not drawn down at balance date (2023: $30.0m). The facility is reviewed annually by management and the provider. If drawn down, interest would be payable at the Bank Bill Swap Rate plus margin;
- $30.0m Transaction Negotiation Authority (TNA) facility not drawn down at balance date (2023: $30.0m). The TNA facility gives the authority to process payment files up to a nominated amount, regardless of the related bank account balance. The facility is reviewed annually by management and the provider. If drawn down, interest would be payable at the rate of the Bank Bill Swap Rate plus margin;
- $7.5m guarantee facility not drawn down at balance date (2023: $7.5m). $3.4m of guarantees are issued against the facility (2023: $4.1m). The facility is reviewed annually by management; and
- $0.8m credit card facility, $0.1m drawn down at balance date (2023: $0.8m facility, $0.4m drawn down). The facility is reviewed annually by management.

The Group repaid $32.0m advance funding from the CoA upon completion of the CCSM ISSC PP4 contract during the year. The CCSM ISSC advance funding at the end of the financial year was nil (2023: $32.0m).

The Group holds advance funding from the CoA under the SSTP MSA. The SSTP advance funding at the end of the financial year was $7.0m (2023: $7.0m). The SSTP advance is repayable at the end of the contract term in February 2025.

Maturities of financial liabilities

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

Contractual maturities of financial liabiliites	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
At 30 June 2024							
Non-derivatives							
Trade and other payables	**89,445**	**-**	**-**	**-**	**-**	**89,445**	**89,445**
Lease liabilities	**15,640**	**15,648**	**30,843**	**102,278**	**32,808**	**197,217**	**133,917**
Advances	**-**	**45,994**	**-**	**-**	**-**	**45,994**	**45,994**
Non-interest bearing	**-**	**-**	**-**	**-**	**160**	**160**	**135**
Total non-derivatives	**105,085**	**61,642**	**30,843**	**102,278**	**32,968**	**332,816**	**269,491**
At 30 June 2023							
Non-derivatives							
Trade and other payables	79,530	-	-	-	-	79,530	79,530
Lease liabilities	10,807	10,800	21,342	71,481	24,256	138,686	121,236
Advances	-	56,954	-	-	-	56,954	56,954
Non-interest bearing	-	-	-	-	160	160	135
Total non-derivatives	**90,337**	**67,754**	**21,342**	**71,481**	**24,416**	**275,330**	**257,855**

(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 30 June 2024 and 30 June 2023.

The carrying amounts of the financial assets and the liabilities of the Group are denominated in Australian dollars except as set out below. All figures are expressed in Australian dollars.

	June 2024				June 2023			
	USD	EUR	GBP	SEK	USD	EUR	GBP	SEK
Financial assets								
Cash and cash equivalents	1,295	6,798	2,034	563	1,207	4,319	1,165	2,625
Trade and other receivables	862	14,818	1,271	2,256	754	21,825	-	2,148
Financial liabilities								
Trade and other receivables	140	10,508	12	1,882	73	20,857	-	2,408

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 state governments or the CoA.

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 2024		30 June 2023	
	$'000	Effective interest rate	$'000	Effective interest rate
Financial assets				
Cash and cash equivalents	232,366	3.79%	168,770	2.79%
Financial liabilities				
Lease liabilities	133,917	3.74%	121,236	3.80%
Non-interest bearing liabilities	135	0.25%	135	0.25%

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 2024, if market interest rates had a parallel shift of +75 basis points/-100 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 main interest rate risk arises from cash receivables and loans and other receivables with variable interest rates.

Summarised sensitivity analysis

	Impact on profit after tax		Impact on other equity	
	June 2024 $'000	June 2023 $'000	June 2024 $'000	June 2023 $'000
Interest rates - increase by 75 basis points (2023 - 75 bps)*	**2,747**	2,175	**-**	-
Interest rates - decrease by 100 basis points (2023 - 75 bps)*	**(3,663)**	(2,175)	**-**	-

**Holding all other variables constant.*

(d) Capital risk

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.

The multi option bank facility remains undrawn as at 30 June 2024 and 30 June 2023.

10. Interests in other entities

Material subsidiaries

The Company's principal subsidiaries at 30 June 2024 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. All subsidiaries have reporting dates of 30 June.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group		Principal activities
		2024 %	2023 %	
ASC AWD Shipbuilder Pty Ltd	Australia	**100.0**	100.0	Operating under the MSO
ASC OPV Shipbuilder Pty Ltd	Australia	**100.0**	100.0	Subcontractor to Luerssen Australia, construction of two OPVs
Australian Submarine Corporation, LLC	US	**100.0**	-	Support international activities aligned with AUKUS programs
Australian Submarine Corporation Limited	UK	**100.0**	-	Support international activities aligned with AUKUS programs
ASC Modules Pty Ltd	Australia	**100.0**	100.0	Dormant
Deep Blue Tech Pty Ltd	Australia	**100.0**	100.0	Holder of some internally generated IP

11. Commitments

(a) Capital expenditure commitments

	June 2024 $'000	June 2023 $'000
Property, plant and equipment and intangible assets	**1,212**	1,510

(b) Non-cancellable leases

	June 2024 $'000	June 2023 $'000
Non-cancellable future short-term and low-value leases not provided for in the financial statements and payable		
Within one year	**679**	384
Later than one year but not later than five years	**250**	362
Later than five years	**-**	8
	929	754

(c) Other commitments

The Group has commitments for expenditure in respect of contracts with subcontractors for the supply of constituent elements required under the Group's contracts with the CoA. The final amount of these commitments is not quantifiable. The timing of the Group'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 Group 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 Department of Defence for the purpose of a performance security deed for the Training School contract, and bank guarantees in favour of lessors for leased facilities. The total value of the bank guarantees issued by the Group is $4.4m (2023: $5.1m). No liability has been recognised by the Group in relation to these guarantees. See note 9(b) for total available bank facilities.

The Group has provided an indemnity to the CoA in relation to ASC AWD Shipbuilder Pty Ltd's obligations under the ASC MSO. The indemnity terminates in December 2025.

No losses are expected in relation to these guarantee arrangements.

13. Registered charges

The CoA holds a fixed charge over the moveable manufacturing plant and equipment owned by the Company in relation to the CCSM ISSC. The charge is held against default of the contract. There are currently no amounts owing to the CoA in relation to the charge. The carrying amount of the plant and equipment is $19.5m (2023: $15.6m).

14. Events occurring after the reporting period

On 9 August 2024, ASC SSN-AUKUS Pty Ltd, a wholly owned subsidiary of ASC Pty Ltd, was incorporated.

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

15. Economic dependency

During the years ended 30 June 2024 and 30 June 2023, the majority of the Group's revenues from contracts with customers were related to contracts with the CoA for the CCSM ISSC, LOTE project and acting as the CoA's transition partner to deliver the SSTP.

16. Related party transactions

(a) KMP compensation

The KMP compensation included in personnel expenses is as follows:

	June 2024 $	June 2023 $
Short-term employee benefits	**4,424,108**	3,578,303
Post-employment benefits	**221,859**	186,393
Other long-term benefits	**558,952**	401,586
	5,204,919	4,166,282

There were 14 KMP during the current financial year (2023: 14).

(b) Loans to KMP

No loans were made available to KMP during the financial year (2023: nil).

(c) Other KMP transactions with the consolidated entity

There have been no transactions with KMP during the financial year (2023: nil).

(d) Subsidiaries

Interests in subsidiaries are set out in note 10.

(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 AO
- Geoffrey Roland Rohrsheim
- Dr Janis Louise Cocking PSM
- Dr Rosalind Vivienne Dubs
- Denise Carol Goldsworthy AO
  (ceased 31 December 2023)
- Loretta Anne Reynolds
- Alice Morrice Williams
- Stuart Paul Whiley

(f) Other related parties

Australian Government ministers

There have been no transactions with any Australian Government ministers during the financial year (2023: 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 $810.6m (2023: $731.1m).

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

The gross amounts receivable from the shareholders in relation to these transactions totalled $104.9m (2023: $177.9m).

(i) Advances from the CoA and its related parties

Government advances

Government advances	June 2024 $'000	June 2023 $'000
Balance 1 July	**56,954**	59,412
Repayment of advances	**(32,000)**	(32,000)
Proceeds from advances	**34,506**	32,000
Advances reclassified due to milestone achievements	**(13,466)**	(4,489)
Advances receivable	**-**	2,031
Balance 30 June	**45,994**	56,954

17. Parent entity financial information

Material accounting policies - parent entity financial information

The financial information for the parent entity disclosed above 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 the parent entity.

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.

(a) Summary financial information

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

Balance sheet	June 2024 $'000	June 2023 $'000
Current assets	**348,334**	367,847
Non-current assets	**247,458**	231,944
Total assets	**595,792**	599,791
Current liabilities	**258,282**	285,256
Non-current liabilities	**130,194**	113,750
Total liabilities	**388,476**	399,006
Shareholders' equity		
Issued capital	**65,000**	65,000
Retained earnings	**142,316**	135,785
Net assets / total equity	**207,316**	200,785
Profit after income tax	**12,191**	16,222
Other comprehensive income/(loss)	**(104)**	(260)
Total comprehensive income/(loss)	**12,087**	15,962

The parent entity made a 100% provision against intercompany loans to its subsidiary, ASC AWD Shipbuilder Pty Ltd of $5.0m (2023: $5.0m).

(b) Guarantees entered into by the parent entity

The Company has arranged bank guarantees for the purposes of: self-insurance under the *Return to Work Regulations 2015*; a performance security deed for the Training School contract; and leased facilities. The total value of the bank guarantees issued by the Company is $4.4m (2023: $5.1m). No liability has been recognised by the Company in relation to these guarantees, see note 9(b) for total available bank facilities.

(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 AWD Shipbuilder Pty Ltd;
- ASC OPV Shipbuilder Pty Ltd;
- Australian Submarine Corporation, LLC; and
- Australian Submarine Corporation Limited.

(d) Contingent liabilities of the parent entity

For information about contingent liabilities and guarantees entered into by the parent entity, see notes 12 and 17(b).

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

As at 30 June 2024, the parent entity had contractual commitments for the acquisition of property, plant and equipment and intangible assets totalling $1.2m (2023: $1.5m). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

18. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group:

(i) Audit and other assurance services (ANAO)

	June 2024 $'000	June 2023 $'000
Audit and review of financial statements	**356,500**	377,005

The ANAO has contracted PwC to provide audit services.

(ii) Other services provided by the auditor (ANAO)

	June 2024 $'000	June 2023 $'000
Agreed upon procedures - remuneration services	**25,000**	21,364

The ANAO has contracted PwC to provide the agreed upon procedures.

(iii) Other services provided by PwC

	June 2024 $'000	June 2023 $'000
Transformation assurance services for the DTP	**-**	141,047

19. Summary of other material accounting policies

This note provides other material accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in earlier notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

ASC is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

ASC Pty Ltd
694 Mersey Road North
Osborne SA 5017

The consolidated financial statements for the year ended 30 June 2024 comprise of ASC and its subsidiaries (together referred to as the Group or the consolidated entity). The consolidated financial statements are presented in Australian dollars.

The consolidated financial statements were authorised for issue on 28 August 2024. 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 AASB, and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the consolidated financial statements.

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

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 (IASB).

Historical cost convention

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

- financial assets and liabilities - measured at fair value; and
- retirement benefit obligations - plan assets measured at fair value.

Rounding of amounts

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

New and amended standards adopted

The Group has applied the following standards and amendments for the first time for its annual reporting period that commenced 1 July 2023:

Standard or Amendment	Impact
AASB 17 *Insurance Contracts*	No impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.
AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	No impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.
AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies Definition of Accounting Estimates*	AASB 2021-2 amended a number of standards to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates. The amendments require the disclosure of material accounting policy information rather than significant accounting policies. The Group continues to provide the required disclosures as set out across other accounting standards. To improve disclosures for users, these required accounting policies are now presented alongside the financial statement note disclosure to which they relate. An assessment was performed to define accounting policy information that is material to the Group. Accounting policy information is material if, when considered with other information in the consolidated financial statements, it can reasonably be expected to influence decisions that the users make on the basis of these consolidated financial statements. No additional material accounting policy information was identified. Disclosure of material accounting policy information, including significant estimates and judgements, are now also presented alongside the financial statement note disclosure to which they relate.

New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations have been published that are not mandatory for the 30 June 2024 reporting year and have not been early adopted by the Group:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current* and related AASB 2020-6. The Group expects that AASB 2020-1, when initially adopted, may have a material impact on the presentation of advances in its Consolidated Statement of Financial Position.
- AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*. AASB 2022-6 is not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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 where 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. They are deconsolidated from the date that control ceases. Details of the subsidiaries are set out in note 10.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. 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 presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either program specific contract exchange rates or average exchange rates 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange differences arising in respect of contract work in progress, to the extent they are recoverable, are included in the measurement of the contract billings and work in progress costs. To the extent they are not recoverable, foreign exchange gains and losses are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. E.g. 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.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Goods and services tax

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 asset’s acquisition cost 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.

Consolidated entity disclosure statement

Set out below is relevant information relating to entities that are consolidated in the ASC Pty Ltd's consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001* (paragraph 295(3A)(a)).

As at 30 June 2024						
Name of entity	**Type of entity**	**Trustee, partner or participant in JV**	**% of share capital**	**Country of incorporation**	**Australian resident or foreign resident**	**Foreign jurisdiction(s) of foreign residents**
ASC Pty Ltd	Body corporate	-	N/A	Australia	Australian	N/A
ASC AWD Shipbuilder Pty Ltd	Body corporate	-	100.0	Australia	Australian	N/A
ASC OPV Shipbuilder Pty Ltd	Body corporate	-	100.0	Australia	Australian	N/A
Australian Submarine Corporation, LLC	Body corporate	-	100.0	United States	Australian	N/A
Australian Submarine Corporation Limited	Body corporate	-	100.0	United Kingdowm	Australian	N/A*
ASC Modules Pty Ltd	Body corporate	-	100.0	Australia	Australian	N/A
Deep Blue Tech Pty Ltd	Body corporate	-	100.0	Australia	Australian	N/A

**These entities are also a tax resident in their respective countries of incorporation. However, they are assessed as an Australian resident under the Income Tax Assessment Act 1936 and 1997 and therefore not classified as a foreign resident under those Acts.*

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the 30 June 2024 financial year in accordance with AASB 10 *Consolidated Financial Statements.*

Disclosure of tax residency

Subsection 295(3A) of the *Corporations Act 2001* requires that the tax residency of each entity which is included in the CEDS be disclosed. In the context of an entity which is an Australian resident, 'Australian resident' has the meaning provided in the *Income Tax Assessment Act 1936 and 1997* (the Acts). Foreign incorporated companies can still be considered a tax resident of Australia if their central management and control is in Australia. An entity can be both, an Australian tax resident under the Acts, and a tax resident in another foreign jurisdiction under the tax law applicable in that jurisdiction. However, for the purposes of the Acts (and disclosures in the CEDS) the entity will be classified as an Australian tax resident in those cases.

Where an entity is not an Australian tax resident but is a foreign tax resident based on the Australian domestic law definition, then each foreign country in which the entity is a tax resident (as determined under the law of foreign jurisdictions) must be disclosed. However, if the entity is an Australian tax resident, this requirement does not apply and no further information needs to be provided about other tax residencies of the entity.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency: The consolidated entity has applied current legislation and legal precedent, including having regard to the Commissioner of Taxation's public guidance in *Taxation Ruling TR 2018/5 Income tax: central management and control test of residency.*
- Foreign tax residency: The consolidated entity has applied current legislation and legal precedent in the determination of foreign residency.


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Index of PGPA Requirements

Index of PGPA Requirements

This list of requirements has been prepared in accordance with Resource Management Guide 137 'Annual reports for Commonwealth companies', Department of Finance website as at 29 September 2024 (https://www.finance.gov.au/government/managing-commonwealth-resources/annual-reports-commonwealth-companies-rmg-137).

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.	**6, 62**
(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.	**13, 14, 17, 20, 29-35, 37, 38**
(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.	**6**
(c)	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period.	**48**
(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 reporting period; 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.	**44-46**
(g)	An outline of the organisational structure of the company (including any subsidiaries of the company).	**43**
(ga)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (c) statistics on full-time employees; (d) statistics on part-time employees; (e) statistics on gender; (f) statistics on staff location.	**38**
(h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company.	**13, 14, 15**
(i)	Information in relation to the main corporate governance practices used by the company during the reporting period.	**47-51**
(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.	**51**
(l)	Any significant activities or changes that affected the operations or structure of the company during the reporting period.	**62-64**

Description		Page(s)
(m)	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company.	**n/a**
(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.	**66, 68-70**
(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.	**53-57**
(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;	**48**
	(b) the name of each member of the audit committee;	**47**
	(c) the qualifications, knowledge, skills or experience of each member of the audit committee;	**45**
	(d) information about each member's attendance at meetings of the audit committee;	**47**
	(e) the remuneration of each member of the audit committee.	**54, 55**
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.	**62-64**
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.	**62-64**
1 (b)	Information on dividends paid or recommended.	**64, 74**
1 (c)	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations.	**n/a**
2	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise.	**n/a**

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Corporate Directory

Corporate Directory

Directors

Bruce Carter AO
Chair

Geoff Rohrsheim
Deputy Chair

Stuart Whiley
Managing Director and CEO

Dr Rosalind Dubs

Loretta Reynolds

Dr Janis Cocking PSM

Alice Williams

Company Secretary

Ivan Witt

Auditors

ANAO and PwC (subcontractor auditor for ANAO)

Bankers

Westpac Banking Corporation

ASC North

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

Postal address

GPO Box 2472
Adelaide SA 5001

Phone +61 8 8348 7000

ASC West

20 Nautical Drive
Henderson WA 6166

Postal address

GPO Box 599
Rockingham WA 6168

Phone +61 8 9410 4100

Useful Email Contacts

Employment Opportunities

careers@asc.com.au

Media Queries

communications@asc.com.au

Supply Chain Queries

ASCsupplychain@asc.com.au

Other Queries

info@asc.com.au

ABN 64 008 605 034
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ASC's Annual Reports can be found at asc.com.au

Find ASC on

Photo: BAE Systems.

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ASC Australia's Submarine Company