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**Government
of South Australia**

DEFENCE SA
2020-21 Annual Report

Defence SA

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2020-21 ANNUAL REPORT for Defence SA

To:

Hon Steven Marshall MP

Premier of South Australia

This annual report will be presented to Parliament to meet the statutory reporting requirements of *relevant acts and regulations* and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the Defence SA by:

Richard Price

Chief Executive

A handwritten signature in black ink, appearing to be 'R. Price', written over a horizontal line.

15th September 2021

From the Chief Executive



This year we have made enormous progress in positioning South Australia as an international leader in the defence and space industries, and building a more inclusive and supportive environment for veterans and their families.

Despite unforeseen challenges due to the global COVID-19 pandemic in the 2020-21 financial year, South Australia's defence and space sectors have continued to thrive and will be crucial to the state's future economic recovery.

Our main priority was ensuring South Australia's defence and space industries were positioned to emerge strong and resilient from the pandemic. Despite travel restrictions, we remained committed to strengthening international engagement and local industry participation in global supply chains on major projects across naval shipbuilding, land systems, information warfare and space. South Australian industry participated in several virtual missions and tradeshow, including Euronaval 2020 and Eurosatory 2020, while the state's capabilities were showcased at Land Forces 2021 in June.

Our vision for growth and investment in the defence and space industries over the next decade has been clearly mapped out, with the release of overarching strategies: *South Australia Growth State: Defence State Sector Strategy 2030* and *Space Sector Strategy*. These strategies outline how South Australia will rise to the challenge of supporting our defence and space sectors and capitalising on the investment, supply chain and career opportunities.

Our first priority is ensuring South Australia has the skilled workforce to deliver major Defence projects. In order to achieve this, Defence SA launched a local and national workforce and skills attraction campaign to build a pipeline of work-ready employees for the industry. Other initiatives, like the Premier's Defence Industry Scholarships Program, have been successful in supporting the next generation to pursue careers in the defence sector.

South Australia's space industry made significant gains this year. The state again hosted two Australian Space Forums, which were well-attended by national and international guests. The most recent forum was run by the newly established Andy Thomas Space Foundation and included the largest industry exhibition in the event's history. South Australia also celebrated the opening of the Australian Mission Control Centre and Australian Space Discovery Centre at Lot Fourteen, while the South Australian Government initiated its first-ever space services mission (SASAT1) in collaboration with local industry and academia.

In the research sector, the Defence Innovation Partnership successfully secured funding to continue its work in catalysing collaborative defence research and development between industry, universities and Defence in South Australia. This

year alone, the Defence Innovation Partnership awarded \$1 million to projects that drive collaboration, innovation and enhance our industry's capability.

Our team within Veterans SA supported the community through challenges resulting from the Brereton Report and the announcement of a Royal Commission into Defence and Veteran Suicide. The agency continues to work across government to ensure the right support services are available at the most critical times. Increasing workforce participation of women and men with military experience has been a priority this year. A pilot Veterans SA Mentor Program was launched to connect members of the veteran community to leaders and professionals across the South Australian community. Improved visibility of veterans who work in the public sector, the largest employer in this state, will realise further opportunities for veterans across the South Australian Government.

Though 2020-21 was a challenge, significant progress across the defence and space industries in addition to empowering our vibrant veteran community paves the way for a bright future in these important and high-growth sectors.

Richard Price
Chief Executive
Defence SA

Contents

Overview: about the agency 7

 Our strategic focus 7

 Our organisational structure as at 30 June 2021 9

 Changes to the agency 9

 Our Minister 10

 Our Executive team 10

The agency’s performance 11

 Performance at a glance 11

 Agency contribution to whole of Government objectives 13

 Agency specific objectives and performance 15

 Corporate performance summary 29

 Employment opportunity programs 29

 Agency performance management and development systems 30

 Work health, safety and return to work programs 30

 Executive employment in the agency 31

Financial performance 32

 Financial performance at a glance 32

 Consultants disclosure 32

 Contractors disclosure 33

Risk management..... 35

 Risk and audit at a glance 35

 Fraud detected in the agency 35

 Strategies implemented to control and prevent fraud 35

 Public interest disclosure 35

Reporting required under any other act or regulation 36

 Reporting required under the *Carers’ Recognition Act 2005* 36

Public complaints..... 37

 Number of public complaints reported 37

 Additional Metrics 38

 Service Improvements 39

 Compliance Statement 39

Appendix: Audited financial statements 2020-21 40

Overview: about the agency

Our strategic focus

Purpose:

Defence SA is South Australia’s lead government agency for all defence related matters and is a single point of contact for all defence stakeholders, streamlining their interaction across the South Australian Government. The agency captures valuable investment opportunities in the shipbuilding, defence science and research, information warfare and space domains.

The Defence SA Advisory Board provides high-level strategic advice to promote the growth of the defence industry in South Australia and plays a key role in guiding the state’s defence strategy.

Within Defence SA sits the Defence Innovation Partnership, South Australian Space Industry Centre and Veterans SA:

Defence Innovation Partnership – fosters collaboration and engagement between government, universities/research organisations and industry. The Defence Innovation Partnership helps deliver innovative solutions to Defence by creating connections between researchers, industry and Defence; building and supporting defence-relevant collaborations through the Collaborative Research Fund; attracting research and development funding to South Australia; and supporting the translation of defence and national security research and development.

South Australian Space Industry Centre (SASIC) - provides a whole-of-state-government focal point for local industry and international companies and organisations to drive space industry innovation, research and entrepreneurial development.

Veterans SA - works with state, national and community partners to support those currently serving and previously serving members of the Australian Defence Force and their families, including reservists, to live fulfilled lives in South Australia. The agency also plays a role in sharing information on services and programs across South Australia available to those who have served and their families.

Vision:

Defence SA	By 2030 South Australia will be recognised as an international leader in the defence and space industries by building on its highly skilled workforce, world-leading technology and infrastructure and culture of innovation driven by focused research and development.
Defence Innovation Partnership	A trusted, forward-thinking and sustainable defence-relevant research, development and innovation ecosystem, supporting Australia’s defence and national security needs.

SASIC	A thriving and enduring South Australian space ecosystem, supporting Australia’s national space strategy, building on the opportunities of NewSpace.
Veterans SA	A strong, vibrant and well supported and represented veteran community, inclusive of all generations, that is understood and appropriately acknowledged by all South Australians

Mission/Values:

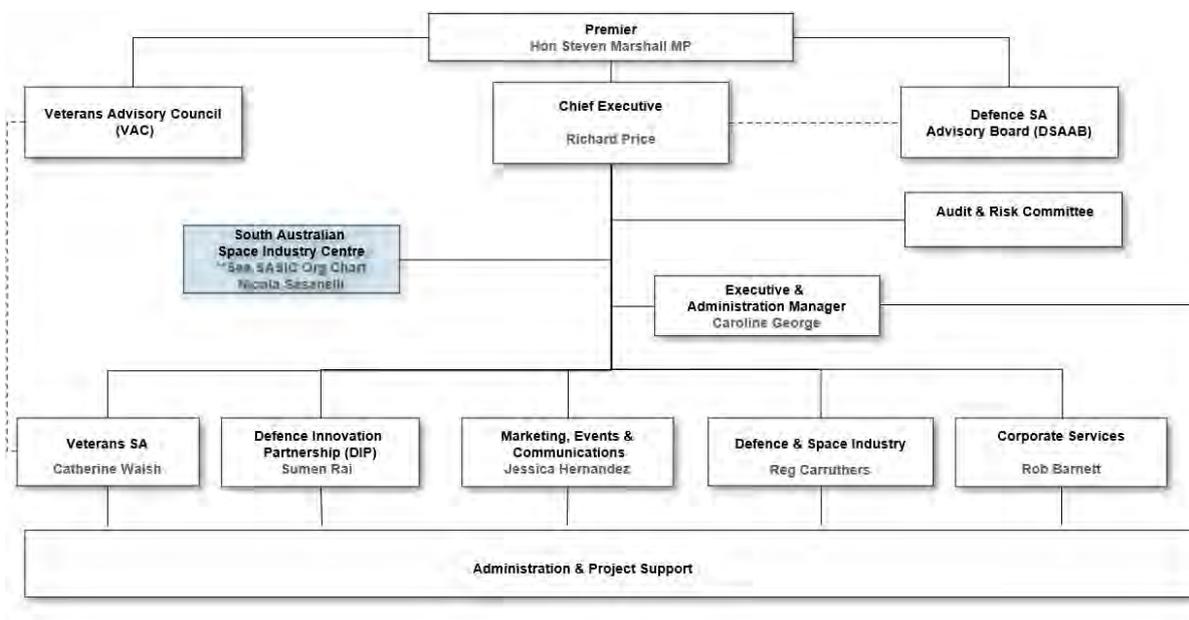
Defence SA	To establish and maintain a competitive business environment in the defence sector.
Defence Innovation Partnership	Catalyse a trusted and recognised R&D ecosystem that delivers valued outcomes to its stakeholders.
SASIC	To grow a thriving and enduring South Australian space sector, in partnership with industry.
Veterans SA	To uphold the provisions contained in South Australia’s Charter for Veterans by ensuring that the needs of veterans, government and the wider South Australian community are served through the provision of advice and expertise on veterans’ affairs and by influencing government decision making to ensure that the veteran community is well represented in South Australia.

Our functions, objectives and deliverables:

Defence SA	<ul style="list-style-type: none"> • Implementation of the Defence State Sector Strategy 2030. • Maximising business opportunities by influencing policy, connecting industry to global supply chains and attracting investment. • Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs. • Building business capacity by working to attract and retain talent in the state.
Defence Innovation Partnership	<ul style="list-style-type: none"> • Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs, in support of the Defence State Sector Strategy 2030.
SASIC	<ul style="list-style-type: none"> • Implementation of the Space Sector Strategy, by cultivating South Australia as a centre of gravity for space activities:

	<ul style="list-style-type: none"> ○ Building a capable workforce ○ Creating an innovating ecosystem ○ Establishing supportive infrastructure ○ Be globally competitive ○ Attract investment
<p>Veterans SA</p>	<ul style="list-style-type: none"> ● To influence government decision-making at both the state and federal level for future policy with respect to the relevance and delivery of services to the veteran community. ● To be first with advice and expertise on veterans’ affairs to government and to position government to provide relevant high-level services. ● To support the sustainability of the veteran community. ● To support the veteran community in delivering commemorative events that continue to reflect the significant impact of the service and sacrifice of veterans to the nation and to ensure that military historical significance is remembered and preserved.

Our organisational structure as at 30 June 2021



Changes to the agency

During 2020-21 there were changes to the agency’s structure and objectives resulting from internal reviews or machinery of government changes.

Our Minister

The Hon Steven Marshall MP is South Australia's 46th Premier. The Premier is responsible for the defence and space industries and veterans' portfolios.

Our Executive team

As at 30 June 2021, Defence SA's Executive team comprised:

- **Richard Price, Chief Executive, Defence SA, Veterans SA and South Australian Space and Industry Centre**

Richard Price is responsible for providing executive and strategic leadership to Defence SA, Veterans SA the South Australian Space Industry Centre and the Defence Innovation Partnership. The Chief Executive is responsible for the attraction, development and growth of sustainable industry business initiatives to establish a long-term viable Defence presence and promote defence and space industries in South Australia.

- **Rob Barnett, Executive Director, Corporate Services**

Rob Barnett is responsible for leading the corporate services functions of the agency. This includes the delivery of all administration, finance and procurement support, as well as providing commercial cost/benefit analyses where required.

- **Reg Carruthers, Executive Director, Defence and Space**

Reg Carruthers is responsible for initiatives to support and grow the defence and space industries in South Australia.

- **Sumen Rai, Acting Director, Defence Innovation Partnership**

Sumen Rai is responsible for leading the Defence Innovation Partnership team, which builds and supports collaborative defence-relevant research and development in South Australia.

- **Jessica Hernandez, Director, Marketing and Communications**

Jessica Hernandez is responsible for the oversight and management of all marketing and communications activities for Defence SA, including events and tradeshows.

- **Catherine Walsh, Director, Veterans SA**

Catherine Walsh is responsible for ensuring that the interests and needs of the community of those who have served in the Australian Defence Force and their families are represented across the South Australian Government.

The agency's performance

Performance at a glance

- Released the South Australia Growth State: Defence State Sector Strategy 2030 and Space Sector Strategy. The defence and the space industries have been identified as two of the nine priority areas under the South Australian Government's Growth State initiative. They were selected due to their strong growth potential and the comparative advantage that South Australia provides to business in those areas.
- Committed to a \$5 million co-investment with Flinders University for the establishment of the Line Zero – Factory of the Future, located at the Tonsley Innovation District.
- Hosted a Defence Cyber Security Forum in collaboration with AustCyber (SA Node) and the Australian Cyber Collaboration Centre, to help businesses build cyber resilience and enhance their defence supply chain prospects.
- Supported 10 students to undertake their defence industry placements under the Premier's Defence Industry Scholarship Program, with nine securing ongoing employment at defence industry workplaces.
- Showcased and promoted South Australian supply chain capabilities in the land sector as well as the maritime, aerospace, research and innovation, cyber and space sectors, creating opportunities for collaboration at Land Forces 2021 in Brisbane, in June 2021.
- Launched national defence industry workforce and skills attraction campaign *Make Your Move* and continued to develop local campaign, *Find Your Place SA*, both undertaken in partnership with major defence companies and SMEs across South Australia.
- Achieved full occupancy of the Defence and Space Landing Pad at Lot Fourteen.
- Managed two Australian Space Forums (November 2020 and March 2021), attracting over 1000 national and international registered attendees virtually in November 2020 and over 700 attendees in person and 400 virtually in March 2021. The most recent event was hosted by the newly established Andy Thomas Space Foundation and was the largest industry exhibition in the event's history, showcasing 65 exhibitions from over 70 organisations, to discuss the latest space industry trends, opportunities, technologies and showcase South Australia's growing space ecosystem.
- Provided support for the formation of The Andy Thomas Space Foundation. The foundation's primary mission is to support space education and outreach across Australia and inspire young people to pursue careers in space by building a culture of entrepreneurship and igniting a curiosity for space.

- Launched the fourth round of the Space Scholarship Program, providing an opportunity for up-and-coming South Australian space leaders to apply for scholarships of up to \$20,000 to develop their leadership skills, experience and knowledge in the space sector through education and training that will help to launch their careers in the state's booming space sector.
- Initiated the South Australian Government funded SASAT1 Space Services Mission to launch a cube satellite into low-Earth orbit in 2022. The project will provide South Australian space companies space-flight experience, paving the way for global exports and state government uptake of space enabled technology and data.
- Contributed to the opening of the Australian Mission Control Centre and Australian Space Discovery Centre at Lot Fourteen. The South Australian Government contributed \$2.5 million into the establishment of the national facility.
- Secured funding to continue the Defence Innovation Partnership under an enhanced operating model for a further four years from 2021-22.
- Delivered Round 4 of the Defence Innovation Partnership's Collaborative Research Fund, including a contribution of \$1 million to support seven project teams undertaking collaborative defence research and development activities, leveraging over \$1.3 million in additional co-contributions from universities, industry and Defence.
- In collaboration with Defence Science and Technology Group, Office of National Intelligence, and the Defence Innovation Partnership's counterpart organisations in other states, delivered the national Artificial Intelligence for Decision Making Initiative for South Australian participants.
- Established the Defence Innovation Partnership Space Security Community of Practice, in collaboration with the South Australian Space Industry Centre.
- Delivered the first CATALYSED Collaborative Research Fund project showcase, highlighting the work of project teams funded by the first four rounds of the Collaborative Research Fund, to potential future collaborators, funders and CRF applicants from industry, government and the research sector.
- Delivered 16 grants totalling \$101,000 to the South Australian community from the annual Anzac Day Commemorative Fund, including towards the construction of the Sir Richard Williams statue in Moonta to commemorate the Centenary of the Royal Australian Air Force.
- Undertook community consultation on priority areas for the South Australian Government across the next decade, for inclusion in the Veterans SA strategic plan.

- Continued close collaboration with Department of Health and Wellbeing to ensure the successful commencement of services from the Repat Veterans Wellbeing Centre.
- Inclusion of “Have you served in the Australian Defence Force?” question in the *WORK FOR SA – Your Voice* annual survey.
- Completed the Anzac Highway memorialisation project.
- Increased accessibility to veteran events through livestreamed and recorded media.
- Launched the inaugural Veteran Mentoring Program.

Agency contribution to whole of Government objectives

South Australia has received significant investment to put the state at the centre of the nation’s space endeavours. The Australian Space Agency, the SmartSat Collaborative Research Centre and SASIC are the centrepiece of a vibrant entrepreneurial ecosystem contributing to South Australia’s thriving space economy. The Australian Space Agency has set an ambitious goal to triple the size of Australia’s domestic space industry to \$12 billion by 2030. South Australia is consolidating and refining its activities to best support the state’s space industry in collaboration with the Australian Space Agency.

The South Australian Government, in partnership with defence industry, the Australian Government and our local education institutions, is committed to supporting and developing the state’s defence and space industries workforce. A number of key initiatives are in place to ensure South Australia has the highly skilled workforce in place to deliver key projects now and into the future.

Veterans SA collaborates across the South Australian Government to ensure policy and program departments consider the implications and incorporate beneficial approaches for veterans and their families to live their most fulfilled lives. The South Australian Government recognises the vital role veterans and ex-service personnel play in the South Australian community, and Veterans SA supports leaders of the veteran community to collaborate and enable opportunities and/or support are available to veterans and their families to best suit their needs.

Key objective	Agency's contribution
<p>More jobs</p>	<p>Australian Space Agency - SASIC continues to collaborate with the Australian Space Agency to support its strategy, initiatives and activities to stimulate the South Australian space ecosystem.</p> <p>Defence Job Attraction – To support the growth of South Australia’s highly-skilled defence industry workforce, Defence SA currently has two marketing campaigns in market, aimed at educating and attracting skilled and future workers to defence industry jobs in South Australia.</p> <p>SASAT 1 Space Services Mission – Will accelerate the state’s space economy, create jobs and strengthen the competitiveness of South Australian businesses in the small-satellite supply chain while paving the way for external investment and future growth in Australia and abroad.</p> <p>Line Zero – Factory of the Future - The investment in the state-of-the-art facility ensures that South Australia is in the best position to take on the challenges of the digital shipyard, equipping the state with a highly skilled workforce prepared to guide us into the future.</p> <p>Veterans’ Mentoring Program – A pilot mentoring program matching veterans with leaders across a diverse range of roles and sectors enables skills development for veterans to become the community leaders of the future.</p>

Agency specific objectives and performance

Defence SA:

Agency objectives	Indicators	Performance
<p>Maximising business opportunities by influencing policy, connecting industry to global supply chains and attracting investment.</p>	<p>Build strong relationships with local industry and international stakeholders for all major South Australian projects to better understand industry capability and needs.</p>	<p>Engaged with Attack Class submarine design partner, Naval Group and ship designers, BAE Systems Maritime Australia and Luerssen to maximise South Australian companies' involvement in supply chain opportunities associated with major maritime projects.</p>
	<p>Support South Australian industry to gain access to global supply chains and Defence export opportunities to key targeted markets and connecting South Australian industry to opportunities.</p>	<p>In December 2020, conducted virtual trade missions due to COVID-19 travel restrictions. The virtual missions involved over eight European companies (focused on the maritime industry) led by the German Chamber of Commerce. The missions resulted in over 20 business to business virtual meetings.</p> <p>Virtually attended Euronaval 2020 and Eurosatory 2020 to explore global supply chain opportunities.</p> <p>From 1 – 3 June 2021 showcased and promoted South Australian supply chain capabilities in the land sector as well as maritime, aerospace, cyber, research and innovation and created opportunities for collaboration at Land Forces 2021.</p>

	Identify supply chain requirements.	Ongoing development of supply chain mapping for the Attack Class submarine, Arafura Class offshore patrol vessel and Hunter Class frigate programs.
South Australia as a centre for information warfare.	Establish a sustainable Information Warfare supply chain through maximising local industry participation, independent exports and global supply chain exports.	<p>Engaged with key Defence primes responsible for information warfare projects including BAE Systems (P-8A Poseidon maritime surveillance), Northrup Grumman (MQ-4C Triton unmanned aerial vehicles), General Atomics (MQ-9B Sky Guardian), L3 Harris (MC-55A Peregrine) and Defence primes bidding for project AIR6500.</p> <p>Ongoing high-level engagement with the Department of Defence and Defence Science and Technology Group across all capability areas.</p>
Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.	Maximise utilisation of the current facilities at Edinburgh and grow the precinct capability in line with future projects.	Continued to work with relevant stakeholders to ensure the ongoing viability of the Edinburgh Defence Precinct and to minimise encroachment on the RAAF Edinburgh Base.
	Ensure the expansion of Lot Fourteen is designed to support the needs of potential defence tenants	<p>The Defence and Space Landing Pad reached full capacity in February 2021.</p> <p>Defence SA is monitoring travel restrictions due to COVID-19 and continues</p>

		to remain in contact with international tenants.
	Stimulate research and development in emerging technologies relevant to systems and cyber.	In September 2020, hosted a Defence Cyber Security Forum in collaboration with AustCyber (SA Node) and the Australian Cyber Collaboration Centre, to help businesses build cyber resilience and enhance their defence supply chain prospects.
	Support of the Line Zero – Factory of the Future facility	Funding of \$5.0 million has been provided over six years to create a collaborative environment for defence primes, researchers, SME suppliers and technology partners for an industrial scale testing and training environment for the transitioning of new production concepts from the laboratory into the commercial shipyard environment.
Building business capacity by working to attract and retain talent in the state.	The launch and development of marketing campaigns to build awareness of careers in the defence industry within the state and attraction campaigns to bring interstate and international skilled workers to South Australia to work on major Defence projects.	In October 2020, launched <i>Make your Move</i> campaign, 24-month employee attraction campaign targeting skilled workers with more than five years' experience in their fields nationally and internationally. Feedback from industry has been positive with a significant increase in career page visits since the campaign launched. Continued development of the <i>Find Your Place SA</i> campaign over 12 months, targeting South

		<p>Australian high school students, university students (under and post grad), career advisors, career changers, parents and educators. Feedback from industry and the education sector has been favourable and KPIs exceeded.</p>
	<p>Development of the Premier’s Defence Industry Scholarships Program.</p>	<p>In December 2020, the first cohort of university students completed their defence industry placements, with 10 students accepted in the first round of placements and seven in scholarship-supported placements.</p> <p>Nine students secured full-time or part-time employment with defence industry companies following their placement.</p>
	<p>Implementation of the Action Plan as part of the Defence Industry Workforce and Skills Strategy (Strategy) to ensure South Australia has the workforce to meet industry demands.</p>	<p>Conducted review of the Workforce Strategy and implementation of Action Plan.</p>

Defence Innovation Partnership:

Agency objectives	Indicators	Performance
<p>Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.</p>	<p>Facilitate and support new defence-relevant research and development collaborations in South Australia</p>	<p>Round 4 of the Collaborative Research Fund awarded over \$1 million to seven collaborative research fund projects. Round 4 had an 80% increase in applications from previous rounds of the Collaborative Research Fund, and unsuccessful applicants had the opportunity for feedback sessions with the Defence Innovation Partnership team who provided advice on their applications, alternative sources of funding and additional collaborators.</p>
	<p>Increase the number of researchers in South Australia involved in defence-relevant research and development.</p>	<p>Pre-application meetings with potential Collaborative Research Fund applicants showed a significant increase in engagement from researchers who had previously not worked with or had minimally worked with Defence. The Defence Innovation Partnership provided advice to these researchers on the best way to connect with potential</p>

		<p>collaborators in Defence and made introductions for researchers into Defence Science and Technology Group, other parts of Defence, and defence industry.</p> <p>The Artificial Intelligence for Decision Making program, delivered in partnership with Defence Science and Technology Group and the Office of National Intelligence, was aimed at researchers who had not previously worked with Defence.</p>
	<p>Promotion of South Australia's credentials through advocacy and stories of defence-relevant research collaboration.</p>	<p>Eight short videos of completed Collaborative Research Fund projects were produced to communicate the subject matter of the projects, the relevance of the projects to Defence and provide advice on building successful R&D collaborations. Views of these videos have been steadily increasing over time.</p> <p>The CATALYSED Collaborative Research Fund Project Showcase highlighted the achievements and progress of project</p>

		<p>teams across the first four rounds of the Collaborative Research Fund. This event attracted a wide range of senior representatives from government, industry and the research sector.</p>
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South Australian Space Industry Centre:

Agency objectives	Indicators	Performance
<p>Maximising business opportunities by influencing policy, connecting industry to global supply chains and attracting investment.</p>	<p>Delivery of the Australian Space Forums held biannually.</p>	<p>In November 2020, SASIC hosted the 9th Australian Space Forum, attracting over 1000 national and international delegates virtually (held virtually due to COVID-19). In March 2021, The Andy Thomas Space Foundation hosted the 10th Australian Space Forum, attracting over 700 attendees in person and 400 virtually, including the largest industry exhibition in the event's history showcasing 65 exhibitions from over 70 organisations</p>
	<p>Investigate use of local procurement rules to prioritise local space companies</p>	<p>South Australia is embarking on a bold mission with industry to design and build a satellite to deliver space-derived services to the state. SASAT1 Space Services Mission will send a locally manufactured small satellite to low Earth orbit and employ an Internet of Things (IoT) data collection service along with an electro-optical payload for Earth observation. SASAT1 is growing</p>

		South Australian space companies through procurement.
Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.	Support of the Mission Control Centre	In late 2020, construction and fit out of the Mission Control Centre commenced. The Centre was formally opened along with the Australian Space Discovery Centre on 31 March 2021. Saber Astronautics (selected to operate the facility) located at the Defence and Space Landing Pad.
	Development of space technology innovation programs.	Managed by Deloitte, SASIC is a key contributor to the GRAVITY Challenge. GRAVITY Challenge is a space technology innovation program exploring new uses for space data and space capability. Its goal is to activate the space ecosystem by bringing market challenges and global innovators together to create viable solutions, and ultimately accelerate their commercial uptake.
	Support Southern Launch through the major projects planning process to obtain approval for Whalers Way as an orbital launch site.	SASIC continues to Chair the South Australian Government Southern Launch Task Force.

		<p>Established with representatives from all government departments and emergency services, the task force is progressing the complex approvals required for the first of type launch facility in South Australia. Members of the task force are working closely with Southern Launch to facilitate approvals. In June 2021, State Commission Assessment Panel approved infrastructure required to undertake three test launches at the Port Lincoln site before end of 2021.</p>
<p>Building business capacity by working to attract and retain talent in the state.</p>	<p>Delivery of the \$4 million Space Innovation Fund.</p>	<p>In March 2021, SASIC launched the fourth round of the South Australian Space Scholarship Program. In January 2021, applications opened for The Space Incubator Program, Venture Catalyst Space.</p>
	<p>Support of the Space Industry Workforce Experience Program</p>	<p>162 applications from 51 South Australian schools were received for the second round of the Space Industry Workforce Experience Program. 29 students were</p>

		shortlisted and commenced their placements.
	Establish a National Space Foundation to provide an interface between the space community and the wider Australian community.	In November 2020, the Andy Thomas Space Foundation was launched with funding support from the South Australian Government and Australian Space Agency. The Foundation will inspire and support the growth of the Australian space industry from economic and innovation development, through to education and training.

Veterans SA:

Agency objectives	Indicators	Performance
<p>To influence government decision-making at both state and federal level for future policy with respect to the relevance and delivery of services to the veteran community.</p>	<p>Support the work of the Department of Health and Wellbeing in establishing services from the Repat Veteran Wellbeing Centre.</p>	<p>Successful opening of Repat Veteran Wellbeing Centre and commencement of services in June 2021.</p>
	<p>Participation in cross-jurisdiction working groups and committees to ensure the impact on, and experience of veterans and their families is considered in the whole-of-South Australian context.</p>	<p>First inclusion of “Have you served in the Australian Defence Force?” question in the <i>I WORK FOR SA – Your Voice</i> annual survey.</p> <p>Support for interim National Commissioner into Defence and Veteran Suicide Round Tables.</p>
<p>To be first with advice and expertise on veterans’ affairs to government and to position government to provide relevant high-level services.</p>	<p>Establishment of community forums and dialogue opportunities to collect views and feedback from veterans and their families to inform government decision-making.</p>	<p>Opportunities for the veteran community to contribute to the development of the Veterans SA strategic outlook and identify priorities for the community looking forward to 2030.</p> <p>Veterans forums through monthly Community Conversation series on topics of</p>

		<p>importance to the community.</p> <p>Refreshed e-news and social media approach to share more relevant and diverse content and engagement opportunities.</p> <p>New communication opportunities in print, digital partnerships and radio, in metropolitan Adelaide and regional South Australia, to reach a wider audience of veterans and families.</p>
	<p>Improve data collection and analysis to better understand the South Australian veteran community.</p>	<p>Established partnership with the Office of Data Analytics to improve analysis of existing data sets.</p> <p>Analysis of Department of Defence transition data to identify trends and opportunities for state government initiatives.</p>
<p>To support the sustainability of the veteran community.</p>	<p>Establishment of the inaugural Veterans' Mentoring Program connecting veterans with leaders across the South Australian community.</p>	<p>20 veterans connected with professionals across diverse sectors for a six-month pilot program.</p>
	<p>Veterans and their families are able to access the right information and support for their needs when they need it.</p>	<p>Ongoing Hub Coordinator role focussed on enabling informed choice for</p>

		<p>veterans and families.</p> <p>Close collaboration with Department of Health and Wellbeing to establish services from the Repat Veteran Wellbeing Centre.</p>
<p>To support the veteran community in delivering commemorative events continue to reflect the significant impact of the service and sacrifice of veterans to the nation and to ensure that military historical significance is remembered and preserved.</p>	<p>Support ex-service organisation and community-led commemorative activities.</p>	<p>Provision of \$100,000 of grant funding through the Anzac Day Commemorative Fund for commemorative activities across South Australia.</p> <p>Provision of funding to the RSL-SA and identified RSL sub-branches to support COVID-19 compliant Anzac Day Dawn Services.</p> <p>Assisted in improving accessibility to the 75th Anniversary of Victory in the Pacific Day through live-streaming of the state-based service from the National War Memorial on North Terrace.</p>
	<p>Ensure public accessibility to recognise and commemorate military service.</p>	<p>Relocation of the plaques from the median strip of Anzac Highway to a prominent position within the Torrens Training Depot.</p>

Corporate performance summary

Defence SA is a government agency of the state of South Australia, established pursuant to the *Public Sector Act 2009*. Defence SA operations are funded predominantly via appropriation. Secondary income sources are derived from event participation fees and sponsorships associated with industry events through which Defence SA promotes the state's defence and space industries capabilities. The activities of Veterans SA are entirely funded from appropriation or other internal South Australian Government contributions.

Defence SA's net result for 2020-21 was a deficit of \$1.950 million including net revenue from the South Australia Government of \$7.814 million. The budgeted net result was for a deficit of \$9134 million. The main reasons for the variation in net result is attributable to the following key factors:

- Increased grant funding from the Jobs and Economic Growth Fund for the SASAT1 Space Services Mission project and bringing forward funding for milestones achieved earlier than expected for industry assistance programs.
- Reduced grant expenditure as a result in delays on the part of recipients in the achievement of payment milestones for industry assistance grants

Employment opportunity programs

Program name	Performance
Aboriginal Employment Program	The Aboriginal Employment Program was established to provide the opportunity for participants to gain experience in administration, office and work management through exposure to the defence and space sectors. This assists participants to pursue a career in the South Australian public sector while also providing a better understanding of the opportunities available in the defence and space sectors. The current participant who is studying at university commenced in June 2020 and has been extended for a further twelve months to June 2022.

Agency performance management and development systems

Performance management and development system	Performance
Staff Performance Management and Development System	All non-executive staff participate in an annual performance review process linked to training and development. This involves, a half-yearly review and an annual review. By 30 June 2021, 100% of non-executive staff had completed an annual review.
Chief Executive Performance Agreement	The Chief Executive and Premier undertook a review of the goals and objectives component of the annual performance agreement on 23 August 2021.

Work health, safety and return to work programs

Program name	Performance
Mental Health First Aid	Defence SA has Mental Health First Aid Officers who have completed accredited training. This complements the existing Employee Assistance Program. Senior management have also received training on mental health first aid.

Workplace injury claims	2020-21	2019-20	% Change (+ / -)
Total new workplace injury claims	0	0	0%
Fatalities	0	0	0%
Seriously injured workers*	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0%

**number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)*

Work health and safety regulations	2020-21	2019-20	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0%
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0%

Return to work costs**	2020-21	2019-20	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$0	\$0	0%
Income support payments – gross (\$)	\$0	\$0	0%

**before third party recovery

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/whands-defencesa>

Executive employment in the agency

Executive classification	Number of executives
EXEC0A	1
SAES1	9

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/executive-employment-defencesa>

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2020-2021 are attached to this report.

Statement of Comprehensive Income	2020-21 Budget \$000s	2020-21 Actual \$000s	Variation \$000s	2019-20 Actual \$000s
Total Income	\$20,118	\$22,937	\$2,819	21,991
Total Expenses	\$29,252	\$24,887	\$4,365	17,283
Net Result	\$(9,134)	\$(1,950)	\$7,184	4,708
Total Comprehensive Result	\$(9,134)	\$(1,950)	\$7,184	4,708

Statement of Financial Position	2020-21 Budget \$000s	2020-21 Actual \$000s	Variation \$000s	2019-20 Actual \$000s
Current assets	\$6,337	\$13,556	\$7,219	\$15,358
Non-current assets	\$3,072	\$3,070	\$(2)	\$3,527
Total assets	\$9,409	\$16,626	\$7,217	\$18,885
Current liabilities	\$3,692	\$3,633	\$59	\$3,613
Non-current liabilities	\$2,959	\$3,051	\$(92)	\$3,380
Total liabilities	\$6,651	\$6,684	\$(33)	\$6,993
Net assets	\$2,758	\$9,942	\$7,184	\$11,892
Equity	\$2,758	\$9,942	\$7,184	\$11,892

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken and the payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
n/a.	n/a	n/a

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Be Sustained Pty Ltd	Development of Veterans SA strategic Plan 2030	\$42,500
	Total	\$42,500

Data for previous years is available at:

<https://data.sa.gov.au/data/dataset/consultants-defencesa>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$42,580

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
BDO Advisory	Review of policies and procedures	\$19,529
Be Sustained	Program development	\$28,000
Celine Youf MifSud	Workshop facilitation	\$10,786
Defence Teaming Centre	Defence and Space Landing Pad concierge service	\$31,792
GHD P/L	Master-planning services	\$13,272
Hays Specialist recruitment	Temporary staff	\$26,601
Lateral Vision	Creative services	\$45,420

Contractors	Purpose	\$ Actual payment
Myriota	Supply chain study	\$50,000
Noetic Solutions	Professional services	\$33,594
Rasu Film & Stills	Creative services	\$37,376
SmatSat CRC	Satellite development	\$458,000
University of South Australia	Supply chain study	\$18,115
	Total	\$772,485

Data for previous years is available at:

<https://data.sa.gov.au/data/dataset/contractors-defencesa>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts.](#)

The website also provides details of [across government contracts.](#)

Risk management

Risk and audit at a glance

Fraud detected in the agency

Category/nature of fraud	Number of instances
n/a	nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

All staff completed the SA Public Sector Code of Ethics refresher training during May 2021. Fraud awareness training including cyber security awareness training will be conducted in September 2021.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/fraud-detection-defencesa>

Public interest disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Public Interest Disclosure Act 2018*:

Nil

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/whistle-blower-defencesa>

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

Reporting required under any other act or regulation

Reporting required under the *Carers' Recognition Act 2005*

Defence SA is not required to report under the *Carers Recognition Act 2005*.

Public complaints

Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2020-21
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	0
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0

Complaint categories	Sub-categories	Example	Number of Complaints 2020-21
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	0
		Total	0

Additional Metrics	Total
Number of positive feedback comments	0
Number of negative feedback comments	0
Total number of feedback comments	0
% complaints resolved within policy timeframes	0

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/public-complaints-defencesa>

Service Improvements

Not applicable

Compliance Statement

Defence SA is compliant with Premier and Cabinet Circular 039 – complaint management in the South Australian public sector	Y
Defence SA has communicated the content of PC 039 and the agency’s related complaints policies and procedures to employees.	Y

Appendix: Audited financial statements 2020-21



Our ref: A21/451

17 September 2021

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Mr R Price
Chief Executive
Defence SA
PO Box 3643
Rundle Mall
ADELAIDE SA 5000

Dear Mr Price

Audit of Defence SA for the year to 30 June 2021

We have completed the audit of your accounts for the year ended 30 June 2021. Key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letter recommending you address identified weaknesses.

1 Independent Auditor's Report

We are returning the financial statements for Defence SA, with the Independent Auditor's Report. This report is unmodified.

2 Audit management letter

During the year, we sent you an audit management letter detailing a weakness noted and improvements we considered you need to make.

We have received a response to this letter, and we will follow up matters raised in the 2021-22 audit.

What the audit covered

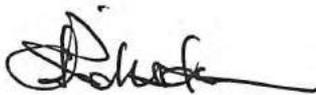
Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- grants
- payroll
- accounts payable
- cash
- general ledger
- revenue
- fixed assets.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson
Auditor-General

enc



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To the Chief Executive Defence SA

Opinion

I have audited the financial report of Defence SA for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2021, its financial performance and its cash flows for year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Manager, Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Defence SA. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Defence SA for the financial year ended 30 June 2021.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Defence SA's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

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



Andrew Richardson
Auditor-General
17 September 2021

DEFENCE SA

Certification of the Financial Statements

We certify that the:

- financial statements for Defence SA:
 - are in accordance with the accounts and records of Defence SA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of Defence SA at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by Defence SA for the financial year over its financial reporting and its preparation of financial statements have been effective.



Richard Price
Chief Executive

September 2021



Peter Murdock
Manager Finance

September 2021

1 About Defence SA

Defence SA is a not-for-profit government agency of the State of South Australia, established pursuant to the *Public Sector Act 2009*. Defence SA is an administrative unit acting on behalf of the Crown.

Defence SA does not control any other entity and has no interests in unconsolidated structured entities.

Defence SA administers the ANZAC Day Commemoration Fund established pursuant to the *ANZAC Day Commemoration Act 2005*. Financial information is presented in note 10.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

The financial statements have been prepared based on a 12 month reporting period and presented in Australian currency.

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with that item.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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

1.2 Objectives and programs

Defence SA is South Australia's lead government agency for all defence and space related matters. Defence SA's mission is to continue maximising investment and jobs from the Australian Defence Force and space and defence industries. Defence SA is the Government of South Australia's single point of contact for all defence and space stakeholders, streamlining their interaction with the state government. Working closely with the Australian Government and industry, Defence SA targets investment and expansion opportunities, drives and supports the delivery of major projects and facilities, and pursues the location of additional Defence units and defence and space capabilities within the state.

Defence SA plays a key role in supporting the Australian Government's strategic defence policy through increasing local industry participation and ensuring state-of-the-art infrastructure and a highly skilled, industry-ready workforce is in place to underpin defence projects.

Defence SA is working towards capturing further investment opportunities in the shipbuilding, cyber and systems, defence science and research and space domains.

In achieving its objectives Defence SA provides a range of services classified into the following programs:

Program 1 - Defence Industry Development

This program delivers strategy and policy development that provides leadership across government on all defence related matters.

It targets national and international business development opportunities, seeks to maximise local industry participation and ensures that a highly skilled, industry-ready workforce is in place and the necessary infrastructure exists to underpin major Defence projects.

This program seeks to support the growth of Defence and sustainable defence industries in South Australia across shipbuilding, aerospace, information warfare and defence science and research domains.

The program also incorporates the state's initiatives to promote the growth of defence research and development activity in South Australia through the Defence Innovation Partnership established in collaboration with the Australian Government and the three South Australian universities.

The agency's administrative, financial and operational services are also included within this program.

Program 2 - South Australian Space Industry Centre

The South Australian Space Industry Centre (SASIC) provides a whole-of-state-government focal point for both local industry and international companies and organisations. SASIC coordinates and implements industry and workforce development through initiatives, events, scholarships and an incubator program. SASIC's vision is to build a thriving and enduring South Australian space ecosystem, supporting Australia's national space strategy, building on the opportunities of NewSpace.

A four-year, \$4.000 million Space Innovation Fund is responsible for invigorating South Australia's space innovation ecosystem by supporting promising entrepreneurs, new start-ups and early stage businesses to scale-up and activate their ideas.

1.2 Objectives and programs (continued)*Program 3 - Veterans SA*

Veterans SA works with state, national and community partners to support those who are currently serving along with reservists and those who have served, and their families, to live fulfilled lives in South Australia.

As the lead advocate across the Government of South Australia on matters relating to veterans and their families, Veterans SA works with ex service organisations and civic groups who provide support to members of the community when and where it is needed most.

The agency also plays a role in sharing information on services and programs across South Australia available to families and those who have served in the Australian Defence Force. Veterans SA works with the veteran community to ensure commemorative events are supported and occasions of military and historical significance are remembered and preserved.

Veterans SA supports the Veterans' Advisory Council, which provides independent advice to the Premier, on matters of concern to the ex service community in South Australia.

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30 June 2021**

	Note	2021 \$' 000	2020 \$' 000
Income			
Appropriation	2.1	14,878	20,105
Fees and charges	2.2	405	339
Grants	2.3	7,404	653
Recoveries	2.4	185	841
Resources received free of charge	2.5	65	53
Total income		22,937	21,991
Expenses			
Employee benefits expenses	3.3	4,466	4,224
Supplies and services	4.1	3,114	3,499
Depreciation	4.2	457	272
Grants and subsidies	4.3	9,625	6,859
Interest on leases	4.4	43	28
Resources received free of charge	2.5	65	53
Cash alignment transfers to Consolidated Account		7,064	1,913
Other expenses	4.5	53	435
Total expenses		24,887	17,283
Net result		(1,950)	4,708
Total comprehensive result		(1,950)	4,708

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the South Australian Government as owner.

DEFENCE SA

STATEMENT OF FINANCIAL POSITIONas at 30 June 2021

	Note	2021 \$' 000	2020 \$' 000
Current assets			
Cash	6.1	13,129	14,968
Receivables	6.2	427	390
Total current assets		<u>13,556</u>	<u>15,358</u>
Non-current assets			
Property, plant and equipment	5.1	3,070	3,527
Total non-current assets		<u>3,070</u>	<u>3,527</u>
Total assets		<u>16,626</u>	<u>18,885</u>
Current liabilities			
Payables	7.1	2,230	2,213
Lease liabilities	7.2	340	395
Unearned revenue	7.3	361	324
Employee benefits	3.4	697	677
Provisions	7.4	5	4
Total current liabilities		<u>3,633</u>	<u>3,613</u>
Non-current liabilities			
Payables	7.1	12	12
Lease liabilities	7.2	2,831	3,170
Employee benefits	3.4	197	190
Provisions	7.4	11	8
Total non-current liabilities		<u>3,051</u>	<u>3,380</u>
Total liabilities		<u>6,684</u>	<u>6,993</u>
Net assets		<u>9,942</u>	<u>11,892</u>
Equity			
Retained earnings		9,942	11,892
Total equity		<u>9,942</u>	<u>11,892</u>

The accompanying notes form part of these financial statements.

The total equity is attributable to the South Australian Government as owner.

DEFENCE SA

STATEMENT OF CHANGES IN EQUITY**for the year ended 30 June 2021**

	Retained earnings \$' 000	Total equity \$' 000
Balance at 1 July 2019	7,313	7,313
Total comprehensive result for 2019-20	4,708	4,708
Transactions with SA Government as owner		
Net liabilities transferred as a result of an administrative restructure	(129)	(129)
Balance at 30 June 2020	11,892	11,892
Total comprehensive result for 2020-21	(1,950)	(1,950)
Balance at 30 June 2021	9,942	9,942

The accompanying notes form part of these financial statements.

All changes in equity are attributable to the South Australian Government as owner.

DEFENCE SA

STATEMENT OF CASH FLOWSfor the year ended 30 June 2021

	Note	2021 \$' 000	2020 \$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		14,880	20,105
Fees and charges		490	348
Grants		7,468	674
Recoveries		287	1,097
GST recovered from the ATO		1,117	699
Other receipts		22	14
Cash generated from operations		<u>24,264</u>	<u>22,937</u>
Cash outflows			
Employee benefits payments		(4,439)	(4,318)
Payments for supplies and services		(3,177)	(4,338)
Payments of grants and subsidies		(10,906)	(6,231)
Interest payments on leases		(43)	(28)
Cash alignment transfers to Consolidated Account		(7,064)	(1,913)
Other payments		(25)	(8)
Cash used in operations		<u>(25,654)</u>	<u>(16,836)</u>
Net cash provided by/(used in) operating activities		<u>(1,390)</u>	<u>6,101</u>
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(449)	(285)
Cash used in financing activities		<u>(449)</u>	<u>(285)</u>
Net cash used in financing activities		<u>(449)</u>	<u>(285)</u>
Net increase/(decrease) in cash		<u>(1,839)</u>	<u>5,816</u>
Cash at the beginning of the period		14,968	9,152
Cash at the end of the period	6.1	<u>13,129</u>	<u>14,968</u>

The accompanying notes form part of these financial statements.

DEFENCE SA

NOTE INDEX

	Note
About Defence SA	1
Basis of preparation	1.1
Objectives and programs	1.2
Impact of COVID-19 pandemic on Defence SA	1.3
Budget performance	1.4
Income	2
Appropriation	2.1
Fees and charges	2.2
Grants	2.3
Recoveries	2.4
Resources received free of charge	2.5
Advisory Board, Council and employees	3
Key management personnel	3.1
Advisory Board, Council and employees	3.2
Employee benefits expenses	3.3
Employee benefits liability	3.4
Expenses	4
Supplies and services	4.1
Depreciation	4.2
Grants and subsidies	4.3
Interest on leases	4.4
Other expenses	4.5
Property, plant and equipment	5
Property, plant and equipment by asset class	5.1
Property, plant and equipment owned by Defence SA	5.2
Property, plant and equipment leased by Defence SA	5.3
Financial assets	6
Cash	6.1
Receivables	6.2
Liabilities	7
Payables	7.1
Lease liabilities	7.2
Unearned revenue	7.3
Provisions	7.4
Outlook	8
Unrecognised commitments	8.1
Expected rental income	8.2
Contingent assets and contingent liabilities	8.3
COVID-19 pandemic outlook for Defence SA	8.4
Events after the reporting period	8.5
Measurement and Risk	9
Long service leave liability - measurement	9.1
Fair value	9.2
Financial instruments	9.3
Administered Item	10
ANZAC Day Commemoration Fund	10.1

DEFENCE SA

1.2 Objectives and programs (continued)

Expenses and income by program

for the year ended 30 June 2021

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
Income								
Appropriation ⁽¹⁾	14,878	20,105	-	-	-	-	14,878	20,105
Fees and charges	127	83	278	256	-	-	405	339
Grants	2,289	517	4,854	-	261	136	7,404	653
Recoveries	79	460	106	381	-	-	185	841
Resources received free of charge	65	53	-	-	-	-	65	53
Total income	17,438	21,218	5,238	637	261	136	22,937	21,991
Expenses								
Employee benefits expenses	3,151	3,084	526	514	789	626	4,466	4,224
Supplies and services	2,014	2,519	736	808	364	172	3,114	3,499
Depreciation	90	66	367	206	-	-	457	272
Grants and subsidies	5,247	5,138	3,840	1,206	538	515	9,625	6,859
Interest on leases	1	1	42	27	-	-	43	28
Resources received free of charge	65	53	-	-	-	-	65	53
Cash alignment transfers to Consolidated Account ⁽¹⁾	7,064	1,913	-	-	-	-	7,064	1,913
Other expenses	53	330	-	-	-	105	53	435
Total expenses	17,685	13,104	5,511	2,761	1,691	1,418	24,887	17,283
Net result	(247)	8,114	(273)	(2,124)	(1,430)	(1,282)	(1,950)	4,708

⁽¹⁾ Appropriation and cash alignment transfer are not allocated between activities.

DEFENCE SA

1.2 Objectives and programs (continued)

Assets and liabilities by program

as at 30 June 2021

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
Assets								
Cash ⁽¹⁾	13,129	14,968	-	-	-	-	13,129	14,968
Receivables	238	230	133	128	56	32	427	390
Property, plant and equipment	25	115	3,045	3,412	-	-	3,070	3,527
Total assets	13,392	15,313	3,178	3,540	56	32	16,626	18,885
Liabilities								
Payables	1,144	1,417	934	752	164	56	2,242	2,225
Lease liabilities	26	115	3,145	3,450	-	-	3,171	3,565
Unearned revenue	329	272	32	52	-	-	361	324
Employee benefits	607	584	134	128	153	155	894	867
Provisions	16	12	-	-	-	-	16	12
Total liabilities	2,122	2,400	4,245	4,382	317	211	6,684	6,993
Net assets	11,270	12,913	(1,067)	(842)	(261)	(179)	9,942	11,892

⁽¹⁾ Cash has not been allocated between activities.

DEFENCE SA

1.3 Impact of COVID-19 pandemic on Defence SA

The COVID-19 pandemic has not had a material impact on Defence SA's operations.

1.4 Budget performance

The budget performance table compares Defence SA's outcomes against budget information presented to Parliament (*2020-21 Budget Paper 4*). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

Statement of Comprehensive Income	Note	Original budget 2021 \$' 000	Actual 2021 \$' 000	Variance ⁽¹⁾ 2021 \$' 000
Income				
Appropriation		14,880	14,878	(2)
Fees and charges		318	405	87
Grants	(a)	4,698	7,404	2,706
Recoveries		-	185	185
Resources received free of charge		-	65	65
Other income		222	-	(222)
Total income		20,118	22,937	2,819
Expenses				
Employee benefits expenses		4,722	4,466	256
Supplies and services		2,913	3,114	(201)
Depreciation		455	457	(2)
Grants and subsidies	(b)	13,959	9,625	4,334
Interest on leases		43	43	-
Resources received free of charge		-	65	(65)
Cash alignment transfers to Consolidated Account		7,064	7,064	-
Other expenses		96	53	43
Total expenses		29,252	24,887	4,365
Net result		(9,134)	(1,950)	7,184
Total comprehensive result		(9,134)	(1,950)	7,184

⁽¹⁾ The use of brackets identifies an adverse variance

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- (a) The \$2.706 million grant income variance relates to funding from the Economic Business Growth Fund for the SASAT1 Space Services Mission project and bringing forward funding for milestones achieved earlier than expected for industry assistance programs.
- (b) The \$4.334 million grant expenditure variance is due to delays in achievement of program milestones by the recipients.

DEFENCE SA

2 Income

Defence SA is primarily funded through appropriations received from the South Australian Government. Other income sources include grant funding from other South Australian Government departments and other organisations, event participation revenue, rental income and cost recoveries.

Income is recognised in line with Australian Accounting Standards AASB 15 and AASB 1058 as relevant to the nature of the transaction.

2.1 Appropriation

	2021 \$' 000	2020 \$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2020</i>	14,878	20,105
Total appropriation	<u>14,878</u>	<u>20,105</u>

Appropriations are recognised on receipt.

2.2 Fees and charges

	2021 \$' 000	2020 \$' 000
Event participation fees	93	125
Rental income	51	28
Service fees	161	55
Event sponsorships	100	131
Total fees and charges	<u>405</u>	<u>339</u>

2.3 Grants

	2021 \$' 000	2020 \$' 000
Grants received from South Australian Government entities	780	378
Contingency funding provided by the Department of Treasury and Finance	-	10
Funding allocated from the Economic Business Growth Fund	6,054	-
Australian Government sourced grants	330	250
Other	240	15
Total grants	<u>7,404</u>	<u>653</u>

2.4 Recoveries

	2021 \$' 000	2020 \$' 000
Defence Innovation Partnership recoveries	60	135
Property recoveries	-	279
Industry assistance grants recovered	19	325
Other recoveries	106	102
Total recoveries	<u>185</u>	<u>841</u>

2.5 Resources received free of charge

	2021 \$' 000	2020 \$' 000
Services received free of charge from Shared Services SA	65	53
Total resources received free of charge	<u>65</u>	<u>53</u>

3 Advisory Board, Council and employees

3.1 Key management personnel

Key management personnel of Defence SA include the Premier, the Chief Executive and members of the Executive Team who have the responsibility for the strategic direction and management of Defence SA.

Total compensation paid by Defence SA for key management personnel was **\$1.274 million** (\$1.128 million). The compensation disclosed in this note excludes salaries and other benefits the Premier receives. The Premier's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions to disclose between Defence SA and any Key Management Personnel and their related parties.

3.2 Advisory Board, Council members and employees

Defence SA Advisory Board

The Defence SA Advisory Board (Board) plays a key role in guiding the state's defence industry strategy and provides high-level advice to the South Australian Government to promote the growth of the defence industry in South Australia.

The Board has a core skills base made up of strategic defence expertise and networking capability across the full range of defence capabilities and extensive knowledge of the tertiary education and research sector.

Defence SA has recruited board members from Defence, defence industry and organisations involved in research providing unique skills and experience to facilitate industry engagement with a view to attracting major Defence projects to the State.

Veterans Advisory Council

The Veterans Advisory Council provides strategic and policy advice to the South Australian Government on behalf of the veteran's community, investigates matters referred by the Premier (who is responsible for Veterans' Affairs) for response on behalf of the veterans community and provides advice to the public on behalf of the Premier on veterans related events, programs, projects and funding opportunities. The Council is also responsible for providing recommendations to the Premier regarding the expenditure of annual grant funding for the Anzac Day Commemoration Fund. Appointments are made by the Premier based on an individual's experience and connection with the community of those who have served and their families.

DEFENCE SA

3.2 Advisory Board and Council members (continued)

Members of the Defence SA Advisory Board during the financial year were:

ACM Sir A Houston AK AFC (Ret'd) (Chair)
Hon S Marshall MP Premier⁽¹⁾
VADM R Crane AO CSM RANR (Ret'd)
S Ludlam FREng
M Davis AM
AVM Alan Clements CSC (commenced 1 September 2020)
R Price⁽²⁾

Members of the Veterans Advisory Council during the financial year were:

COL S Neuhaus AM CSC (Ret'd) (Chair)
COL C Burns CSC (Rsv)
C Cates
CMDR A Cooper ADC RAN⁽⁴⁾
Dr P Dabovich (retired 31 December 2020)
AIRCDRE M Forster CSM (Rsv)⁽²⁾
J Godwin (Deputy Chair)
LTCOL A Gower (retired 31 December 2020)⁽⁴⁾
J Hanrahan
MAJ S Heidenreich (Rsv)
R Kemp OAM (retired 31 December 2020)
N Klinge
F Lampard OAM⁽³⁾
Dr S Mascall-Dare (retired 31 December 2020)
J Milham
J O'Hanlon (retired 31 December 2020)
AIRCDRE B Rogers CSC CSM (retired 31 December 2020)⁽⁴⁾
M Thiele⁽³⁾
C Tilley⁽²⁾
AIRCDRE R Bender (appointed 5 March 2021)⁽⁴⁾
LTCOL T Orders (appointed 5 March 2021)⁽⁴⁾

⁽¹⁾ The Premier the Hon Stephen Marshall MP did not receive any remuneration for board duties during the period.

⁽²⁾ Pursuant to the Department of the Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board duties during the financial year.

⁽³⁾ Elected not to receive any remuneration for council duties during the financial year.

⁽⁴⁾ Ex-Officio Australian Defence Force members did not receive any remuneration for council duties during the financial year.

Advisory Board and Council remuneration

The number of members whose remuneration received or receivable falls within the following bands is:

	2021	2020
	No.	No.
\$1 to \$19 999	12	20
\$20 000 to \$39 999	4	3
\$60 000 to \$79 999	1	1
Total number of members	17	24

Total remuneration received or receivable, by board and council members was \$214 000 (\$198 000).

Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

DEFENCE SA

3.3 Employee benefits expenses

	2021	2020
	\$' 000	\$' 000
Salaries and wages	3,318	3,239
Targeted Voluntary Separation Packages	37	-
Long service leave	44	(59)
Annual leave	274	251
Skills and experience retention leave	11	12
Employment on-costs - superannuation ⁽¹⁾	362	353
Employment on-costs - other	206	201
Fees paid to Advisory Board and Council members (refer note 3.2)	193	176
Workers compensation	4	(13)
Other employee related expenses	17	64
Total employee benefits expenses	4,466	4,224

⁽¹⁾ The superannuation employment on-cost charge represents Defence SA's contribution to superannuation plans in respect of current services of current employees.

Executive remuneration

	2021	2020
	\$' 000	\$' 000
The number of employees whose remuneration received or receivable falls within the following bands:	No	No
\$154 001 to \$174 000	3	-
\$174 001 to \$194 000	1	1
\$194 001 to \$214 000	2	2
\$214 001 to \$234 000	2	-
\$234 001 to \$254 000	1	1
\$274 001 to \$294 000	-	1
\$334 001 to \$354 000	1	1
Total number of employees	10	6

The total remuneration received by those employees for the year was \$2.100 million (\$1.500 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits as well as any termination benefits for employees who have left Defence SA.

The number of executives receiving remuneration in excess of \$154 000 was significantly lower in 2019-20 than is normal for Defence SA operations due to executives either leaving or commencing with Defence SA during the year and their part year remuneration falling under the reporting threshold.

Targeted voluntary separation packages

The number of employees who received a targeted voluntary separation package during the reporting period was 1 (nil).

	2021	2020
	\$' 000	\$' 000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	37	-
Leave paid to those employees	12	-
Total Targeted Voluntary Separation Packages	49	-

DEFENCE SA

3.4 Employee benefits liability

	2021	2020
	\$' 000	\$' 000
Current		
Accrued salaries and wages	104	94
Annual leave	240	237
Long service leave	333	325
Skills and experience retention leave	20	21
Total current employee benefits liability	<u>697</u>	<u>677</u>
Non-current		
Long service leave	197	190
Total non-current employee benefits liability	<u>197</u>	<u>190</u>
Total employee benefits liability	<u>894</u>	<u>867</u>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid.

Long-term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave expected to be taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Details about the measurement of long service leave liability is provided in [note 9.1](#).

DEFENCE SA

4 Expenses

Employee benefits expenses are disclosed in [note 3.3](#).

4.1 Supplies and services

	2021 \$' 000	2020 \$' 000
Promotion and events	1,266	1,025
Contractors	815	868
Accommodation and service costs	362	336
Property	67	316
Provision of corporate services under Service Level Agreements	224	196
Travel and related expenses	40	168
Consultants	43	136
Legal fees	13	111
Staff safety, development and recruitment	45	63
Service recoveries paid to South Australian Government entities	20	5
Other expenses	219	275
Total supplies and services	3,114	3,499

Accommodation

Defence SA's office accommodation is provided by the Department for Infrastructure and Transport under a Memorandum of Administrative Arrangement (MoAA), issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of leases set out in AASB 16.

Consultants

The number of consultancies and dollar amount paid/payable that fell within the following bands:

	2021		2020	
	No	\$' 000	No	\$' 000
\$10 000 and above	1	43	1	136
Total paid/payable to the consultants engaged	1	43	1	136

4.2 Depreciation

	2021 \$' 000	2020 \$' 000
Right of use buildings and improvements	448	262
Right of use vehicles	6	7
Plant and equipment	3	3
Total depreciation	457	272

All non-current assets, with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the classes of assets as follows:

Class of asset	Useful life (years)
Right of use buildings and improvements	2 - 10
Right of use vehicles	3
Leasehold improvements	8
Plant and equipment	4

Review of accounting estimates

Assets' residual values, useful lives and depreciation and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

DEFENCE SA

4.3 Grants and subsidies

	2021	2020
	\$' 000	\$' 000
Air Warfare Destroyer program	-	1,084
Industry development	1,329	1,550
Industry assistance	3,300	2,572
Research programs	1,617	906
Support for the Veterans community	438	415
Intra-government payments	2,941	332
Total grants and subsidies	9,625	6,859

4.4 Interest on leases

	2021	2020
	\$' 000	\$' 000
Buildings and improvements	43	28
Total interest on leases	43	28

4.5 Other expenses

	2021	2020
	\$' 000	\$' 000
Audit fees - Auditor General	43	41
Internal audit	40	38
Bad debts	69	-
Allowances for doubtful debts (refer note 6.2)	(139)	-
Impairment losses on non-financial assets	-	106
Other ⁽¹⁾	40	250
Total other expenses	53	435

⁽¹⁾During 2019-20 Defence SA reimbursed \$250 000 to Australian Naval Infrastructure Pty Ltd being the purchase price of a parcel of land at Osborne in accordance with the Memorandum of Understanding.

DEFENCE SA

5 Property, plant and equipment

5.1 Property, plant and equipment by asset class

	2021	2020
	\$' 000	\$' 000
Right of use assets		
Right of use buildings and improvements		
Right of use buildings and improvements at cost	3,779	3,779
Accumulated depreciation at the end of the period	<u>(710)</u>	<u>(262)</u>
Total right of use buildings and improvements	<u>3,069</u>	<u>3,517</u>
Right of use vehicles		
Right of use vehicles at cost	14	14
Accumulated depreciation at the end of the period	<u>(13)</u>	<u>(7)</u>
Total right of use vehicles	<u>1</u>	<u>7</u>
Total right of use assets	<u>3,070</u>	<u>3,524</u>
Leasehold improvements		
Leasehold improvements at cost	884	884
Accumulated amortisation at the end of the period	<u>(884)</u>	<u>(884)</u>
Total leasehold improvements	<u>-</u>	<u>-</u>
Plant and equipment		
Plant and equipment at cost	14	14
Accumulated depreciation at the end of the period	<u>(14)</u>	<u>(11)</u>
Total plant and equipment	<u>-</u>	<u>3</u>
Total property, plant and equipment	<u>3,070</u>	<u>3,527</u>
Total property, plant and equipment at cost	4,691	4,691
Total accumulated depreciation/amortisation at the end of the period	<u>(1,621)</u>	<u>(1,164)</u>
Total property, plant and equipment	<u>3,070</u>	<u>3,527</u>

Reconciliation 2020-21

	Right of use	Plant and equipment	Total assets
Carrying amount at 1 July 2020	3,524	3	3,527
Depreciation	(454)	(3)	(457)
Carrying amount at 30 June 2021	<u>3,070</u>	<u>-</u>	<u>3,070</u>

5.2 Property, plant and equipment owned by Defence SA

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about Defence SA's approach to fair value is set out in note 9.2.

Impairment

Property, plant and equipment owned by Defence SA has not been assessed for impairment as they are non-cash generating assets, that are held for continual use of their service capacity.

DEFENCE SA

5.3 Property, plant and equipment leased by Defence SA

Right-of-use assets for property, plant and equipment leased by Defence SA as lessee are measured at cost.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed as accommodation costs in [note 4.1](#).

Defence SA has a limited number of leases consisting of:

- One motor vehicle lease with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60 000 km) up to five years (100 000 km). No contingent rental provisions exist within these lease agreements and no options exist to renew the lease at the end of the term.
- Office space within Lot Fourteen leased from Renewal SA. This space is utilised by the Space Innovation Precinct and the Defence and Space Landing Pad. The Space Innovation Precinct is occupied by the Australian Space Agency and other key space organisations. The Defence and Space Landing Pad provides a facility for international companies to explore the opportunity to establish operations in South Australia's thriving defence and space sectors.

The lease liabilities related to the right-of-use assets are disclosed in [note 7.2](#). Defence SA's maturity analysis of its lease liabilities is disclosed in [note 9.3](#). Expenses related to leases, including depreciation and interest expenses, are disclosed in [note 4](#).

Impairment

Property, plant and equipment leased by Defence SA has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

6 Financial assets

6.1 Cash

	2021 \$' 000	2020 \$' 000
Deposits with the Treasurer		
Defence SA operating account	9,731	11,570
Accrual Appropriation Excess Funds Account	3,398	3,398
Total deposits with the Treasurer	13,129	14,968

Although Defence SA controls the funds in the Accrual Appropriation Excess Funds Account, its use must be approved by the Treasurer. Defence SA does not earn interest on its deposits with the Treasurer.

6.2 Receivables

	2021 \$' 000	2020 \$' 000
Current		
Trade receivables		
From government entities	34	180
From non-government entities	56	74
Less allowance for impairment loss on receivables	-	(153)
Total trade receivables	90	101
Statutory receivables		
GST recoverable from the ATO	240	218
Total statutory receivables	240	218
Prepayments	97	71
Total current receivables	427	390

Receivables arise in the normal course of business. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

The movement in allowance for impairment loss on receivables during the period resulted from settlement of the outstanding doubtful debt (refer [note 4.5](#)).

Collectability of receivables is reviewed on an ongoing basis. Bad debts are written off when identified. Refer to [note 9.3](#) for details regarding credit risk and the methodology for determining impairment.

DEFENCE SA

7 Liabilities

Employee benefits liabilities are disclosed in [note 3.4](#).

7.1 Payables

	2021	2020
	\$' 000	\$' 000
Current		
Trade creditors and accrued expenses		
From government entities	205	109
From non-government entities	1,905	1,989
Total trade creditors and accrued expenses	<u>2,110</u>	<u>2,098</u>
Statutory payables		
GST payable	17	7
Employment on-costs	101	102
Paid parental leave scheme payable	2	6
Total statutory payables	<u>120</u>	<u>115</u>
Total current payables	<u>2,230</u>	<u>2,213</u>
Non-current		
Statutory payables		
Employment on-costs	12	12
Total statutory payables	<u>12</u>	<u>12</u>
Total non-current payables	<u>12</u>	<u>12</u>
Total payables	<u>2,242</u>	<u>2,225</u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions.

Defence SA contributes to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to these superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained unchanged at 42% (42%) and the average factor for the calculation of employer superannuation cost on-cost has increased to 10.1% (9.8%) as a result of the increase in the mandated employer superannuation contribution rate to 10.0% from 1 July 2021.

There is no material financial effect from changes in actuarial assumptions in employment on-costs and employee benefits expense. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions. A key assumption is the proportion of long service leave taken as leave instead of a lump sum, a result determined by the actuary based on current period data.

DEFENCE SA

7.2 Lease liabilities

	2021 \$' 000	2020 \$' 000
Current		
Buildings and improvements	339	388
Vehicles	1	7
Total current leases	<u>340</u>	<u>395</u>
Non-current		
Buildings and improvements	2,831	3,169
Vehicles	-	1
Total non-current leases	<u>2,831</u>	<u>3,170</u>
Total leases	<u>3,171</u>	<u>3,565</u>
Movements in leases		
Carrying amount at the beginning of the period	3,565	-
Additional leases recognised	-	3,793
Lease repayments	(394)	(228)
Carrying amount at the end of the period	<u>3,171</u>	<u>3,565</u>

7.3 Unearned revenue

	2021 \$' 000	2020 \$' 000
Current		
Unearned revenue	361	324
Total current unearned revenue	<u>361</u>	<u>324</u>
Total unearned revenue	<u>361</u>	<u>324</u>

7.4 Provisions

	2021 \$' 000	2020 \$' 000
Current		
Provision for workers compensation	5	4
Total current provisions	<u>5</u>	<u>4</u>
Non-current		
Provision for workers compensation	11	8
Total non-current provisions	<u>11</u>	<u>8</u>
Total provisions	<u>16</u>	<u>12</u>
Movements in provisions		
Carrying amount at the beginning of the period	12	8
Additional provisions recognised	4	-
Reductions resulting from re-measurement	-	(12)
Veterans SA provisions transferred in	-	16
Carrying amount at the end of the period	<u>16</u>	<u>12</u>

A provision has been reported to reflect potential workers compensation claims.

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost for ongoing payments to employees as required under current legislation.

Defence SA is responsible for the payment of workers compensation claims.

8 Outlook

8.1 Unrecognised commitments

Commitments include operating and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value.

Unrecognised commitments are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments are disclosed on a gross basis.

Expenditure commitments

	2021 \$' 000	2020 \$' 000
Within one year	11,895	8,612
Later than one year but no longer than five years	10,055	4,139
Later than five years	114	643
Total expenditure commitments	22,064	13,394

Defence SA's operating expenditure commitments are for agreements for:

- MoAA with the Department for Infrastructure and Transport for office accommodation;
- Grant and fee for service contracts for defence and space industry development.

8.2 Expected rental income

Operating lease maturity analysis

	2021 \$' 000	2020 \$' 000
Within one year	53	51
Later than one year but no longer than five years	229	222
Later than five years	219	279
Total expected rental income	501	552

Defence SA sub-lets a portion of the Space Innovation Precinct to the Australian Space Agency.

The maturity analysis above shows the undiscounted lease income receivable after the reporting date associated with this sub-lease. These amounts are not recognised as assets.

See [note 5.3](#) for information about the right-of-use assets Defence SA leases out under operating lease.

8.3 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the contingencies are disclosed on a gross basis.

	2021 \$' 000	2020 \$' 000
Contingent liabilities to which a value can be assigned	-	-
Total contingent liabilities to which a value can be assigned	-	-

Contingent Liabilities to which values cannot be applied

Continuous Naval Shipbuilding

In May 2017 the state signed a Memorandum of Understanding (MoU) to transfer the Techport Australia Common User Facility and associated assets to Australian Naval Infrastructure Pty Ltd (Australian Government entity) during the 2017-18 year.

Under the MoU the state is responsible for construction of overpass(es) to provide pedestrian access to the shipyard. The value cannot be determined until designs are finalised and costing completed.

8.4 COVID-19 pandemic outlook for Defence SA

The COVID-19 pandemic is not expected to have a material impact on Defence SA's operations or financial position in 2021-22.

8.5 Events after the reporting period

Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where the event provides information about conditions that existed at 30 June.

There are no reportable events after the reporting period.

9 Measurement and risk

9.1 Long service leave liability - measurement

AASB 119 *Employee Benefits* describes the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Australian Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Australian Government bonds has increased to 1.25% (0.75%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$62 000 and employee benefits expense of \$62 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance maintained the salary inflation rate at 2.5% (2.5%) for long service leave liability. The salary inflation rate therefore had no affect on the long service leave liability.

The unconditional portion of the long service leave provision is classified as current as Defence SA does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payments arising after 10 years service.

9.2 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

If the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment, other than right-of-use assets are subsequently measured at fair value less accumulated depreciation.

Assets held by Defence SA have not been revalued as they are either fully written down or are of an immaterial value. The carrying value of these items are deemed to approximate fair value.

Right of use assets are only revalued when there are significant variations to the leases to which they apply.

9.3 Financial instruments

Financial risk management

Risk management is exercised by Defence SA's corporate services section.

Defence SA's risk management policies are in accordance with the *SA Government Risk Management Guide* and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

Defence SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of financial instruments held.

Impairment of financial assets

The following financial assets of Defence SA are subject to AASB 9's expected credit loss model:

- receivables from provision of goods and services

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

Defence SA measures all financial instruments at amortised cost.

Maturity analysis of financial instruments

Category of financial asset and financial liability	2021	2021 Contractual maturities		
	Carrying amount / fair value \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets				
Cash	13,129	n/a	n/a	n/a
Receivables	56	n/a	n/a	n/a
Total financial assets	13,185			
Financial liabilities				
Payables	1,905			
Lease liabilities	3,171	340	1,798	1,033
Total financial liabilities	5,076			
Category of financial asset and financial liability	2020			
	Carrying amount \$'000			
Financial assets				
Cash	14,968			
Receivables	101			
Total financial assets	15,069			
Financial liabilities				
Payables	1,854			
Lease liabilities	3,565			
Total financial liabilities	5,419			

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Australian, State and Local Government taxes and equivalents, fees and charges; Auditor General's Department audit fees. This is in addition to employee related payables such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contracts as enforceable by law. All amounts recorded are carried at cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are disclosed in note 6.2.

10 Administered item**10.1 ANZAC Day Commemoration Fund**

The ANZAC Day Commemoration Fund was established under the *ANZAC Day Commemoration Act 2005*. The object of the Act is to ensure that the contribution of all men and women who have served Australia in time of war or armed conflict, or in international peace-keeping operations, in which Australia has been involved, is recognised and commemorated in this State.

	2021 \$' 000	2020 \$' 000
Income		
Grants	100	100
Other income	2	7
Total income	<u>102</u>	<u>107</u>
Expenses		
Grants and subsidies	100	93
Total expenses	<u>100</u>	<u>93</u>
Net result	<u>2</u>	<u>14</u>
Current assets		
Cash	77	75
Total current assets	<u>77</u>	<u>75</u>
Net assets	<u>77</u>	<u>75</u>
Equity		
Retained earnings	77	75
Total equity	<u>77</u>	<u>75</u>