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**Government
of South Australia**

DEFENCE SA
2021-22 Annual Report

Defence SA

Level 4, 151 Pirie Street, Adelaide

www.defencesa.com

Contact phone number: +61 8 8463 7140

Contact email: enquiries@defencesa.com

ISSN: 1836-1838

Date presented to Minister: 27 September 2022

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To:

Hon Susan Close MP

Deputy Premier

Minister for Defence and Space Industries

This annual report will be presented to Parliament to meet the statutory reporting requirements of *(insert 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 Defence SA by:

Richard Price
Chief Executive



Date 27 September 2022

Signature

From the Chief Executive



South Australia's defence and space sectors continue to be key contributors to the state's economic prosperity and future growth.

Economic opportunities across the focus areas of shipbuilding, information warfare, defence science and technology research and space were again prevalent in 2021-22.

In September the Australian Government announced the decision to move to a nuclear-powered submarine build under the AUKUS agreement, with at least eight submarines to be built in South Australia at the Osborne Naval Shipyard. This decision, along with the decision to retain the Collins class submarine full-cycle docking and life-of-type extension in South Australia and build of the Hunter class frigates reaffirms our position as the centre of our nation's naval shipbuilding endeavours.

Much of our focus as an agency continues to be ensuring that we have the highly skilled workforce and a competitive supply chain ready to undertake these major naval shipbuilding programs, as well as other rapidly growing sectors, including information warfare and space.

The South Australian Government is committed to prioritising investment in defence industry skills and the planned establishment of five technical colleges will support this. The next stage of the Line Zero Factory of the Future will see the introduction of a new \$4m Manufacturing Growth Accelerator Program which will bring companies, researchers and students together to focus on 'innovative applications' of manufacturing technology.

Supporting local industry to participate in the supply chain of major projects remains a high priority for the agency. With the return of face-to-face trade exhibitions post-COVID, Defence SA had one of our most successful event attendances ever with the 2022 Indo Pacific International Maritime Exhibitions generating record interest from local industry, providing vital engagement opportunities for our SMEs with major defence primes.

South Australia also set up a dedicated South Australian Nuclear-Powered Submarine Taskforce, which will support the national taskforce to deliver an optimal pathway for the submarine program, keeping local industry capability at the forefront.

In February it was announced that South Australia will be home to a new purpose-built 737 Deep Maintenance and Modification Facility under a partnership between the South Australian Government and the Department of Defence. The new facility will solidify South Australia as the Australian Defence Force's information warfare hub, with the Edinburgh Defence Precinct the heart of the nation's capabilities. We also conducted the first Aerospace and Information Warfare forum in Adelaide reflecting the increasing importance of the Edinburgh Defence Precinct.

South Australia's space industry continued its upward trajectory, with the state heavily focussed on supporting the Australian Space Agency's strategy to build sovereign space satellite capability and the National Space Mission for Earth Observation program, with many local companies making advancements in this area.

The announcement of a new Australian Space Park will see the country's first dedicated space satellite manufacturing hub developed in Adelaide, with operations to commence in 2024. The South Australian Government has also embarked on a mission to launch its own state satellite in 2023. Access to space is important for the continuing growth of our collaborative and innovative space ecosystem, creating unprecedented opportunities for local businesses to deliver across the entire space value chain.

Supporting the development of the space workforce and inspiring our children to consider a career in STEM has not been overlooked and we are actively supporting South Australian students and young entrepreneurs through education programs, in partnership with the Andy Thomas Space Foundation, and the Venture Catalyst Space Program.

Funding for the Defence Innovation Partnership was renewed for a further four years, with a new Activator fund to fast-track specific projects that build and demonstrate capability that address our strategic opportunities. The DIP team attended major events in partnership with our three universities, providing an opportunity to showcase the talent of our researchers to potential national and international collaborators and funders.

If the COVID-19 pandemic and recent global events and geopolitical uncertainties have taught us anything it is the need to ensure we have sovereign capability across a range of industries, with defence and space at the top of the list. Critical to this is the development of local industry, infrastructure, and workforce capabilities. Significant progress was made in 2021-22 and we will continue these efforts to reinforce our position as the Defence State and centre-of-gravity for space activities in the nation.



Richard Price
Chief Executive
Defence SA

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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.

(note: Veterans SA annual activities will be presented in a separate Annual Report to be submitted to the Minister for Veteran’s Affairs for tabling in the Parliament of South Australia and will therefore not be detailed in this report)

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.

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.

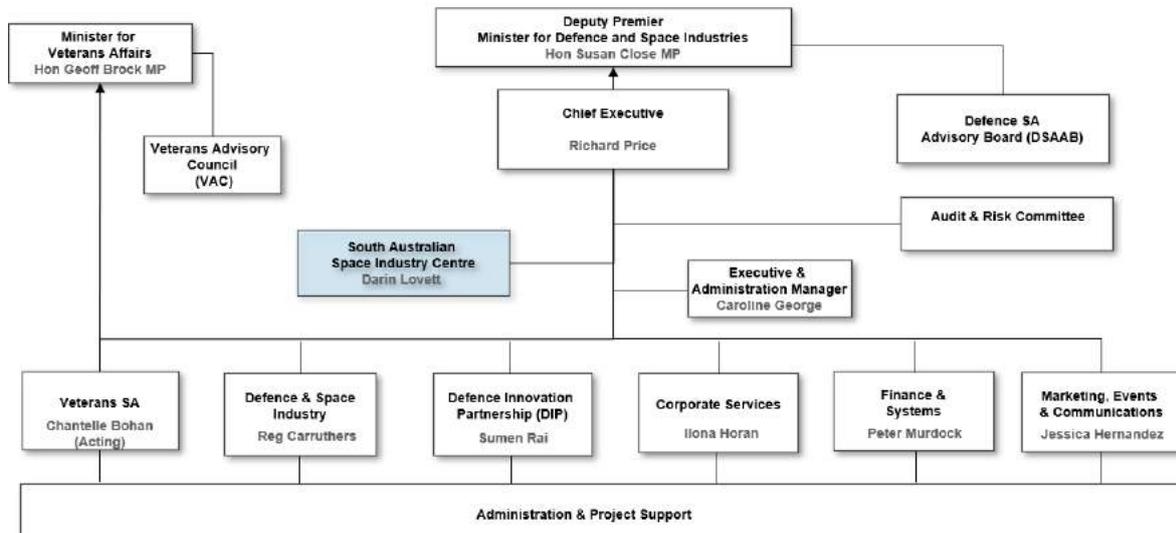
Mission/Values

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.

Our functions, objectives and deliverables

Defence SA	<ul style="list-style-type: none"> • Implementation of the Defence State 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	Stimulating business capability by aligning local research and development, infrastructure, and regulation with industry needs, in support of the Defence State Strategy 2030.
SASIC	<p>Implementation of the Space Strategy, by cultivating South Australia as a centre of gravity for space activities:</p> <ul style="list-style-type: none"> ○ Building a capable workforce ○ Creating an innovating ecosystem ○ Establishing supportive infrastructure ○ Be globally competitive ○ Attract investment

Our organisational structure as at 30 June 2022



Changes to the agency

During 2021-22 the state election resulted in two separate ministers being appointed for the defence and space, and veterans’ portfolios. In April 2022, Veterans SA began reporting to the Minister for Veterans’ Affairs (the Hon Geoff Brock MP) and Defence SA began reporting to the Minister for Defence and Space Industries. There were no further changes to the agency’s structure and objectives as a result of internal reviews or machinery of government changes.

Our Minister

The Hon Susan Close MP is the Deputy Premier and Minister for Defence and Space Industries. She is also Minister for Industry, Innovation and Science and Minister for Climate, Environment and Water.

The Minister oversees:

- Defence Industry Development
- Defence Innovation Partnership
- South Australian Space Industry Centre

Our Executive team

As at 30 June 2022, Defence SA’s Executive team comprised:

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

Richard is responsible for providing executive and strategic leadership to Defence SA, the South Australian Space Industry Centre, the Defence Innovation Partnership and Veterans SA. 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.

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

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

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

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

- **Ilona Horan, Director Corporate Services and Projects, Infrastructure and Investment**

Ilona oversees the agency's entire corporate services functions, including the management of human resources, WHS, procurement and contracting, while also supporting defence and space organisations to invest in South Australia.

- **Peter Murdock, Director, Finance and Systems**

Peter is responsible for overseeing the agency's financial resources, including budget planning, finance management and legislative reporting and the agency's cyber security program.

Legislation administered by the agency

Defence SA does not administer any legislation.

Other related agencies (within the Minister's area/s of responsibility)

Department for Industry Innovation and Science

The agency's performance

Performance at a glance

- Hosted a Defence Cyber Security Forum in collaboration with AustCyber (SA Node) and the Australian Cyber Collaboration Centre, to assist businesses build cyber resilience and enhance their defence supply chain prospects.
- The decision to construct a four bay Boeing 737 Deep Maintenance Facility for the Royal Australian Air Force (RAAF) adjacent to RAAF Base Edinburgh.
- The decision to retain the Collins class submarine Full-cycle docking and Life-of-type extension in South Australia.
- Supported 43 students to undertake their defence industry placements under the Defence Industry Scholarship Program.
- Showcased and promoted South Australian supply chain capabilities in the maritime sector as well as the land, aerospace, research and innovation, cyber and space sectors, creating opportunities for collaboration at Indo Pacific International Maritime Exposition in Sydney in May 2022.
- Workforce attraction campaign 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.
- Established the South Australian Nuclear-powered Submarine Taskforce to support the Australian Government's Taskforce initiatives and strive for maximum local industry content in the nuclear-powered submarine program.
- Conducted the inaugural Aerospace and Information Warfare Forum focussed on SA industry research and capabilities.
- The Defence Innovation Partnership (DIP) program was renewed for four years in the 2021-22 budget, with a total of \$10 million of state government, Australian Government and university funding.
- DIP funded five collaborative projects through the Collaborative Research Fund Round 5, leveraging over \$1 Million of contributions from industry, universities and Defence.
- Supported the Andy Thomas Space Foundation to host two Australian Space Forums (September 2021 and March 2022) providing the opportunity for Australian space stakeholders to collaborate, connect and explore new opportunities with national and international attendees.

- Supported and contributed to GRAVITY 04, a space technology innovation program managed by Deloitte, exploring new uses for space data and space capability, activating the space ecosystem.
- Supported and assisted in the development of a business case for a space focused manufacturing hub through access to Australian Government grants provided under the Modern Manufacturing Initiative. The Australian Space Park at Adelaide Airport was announced as a first of its kind facility in the nation valued at over \$66 million.
- Supported the growth of the NewSpace ecosystem, including leading a state taskforce to support space launch activities from Whalers Way, west of Port Lincoln.

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 state government and Australian Government has invested in the development of Australian Space Park in Adelaide, Australia's first dedicated space manufacturing hub, providing a vital manufacturing link to the space industry value chain.

South Australia's defence and space precincts and facilities continue to be enhanced to ensure growth of sovereign capability including the Tonsley Innovation District based, Line Zero, Factory of the Future. Focussed on leveraging opportunities for companies linked to the multi-billion-dollar continuous naval shipbuilding program in the state, a new Manufacturing Growth Accelerator Program has been established. The new program will enable companies to test their products and systems for potential application in shipbuilding and adjacent sectors.

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 including public marketing campaigns.

Defence SA is committed to supporting the development of five new technical colleges in the state and ensuring that defence and space careers are captured in the skills considered for their development.

Agency's contribution

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.

Defence Job Attraction – To support the growth of South Australia's highly-skilled defence industry workforce, Defence SA has two marketing campaigns, aimed at educating and attracting skilled and future workers to defence industry jobs in South Australia.

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.

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.

Boeing 737 Deep Maintenance and Modification Facility – This \$160 million facility is being built as a partnership between the South Australian Government and Department of Defence providing critical infrastructure necessary for maintenance and upgrade of the RAAF's P-8A Poseidon maritime surveillance aircraft and the E-7A Wedgetail aircraft. The new facility will create new jobs in the construction of the facility, operation and provide opportunities for future growth in the precinct.

Agency specific objectives and performance

Defence SA:

Agency objectives	Indicators	Performance
<p>Maximise business opportunities by influencing policy, connecting industry to global supply chains and attracting investment.</p>	<p>Local industry participation in global supply chain for major defence projects.</p> <p>Local industry undertake independent and global supply chain export opportunities.</p>	<p>In May 2022 a record-breaking number of South Australian defence industry attended the international maritime Exposition Indo Pacific, with more than 50 exhibitors on the Defence SA stand representing a 10% increase from the 2019 event.</p> <p>A trade mission to Canada occurred in March 2022, including meetings with the Canadian Government and industry groups to discuss potential collaboration opportunities.</p> <p>Continued engagement with BAE Systems Maritime Australia to maximise South Australian companies' involvement in supply chain opportunities for the Hunter class frigate program.</p>
	<p>Maximum economic benefit for local communities and sustainment opportunities for local industry by expanding Defence presence in South Australia, particularly at RAAF Base Edinburgh.</p>	<p>In February 2022, the Australian Government formally announced the \$160 million 737 Deep Maintenance and Modification facility being built as part of a partnership between the South Australian Government and the Department of Defence. The new facility will provide infrastructure for</p>

		the maintenance and upgrade of the P-8A Poseidon maritime surveillance aircraft and the E-7A Wedgetail airborne early warning control aircraft.
Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs	Local research is aligned with the future needs of the defence industry.	The Defence Innovation Partnership program has been renewed for four years, with a total of \$10 million of state government, Australian government and university funding.
	International companies are attracted to bring new capabilities to the state.	The Defence and Space Landing Pad at Lot Fourteen continues to attract international companies to the state. In November 2021 two additional international defence suppliers joined the Defence and Space Landing Pad - CBG Systems and Ghenova.
	Support of the Line Zero – Factory of the Future facility	The South Australian Government has committed \$5 million in funding over five years to Line Zero, a purpose-built facility for industrial scale testing of new technologies and processes ahead of their use in advance manufacturing, including shipbuilding.
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.	Continued engagement with Defence primes bidding for AIR 6500, Joint Air Battle Management System, with Lockheed Martin and Northrop Grumman

		<p>down selected to next stage bids.</p> <p>In June 2022, Defence SA held the inaugural Aerospace and Information Warfare Forum, attracting more than 550 attendees across defence industry, the Australian Defence Force, government and academia to discuss the latest developments and supply chain opportunities in the aerospace and information warfare sector. The event included an exhibition with 56 primes, SMEs, academic and industry associations showcasing their capabilities, products and services.</p>
	<p>Uplift cyber capability of South Australian industry to increase readiness for participation in global supply chains.</p>	<p>A pilot program with AustCyber has been initiated with the first 16 South Australian companies completing the program.</p>
<p>Building business capacity by working to attract and retain talent in the state.</p>	<p>Development of a robust and resilient industry, including a skilled and productive workforce and strong and capable SME sector.</p>	<p>The initial phase of the <i>Make Your Move</i> employee attraction campaign targeting skilled workers with more than five years' experience in their field concluded in December 2021. The campaign was extremely successful in meeting its KPIs and the campaign subsequently re-entered the market in April 2022.</p> <p>While paid activity on the <i>Find Your Place</i> campaign, targeting</p>

		<p>South Australian high school students, university students, career advisors, parents and educators, to consider a defence industry career, was paused in 2021-22, Defence SA continued to promote the campaign objectives through other below-the-line activity.</p>
	<p>Deliver Defence Industry Scholarship Program over three years through Ai Group</p>	<p>The Defence Industry Scholarship Program proved successful with 43 university students being undertaking work placements with defence industry. Of these, many have gone on to continue their employment at the company.</p>
	<p>South Australia has the necessary infrastructure to enable current and future Defence programs and basing.</p>	<p>A dedicated South Australian taskforce for the Nuclear-powered Submarine Program was established in February 2022. The taskforce, chaired by Defence SA, will work closely with state government agencies, local industry and local government representatives to discuss key focus areas including safety, environmental protection, facilities and infrastructure, industrial base capacity and workforce.</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 5 of the Collaborative Research Fund awarded approximately \$750,000 to five collaborative R&D projects involving South Australian university researchers, Defence Science and Technology Group, and defence industry.</p>
	<p>Increase the number of researchers and industry in South Australia involved in defence-relevant research and development.</p>	<p>Pre-application meetings with potential Collaborative Research Fund applicants continued the trend of previous years with increased engagement from researchers who had not worked with or had only minimally worked with Defence. The Defence Innovation Partnership provided advice to these researchers on the best way to connect with potential collaborators in Defence and made introductions for researchers into Defence Science and Technology Group, other parts of Defence, and defence industry.</p> <p>Cross sectoral engagement through briefings with BioMed City, Venture Catalyst Space start-ups and Stone & Chalk start-ups.</p>
	<p>Promote South Australia’s R&D credentials through advocacy and</p>	<p>The Defence Innovation Partnership exhibited at</p>

	<p>stories of defence-relevant research collaboration.</p>	<p>Defence trade shows including the South Australian Aerospace and Information Warfare Forum and Indo-Pacific International Maritime Exposition. These events were opportunities to promote the capabilities of South Australian researchers and engage with national and international collaborators and funders.</p> <p>The Defence Innovation Partnership shares stories about researchers and projects through social media platforms Twitter and LinkedIn. The audience for these accounts grew by 18.3% and 34.3% respectively in 2021-22.</p>
	<p>Build scale in South Australia's defence R&D capabilities</p>	<p>Conducted a foresighting study involving participants from across South Australia's priority sectors to identify key areas of future research and development, to inform the Defence Innovation Partnership's activities and funding decisions.</p> <p>Fostered transdisciplinary collaborations through the Convergence Series, with sessions on space security, national security, climate change, better</p>

		futures and strategic thinking.
	Support a defence R&D workforce through advice and support for early and mid-career researchers and industry professionals	Provided sponsorship for the BLiSS*Adelaide 2021 Conference on 'Networking for Innovation' and participated in two workshops with early and mid-career researchers.

SASIC:

Agency objectives	Indicators	Performance
Maximising business opportunities by influencing policy, connecting industry to global supply chains and attracting investment.	Support the Andy Thomas Space Foundation in the delivery of the Australian Space Forum	In October 2021 and March 2022, the Andy Thomas Space Foundation hosted the 12 th and 13 th Australian Space Forum, attracting over 900 attendees in person, including the largest industry exhibition in the event's history showcasing over 70 companies. The event continues to grow and increase its international presence.
	Investigate use of local procurement rules to prioritise local space companies	South Australia is progressing 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 (named Kanyini) to low Earth orbit and employ an Internet of Things data collection service along

		<p>with an electro-optical payload for Earth observation. SASAT1 is growing South Australian space companies through procurement.</p> <p>An above the line consultancy was contracted to review SASAT1 design to ensure mission success.</p>
<p>Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.</p>	<p>Development of Australian Space Park</p>	<p>Australia’s first dedicated space manufacturing hub, Australian Space Park, will accelerate Australia’s sovereign space manufacturing capability by initially co-locating four space manufacturing companies in a purpose-built facility, focused on production of small satellites, payloads, rocket and technical systems.</p> <p>A Common User Facility will also be established to provide companies with access to facilities that are capable of small satellite and component manufacturing, with potential to scale-up.</p> <p>Airbus announced intention to occupy part of Space Park and Lot 14 supporting Defence Space STaR Shots.</p>
	<p>Delivery of space technology innovation programs.</p>	<p>Managed by Deloitte, SASIC is a key</p>

		<p>contributor to the GRAVITY Challenge.</p> <p>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.</p> <p>In 2021-22 GRAVITY 04 was delivered, with a commitment for continued support for GRAVITY 05, 06 and 07.</p>
	<p>Support Southern Launch through the major projects planning process to obtain approval for Whalers Way as an orbital launch site.</p>	<p>SASIC continues to Chair the South Australian Government Southern Launch Task Force.</p> <p>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 2022, the State Commission Assessment Panel approved infrastructure required to undertake a further three test launches before the end of 2022.</p>

<p>Building business capacity by working to attract and retain talent in the state.</p>	<p>Completed delivery of the \$4 million Space Innovation Fund</p>	<p>The agency supported the completion of the Space Scholarship program and delivery of a 4th Space Incubator Program, Venture Catalyst Space. The 4th program included a total of six start-up organisations including international participation from Germany and India.</p>
	<p>Support of the Space Industry Workforce Experience Program</p>	<p>Despite disruption from COVID-19, SASIC supported the delivery of the Space Industry Work Experience Program, with approximately 30 students to have work experience within the South Australian space industry.</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.

Defence SA’s net result for 2021-22 was a surplus of \$6.056 million including net revenue from the South Australia Government of \$11.646 million. The budgeted net result was for a deficit of \$0.143 million. The main reasons for the variation in net result is attributable to the following key factors:

- Income movements primarily related to funding from the Jobs Economic Growth Fund for the Space Mission Control and Discovery Centre, SASAT1 Space Services Mission (Kanyini) and Defence Innovation Partnership Projects.
- Reduced grant expenditure as a result of delays on the part of recipients in the achievement of payment milestones for industry assistance grants.
- Reduced contractor expenditure as a result of delays in the SASAT1 Space Services Mission (Kanyini) project.

Employment opportunity programs

Program name	Performance
First Nations People Employment Program	The First Nations People 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 most recent participant commenced in June 2020 and was extended for a further twelve months to June 2022. After completing her time with Defence SA, the participant has been accepted into an internship with BAE systems. A new participant will be selected for calendar year 2023.

Agency performance management and development systems

Performance management and development system	Performance
Chief Executive Performance Agreement	The Chief Executive undertook a review of the goals and objectives component of the annual performance agreement on 23 August 2021.
Executive Staff Performance Management and Development System	All executive staff participate in an annual performance review process with key deliverables linked to the Chief Executive’s objectives and identifying training and development activities. This involves, a half-yearly review and an annual review. By 30 June 2022, 100% of executive staff had completed an annual review.
Non-Executive 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 2022, 100% of non-executive staff had completed an annual review.

Work health, safety and return to work programs

Program name	Performance
First Aid	Defence SA has four qualified First Aid Officers who have completed accredited training.
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	2021-22	2020-21	% 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	2021-22	2020-21	% 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**	2021-22	2020-21	% 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/whs-2020-21-defencesa>

Executive employment in the agency

Executive classification	Number of executives
EXEC0A	1
SAES1	8

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/executive-employment-2020-21-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 brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2021-2022 are attached to this report.

The financial statements include information relating to the following programs:

- Defence Industry Development
- South Australian Space Industry Centre
- Veterans SA

Statement of Comprehensive Income	2021-22 Budget \$000s	2021-22 Actual \$000s	Variation \$000s	2020-21 Actual \$000s
Total Income	\$20,881	\$23,175	\$2,294	\$22,937
Total Expenses	\$21,024	\$17,119	\$3,905	\$24,887
Net Result	\$(143)	\$6,056	\$6,199	\$(1,950)
Total Comprehensive Result	\$(143)	\$6,056	\$6,199	\$(1,950)

Statement of Financial Position	2021-22 Budget \$000s	2021-22 Actual \$000s	Variation \$000s	2020-21 Actual \$000s
Current assets	\$ 8,076	\$18,046	\$ 9,970	\$13,556
Non-current assets	\$ 2,686	\$ 2,824	\$ 138	\$ 3,070
Total assets	\$10,762	\$20,870	\$10,108	\$16,626
Current liabilities	\$ 3,524	\$ 2,049	\$ 1,475	\$ 3,633
Non-current liabilities	\$ 2,619	\$ 2,823	\$(204)	\$ 3,051
Total liabilities	\$ 6,143	\$ 4,872	\$ 1,271	\$ 6,684
Net assets	\$ 4,619	\$15,998	\$11,379	\$ 9,942
Equity	\$ 4,619	\$15,998	\$11,379	\$ 9,942

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual 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	\$ Nil

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

Consultancies	Purpose	\$ Actual payment
n/a	n/a	\$ Nil
	Total	\$ Nil

Data for previous years is available at:

<https://data.sa.gov.au/data/dataset/consultants-2020-21-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
Defence Industry Development	Various	\$ 14,841
Veterans SA	Various	\$ 60,093
All contractors below \$10,000 each - combined	Total	\$ 74,934

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

Contractors	Purpose	\$ Actual payment
Defence Industry Development		
AI Group	Management of Defence Export Scholarships	\$ 65,000
Bonita Kennedy	Creation of records disposal schedule	\$ 17,280
Bridge8 Pty Ltd	Fore sighting study	\$ 38,900

Contractors	Purpose	\$ Actual payment
Defence Teaming centre Inc	Defence and Space Landing Pad concierge service	\$ 28,576
Rasu Film & Stills	Creative services	\$ 12,842
South Australian Space Industry Centre		
Mews Partners Australia	Satellite development	\$ 21,000
Smartsat CRC	Satellite development	\$2,227,000
Veterans SA		
Dada Supreme	Creative services	\$ 14,520
Flying in Formation	Research for Torrens Parade Ground development	\$ 30,000
	Total	\$2,455,118

Data for previous years is available at:

<https://data.sa.gov.au/data/dataset/contractors-2020-21-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.](#)

Other financial information

The Agency administered the Anzac Day Commemoration Fund established under the Anzac Day Commemoration Act 2005.

Statement of Comprehensive Income	2021-22 Budget \$000s	2021-22 Actual \$000s	Variation \$000s	2020-21 Actual \$000s
Total Income	\$100	\$100	\$ -	\$102
Total Expenses	\$100	\$ 82	\$ 18	\$100
Net Result	\$ -	\$ 18	\$ 18	\$ 2
Total Comprehensive Result	\$ -	\$ 18	\$ 18	\$ 2

Statement of Financial Position	2021-22 Budget \$000s	2021-22 Actual \$000s	Variation \$000s	2020-21 Actual \$000s
Current assets	\$ 77	\$ 95	\$ 18	\$ 77
Total assets	\$ 77	\$ 95	\$ 18	\$ 77
Equity	\$ 77	\$ 95	\$ 18	\$ 77

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 June and July 2022. During the year staff undertook Cyber Security and Awareness training in September 2021 and Fraud and Corruption Awareness training in June 2022. The Fraud and Corruption policy was reviewed and updated in September 2021.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/fraud-detection-2018-21-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-2018-21-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 2021-22
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	Nil
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	Nil
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	Nil
Communication	Communication quality	Inadequate, delayed or absent communication with customer	Nil
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	Nil
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	Nil
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	Nil
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	Nil

OFFICIAL

2021-22 ANNUAL REPORT for Defence SA

Complaint categories	Sub-categories	Example	Number of Complaints 2021-22
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	Nil
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	Nil
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	Nil
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	Nil
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	Nil
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	Nil
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	Nil
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	Nil
		Total	0

Additional Metrics	Total
Number of positive feedback comments	Nil
Number of negative feedback comments	Nil
Total number of feedback comments	Nil
% complaints resolved within policy timeframes	N/A

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/public-complaints-2020-21>

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 2021-22

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Defence SA

Opinion

I have audited the financial report of Defence SA for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with the relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director Finance and Systems.

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 the Australian Accounting Standards – Simplified Reporting Requirements, 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 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 2022.

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.



Daniel O'Donohue
Assistant Auditor-General

26 September 2022

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 operations 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
26th September 2022



Peter Murdock
Director Finance and Systems
26th September 2022

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOMEfor the year ended 30 June 2022

	Note	2022 \$' 000	2021 \$' 000
Income			
Appropriation	2.1	11,646	14,878
Fees and charges	2.2	417	405
Grants	2.3	10,887	7,404
Recoveries	2.4	164	185
Resources received free of charge	2.5	61	65
Total income		<u>23,175</u>	<u>22,937</u>
Expenses			
Employee benefits expenses	3.3	4,546	4,466
Supplies and services	4.1	4,627	3,114
Depreciation	4.2	455	457
Grants and subsidies	4.3	6,083	9,625
Interest on leases	4.4	39	43
Resources received free of charge	2.5	61	65
Cash alignment transfers to Consolidated Account		-	7,064
Other expenses	4.5	1,308	53
Total expenses		<u>17,119</u>	<u>24,887</u>
Net result		<u>6,056</u>	<u>(1,950)</u>
Total comprehensive result		<u>6,056</u>	<u>(1,950)</u>

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 2022

	Note	2022 \$' 000	2021 \$' 000
Current assets			
Cash	6.2	17,136	13,129
Receivables	6.3	910	427
Total current assets		<u>18,046</u>	<u>13,556</u>
Non-current assets			
Property, plant and equipment	5.1	2,824	3,070
Total non-current assets		<u>2,824</u>	<u>3,070</u>
Total assets		<u>20,870</u>	<u>16,626</u>
Current liabilities			
Payables	7.2	666	2,230
Lease liabilities	7.3	423	340
Unearned revenue	7.4	345	361
Employee benefits	3.4	604	697
Provisions	7.5	11	5
Total current liabilities		<u>2,049</u>	<u>3,633</u>
Non-current liabilities			
Payables	7.2	15	12
Lease liabilities	7.3	2,551	2,831
Employee benefits	3.4	223	197
Provisions	7.5	34	11
Total non-current liabilities		<u>2,823</u>	<u>3,051</u>
Total liabilities		<u>4,872</u>	<u>6,684</u>
Net assets		<u>15,998</u>	<u>9,942</u>
Equity			
Retained earnings		15,998	9,942
Total equity		<u>15,998</u>	<u>9,942</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 2022**

	Retained earnings \$' 000	Total equity \$' 000
Balance at 1 July 2020	11,892	11,892
Total comprehensive result for 2020-21	(1,950)	(1,950)
Transactions with SA Government as owner		
Balance at 30 June 2021	<u>9,942</u>	<u>9,942</u>
Total comprehensive result for 2021-22	6,056	6,056
Balance at 30 June 2022	<u>15,998</u>	<u>15,998</u>

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 2022

	Note	2022 \$' 000	2021 \$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		11,644	14,880
Fees and charges		432	490
Grants		10,483	7,468
Recoveries		180	287
GST recovered from the ATO		1,017	1,117
Other receipts		-	22
Cash generated from operations		<u>23,756</u>	<u>24,264</u>
Cash outflows			
Employee benefits payments		(4,584)	(4,439)
Payments for supplies and services		(5,738)	(3,177)
Payments of grants and subsidies		(7,744)	(10,906)
Interest payments on leases		(43)	(43)
Cash alignment transfers to Consolidated Account		-	(7,064)
Other payments		(1,202)	(25)
Cash used in operations		<u>(19,311)</u>	<u>(25,654)</u>
Net cash provided by/(used in) operating activities		<u>4,445</u>	<u>(1,390)</u>
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(438)	(449)
Cash used in financing activities		<u>(438)</u>	<u>(449)</u>
Net cash used in financing activities		<u>(438)</u>	<u>(449)</u>
Net increase/(decrease) in cash		<u>4,007</u>	<u>(1,839)</u>
Cash at the beginning of the period		<u>13,129</u>	<u>14,968</u>
Cash at the end of the period	6.2	<u>17,136</u>	<u>13,129</u>

The accompanying notes form part of these financial statements.

DEFENCE SA

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DEFENCE SA

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 9.

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. The agency is a single point of contact for all defence and space stakeholders, streamlining their interaction across the South Australian Government. Defence SA captures valuable economic opportunities in the shipbuilding, cyber and systems, defence science and research and space domains.

Working closely with Defence and industry, the agency targets opportunities, drives and supports the delivery of major defence and space projects and facilities, and pursues the location of additional Defence units and capabilities within the state. Defence SA also 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.

The agency ensures business capabilities are stimulated by aligning local research and development, infrastructure and regulation with industry needs to expand capability by working to attract and retain talent in the state. The defence and space sector strategies outline key investment and growth opportunities to 2030 and frame future budget priorities for the agency.

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.

Building on the state's strong starting position in the NewSpace economy SASIC will continue contributing to the growth rate of the national space industry and aim to increase the nation's share of the global space economy. As a complement to a national space strategy seeking aspirational growth, South Australia's priorities are selective and niche to maximise the opportunities presented by disruption and NewSpace.

Already home to over 100 space-related organisations including the Australian Space Agency, South Australia is committed to further growth of the local industry, building on the state's history of space activity. SASIC collaborates with the Australian Space Agency and Defence Space Command to play a key role in the national space agenda.

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 Minister, on matters of concern to the ex service community in South Australia.

DEFENCE SA

1.2 Objectives and programs (continued)
Expenses and income by program

for the year ended 30 June 2022

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000
Income										
Appropriation	11,646	14,878	-	-	-	-	-	-	11,646	14,878
Fees and charges	-	-	257	127	160	278	-	-	417	405
Grants	-	-	6,562	2,289	4,110	4,854	215	261	10,887	7,404
Recoveries	-	-	60	79	104	106	-	-	164	185
Resources received free of charge	-	-	61	65	-	-	-	-	61	65
Total income	11,646	14,878	6,940	2,560	4,374	5,238	215	261	23,175	22,937
Expenses										
Employee benefits expenses	-	-	3,206	3,151	723	526	617	789	4,546	4,466
Supplies and services	-	-	1,755	2,014	2,414	736	458	364	4,627	3,114
Depreciation	-	-	94	90	361	367	-	-	455	457
Grants and subsidies	-	-	4,458	5,247	840	3,840	785	538	6,083	9,625
Interest on leases	-	-	-	1	39	42	-	-	39	43
Resources received free of charge	-	-	61	65	-	-	-	-	61	65
Cash alignment transfers to Consolidated Account	-	7,064	-	-	-	-	-	-	-	7,064
Other expenses	-	-	1,308	53	-	-	-	-	1,308	53
Total expenses	-	7,064	10,882	10,621	4,377	5,511	1,860	1,691	17,119	24,887
Net result	11,646	7,814	(3,942)	(8,061)	(3)	(273)	(1,645)	(1,430)	6,056	(1,950)

DEFENCE SA

1.2 Objectives and programs (continued)
Assets and liabilities by program

as at 30 June 2022

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000
Assets										
Cash	17,136	13,129	-	-	-	-	-	-	17,136	13,129
Receivables	-	-	585	238	311	133	14	56	910	427
Property, plant and equipment	-	-	140	25	2,684	3,045	-	-	2,824	3,070
Total assets	17,136	13,129	725	263	2,995	3,178	14	56	20,870	16,626
Liabilities										
Payables	-	-	410	1,144	143	934	128	164	681	2,242
Lease liabilities	-	-	143	26	2,831	3,145	-	-	2,974	3,171
Unearned revenue	-	-	286	329	59	32	-	-	345	361
Employee benefits	-	-	563	607	119	134	145	153	827	894
Provisions	45	16	-	-	-	-	-	-	45	16
Total liabilities	45	16	1,402	2,106	3,152	4,245	273	317	4,872	6,684
Net assets	17,091	13,113	(677)	(1,843)	(157)	(1,067)	(259)	(261)	15,998	9,942

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 (2021-22 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 2022 \$' 000	Actual 2022 \$' 000	Variance ⁽¹⁾ 2022 \$' 000
Income				
Appropriation		11,180	11,646	466
Fees and charges		274	417	143
Grants	(a)	9,397	10,887	1,490
Recoveries		-	164	164
Resources received free of charge		-	61	61
Other income		30	-	(30)
Total income		20,881	23,175	2,294
Expenses				
Employee benefits expenses		4,478	4,546	(68)
Supplies and services	(c)	7,113	4,627	2,486
Depreciation		386	455	(69)
Grants and subsidies	(b)	8,912	6,083	2,829
Interest on leases		38	39	(1)
Resources received free of charge		-	61	(61)
Cash alignment transfers to Consolidated Account		-	-	-
Other expenses	(d)	97	1,308	(1,211)
Total expenses		21,024	17,119	3,905
Net result		(143)	6,056	6,199
Total comprehensive result		(143)	6,056	6,199

⁽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 \$1.490 million grant income variance relates movements in funding from the Jobs Economic Growth Fund for the Space Mission Control and Discovery centre, SASAT1 Space Services Mission (Kanyini) and Defence Innovation Partnership projects.
- (b) The \$2.829 million grant expenditure variance is due to delays in achievement of program milestones by the recipients and the extension of the Defence Innovation Partnership.
- (c) The \$2.486 million supplies and services expenditure variance is due to delays in projects; including the SASAT1 Space Services Mission (Kanyini) project.
- (d) During 2021-22 Defence SA reimbursed \$1.200 million to Australian Naval Infrastructure Pty Ltd for remediation costs associated with land at Osborne in accordance with the Memorandum of Understanding.

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

	2022	2021
	\$' 000	\$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2021</i>	11,180	14,878
Appropriations under other Acts	466	-
Total appropriation	11,646	14,878

Appropriations are recognised on receipt.

2.2 Fees and charges

	2022	2021
	\$' 000	\$' 000
Event participation fees	156	93
Rental income	57	51
Service fees	204	161
Event sponsorships	-	100
Total fees and charges	417	405

2.3 Grants

	2022	2021
	\$' 000	\$' 000
Grants received from South Australian Government entities	715	780
Contingency funding provided by the Department of Treasury and Finance	1,200	-
Funding allocated from the Jobs Economic Growth Fund	8,382	6,054
Australian Government sourced grants	270	330
Other	320	240
Total grants	10,887	7,404

2.4 Recoveries

	2022	2021
	\$' 000	\$' 000
Defence Innovation Partnership recoveries	60	60
Industry assistance grants recovered	-	19
Other recoveries	104	106
Total recoveries	164	185

2.5 Resources received free of charge

	2022	2021
	\$' 000	\$' 000
Services received free of charge from South Australian Government agencies	61	65
Total resources received free of charge	61	65

3 Advisory Board, Council and employees

3.1 Key management personnel

Key management personnel of Defence SA include the Deputy 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 \$1.679 million (\$1.274 million). The compensation disclosed in this note excludes salaries and other benefits the Deputy Premier receives. The Deputy 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 Minister (who is responsible for Veterans' Affairs) for response on behalf of the veterans community and provides advice to the public on behalf of the Minister on veterans related events, programs, projects and funding opportunities. The Council is also responsible for providing recommendations to the Minister 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⁾ (retired 21 March 2022)
 Hon S Close MP Deputy Premier⁽¹⁾ (appointed 24 March 2022)
 VADM R Crane AO CSM RANR (Ret'd)
 S Ludlam FREng
 M Davis AM
 AVM Alan Clements CSC (retired 1 September 2021)
 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 (retired 31 December 2021)⁽⁴⁾
 AIRCDRE M Forster CSM (Rsv)⁽²⁾
 J Godwin (Deputy Chair)
 J Hanrahan
 MAJ S Heidenreich (Rsv)
 N Klinge
 F Lampard OAM⁽³⁾
 J Milham
 M Thiele⁽³⁾
 C Tilley⁽²⁾
 AIRCDRE R Bender⁽⁴⁾
 LTCOL T Orders (retired 31 December 2021)⁽⁴⁾
 CMDR E McDonald-Kerr (appointed 1 January 2022)⁽⁴⁾
 LTCOL R Spackman (appointed 1 January 2022)⁽⁴⁾

⁽¹⁾ The Deputy Premier the Hon Susan Close MP and the former Premier the Hon Steven 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:

	2022	2021
	No.	No.
\$1 to \$19 999	9	12
\$20 000 to \$39 999	3	4
\$60 000 to \$79 999	1	1
Total number of members	13	17

Total remuneration received or receivable, by board and council members was \$188 000 (\$214 000).

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

	2022	2021
	\$' 000	\$' 000
Salaries and wages	3,317	3,318
Targeted Voluntary Separation Packages	-	37
Long service leave	69	44
Annual leave	340	274
Skills and experience retention leave	13	11
Employment on-costs - superannuation ⁽¹⁾	369	362
Employment on-costs - other	207	206
Fees paid to Advisory Board and Council members (refer note 3.2)	171	193
Workers compensation	30	4
Other employee related expenses	30	17
Total employee benefits expenses	4,546	4,466

⁽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

	2022	2021
	\$' 000	\$' 000
The number of employees whose remuneration received or receivable falls within the following bands:	No	No
\$157 001 to \$177 000	2	3
\$177 001 to \$197 000	1	1
\$197 001 to \$217 000	2	3
\$217 001 to \$237 000	2	1
\$237 001 to \$257 000	1	1
\$337 001 to \$357 000	-	1
\$357 001 to \$377 000	1	-
Total number of employees	9	10

The total remuneration received by those employees for the year was \$2.000 million (\$2.100 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.

Targeted voluntary separation packages

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

	2022	2021
	\$' 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

	2022	2021
	\$' 000	\$' 000
Current		
Accrued salaries and wages	(14)	104
Annual leave	296	240
Long service leave	306	333
Skills and experience retention leave	16	20
Total current employee benefits liability	604	697
Non-current		
Long service leave	223	197
Total non-current employee benefits liability	223	197
Total employee benefits liability	827	894

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.

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. The expected timing and amount of long service leave payments is determined through whole-of-government actuarial calculations, which are then applied to Defence SA's employee details. Key assumptions include whether the characteristics of employee remuneration, terms of service with the public sector, and expectations as to when employees take long service leave, as established by the actuary, are applicable to employees of Defence SA. These assumptions affect the expected amount to be paid that has been factored into the calculation of the liability. The discount rate used in measuring the liability is another key assumption. The discount rate is reflective of long-term Commonwealth Government bonds. The yield on long-term Commonwealth Government bonds has increased from 2021 (1.25%) to 2022 (3.5%).

This increase in the bond yield results in a decrease in the reported 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 reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

DEFENCE SA

4 Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1 Supplies and services

	2022	2021
	\$' 000	\$' 000
Promotion and events	1,053	1,266
Contractors	2,531	815
Accommodation and service costs	281	362
Property	58	67
Provision of corporate services under Service Level Agreements	229	224
Travel and related expenses	122	40
Consultants	-	43
Legal fees	15	13
Staff safety, development and recruitment	48	45
Service recoveries paid to South Australian Government entities	8	20
Other expenses	282	219
Total supplies and services	4,627	3,114

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:

	2022		2021	
	No	\$' 000	No	\$' 000
\$10 000 and above	-	-	1	43
Total paid/payable to the consultants engaged	-	-	1	43

4.2 Depreciation

	2022	2021
	\$' 000	\$' 000
Right of use buildings and improvements	454	448
Right of use vehicles	1	6
Plant and equipment	-	3
Total depreciation	455	457

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 (refer note 5.2).

DEFENCE SA

4.3 Grants and subsidies

	2022	2021
	\$' 000	\$' 000
Industry development	1,103	1,329
Industry assistance	2,096	3,300
Research programs	1,411	1,617
Support for the Veterans community	512	438
Intra-government payments	961	2,941
Total grants and subsidies	6,083	9,625

4.4 Interest on leases

	2022	2021
	\$' 000	\$' 000
Buildings and improvements	39	43
Total interest on leases	39	43

4.5 Other expenses

	2022	2021
	\$' 000	\$' 000
Audit fees - Auditor General ⁽²⁾	44	43
Internal audit	54	40
Bad debts	-	69
Allowances for doubtful debts (refer note 6.2)	-	(139)
Other ⁽¹⁾	1,210	40
Total other expenses	1,308	53

⁽¹⁾During 2021-22 Defence SA reimbursed \$1.200 million to Australian Naval Infrastructure Pty Ltd for remediation costs associated with land at Osborne in accordance with the Memorandum of Understanding.

⁽²⁾Other expenses include audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$44 000 (\$43 000). No other services were provided by the Auditor-General's Department.

DEFENCE SA

5 Property, plant and equipment

5.1 Property, plant and equipment by asset class

	2022	2021
	\$' 000	\$' 000
Right of use assets		
Right of use buildings and improvements		
Right of use buildings and improvements at cost	3,988	3,779
Accumulated depreciation at the end of the period	<u>(1,164)</u>	<u>(710)</u>
Total right of use buildings and improvements	<u>2,824</u>	<u>3,069</u>
Right of use vehicles		
Right of use vehicles at cost	-	14
Accumulated depreciation at the end of the period	-	<u>(13)</u>
Total right of use vehicles	<u>-</u>	<u>1</u>
Total right of use assets	<u>2,824</u>	<u>3,070</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>(14)</u>
Total plant and equipment	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>2,824</u>	<u>3,070</u>
Total property, plant and equipment at cost	4,886	4,691
Total accumulated depreciation/amortisation at the end of the period	<u>(2,062)</u>	<u>(1,621)</u>
Total property, plant and equipment	<u>2,824</u>	<u>3,070</u>
Reconciliation 2021-22		
	Right of use	Total assets
Carrying amount at 1 July 2021	3,070	3,070
Acquisitions and additions	245	245
Revaluations	(22)	(22)
Disposals	(14)	(14)
Depreciation ⁽¹⁾ (refer note 4.2)	(455)	(455)
Carrying amount at 30 June 2022	<u>2,824</u>	<u>2,824</u>

⁽¹⁾ During the year the lease for the Defence Landing Pad was extended effective from 17 May 2021 to 31 Dec 2023 resulting in a revaluation of the right of use asset.

5.2 Useful life and depreciation

Depreciation is calculated on a straight-line basis. Property, plant and equipment depreciation is calculated over the estimated useful life as follows:

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

DEFENCE SA

5.3 Property, plant and equipment owned by Defence SA

Property, plant and equipment with a value equal to or in excess of \$15 000 is capitalised, otherwise it is expensed.

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.

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.

5.4 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 in note 4.1.

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

Defence SA has a limited number of leases consisting of:

- 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 including maturity analysis are disclosed in note 7.3.

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 Categorisation of financial assets

	2022	2021
	Carrying amount	Carrying amount
	\$' 000	\$' 000
Financial assets		
Cash	17,136	13,129
Receivables	351	56
Total financial assets	17,487	13,185

Receivables as disclosed in this note does not include statutory amounts as these are not financial instruments.

6.2 Cash

	2022	2021
	\$' 000	\$' 000
Deposits with the Treasurer		
Defence SA operating account	13,738	9,731
Accrual Appropriation Excess Funds Account	3,398	3,398
Total deposits with the Treasurer	17,136	13,129

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.

DEFENCE SA

6.3 Receivables

	2022	2021
	\$' 000	\$' 000
Current		
Trade receivables		
From government entities	219	34
From non-government entities	351	56
Total trade receivables	<u>570</u>	<u>90</u>
Statutory receivables		
GST recoverable from the ATO	263	240
Total statutory receivables	<u>263</u>	<u>240</u>
Prepayments	77	97
Total current receivables	<u>910</u>	<u>427</u>

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.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

Collectability of receivables is reviewed on an ongoing basis. Bad debts are written off when identified.

DEFENCE SA

7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Categorisation of financial liabilities

	2022 Carrying amount \$' 000	2021 Carrying amount \$' 000
Financial liabilities		
Payables	291	1,905
Lease liabilities	2,974	3,171
Total financial liabilities	<u>3,265</u>	<u>5,076</u>

Payables as disclosed in this note does not include accrued expenses or statutory amounts as these are not financial instruments.

7.2 Payables

	2022 \$' 000	2021 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	215	205
To non-government entities	291	1,905
Total trade creditors and accrued expenses	<u>506</u>	<u>2,110</u>
Statutory payables		
GST payable	60	17
Employment on-costs	100	101
Paid parental leave scheme payable	-	2
Total statutory payables	<u>160</u>	<u>120</u>
Total current payables	<u>666</u>	<u>2,230</u>
Non-current		
Statutory payables		
Employment on-costs	15	12
Total statutory payables	<u>15</u>	<u>12</u>
Total non-current payables	<u>15</u>	<u>12</u>
Total payables	<u>681</u>	<u>2,242</u>

Payables and accruals are raised for all amounts owing but unpaid. 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.

Statutory payables do not arise from contracts.

Employment on-costs

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

DEFENCE SA

7.3 Lease liabilities

	2022 \$' 000	2021 \$' 000
Current		
Buildings and improvements	423	339
Vehicles	-	1
Total current leases	<u>423</u>	<u>340</u>
Non-current		
Buildings and improvements	2,551	2,831
Vehicles	-	-
Total non-current leases	<u>2,551</u>	<u>2,831</u>
Total leases	<u>2,974</u>	<u>3,171</u>
Movements in leases		
Carrying amount at the beginning of the period	3,171	3,565
Additional leases recognised	245	-
Write downs	(26)	-
Lease repayments	(416)	(394)
Carrying amount at the end of the period	<u>2,974</u>	<u>3,171</u>

7.4 Unearned revenue

	2022 \$' 000	2021 \$' 000
Current		
Unearned revenue	345	361
Total current unearned revenue	<u>345</u>	<u>361</u>
Total unearned revenue	<u>345</u>	<u>361</u>

7.5 Provisions

	2022 \$' 000	2021 \$' 000
Current		
Provision for workers compensation	11	5
Total current provisions	<u>11</u>	<u>5</u>
Non-current		
Provision for workers compensation	34	11
Total non-current provisions	<u>34</u>	<u>11</u>
Total provisions	<u>45</u>	<u>16</u>
Movements in provisions		
Carrying amount at the beginning of the period	16	12
Additional provisions recognised	29	4
Reductions resulting from re-measurement	-	-
Carrying amount at the end of the period	<u>45</u>	<u>16</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 2022 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.

DEFENCE SA

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

	2022	2021
	\$' 000	\$' 000
Within one year	13,068	11,895
Later than one year but no longer than five years	2,800	10,055
Later than five years	-	114
Total expenditure commitments	15,868	22,064

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

	2022	2021
	\$' 000	\$' 000
Within one year	54	53
Later than one year but no longer than five years	235	229
Later than five years	158	219
Total expected rental income	447	501

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 5.4 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.

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 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.

DEFENCE SA

9 Administered item**9.1 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.

	2022	2021
	\$' 000	\$' 000
Income		
Grants	100	100
Other income	-	2
Total income	<u>100</u>	<u>102</u>
Expenses		
Grants and subsidies	82	100
Total expenses	<u>82</u>	<u>100</u>
Net result	<u>18</u>	<u>2</u>
Current assets		
Cash	95	77
Total current assets	<u>95</u>	<u>77</u>
Net assets	<u>95</u>	<u>77</u>
Equity		
Retained earnings	95	77
Total equity	<u>95</u>	<u>77</u>