ASC PTY LTD AND ITS CONTROLLED ENTITIES

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Entity		The Company	
	Note	[redacted]	Jun-08 $'000	[redacted]	Jun-08 $'000
Revenue from continuing operations	4(a)	[redacted]	321,322	[redacted]	280,367
Other income	4(b)	[redacted]	3,577	[redacted]	2,674
Expenses					
Materials and subcontractors		[redacted]	(99,146)	[redacted]	(83,142)
Labour		[redacted]	(135,852)	[redacted]	(122,254)
Depreciation and amortisation	5	[redacted]	(5,348)	[redacted]	(4,690)
Finance costs	5	[redacted]	(152)	[redacted]	(23)
Insurance		[redacted]	(1,987)	[redacted]	(1,580)
Operating lease	5	[redacted]	(5,209)	[redacted]	(3,364)
Security expenses		[redacted]	(1,180)	[redacted]	(753)
Professional fees		[redacted]	(3,346)	[redacted]	(1,979)
Repairs and maintenance		[redacted]	(6,514)	[redacted]	(5,773)
Travelling expenses		[redacted]	(3,177)	[redacted]	(1,135)
Office expenses		[redacted]	(1,650)	[redacted]	(1,550)
Utilities expense		[redacted]	(3,100)	[redacted]	(2,594)
Other expenses		[redacted]	(14,300)	[redacted]	(12,901)
Profit before tax		[redacted]	43,938	[redacted]	41,303
Income tax (expense)/benefit	7(a)	[redacted]	(14,268)	[redacted]	(13,412)
Profit after tax		[redacted]	29,670	[redacted]	27,891
Profit attributable to equity holder of ASC Pty Ltd		[redacted]	29,670	[redacted]	27,891

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

BALANCE SHEET

AS AT 30 JUNE 2009

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

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

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

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated Entity Jun-09 $'000	Consolidated Entity Jun-08 $'000	The Company Jun-09 $'000	The Company Jun-08 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations (inclusive of goods and services tax)		419,907	353,964	295,925	302,488
Cash payments to suppliers and employees in the course of operations (inclusive of goods and services tax)		(354,318)	(317,164)	(278,637)	(267,113)
Income taxes refunded / (paid)	7(b)	(13,714)	(36,474)	(13,714)	(36,474)
Net cash provided by / (used in) operating activities	32(b)	51,880	326	3,574	(1,099)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		5,068	7,535	7,856	7,833
Leverage lease income		-	25,359	-	25,359
Proceeds from disposal of non current assets		83	105	8	105
Proceeds from invested funds	32(c)	88,448	79,959	88,443	79,959
Payments for invested funds	32(c)	(33,756)	(88,444)	(33,756)	(88,444)
Payments for property, plant and equipment		(97,115)	(14,510)	(17,393)	(2,523)
Loan (to)/from controlled entity		-	-	(29,968)	(442)
Loan (to)/from associates		-	(5)	-	(5)
Investment in associates		-	5	-	5
Net cash provided by / (used in) investing activities		(37,327)	10,004	15,190	21,847
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(15,250)	(18,475)	(15,250)	(18,475)
Proceeds from borrowings		246,464	33,274		-
Repayment of borrowings		(228,503)	(22,854)		
Interest paid		(5)	(16)	(3)	-
Net cash provided by / (used in) financing activities		2,706	(8,071)	(15,253)	(18,475)
Net increase/(decrease) in cash and cash equivalents		17,259	2,259	3,511	2,273
Effects of exchange rate changes on cash and cash equivalents			-		-
Cash and cash equivalents at the beginning of the financial year		11,180	8,921	10,560	8,287
Cash and cash equivalents at the end of the financial period	32(a)	28,439	11,180	14,071	10,560

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

ASC Pty Ltd is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2009 comprises the Company as an individual entity and the consolidated entity consisting of the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The financial report is presented in Australian dollars.

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

Early adoption of standards
The Group has elected to apply the following accounting standard and pronouncement to the annual reporting period beginning 1 July 2006:

- AASB 8 Operating Segments (issued February 2007)

Application of AASB 8 resulted in segment disclosures no longer being required. The segment reporting note has therefore been omitted from the financial statements.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

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

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

- all major contracts of the Group and the Company are based on a cash flow neutral regime which enables the timing of the receipts of the billings to meet the timing of the payments for the operating expenditure of the relevant contracts;
- $12 million overdraft facility not utilised at balance date;
- $25 million multi option bank facility not utilised at balance date; and
- consistent profitability over a number of years

Further details are disclosed in note 3(b).

Rounding of amounts
The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) New accounting standards and interpretations not adopted early

Certain new accounting standards and interpretations have been published but their applications are not mandatory for 30 June 2009 reporting periods. The Group has not adopted the following standards early. The Company's and the Group's assessment of the impact of these new standards and interpretations are set out below.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group has not incurred any borrowing costs relating to the qualifying assets.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard form 1 July 2009.

(c) Principles of consolidation

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

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Principles of consolidation (cont')

Associates
Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at cost less any associated impairment.

Transactions eliminated on consolidation
Intra-group balances and gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Revenue recognition

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

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

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

Interest income
Interest income is recognised as it accrues, using the effective interest method.

(e) Contract work in progress

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

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

Tendering costs on contracts are expensed as incurred.

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Contract work in progress (cont')

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

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

(f) Foreign currency

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

Transactions and balances
Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

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

(g) Property, plant and equipment

Valuation of land and building
Land and buildings are carried at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

Costs incurred on plant and equipment are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives.

Depreciation
Depreciation is charged to the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The useful lives used for each class of asset are as follows:

- Buildings 8 – 40 years
- Plant and Equipment 3 – 20 years

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Property, plant and equipment (cont')

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Leased plant and equipment
Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representable of the pattern of benefits to be derived from the leased property.

(h) Taxation

Tax consolidation
The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 31. The implementation date for the tax-consolidated group is 1 July 2002.

The head entity recognises all of the current tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions). Current tax liabilities and assets of wholly owned subsidiaries are recorded in 'Prepaid income tax' to reflect that the transactions that are giving rise to the tax are in the subsidiaries.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The tax-consolidated group has entered into a tax sharing agreement that requires wholly-owned subsidiaries to make contributions to the Head entity for the total of current tax assets and liabilities arising from all transactions. The contribution is recorded as an inter company receivable or payable.

Accounting for income tax
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on income tax for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Taxation (cont')

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balance relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Employee benefits

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid at reporting date including related on-costs.

Long service leave
The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs.

Defined contribution plan
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution plan are recognised as expenses in the Income Statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The consolidated entity's net obligation in respect of the defined benefit superannuation plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.
The discount rate is the rate attaching to AAA credit rated bonds that have maturity dates which most closely match the terms of maturity of the related liabilities. Where AAA credit rated bonds are not available and specifically for all Australian Dollar denominated obligations, the discount rate is the rate attaching to Commonwealth Government Bonds at reporting date which most closely matches the terms of maturity of the related liabilities.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Employee benefits (cont')

When the employee entitlements under the plan are improved, the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement. Where the calculation results in a net benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

All actuarial gains and losses are recognised directly to retained earnings.

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade and other payables are stated at fair value. Trade payables are non-interest bearing, unsecured and are normally settled on 30-day terms.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(m) Provisions

A provision is recognised in the Balance Sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Self insurance
The company self insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability.

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

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

In the Balance Sheet, the provision is recognised net of the recovery receivable when the entity:

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

Warranty
The estimate for the warranty obligation for design, engineering and maintenance activities is based on engineering assessments as to probable repair or restoration costs of the products arising from warranty claims. Significant uncertainty relates to estimates for contracting activities as the estimates depend on circumstances particular to each contract.

(n) Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is determined on the basis of each inventory line's expected recoverable amount. Selling expenses are estimated and deducted to establish net realisable value.

The cost of inventories is based in the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(o) Impairment

The carrying amount of the consolidated entity's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is assessed.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Impairment (cont')

An impairment loss is recognised whenever the carrying amount of an assets or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit and loss.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate recognised at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(q) Investments

Held-to-maturity investment

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(q) Investments (cont')

Available-for-sale financial assets

Investments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and in the case of monetary items such as debt securities, foreign exchange gains and losses. The fair value is their quoted bid price at the balance sheet date. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement.

Investments classified as available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments.

(r) Financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current mid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Borrowings (cont')

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

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

(t) Borrowing costs

Borrowing costs incurred during the financial year are expensed.

(u) Dividends

Provision is made on or before the end of the financial year in accordance with the Dividend Policy adopted by the Board of the Company.

(v) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

No liability has been recognised by the Company or the consolidated entity in relation to these guarantees, as the fair values of the guarantees as at 30 June 2009 and 30 June 2008 are immaterial.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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

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

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

Provision for warranty
The consolidated entity has a warranty provision for submarine related activities. This provision is calculated based on the six Collins Class submarines schedule and their relevant exposure index. ASC Pty Ltd has a Through-Life Support contract with the Commonwealth of Australia represented by the Defence Materiel Organisation for the maintenance of the Collins Class submarines. This contract began on 1 July 2004, and provides little historical evidence for the calculation of the warranty provision. The historical detail from the obsolescence and urgent defects has therefore been considered as a base for determining potential future warranty claims.

Provision for self insurance
The provision for self insurance is raised when an incident occurs that may give rise to a workers' compensation claim. This is measured by the estimated cost of that claim, discounted to its present value. The margin is inclusive of a contingency which is intended to increase the probability that the provision will remain adequate to meet the expected liabilities. The risk margin is required to allow for the inherent risks in the self insurance industry and for environmental uncertainty. Under the APRA prudential standards for private sector insurers a probability sufficiency of 75% is required as a minimum. ASC Pty Ltd's provision level is in excess of the APRA minimum requirement, in line with the Company's assessment of the risks that it is exposed to.

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks. This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

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

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

Both committees report regularly to the Board of Directors on their activities.

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

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

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(a) Credit risk

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

Trade and other receivables

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

Investments

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

Guarantees

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

Recognised financial instruments

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(a) Credit risk (cont')

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

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

Both projects receive their entire funding from an individual customer, being the Commonwealth Government of Australia, who has a Standard and Poor's credit rating of AAA. Therefore the consolidated entity has no material exposure to credit risk in its operations.

Off balance sheet financial instruments

The Company and its controlled entities have not entered into any off balance sheet financial instruments during the reporting period.

(b) Liquidity risk

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

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

The Group maintains the following lines of credit:

- $12 million overdraft facility. Interest would be payable at the rate of BBOR (Bank Bill Official Rate) plus 100 basis points;
- $25 million multi option bank facility;
- Government advance represents the working capital advance provided by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA). ABTIA requires regular review of the advance amount which may be increased or decreased after consideration by the Commonwealth as to the working capital requirements for the AWD project; and
- Government contribution to capital work in progress to build a production facility required for the construction of the Air Warfare Destroyers.

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

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')
Liquidity risk (cont')
Financing arrangements
The consolidated entity and the Company had access to the following undrawn borrowing facilities at the reporting date:

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

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

	Within 12 months	Over 5 years	Total contractual cash flows	Carrying Amount (assets) /(liabilities
	$'000	$'000	$'000	$'000
Consolidated - At 30 June 2009				
Non-derivatives				
Non-interest bearing	54,994	38,260	93,254	67,091
Variable rate (including bank overdraft)	114,970	-	114,970	114,970
Total non-derivatives	169,964	38,260	208,224	182,061
The Company - At 30 June 2009				
Non-derivatives				
Non-interest bearing	102,494	160	102,654	102,496
Total non-derivatives	102,494	160	102,654	102,496
Consolidated - At 30 June 2008				
Non-derivatives				
Non-interest bearing	53,324	7,260	60,584	60,228
Variable rate (including bank overdraft)	16,246	-	16,246	16,246
Total non-derivatives	69,570	7,260	76,830	76,474
The Company - At 30 June 2008				
Non-derivatives				
Non-interest bearing	52,561	160	52,721	52,563
Total non-derivatives	52,561	160	52,721	52,563

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(c) Market Risk

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

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

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

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(c) Market Risk (cont')

Foreign exchange risk

		Consolidated		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
	Currency	'000	'000	'000	'000
Financial assets					
Cash and cash equivalents	USD	944	4,697	0	-
	EUR	4,412	-	0	-
	GBP	0	-	0	-
	CAD	956	-	0	-
Restricted cash	USD	7,103	-	0	-
	EUR	18,776	-	0	-
	GBP	150	-	0	-
	CAD	626	-	0	-
Trade and other receivables	USD	603	157	0	-
	EUR	4,333	-	0	-
	GBP	2	-	0	-
	CAD	1,389	-	0	-
	JPY	71,000	-	0	-
Financial liabilities					
Trade and other payables	USD	1037	576	99	90
	EUR	4,499	373	239	373
	GBP	26	59	26	59
	CAD	956	-		-
	SEK	10	62	10	62
	CHF		196		196
Government advance	USD	7,706	5,586	-	-
	EUR	23,261	-	-	-
	GBP	151	-	-	-
	CAD	2,015	-	-	-
	JPY	71,000	-	-	-

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')
(c) Market Risk (cont')

Interest rate risk
As the Group holds long term interest-bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The Group's investment policy permits investment in deposits with banks and securities issued by the State and/or Commonwealth Government.
These financial instruments are liquid as they are tradeable in a secondary market. As a general rule, the Group holds these investments to maturity thereby reducing exposure to changes in market value.
The Group does not have any interest bearing long-term borrowings.

At balance date the consolidated entity and the Company have an unrealised gain of $142,972 (2008: unrealised gain of $24,062). In the market value of money market securities held (bank accepted bills and negotiable certificate of deposit).
The exposures of the consolidated entity and the Company to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

30th June 2009

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

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')
(c) Market Risk (cont')

Interest rate risk (cont')

30th June 2008

	Consolidated		Company	
	Total	Effective interest rate	Total	Effective interest rate
Financial assets	$000	%	$000	%
Cash, cash equivalents and restricted cash	23,907	7.25%	10,560	7.25%
Trade and other receivables	33,098	0.00%	29,345	0.00%
Loans to controlled entities	-	0.00%	12,092	9.00%
Marketable interest securities (at fair value)	88,444	7.56%	88,444	7.56%
Investment in subsidiaries	-	0.00%	13,000	0.00%
	145,449		153,441	
Financial liabilities				
Bank overdrafts	6	0.00%	-	0.00%
Trade and other payables	53,324	0.00%	45,272	0.00%
Loans from controlled entities	-	0.00%	7,289	0.00%
Term loan	4	0.00%	2	0.00%
Deferred purchase obligation	6,900	0.00%	-	0.00%
Government advance	16,240	6.50%	-	0.00%
	76,474		52,563	

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(c) Market Risk (cont')

Interest rate risk (cont')

Sensitivity analysis
At 30 June 2009, if market interest rates had a parallel shift of +75 basis point / - 75 basis point from year-end rates with all other variables held constant would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2008. The main interest rate risk arises from cash receivables and loans and other receivables with variable interest rates.
Movements in interest rates result in higher/lower interest income from cash and cash equivalents.

30th June 2009	Carrying	Interest Rate Risk			
	Amount	-0.75%		+0.75%	
Consolidated		Profit	Other Equity	Profit	Other Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash, cash equivalents and restricted cash	75,985	(570)	-	570	-
Term Deposits	10,023	(75)	-	75	-
Trade and other receivables	77,649	-	-	-	-
Marketable interest securities (at fair value)	33,756	(253)	-	253	-
Financial liabilities					
Trade and other payables	(54,994)	-	-	-	-
Term loan	(4)	-	-	-	-
Deferred purchase obligation	(12,093)	-	-	-	-
Government advance	(114,970)	-	-	-	-
Total increase / (decrease)		(898)		898	

30th June 2009	Carrying	Interest Rate Risk			
	Amount	-0.75%		+0.75%	
Company		Profit	Other Equity	Profit	Other Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash, cash equivalents and restricted cash	4,048	(30)	-	30	-
Term Deposits	10,023	(75)	-	75	-
Trade and other receivables	30,029	-	-	-	-
Loans to controlled entities	104,946	(787)	-	787	-
Marketable interest securities (at fair value)	33,756	(253)	-	253	-
Investment in subsidiaries	13,000	-	-	-	-
Financial liabilities					
Trade and other payables	(30,925)	-	-	-	-
Loans from controlled entities	(71,569)	537	-	(537)	-
Term loan	(2)	-	-	-	-
Total increase / (decrease)		(608)		608	

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

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Financial risk management (cont')

(c) Market Risk (cont')

Interest rate risk (cont')

Sensitivity analysis

At 30 June 2008, if market interest rates had a parallel shift of +75 basis point / - 75 basis point from year-end rates with all other variables held constant would have increased (decreased) equity and profit or loss by the amounts shown below. The main interest rate risk arises from cash receivables and loans and other receivables with variable interest rates.
Movements in interest rates result in higher/lower interest income from cash and cash equivalents.

30th June 2008	Carrying Amount	Interest Rate Risk			
		-0.75%		+0.75%	
Consolidated		Profit	Other Equity	Profit	Other Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash, cash equivalents and restricted cash	23,907	(179)	-	179	-
Trade and other receivables	33,098	-	-	-	-
Marketable interest securities (at fair value)	88,444	(663)	-	663	-
Financial liabilities					
Bank overdrafts	(6)	-	-	-	-
Trade and other payables	(53,324)	-	-	-	-
Term loan	(4)	-	-	-	-
Deferred purchase obligation	(6,900)	-	-	-	-
Government advance	(16,240)	-	-	-	-
Total increase / (decrease)		(842)		842	

30th June 2008	Carrying Amount	Interest Rate Risk			
		-0.75%		+0.75%	
Company		Profit	Other Equity	Profit	Other Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash, cash equivalents and restricted cash	10,560	(79)	-	79	-
Trade and other receivables	29,345	-	-	-	-
Loans to controlled entities	12,092	(91)	-	91	-
Marketable interest securities (at fair value)	88,444	(663)	-	663	-
Investment in subsidiaries	13,000	-	-	-	-
Financial liabilities					
Trade and other payables	(45,272)	-	-	-	-
Loans from controlled entities	(7,289)	55	-	(55)	-
Term loan	(2)	-	-	-	-
Total increase / (decrease)		(778)		778	

3 FINANCIAL & CAPITAL RISK MANAGEMENT (CONT.)

Capital risk management

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

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000
4				
(a) REVENUE				
Revenue from continuing operations				
Revenue from rendering of services				
Related parties	344,877	315,279	264,457	274,057
Other parties	1,267	74	8	43
	346,144	315,353	264,465	274,100
Other revenue				
Secondment income received from:				
Other parties	783	-		-
Interest				
Related parties		-	2,884	339
Other parties	5,070	5,969	4,974	5,928
	5,853	5,969	7,858	6,267
Total revenue from continuing operations	351,997	321,322	272,323	280,367
(b) OTHER INCOME				
Leveraged lease income		2,569	-	2,569
Net profit from disposal of fixed assets	-	24	-	105
Other income	38	984	-	-
Total other income	38	3,577	-	2,674
5 EXPENSES				
Items included in profit before tax				
Net loss from disposal of fixed assets	4	-	-	-
Depreciation of:				
Buildings	4,470	3,733	3,702	3,192
Plant and equipment	2,430	1,615	1,866	1,498
Total depreciation	6,900	5,348	5,568	4,690

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000
5 EXPENSES (CONT.)				
Items included in profit before tax (cont')				
Finance costs:				
Bank charges	535	136	90	23
Interest expenses				
Other parties	5	16	3	-
	540	152	93	23
Operating lease rental expense:				
Minimum lease payments	7,811	5,209	5,346	3,364
Defined contribution superannuation expense	26	73	26	73

6 AUDITORS' REMUNERATION	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$	$	$	$
Audit services:				
Amount received or due and receivable by the Australian National Audit Office (ANAO) as auditors of ASC	304,000	250,000	270,000	250,000

Other services:

During 2008/09, PwC were contracted by ANAO to provide audit services on the ANAO's behalf.

In addition to fees earned from the subcontracted audit, PwC earned the following fees for engagements where they were separately contracted by ASC during 2008/09:

	Consolidated Entity Jun-09	Consolidated Entity Jun-08	The Company Jun-09	The Company Jun-08
- Other assurance services	2,100	87,007	2,100	78,447
	2,100	87,007	2,100	78,447

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
		$'000	$'000	$'000	$'000
7	**TAXATION**				
(a)	**Income tax expense**				
	Recognised in the income statement				
	Current tax expense				
	Current year	7,729	35,899	9,121	34,952
	Adjustments for prior years	-	46	-	46
		7,729	35,945	9,121	34,998
	Deferred tax expense				
	Temporary differences arising during the year, net of reversal	(650)	(22,440)	701	(22,241)
	Change in unrecognised temporary differences	-	763	-	655
		(650)	(21,677)	701	(21,586)
	Total income tax expense in income statement	7,079	14,268	9,822	13,412
	Attributable to:				
	Continuing operations	7,079	14,268	9,822	13,412
	Numerical reconciliation between tax expense and pre-tax net profit				
	Profit before tax	25,519	43,938	31,348	41,303
	Income tax using the domestic corporation tax rate of 30% (2007: 30%)	7,656	13,181	9,404	12,391
	Increase in income tax expense due to:				
	Non-deductible expenses	26	321	127	321
	Decrease in income tax expense due to:				
	Tax incentives not recognised in income statement	(636)	(44)	(43)	-
		7,046	13,458	9,488	12,712
	Under / (over) provided in prior years				
	Adjustment for prior year tax expense	33	810	334	700
	Income tax expense on pre tax net profit	7,079	14,268	9,822	13,412
	Attributable to:				
	Continuing operations	7,079	14,268	9,822	13,412
(b)	**Prepaid income tax /(Current tax liabilities)**				
	Movements during the year were as follows:				
	Balance at the beginning of the year	(4,552)	(5,081)	(4,552)	(5,081)
	Income tax paid	13,714	36,474	13,714	36,474
	Current year's current income tax expense on operating profit	(7,729)	(35,899)	(9,121)	(34,952)
	Controlled entity provision		-	1,392	(947)
	Under/(over) provision in prior years	(209)	(46)	(209)	(46)
		1,224	(4,552)	1,224	(4,552)
(c)	**Unrecognised deferred tax assets**				
	Deferred tax assets have not been recognised in respect of the following items:				
	Capital gain tax losses	11,461	3,478	11,461	3,478
		11,461	3,478	11,461	3,478

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

7 TAXATION (CONT.)

(d) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
	Jun-09	Jun-08	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated Entity						
Property, plant and equipment	9,516	9,370	(26,969)	(26,318)	(17,453)	(16,948)
Employee entitlements	7,815	6,894		-	7,815	6,894
Provisions for warranty	1,877	2,661		-	1,877	2,661
Project recognised profit	492	120		-	492	120
Leveraged lease		-		-		-
Interest accrual		-	(647)	(830)	(647)	(830)
Net pension assets	234	-		(449)	234	(449)
Impairment loss - investment in subsidiary		-		-		-
Sundry items	1,282	1,647	(107)	(42)	1,175	1,605
Net tax assets / (liabilities)	21,216	20,692	(27,723)	(27,639)	(6,507)	(6,947)
The Company						
Property, plant and equipment	8,500	9,358	(22,739)	(21,827)	(13,239)	(12,469)
Employee entitlements	6,486	6,122		-	6,486	6,122
Provisions for warranty	1,877	2,661		-	1,877	2,661
Project recognised profit	137	120		-	137	120
Leveraged lease		-		-		-
Interest Accrual		-	(647)	(830)	(647)	(830)
Net pension assets	234	-		(449)	234	(449)
Impairment loss - investment in subsidiary		-		-		-
Sundry items	1,127	1,610	(47)	(47)	1,080	1,563
Net tax assets / (liabilities)	19,361	19,871	(23,433)	(23,153)	(4,072)	(3,282)

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

Movements

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

7 TAXATION (CONT.)

(e) Amounts recognised directly in equity

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity.				
Current tax - credited directly to equity	[illegible]		[illegible]	-
Net deferred tax - debited (credited) directly to equity (note 7(d))	210	1,710	89	1,781

(f) Tax consolidation legislation

ASC Pty Ltd and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(h).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, ASC Pty Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate ASC Pty Ltd for any current tax payable assumed and are compensated by ASC Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to ASC Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due within 7 days of receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are included in the balance of the current loan to controlled entities in note 10 or the balance of the current loan from controlled entities in note 18.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

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

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

		NOTE	Consolidated Entity Jun-09	Consolidated Entity Jun-08	The Company Jun-09	The Company Jun-08
9	**RESTRICTED CASH**					
	Restricted cash represents advances made by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA).		57,569	12,721		-

Restricted cash paid by the Commonwealth of Australia are in both Australian and foreign currencies and are required to be separately maintained with a Commonwealth of Australia approved interest bearing account, for the sole purpose of receiving and holding advance payments from the Commonwealth of Australia.

Transactions through these advance accounts are restricted to the followings:

1) advances paid by the Commonwealth of Australia to ASC AWD Shipbuilder Pty Ltd;
2) interest earned on amounts in these advance accounts;
3) fees charged for maintaining these advance accounts;
4) advance reimbursement payment to ASC AWD Shipbuilder Pty Ltd for direct project costs of the Air Warfare Destroyer program incurred by ASC AWD Shipbuilder Pty Ltd as defined under ABTIA ;
5) repayment of advance reimbursement payment as mentioned in item 4) above from ASC AWD Shipbuilder Pty Ltd;
6) other transactions as directed by the Commonwealth of Australia.

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

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

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

10 TRADE AND OTHER RECEIVABLES (CONT.)

Other receivables

Other debtors also includes interest receivable.

Loans to ASC Shipbuilding Pty Limited, ASC Engineering Pty. Limited, and Deep Blue Tech Pty Ltd (wholly owned controlled entities) attract a commercial rate of interest on the average outstanding balance every six months. The commercial interest rate used is levied at a margin of 2% p.a. over Reserve Bank of Australia "Cash Rate". Refer to Note 4(b) for details of interest revenue in relation to these loans.

ACCOUNTS RECEIVABLE AGEING PROFILE

Receivables	Consolidated Jun-09 $'000	Consolidated Jun-08 $'000	Company Jun-09 $'000	Company Jun-08 $'000
Not Past Due	77,283	33,069	29,663	29,316
Past Due 1-30 Days		19		19
Past Due 31-60 Days	360	-	360	-
Past Due 61-90 Days	6	-	6	-
Past Due 90+ Days		10		10
Total receivables	77,649	33,098	30,029	29,345

Credit Sales are on 30 day terms. Interest may be charged on trade receivables balances that are not repaid by the due date. Further, Interest may be charged, at agreed upon rates normally reflecting market rates, where contract terms of repayment fall outside of the consolidated entity's normal terms. Collateral may or may not be obtained.

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision of doubtful debts is recognised when collection of the full nominal amount is no longer probable. At balance date, management have determined that there is no recoverability exposure and no provision for doubtful debts is required.

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 90+ days. 99.8% of the balance , is owed by the Group's most significant customer, the Commonwealth of Australia, which has a good credit history with the Company. No impairment losses have been recognised for 2009 (2008: nil)

11 INVENTORIES

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

12 OTHER FINANCIAL ASSETS

Current	Consolidated Jun-09 $'000	Consolidated Jun-08 $'000	Company Jun-09 $'000	Company Jun-08 $'000
Marketable interest securities (at fair value)	33,756	65,729	33,756	65,729
	33,756	65,729	33,756	65,729

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
		$'000	$'000	$'000	$'000
12 OTHER FINANCIAL ASSETS (CONT.)					
Non Current					
Marketable interest securities (at fair value)			22,715		22,715
Unlisted shares at cost			-	20,000	20,000
Less - provision for diminution			-	(7,000)	(7,000)
			22,715	13,000	35,715

Unlisted shares at cost consists of investments in the Company's wholly owned subsidiaries. The Company funds the deficiency in net assets in its wholly owned subsidiary ASC Shipbuilding Pty Limited and ASC Modules Pty Limited. The deficiency is expected to be recovered from profits generated under the AWD contract.

	NOTE	Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
13 OTHER CURRENT ASSETS					
Prepayments		2,249	1,166	2,189	953
		2,249	1,166	2,189	953
14 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At fair value		27,769	27,769	17,420	17,420
Buildings					
At fair value		109,770	76,900	88,735	70,350
Plant and equipment					
At cost		52,488	41,039	45,785	38,720
Accumulated depreciation		(33,730)	(31,319)	(31,432)	(29,580)
		18,758	9,720	14,353	9,140
Capital works in progress at cost		83,013	30,411	5,158	12,306
Total property, plant and equipment		239,310	144,800	125,666	109,216

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
		$'000	$'000	$'000	$'000
14 PROPERTY, PLANT AND EQUIPMENT (CONT.)					
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Freehold land					
Carrying amount at beginning of year		27,769	25,049	17,420	15,550
Revaluation increments/(decrements)			2,720		1,870
Carrying amount at the end of year		27,769	27,769	17,420	17,420
Buildings					
Carrying amount at beginning of year		76,900	73,150	70,350	65,150
Transfers from capital works in progress		33,013	484	17,453	484
Disposals		(4)	(1,763)		-
Revaluation increments/(decrements)		4,331	8,762	4,634	7,908
Depreciation		(4,470)	(3,733)	(3,702)	(3,192)
Carrying amount at the end of year		109,770	76,900	88,735	70,350
Plant and equipment					
Carrying amount at beginning of year		9,720	7,994	9,140	7,482
Additions		3,376	171	69	-
Transfers from capital works in progress		8,125	3,176	7,018	3,156
Disposals		(33)	(6)	(8)	-
Depreciation		(2,430)	(1,615)	(1,866)	(1,498)
Carrying amount at the end of year		18,758	9,720	14,353	9,140
Capital works in progress					
Carrying amount at beginning of year		30,411	15,047	12,306	13,421
Additions/(write off)		93,739	19,024	17,324	2,523
Transfers to property, plant & equipment		(41,137)	(3,660)	(24,472)	(3,638)
Carrying amount at the end of year		83,013	30,411	5,158	12,306

Valuations

An independent valuation of all land and buildings of the Company and its wholly owned subsidiary entities was carried out by Maloney Field Services Property Consultants & Valuers as at 30 June 2009. The valuation basis of land and building is fair value. The fair value of land is based on recent market transactions on arm's length terms and the fair value of buildings is based on the depreciated replacement approach.

Non current assets pledged as security

Refer to note 27 for information on non-current assets pledged as security by the Company and its controlled entities.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

		NOTE	Consolidated Entity		The Company	
			Jun-09	Jun-08	Jun-09	Jun-08
			$'000	$'000	$'000	$'000
15	**TRADE AND OTHER PAYABLES**					
	Trade payables		27,538	26,351	20,084	20,470
	Other payables and accruals		27,456	26,973	10,841	24,802
	Total payables		54,994	53,324	30,925	45,272
16	**NET UNEARNED CONTRACT BILLING / (CONSTRUCTION WORK IN PROGRESS)**					
	Contract billings due and receivable		720,943	524,570	577,839	445,265
	Contract works in progress		(576,759)	(454,023)	(529,684)	(411,871)
	Profit recognised to date		(112,827)	(78,764)	(49,802)	(39,735)
	Net unearned contract billing/(Contract work in progress)		31,357	(8,217)	(1,647)	(6,341)
17	**NON INTEREST BEARING LIABILITIES**					
	Unsecured					
	Current					
	Loans from controlled entities			-	71,569	7,289
				-	71,569	7,289
	Unsecured					
	Non current					
	Term loan		4	4	2	2
	Deferred purchase obligation		12,093	6,900		-
			12,097	6,904	2	2

Term Loan

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

(i) ASC Engineering Pty. Limited ($200,000): repayable in the year 2094 or at the option of the Company at any time prior to the year 2094.

(ii) ASC Pty Ltd ($160,000): repayable in the year 2092 or at the option of the Company at any time prior to the year 2092.

Both of these two term loans have been discounted to their fair value of $4,000 in total in the financial year ended 30 June 2009 (2008: $4,000) under AASB139 (Financial Instruments: Recognition and Measurement)

Deferred purchase obligation

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

Under this arrangement, a subsidiary of the Company has an obligation to purchase the facility within three months of the completion of the last Air Warfare Destroyer at an amount equal to the lesser of the written down value of the facility at an agreed depreciation rate, and the fair market value determined by a licensed valuer.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
		$'000	$'000	$'000	$'000
18 INTEREST BEARING LIABILITIES					
Current					
Unsecured					
Government advance		114,970	16,240		-
		114,970	16,240		-

Government advance

Government advance represents the working capital advance provided by the Commonwealth of Australia under the Alliance Based Target Incentive Agreement (ABTIA). This advance is repayable on demand when certain criteria has been met and if the ABTIA is terminated.

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

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

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

(a) Employee entitlements, including on costs

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

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

(b) Redundancy & termination

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

(c) Warranty

The company has a warranty provision for the submarine related activities under the Through-Life Support contract with the Commonwealth of Australia represented by the Defence Materiel Organisation.

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

(d) Self insured workers compensation

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

(e) Dividends

Provision is made on or before the end of the financial year in accordance with the Dividend Policy adopted by the Board of the Company. Final dividend is usually paid within the first four months of the following financial year.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Consolidated Entity		The Company	
		Jun-09	Jun-08	Jun-09	Jun-08
		$'000	$'000	$'000	$'000
19 PROVISIONS (CONT.)					
Provisions movements:					
Redundancy & termination					
Balance at 1 July(current & non current)			-		-
Provision made during the year		5,888	-	5,888	-
Provision used during the year		(4,972)	-	(4,972)	-
Balance at 30 June(current & non current)		916	-	916	-
Warranty					
Balance at 1 July(current & non current)		8,871	8,797	8,871	8,525
Provision made/(reversed) during the year		(2,615)	347	(2,615)	346
Provision used during the year			(273)		-
Balance at 30 June(current & non current)		6,256	8,871	6,256	8,871
Self insured workers compensation					
Balance at 1 July(current & non current)		4,230	6,110	4,230	6,110
Provision made/(reversed) during the year		2,107	(308)	2,107	(308)
Provision used during the year		(1,367)	(1,572)	(1,367)	(1,572)
Balance at 30 June(current & non current)		4,970	4,230	4,970	4,230
Dividends					
Balance at 1 July(current & non current)		9,250	9,825	9,250	9,825
Provision made during the year		11,100	8,650	11,100	8,650
Provision used during the year		(15,250)	(9,225)	(15,250)	(9,225)
Balance at 30 June(current & non current)		5,100	9,250	5,100	9,250
Other					
Balance at 1 July(current & non current)		-	214		-
Provision used during the year		-	(163)	-	-
Provision reversed during the year		-	(51)	-	-
Balance at 30 June(current & non current)		-	-	-	-
20 ISSUED CAPITAL					
Opening issued and paid-up share capital - 10 million ordinary shares (1 July)		10,000	10,000	10,000	10,000
Movement during the reporting period		-	-	-	-
Closing issued and paid-up share capital		10,000	10,000	10,000	10,000

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

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

Nature and purpose of reserves

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

		NOTE	Consolidated Entity Jun-09 $'000	Consolidated Entity Jun-08 $'000	The Company Jun-09 $'000	The Company Jun-08 $'000
22	**RETAINED EARNINGS**					
	Opening retained earnings (1 July)		103,462	94,385	114,597	107,299
	Actuarial gains (losses) on defined benefit plans after tax		(1,764)	(2,693)	(1,764)	(2,693)
	Net profit for the year		18,440	29,670	21,526	27,891
	Dividends		(11,100)	(17,900)	(11,100)	(17,900)
	Closing retained earnings		109,038	103,462	123,259	114,597
23	**DIVIDENDS**					
	Interim fully franked dividend, declared and paid		6,000	8,650	6,000	8,650
	Final fully franked dividend, declared and provided for		5,100	9,250	5,100	9,250
	Total fully franked dividend, represents a distribution to the shareholder		11,100	17,900	11,100	17,900
	All dividends declared during the year were paid out of profits.					
	Dividends franking account					
	Class C (30%) franking credits		99,622	96,441	99,622	96,441

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of the dividends recognised as a liability at year-end

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end

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

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

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

The consolidated entity leases computer and other equipment under operating leases expiring from one to three years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

(c) Hire purchase commitments

The Company and its controlled entities have no hire purchase commitments as at the reporting date.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

24 COMMITMENTS (CONT.)

(d) Superannuation commitments

The Company and its controlled entities contribute to the ASC Superannuation Fund that provides for a combination of accumulation and defined benefits. Employees contribute to the fund at various percentages of their gross income. The Company and its controlled entities also contribute to the fund at varying contribution rates depending on the category of fund membership of each member. Members of the ASC Superannuation Fund are entitled to benefits on retirement, disability or death. The trustee of the fund is Trust Company Superannuation Services Limited and the administrator of the fund is KPMG Superannuation Services Pty Limited.

DEFINED BENEFITS PLAN

Defined benefit category

The Company and its controlled entities make contributions to a defined benefit superannuation fund that provides defined benefits for employees on retirement. The fund provides defined benefits based on years of service and final average salary.

An actuarial assessment of the fund as at 30 June 2009 was carried out by David O'Keefe, Fellow of the Institute of Actuaries of Australia, of ALEA Actuarial Consulting Pty Limited on 6 July 2009. The actuary concluded that the assets of the defined benefit category of the fund are not sufficient to meet all benefits payable in the event of the defined benefit category's termination, or the voluntary or compulsory termination of employment of each employee of the Company and other controlled entities.

Movements in the net asset/(liability) for defined benefits obligations recognised in the balance sheet

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000
Net asset/(liability) for defined benefit obligations at 1 July	1,496	4,404	1,496	4,404
Contributions received	26	76	26	76
Income/(Expense) recognised in the income statement	220	861	220	861
Actuarial gains/(losses) recognised directly in equity	(2,520)	(3,846)	(2,520)	(3,846)
Net asset/(liability) for defined benefit obligations at 30 June	(778)	1,496	(778)	1,496
Defined benefit superannuation fund				
Amounts in the balance sheet				
Asset	-	1,496	-	1,496
Liability	(778)	-	(778)	-
Net Pension Assets / (Retirement benefit obligation)	(778)	1,496	(778)	1,496

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

24 COMMITMENTS (CONT.)

(d) Superannuation commitments (cont')

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	$'000	$'000	$'000	$'000
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	11,105	14,005	11,105	14,005
Service cost	258	83	258	83
Interest cost	647	830	647	830
Actuarial losses/(gains)	327	(1,348)	327	(1,348)
Benefits paid	(2,493)	(2,465)	(2,493)	(2,465)
Closing defined benefit obligation	9,844	11,105	9,844	11,105
Changes in the fair value of fund assets are as follows:				
Opening fair value of fund assets	12,601	18,409	12,601	18,409
Expected return	1,125	1,775	1,125	1,775
Actuarial gains/(losses)	(2,193)	(5,194)	(2,193)	(5,194)
Contributions by employer	26	76	26	76
Benefits paid	(2,493)	(2,465)	(2,493)	(2,465)
	9,066	12,601	9,066	12,601

	Consolidated Entity		The Company	
	Jun-09	Jun-08	Jun-09	Jun-08
The major categories of fund assets as a percentage of total fund assets are as follows:				
Australian equities	37%	37%	37%	37%
International equities	35%	29%	35%	29%
Australian fixed interest	13%	14%	13%	14%
International fixed interest	8%	4%	8%	4%
Property trusts	5%	4%	5%	4%
Private equity	0%	2%	0%	2%
Alternative Assets	0%	1%	0%	1%
Cash	3%	9%	3%	9%
	100%	100%	100%	100%

24 COMMITMENTS (CONT.)

(d) Superannuation commitments (cont')

The investment policies and strategies of the Trustee of the ASC Superannuation Fund are to invest the assets of the Fund in a manner to ensure compliance with the Superannuation Industry (Supervision) Act and any other legislation. The Trustee has formulated and given effect to an investment strategy that recognises the whole of the Fund's circumstances, including the risk and potential return of investments in relation to the Fund's investment objectives. The investment strategy has regard to the diversification of the Fund's investments, the liquidity of its investments, its expected cash flow requirements and the ability of the Fund to discharge its existing and prospective liabilities. The risk management policies of the Fund permits the investment in externally managed Investment Funds and prohibits direct investment in debt and equity securities and derivative financial instruments. For the defined benefit category of membership, members are provided with a benefit based upon their salary, years of service and accrual rate.

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

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

24 COMMITMENTS (CONT.)

(d) Superannuation commitments (cont')

Employer contributions

Contributions by the Company and its controlled entities to the defined benefits plan are based on recommendations by the plan's actuary Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 31 December 200

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

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in the actuarial review as at 31 December 2006, that a contribution holiday be taken by the Company and its controlled entities for contributions to the fund for employees who are members of the defined benefit plan. This contribution holiday has been adopted by the Company and its controlled entities as at 1 January 2007 with a review of the actuarial recommendation to take place as at 30 June 2009. The contribution holiday was recommended by the actuary due to the fund surplus as at 31 December 2006.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

24 COMMITMENTS (CONT.)

(d) Superannuation commitments (cont')

The Company and its controlled entities expect to contribute $27,000 to the defined benefit superannuation fund in the 2010 financial year.

The overall expected long-term rate of return on assets is 7.8%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments.

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

Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 April 2009), and a deficit of $778,000 was reported.

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

Historic summary

	Jun-09	Jun-08	Jun-07	Jun-06	Jun-05
	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation	(9,844)	(11,105)	(14,005)	(13,874)	(12,277)
Fund assets	9,066	12,601	18,409	14,612	13,594
Surplus/(deficit)	(778)	1,496	4,404	738	1,317
Experience adjustments arising on fund assets	(2,193)	(5,194)	2,272	(310)	549

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

24 COMMITMENTS (CONT.)

(e) Other commitments

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

25 CONTINGENT LIABILITIES

The Company has arranged the issuance of a bank guarantee in favour of Workcover Corporation of SA for the purpose of self insurance under the Workers Rehabilitation and Compensation Act. Certain of the Company's subsidiaries have arranged the issuance of bank guarantees in favour of various beneficiaries in support of their performance obligations. The total value of the bank guarantees arranged by the ASC Group is $7.0 million (2008: $4.1 million). There is no letter of credit arranged by the ASC Group as at 30 June 2009 in favour of any supplier in support for its payment obligation (2008: $0.4 million).

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

a) to the State Government of South Australia in relation to ASC AWD Shipbuilder Pty Ltd's obligations to the State Government of South Australia in connection with the Common User Facility and the Maritime Skills Centre, Osborne;
b) to Bath Iron Works Australia Corporation in relation to ASC AWD Shipbuilder Pty Ltd's obligations to Bath Iron Works Australia Corporation in connection with the strategic capability service agreement;
c) to the Commonwealth of Australia in relation to ASC AWD Shipbuilder Pty Ltd's obligations to the Commonwealth of Australia in connection with the Hobart Class Air Warfare Destroyer program; and
d) to various banks in support of the $37.0 million in finance facilities and the $7.0 million bank guarantees and no of letter of credit as mentioned above.

No losses are expected in relation to these guarantee arrangements.

26 REGISTERED CHARGES

The Commonwealth of Australia holds first mortgage over the freehold land and building owned by the Company and a fixed charge over the moveable manufacturing plant & equipment owned by the Company in connection with the Submarine Build contract. The Commonwealth of Australia also holds the fixed and floating charge over all assets owned by ASC AWD Shipbuilder Pty Ltd in connection with the Air Warfare Destroyer construction contract.
The above charges are held against default of the contracts.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

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

27 ECONOMIC DEPENDENCY

The normal trading activities of ASC Pty Ltd and its subsidiaries depend on contracts the Company and its subsidiaries have with the Commonwealth Government of Australia for the maintenance of six submarines and the construction of three air warfare destroyers. That dependency existed during all of the financial year.

28 KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

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

	Consolidated Entity		The Company	
	2009	2008	2009	2008
	$	$	$	$
Short - term employment benefits	1,144,963	1,019,442	1,144,963	1,019,442
Post - employment benefits	96,295	89,385	96,295	89,385
Termination benefits	238,500	-	238,500	-
	1,479,758	1,108,827	1,479,758	1,108,827

Key management personnel consists of executive and non executive directors.

Loans to key management personnel

No loan was outstanding at the reporting date to key management personnel.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

28 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONT')

Other key management personnel transactions with the Company and its controlled entities

From time to time there may be transactions between the key management personnel and the Company and its controlled entities. The terms and conditions of those transactions would be no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non key management personnel related entities on an arm's length basis. There have been no transactions with key management personnel during the financial year.

29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

30 RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of Director of ASC Pty Ltd during the financial year are Messrs JB Prescott (retired on 30 June 2009), CNH Bagot (retired on 30 June 2009),GR Bulmer, GR Tunny (resigned on 15 May 2009), GR Phillips, MJ Terlet AO, Dr. WH Schofield AM and VADM CA Ritchie AO RANR.

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

Other related parties

Shareholders

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

The Commonwealth of Australia has provided auditing services to the Company through the Australian National Audit Office (ANAO).

The Commonwealth of Australia is the ultimate parent entity.

The Company is a large proprietary company, incorporated in Australia. The registered office and principal place of business is Mersey Road, Osborne SA 5017.

30 RELATED PARTY DISCLOSURES (CONT.)

Other related parties (CONT.)

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

Jun-09 — Consolidated Entity

Government advance	Total	AUD	USD	GBP	CAD	EUR	JPY
Beginning of the year		10,437,630	5,585,586	-	-	-	-
Loans advanced		50,460,615	4,000,000	150,000	2,015,000	23,200,000	71,000,000
Loan repayments received		333,608	(1,901,949)	-	-	-	-
Interest charged		(651)	-	(36)	(23)	-	-
Interest received		412,633	22,466	1,322	113	60,666	-
End of year (source currency)		61,643,825	7,706,103	151,286	2,015,090	23,260,666	71,000,000
End of year (AUD equivalent)	114,969,972	61,643,825	9,497,292	310,521	2,158,970	40,446,298	913,066

Jun-08 — Consolidated Entity

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

Transactions with Shareholders

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

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

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

Balances with Shareholders	2009 $
The aggregate amounts payable to the shareholders in relation to these transactions are:	-
The aggregate amounts receivable from the shareholders in relation to these transactions are:	76,185,511

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

30 RELATED PARTY DISCLOSURES (CONT.)

Other related parties (CONT.)

Wholly-owned controlled entities & other related entities

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

	Consolidated Entity		The Company	
	2009	2008	2009	2008
	$	$	$	$
Loans to / (from) subsidiaries				
Beginning of the year	-	-	4,803,555	3,414,723
Loans advanced	-	-	68,116,200	12,315,751
Loans repayments received	-	-	(42,427,200)	(11,265,805)
Interest charged	-	-	0	338,886
Interest received	-	-	2,883,741	-
End of year	-	-	33,376,296	4,803,555

	2009	2008
	$	$
Loans to / (from) subsidiaries at beginning of the year made up of:		
The amounts currently payable to the wholly-owned controlled entities by the Company at balance date:	(7,288,791)	(1,190,598)
The amounts currently receivable from the wholly-owned controlled entities by the Company at balance date:	12,092,346	4,605,321
	4,803,555	3,414,723
Loans to / (from) subsidiaries at beginning of the year made up of:		
The amounts currently payable to the wholly-owned controlled entities by the Company at balance date:	(71,569,285)	(7,288,791)
The amounts currently receivable from the wholly-owned controlled entities by the Company at balance date:	104,945,581	12,092,346
	33,376,296	4,803,555

Amount receivable from ASC Shipbuilding Pty Limited, ASC Engineering Pty. Limited & ASC Modules Pty Ltd (wholly owned controlled entities) attract a commercial rate of interest on the average outstanding balance every six months. The commercial interest rate used is levied at a margin of 2% p.a. over Reserve Bank of Australia "Cash Rate". Refer to Note 4 for details of interest revenue in relation to these loans.

No interest is charged on the current loans receivable from or payable to ASC AWD Shipbuilder Pty Ltd (wholly owned controlled entities) and these loans are repayable at call.

ASC PTY LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2009

30 RELATED PARTY DISCLOSURES (CONT.)

Other related parties (CONT.)

Wholly-owned controlled entities & other related entities (CONT.)

Guarantees to subsidiaries	Consolidated Entity		The Company	
The parent entity has provided guarantees in respect of	[redacted]	2008	[redacted]	2008
(see note 25 for details):	[redacted]	$	[redacted]	$
Bank overdraft facility of a subsidiary of up to $12 million (unsecured)	[redacted]	-	[redacted]	-
Bank guarantees for subsidiaries	[redacted]	-	[redacted]	500,000

31 PARTICULARS IN RELATION TO CONTROLLED ENTITIES AND ASSOCIATE

	Country of	Class of	Entity Interest	
			[redacted]	2008
Parent entity	Incorporation	Shares	[redacted]	%
ASC Pty Ltd			[redacted]	
Controlled entities			[redacted]	
ASC Engineering Pty. Limited	Australia	Ordinary	[redacted]	100
ASC Shipbuilding Pty Limited	Australia	Ordinary	[redacted]	100
ASC Modules Pty Ltd	Australia	Ordinary	[redacted]	100
ASC AWD Shipbuilder Pty Ltd	Australia	Ordinary	[redacted]	100
Deep Blue Tech Pty Ltd	Australia	Ordinary	[redacted]	100
Australian Submarine Corporation Thailand Limited	Thailand	Ordinary	[redacted]	49

ASC Modules Pty Ltd is a non trading company.

ASC AWD Shipbuilder Pty Ltd is the subsidiary incorporated for the purpose of executing the AWD Build Program.

All subsidiaries have reporting dates of 30 June.

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity Jun-09 $'000	Consolidated Entity Jun-08 $'000	The Company Jun-09 $'000	The Company Jun-08 $'000
32 NOTES TO THE STATEMENT OF CASH FLOWS					
(a) RECONCILIATION OF CASH					
For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:					
Cash	8	28,439	11,186	14,071	10,560
Bank overdraft / loans	8	-	(6)	-	-
		28,439	11,180	14,071	10,560
(b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating profit after income tax		18,440	29,670	21,526	27,891
Add/(less) items classified as investing/financing activities:					
Interest received		(5,070)	(5,968)	(7,858)	(6,267)
Leverage lease income		-	(2,571)	-	(2,571)
Interest expense		5	16	3	-
(Profit)/loss on sale of fixed assets		-	(24)	-	(105)
(Profit)/loss on sale of other non current assets		4	24	2	24
Add/(less) non-cash items:					
Depreciation		6,900	5,348	5,568	4,690
Pension costs		(246)	(938)	(246)	(938)
Income tax expense		7,079	14,268	9,822	13,412
Income tax paid		(13,714)	(36,474)	(13,714)	(36,474)
Net cash provided by operating activities before change in assets and liabilities		13,398	3,351	15,103	(338)
Change in assets and liabilities					
(Increase)/decrease in receivables (1)		(3,331)	(11,449)	(684)	(7,993)
(Increase)/decrease in inventories	11	829	1,519	829	1,519
(Increase)/decrease in prepayments	13	(1,236)	(30)	(1,236)	(21)
(Increase)/decrease in net progress payments received (2)		39,574	(1,644)	4,694	(2,321)
Increase/(decrease) in trade creditors (3)		1,720	8,365	(14,346)	7,972
(Increase)/decrease in provisions (4)		926	214	(786)	83
Net cash provided by operating activities		51,880	326	3,574	(1,099)

ASC PTY LTD AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED 30 JUNE 2009

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