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**Government
of South Australia**

DEFENCE SA
2022-23 Annual Report

DEFENCE SA

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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 the *Public Sector Act 2009* and the *Public Finance and Audit Act 1987* 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 25 September 2023

From the Chief Executive



The defence and space industries continue to be a key driver of South Australia's economic development, with these industries becoming increasingly crucial in the current geopolitical environment.

The state's strengths in research and innovation will ensure we are able to develop new technologies that will advance our economic complexity while serving the needs our nation's Defence Forces.

Several key developments occurred at a national level in 2022-23, including the release of the Defence Strategic Review and the optimal pathway for Australia's new fleet of conventionally armed, nuclear-powered submarines. This has presented several opportunities for the state's defence and space industries and throughout the year we have been working to ensure we are primed to take maximum advantage.

Under the optimal pathway, the naval shipyard at Osborne was confirmed as the build location for Australia's fleet of nuclear-powered submarines, with the build of the shipyard creating up to 4,000 jobs from 2023. Over the coming decade, a further 4,000 to 5,500 direct shipyard jobs will be created.

While the nuclear-powered submarine build will see the first SSN-AUKUS delivered in the early 2040s, work is occurring now to ensure industry and the workforce are suitably skilled and ready to take on such a project, the scale and complexity of which we have never seen in Australia before.

The Defence Strategic Review reaffirmed a commitment to continuous naval with significant work also set for South Australia in the life-of-type extension of the Collins class submarines and combat system upgrades for the Air Warfare Destroyers.

The South Australian Government is working to support local industry to build capability, experience and expertise. In 2022-23 we saw record numbers of companies participating on the Defence State stand at key events including Land Forces and the Avalon Airshow, enabling industry to connect with international companies for export and supply chain opportunities.

The Osborne Naval Shipyard is one of the most digitally advanced of its kind in the world. The digital shipyard revolution for the Hunter class frigate program is being developed in close partnership with state and federal governments, industry and academia. To assist in the transformation, the Factory of the Future at Tonsley Innovation District is being developed as the nation's first industrial scale, high value research and accelerator facility dedicated to modern naval shipbuilding techniques.

In terms of workforce, the South Australian Government is working closely with the Australian Government, industry and academia to develop the highly-skilled workforce required for future defence projects. A key undertaking, in conjunction with the Australian Government, is the South Australian Defence Industry Workforce and Skills Taskforce, which is due to release its report later in 2023.

The Defence Strategic Review highlighted the need to speed up the translation of innovative defence technology into real world capability for the Australian Defence Force. Launched in June 2023, the Defence Innovation Partnership's Activator Fund has been created to facilitate this swift transition and provide solutions to the high priority innovation challenges identified by Defence. The Activator Fund is running alongside the Collaborative Research fund which funded four new projects and leveraged \$1.9 million in co-contributions from universities, industry and the Department of Defence this financial year.

The South Australian Government's commitment to the space industry is also unwavering, with the state at forefront of new technology development. This year saw some exciting new developments and growth across the industry, particularly in small satellite manufacturing, earth observation and research and innovation. Work has commenced on South Australia's \$20 million commitment to establish a new space manufacturing facility which will provide industry with access to world-class equipment capable of small satellite and component manufacturing, assembly, integration and test activities.

We are also continuing to inspire the next generation of space industry workers and are committed to outreach and educational activities through support of the Andy Thomas Space Foundation and initiatives such as the national Kids in Space program, with the 2023 program involving 70 students from eight South Australian schools.

South Australia's defence and space industries have been presented with a number of challenges and opportunities throughout the 2022-23 year. Defence SA, the South Australian Space Industry Centre and Defence Innovation Partnership continue to support the development of these vital industries for South Australia; maximising opportunities to support the Australian Defence Force, the state's economic development and the sovereign capability of our 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.

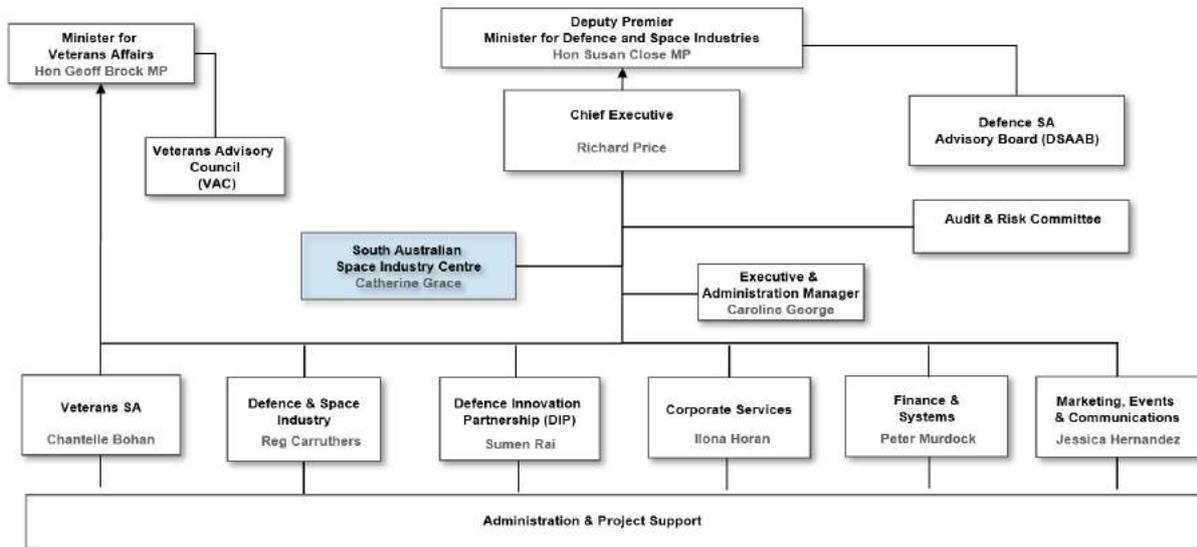
Mission/Values

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 <i>Defence State Strategy 2030</i>. • 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 <i>Defence State Strategy 2030</i> .
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 ○ Being globally competitive ○ Attracting investment

Our organisational structure



Changes to the agency

During 2022-23 there were no 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 2023, 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 media, events and tradeshow.

- **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

- Completed the South Australian Submarine Taskforce report covering state legislation and regulation, stakeholder engagement and industry strategy in preparation for the AUKUS submarine optimal pathway announcement.
- Facilitated across the South Australian Government and Department of Defence for the establishment of the Royal Australian Airforce (RAAF) 737 Aircraft Deep Maintenance and Modification Facility adjacent to RAAF Base Edinburgh.

- Participated in several international events in support of South Australia's defence and space industry across the United States, Europe and the United Kingdom, including attendance at the Undersea Defence Technology (UDT) Conference in Germany, Sea Air Space Conference in Maryland and the Space Symposium in Colorado Springs.
- Hosted the largest ever South Australian delegations at the Land Forces International Land Exposition in Brisbane and Avalon International Airshow, with more than 50 local organisations participating on the stand at each event.
- Maintained full occupancy of the Defence and Space Landing Pad at Lot Fourteen.
- Participated in the South Australian Defence Industry Workforce and Skills Taskforce in collaboration with South Australian Government partner agencies, the Department of Defence and Australian Government to develop and implement a skills and workforce plan to support the delivery of current and future defence projects.
- Supported 11 students to undertake their defence industry placements under the South Australian Defence Industry Scholarship Program, with 17 South Australian defence industry companies registered to accept placements.
- Funded four new projects under the Defence Innovation Partnership Collaborative Research Fund, leveraging \$1.9 million of co-contributions from universities, industry and the Department of Defence.
- Completed Five Collaborative Research Fund projects in 2022-23 with projects previously funded by the Defence Innovation Partnership having received \$6.4 million of follow-on funding to further develop their projects.
- Attracted over 260 attendees from universities, industry and government to Defence Innovation Partnership R&D workshops and events.
- Strengthened relationships with potential collaborators and funding bodies in the United States and the United Kingdom.
- Hosted a Defence Science and Technology Group researcher as part of the NAVIGATE program, an initiative designed to support mid-career researchers in Defence to broaden their experience, industry knowledge and networks.
- Hosted international industry and delegates from New Zealand, United Kingdom, France, Japan and the United States.
- Provided support to the Andy Thomas Space Foundation to increase rural student engagement in STEM (1200 students across 13 rural schools).

- Funded the 2022 and 2023 Venture Catalyst Space Program, with a cohort of 10 and seven companies respectively. Of the international/interstate companies, five have now established a presence in Adelaide.
- Supported the establishment of the \$90 million Australian Research Council ARC Centre of Excellence in Plants for Space at the University of Adelaide.
- Supported the development of a workforce talent pipeline across defence, cyber and space through university initiatives, including new educational offerings, hackathons and the Australian Rover Challenge.
- Provided scholarships to four South Australian post-graduate students to complete the 2023 Southern Hemisphere Space Studies Program.

Agency specific objectives and performance

The defence and space industries are a key contributor to South Australia's economic prosperity.

AUKUS

The release of the Defence Strategic Review in April 2023 confirmed the nuclear-powered submarines (AUKUS agreement Pillar 1) as one of the key priority areas for immediate action and a number of other significant opportunities for the state under Pillar 2, Advanced Capabilities.

Pillar 1 – infrastructure and submarine build

- Nuclear-powered construction (SSN-AUKUS) will centre around the Osborne precinct, including a new \$2bn submarine shipyard that will employ up to 4,000 workers to build the infrastructure.
- A further 4,000 to 5,000 direct shipyard jobs are expected to be created to build nuclear-powered submarines in South Australia when the program reaches its peak.

Pillar 2 – Advanced Capabilities

- Cooperative development between the AUKUS partners on eight Advanced Capabilities identified by the AUKUS leadership: undersea capabilities; quantum technologies; AI and autonomy; advanced cyber; hypersonic and counter-hypersonic capabilities; electronic warfare; innovation; information sharing.
- South Australia has significant high quality research depth with potential to capitalise on significant opportunities in some of these areas, particularly the quantum sensing technologies, AI and autonomy, Electronic Warfare and advanced cyber streams.

Defence Strategic Review

In early 2023 the Government released the Defence Strategic Review, the most significant report since the last Defence White Paper, which will require a review of current South Australian strategies across defence and space. The initial report resulted in subsequent reviews which will need to be considered in future strategies including:

- surface fleet review
- defence industry policy review
- formation of Advanced Strategic Capabilities Accelerator (ASCA)

The focus on Northern Australia, infrastructure, guided weapons and autonomy will require a re-prioritisation of current and future project support across defence and space sectors.

Workforce and skills

To ensure we have the workforce in place to undertake major Defence projects, including AUKUS Pillar 1 and 2, a number of key initiatives are in place:

- The South Australian Government is investing \$208.8 million to develop five technical colleges in metro and regional South Australia. Work is well underway with enrolments open for the first college – Findon Technical College – opening in 2024 in partnership with BAE Systems – prioritising the defence sector.
- The South Australian Government has partnered with the University of South Australia, defence industry and the Australian Industry Group to fast-track a university degree apprenticeship pilot program for the growing defence sector.
 - The South Australian Government has committed \$450,000 over three years to support the establishment of the software engineering degree apprenticeship.
 - The first intake will commence in 2024, with graduates to obtain a Bachelor of Software Engineering (Honours) through a combination of university and workplace learning over the duration of the degree.
- A Defence Industry Workforce and Skills plan will be released by the South Australian Defence Industry Workforce and Skills Taskforce in partnership with the Australian Government.
- The South Australian Government is partnering with the Australian Government, to establish a shipyard skills and training academy and an additional 800 university places over the next four years to prepare the workforce for AUKUS opportunities.

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 March 2023, Defence SA hosted a contingent of more than 50 defence and space companies at Avalon Airshow, providing opportunities for international engagement and networking.</p> <p>In October, industry representation on the South Australian stand at Land Forces quadrupled when compared with the 2010 event. A total of 58 local companies showcased their products, services, and capabilities in areas such as electronic warfare, component design, advanced manufacturing, research and education, and more.</p> <p>Defence SA led an industry delegation to attend the Undersea Defence Technology (UDT) Conference in Germany, providing attendees with an insight into global trends in the undersea defence domain.</p> <p>Defence SA led delegations to Sea Air Space in Maryland and Space</p>

		Symposium in Colorado supporting SA defence and space companies as part of Team Defence Australia and Space Agency.
	South Australian Submarine Taskforce report	In March 2023 the South Australian Submarine Taskforce completed its report, providing recommendations on: <ul style="list-style-type: none"> - Impact on state legislation and regulation - Stakeholder Engagement - Supply chain strategy
	Support of the Line Zero – Factory of the Future facility	The scope and function of Factory of the future continues to develop with additional funding in the SA and federal government budgets. This will broaden access to the Factory of the Future to other advanced manufacturing sectors.
	Defence or space industry companies from the Defence and Space Landing Pad establish in South Australia	In 2022-23 two companies from the landing pad established permanent operations in South Australia, while six others have remained in the landing pad assessing opportunities.

<p>Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs</p>	<p>Local research is aligned with the future needs of the defence industry.</p>	<p><i>Refer to Defence Innovation Partnership section for specific performance outcomes.</i></p>
	<p>737 Deep Maintenance and Modification facility (DMMF) development</p>	<p>Work continued on the DMMF with an expression of interest campaign to find a development partner commencing in May 2023. Construction is due to begin in early 2024 as part of a partnership between the South Australian Government and the Department of Defence.</p>
<p>South Australia as a centre for information warfare</p>	<p>Establish a sustainable information warfare supply chain through maximising local industry participation, independent exports and global supply chain exports.</p>	<p>Defence SA continued to support the information warfare hub at RAAF Base Edinburgh as part of the workforce working group, supporting Air Warfare Centre projects and preparing to support existing and soon to arrive capabilities including P8 Poseidon, Triton unmanned aerial system, Peregrine electronic warfare aircraft and space and surveillance systems.</p> <p>Defence SA recruited its</p>

		<p>inaugural Director Information Warfare. Commencing in July 2023, the newly created role will assist in ensuring South Australia is able to maximise opportunities across the key areas of intelligence surveillance reconnaissance and electronic warfare (ISREW), cyber and ICT for Defence and space.</p>
	<p>Uplift cyber capability of South Australian industry to increase readiness for participation in global supply chains.</p>	<p>Defence SA is building the local, national and international relationships required to grow the cyber resilience of local defence and space supply chains and optimise opportunities for local industry to participate in international programs including nuclear-powered submarines.</p> <p>Defence SA will explore a MOU relationship with Maryland US and Colorado (through DPC) supporting these objectives.</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 SA Defence Industry Workforce and Skills Taskforce was established to provide key recommendations on the education,</p>

		training, employment and other programs necessary to meet industry demand.
	Deliver Defence Industry Scholarship Program through Ai Group	Defence SA supported 11 students to complete their placements with defence industry in 2022-23.
	Deliver the Find Your Place campaign to educate South Australia’s future workforce, skilled workers and influencers on the opportunities in the defence and space industries.	<p>Paid campaign activity occurred between March-June 2023, delivering results above KPIs.</p> <p>Below the line activity occurred throughout 2022-23 including website, electronic direct mail, ambassador career profiles and news stories, presence at career expos and social media.</p>

Defence Innovation Partnership:

Agency objectives	Indicators	Performance
Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.	Facilitate and support new defence-relevant research and development collaborations in South Australia.	<p>DIP Collaborative Research Fund – Round 6 awarded approximately \$600,000 to four collaborative R&D projects involving South Australian university researchers, Defence Science and Technology Group, and defence industry.</p> <p>The \$4.6 million Activator Fund in June 2023 to support larger scale projects</p>

		<p>which align closely with the Australian Department of Defence's Innovation, Science and Technology priorities was launched.</p>
	<p>Increase the number of researchers and industry in South Australia involved in defence-relevant research and development.</p>	<p>DIP provided advice to potential Collaborative Research Fund 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>An increase in the number of researchers approaching the DIP regarding funding programs occurred as a result of direct referrals from past applicants.</p> <p>Cross sectoral engagement through briefings with Centre of Excellence in Plants for Space, Safeguarding Australia through Biotechnology Response and Engagement (SABRE), MTP Connect, Venture Catalyst Space start-ups and Stone & Chalk start-ups.</p>

	<p>Promote South Australia’s R&D credentials through advocacy and stories of defence-relevant research collaboration.</p>	<p>DIP exhibited at Australian Defence trade shows including: Land Forces, ADSTAR, Australian Space Forum and Avalon Airshow. Overseas representation at Defence events including: Sea Air Space (Washington), Space Symposium (Colorado Springs) and UDT (Germany).</p> <p>These events were opportunities to promote the capabilities of South Australian researchers and engage with national and international collaborators and funders.</p> <p>Shared stories about researchers and projects through social media platforms Twitter, LinkedIn and YouTube.</p> <p>The audience for these accounts collectively grew by 32.67% to a total of 4,219 in 2022-23.</p>
	<p>Build scale in South Australia’s defence R&D capabilities</p>	<p>DIP fostered transdisciplinary collaborations through the Convergence Series, with sessions on sustainability on Earth and beyond.</p> <p>Engaged with researchers and</p>

		organisations from the US and UK around potential joint projects focused on AUKUS Pillar 2 technologies.
	Support a defence R&D workforce through advice and support for early and mid-career researchers and industry professionals	DIP provided support for the IDTC Workshop 2023 and The University of Adelaide Space Society Space and Innovation Hackathon. Hosted a DSTG NAVIGATE Program researcher (mid-career) for six months as part of the Program's placement requirement.

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 2022 and March 2023, the Andy Thomas Space Foundation hosted the 14 th and 15 th Australian Space Forum, attracting over 1000 attendees in person, including the largest industry exhibition in the event's history, showcasing over 75 companies. The event continues to grow and increase its international presence. The 15 th forum hosted a delegation from JAXA and was the first time the president of the

		Japanese Space Agency visited Australia.
	Support investment in local procurement to prioritise local space companies; creating space-flight heritage and increasing international competitiveness of the South Australian industry	<p>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 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>
Stimulating business capability by aligning local research and development, infrastructure and regulation with industry needs.	Support development of local space manufacturing capability to drive collaboration between space manufacturers.	Planning continued toward the \$20 million space manufacturing facility which aims to accelerate the development of local space innovation into real world commercial technologies. The project will provide industry with access

		<p>to world-class equipment capable of small satellite and component manufacturing, assembly, integration and test activities.</p>
	<p>Delivery of space technology innovation programs.</p>	<p>Managed by Deloitte, SASIC is a key contributor to the GRAVITY Challenge. GRAVITY Challenge is a space technology innovation program exploring new uses for space data and space capability. Its goal is to activate the space ecosystem by bringing market challenges and global innovators together to create viable solutions, and ultimately accelerate their commercial uptake.</p> <p>In 2022-23 GRAVITY 05 was delivered, with a commitment for continued support for GRAVITY 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 Taskforce.</p> <p>The taskforce is coordinating the complex approvals required for the first of type launch facility in South Australia.</p>

		<p>The major development application was submitted in early 2023 and is currently under review. Extension of the test launch campaign was granted until November 2023.</p>
<p>Building business capacity by working to attract and retain talent in the state; building a talent pipeline to support sovereign capability.</p>	<p>Support the University of South Australia ICC Venture Catalyst Space program delivery</p>	<p>SASIC supported the delivery of the 2022 and 2023 Venture Catalyst Space program which included a cohort of 10 and seven companies respectively.</p> <p>Of the interstate or international companies, five have now established an office in South Australia.</p> <p>Venture Catalyst Space attendees also participated in an Australia-India business engagement trip leading to new contracts.</p>
	<p>Support the Andy Thomas Space Foundation to deliver student engagement activities, including the pilot Kids in Space Program</p>	<p>In partnership with the Australian Space Agency, SASIC supported the delivery of the pilot Kids in Space program, with 10 South Australian schools participating. Building on the Makers Empire program from 2021, Kids in Space involves participating</p>

		<p>schools each receiving a 3D printer, along with access to a custom designed space-themed virtual challenge course comprising purpose-made videos, quizzes, tutorials and design thinking challenges delivered via the popular Makers Empire 3D design app.</p>
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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.

Defence SA’s net result for 2022-23 was a net cost of service of \$8.135 million including net revenue from the South Australia Government of \$13.055 million. The budgeted net result was for a net cost of service of \$2.273 million. The main reasons for the variation in net result is attributable to the following key factors:

- Reduced grant expenditure as a result of delays on the part of recipients in the achievement of payment milestones for industry assistance grants.
- Increased contractor expenditure as a result of timing in meeting project milestones in the SASAT1 Space Services Mission (Kanyini) project.
- Payments associated with the State Government Cash Alignment policy not included in the original budget.

Employment opportunity programs

Program name	Performance
Aboriginal and Torres Strait Islander Internship Program	The Aboriginal and Torres Strait Islander Internship 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 2023 and will remain with Defence SA for six months. He is working with the Director Information Warfare to provide exposure to opportunities in cyber in the state.

Agency performance management and development systems

Performance management and development system	Performance
Chief Executive Performance Agreement	The Chief Executive undertook a mid-cycle performance review of the goals and objectives component of the annual performance agreement on 9 May 2023.
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 as well as utilising the system to identify training and development opportunities. The performance review process involves, a half-yearly review and an annual review. By 30 June 2023, 100% of executive staff had completed their half-yearly and 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 2023, 100% of non-executive staff had completed their half-yearly and 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 four Mental Health First Aid Officers who have completed accredited training. This complements the existing Employee Assistance Program. A number of staff also completed training on 'difficult conversations' which focused on monitoring individual stress levels.

Workplace injury claims	2022-23	2021-22	% 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	2022-23	2021-22	% 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**	2022-23	2021-22	% 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-return-to-work-performance-2021-22-defencesa>

Executive employment in the agency

Executive classification	Number of executives
EXEC0A	1
SAES1	5

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/executive-employment-2021-22-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 2022-23 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	2022-23 Budget \$000s	2022-23 Actual \$000s	Variation \$000s	2021-22 Actual \$000s
Total Income	\$14,517	\$14,799	\$282	\$23,175
Total Expenses	\$16,790	\$22,934	\$(6,144)	\$17,119

Statement of Comprehensive Income	2022-23 Budget \$000s	2022-23 Actual \$000s	Variation \$000s	2021-22 Actual \$000s
Net Result	\$(2,273)	\$(8,135)	\$(5,862)	\$6,056
Total Comprehensive Result	\$(2,273)	\$(8,135)	\$(5,862)	\$6,056

Statement of Financial Position	2022-23 Budget \$000s	2022-23 Actual \$000s	Variation \$000s	2021-22 Actual \$000s
Current assets	\$8,788	\$9,744	\$956	\$18,046
Non-current assets	\$2,324	\$2,371	\$47	\$2,824
Total assets	\$11,112	\$12,115	\$1,003	\$20,870
Current liabilities	\$3,462	\$1,863	\$1,599	\$2,049
Non-current liabilities	\$2,345	\$2,389	\$(44)	\$2,823
Total liabilities	\$5,807	\$4,252	\$1,555	\$4,872
Net assets	\$5,305	\$7,863	\$2,558	\$15,998
Equity	\$5,305	\$7,863	\$2,558	\$15,998

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-2021-22>

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

Contractors disclosure

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

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$22,499

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

Contractors	Purpose	\$ Actual payment
Defence Industry Development		
Rasu Film & Stills	Creative services	\$37,362
Defence Teaming Centre Inc	Defence and Space Landing Pad concierge service	\$41,870
Hollie Doran Consulting	Client engagement services Submarine Task Force	\$43,200
Frazer-Nash Consultancy	Technical support Submarine Task Force	\$85,437
Ai Group Centre for Education	Management of Defence Export Scholarships program	\$110,000
AT Kearney Australia	Industry Development scope Submarine Task Force	\$186,364
South Australian Space Industry Centre		
Mews Partners Australia	Satellite Development	\$28,800
Smartsat CRC	Satellite Development	\$1,448,300
Veterans SA		
Innovate Communicate & Cowork Coplay	Delivery of Veterans Cowork Coplay project	\$16,000
Be Sustained	Delivery of veterans mentoring program	\$37,000
	Total	\$2,034,333

Data for previous years is available at:

<https://data.sa.gov.au/data/dataset/contractors-2021-22-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	2022-23 Budget \$000s	2022-23 Actual \$000s	Variation \$000s	2021-22 Actual \$000s
Total Income	\$100	\$100	\$ -	\$100
Total Expenses	\$100	\$100	\$ -	\$82
Net Result	\$ -	\$ -	\$ -	\$18
Total Comprehensive Result	\$ -	\$ -	\$ -	\$18

Statement of Financial Position	2022-23 Budget \$000s	2022-23 Actual \$000s	Variation \$000s	2021-22 Actual \$000s
Current assets	\$77	\$97	20	\$95
Total assets	\$77	\$97	20	\$95
Current liabilities	\$-	\$2	\$(2)	\$-
Total liabilities	\$-	\$2	\$(2)	\$-
Net assets	\$77	\$95	\$18	\$95
Equity	\$77	\$95	\$18	\$95

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 2023. During the year staff undertook Cyber Security Awareness training during September and October 2022 and Fraud and Corruption Awareness training during July and August 2023.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/fraud-detection-2021-22-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-disclosure-2021-22>

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 2022-23
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	Nil

Complaint categories	Sub-categories	Example	Number of Complaints 2022-23
		result/information provided; poor system design	
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
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	Nil

Complaint categories	Sub-categories	Example	Number of Complaints 2022-23
		agency; insufficient information to investigate	
		Total	Nil

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-2021-22-defencesa>

Service Improvements

Not applicable.

Compliance Statement

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

Appendix: Audited financial statements 2022-23

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
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audgensa@audit.sa.gov.au
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To the Chief Executive Defence SA

Opinion

I have audited the financial report of Defence SA for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2023, 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 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information 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 2023.

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 the 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 (Financial Audit)

19 September 2023

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

18 September 2023



Peter Murdock
Director Finance and Systems

18 September 2023

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30 June 2023**

	Note	2023 \$' 000	2022 \$' 000
Income			
Appropriation	2.1	13,055	11,646
Fees and charges	2.2	410	417
Grants	2.3	1,209	10,887
Recoveries	2.4	46	164
Resources received free of charge	2.5	79	61
Total income		<u>14,799</u>	<u>23,175</u>
Expenses			
Employee benefits expenses	3.3	4,283	4,546
Supplies and services	4.1	4,718	4,627
Depreciation	4.2	453	455
Grants and subsidies	4.3	4,389	6,083
Interest on leases	4.4	35	39
Resources received free of charge	2.5	79	61
Cash alignment transfers to Consolidated Account	1.3	8,878	-
Other expenses	4.5	99	1,308
Total expenses		<u>22,934</u>	<u>17,119</u>
Net result		<u>(8,135)</u>	<u>6,056</u>
Total comprehensive result		<u>(8,135)</u>	<u>6,056</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 2023

	Note	2023 \$' 000	2022 \$' 000
Current assets			
Cash	6.2	8,927	17,136
Receivables	6.3	817	910
Total current assets		<u>9,744</u>	<u>18,046</u>
Non-current assets			
Property, plant and equipment	5.1	<u>2,371</u>	<u>2,824</u>
Total non-current assets		<u>2,371</u>	<u>2,824</u>
Total assets		<u>12,115</u>	<u>20,870</u>
Current liabilities			
Payables	7.2	608	666
Lease liabilities	7.3	392	423
Unearned revenue	7.4	291	345
Employee benefits	3.4	567	604
Provisions	7.5	5	11
Total current liabilities		<u>1,863</u>	<u>2,049</u>
Non-current liabilities			
Payables	7.2	14	15
Lease liabilities	7.3	2,159	2,551
Employee benefits	3.4	201	223
Provisions	7.5	15	34
Total non-current liabilities		<u>2,389</u>	<u>2,823</u>
Total liabilities		<u>4,252</u>	<u>4,872</u>
Net assets		<u>7,863</u>	<u>15,998</u>
Equity			
Retained earnings		<u>7,863</u>	<u>15,998</u>
Total equity		<u>7,863</u>	<u>15,998</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 2023**

	Retained earnings \$' 000	Total equity \$' 000
Balance at 1 July 2021	9,942	9,942
Total comprehensive result for 2021-22	6,056	6,056
Balance at 30 June 2022	15,998	15,998
Total comprehensive result for 2022-23	(8,135)	(8,135)
Balance at 30 June 2023	7,863	7,863

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 2023

	Note	2023 \$' 000	2022 \$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		13,055	11,644
Fees and charges		393	432
Grants		1,520	10,483
Recoveries		51	180
GST recovered from the ATO		715	1,017
Other receipts		15	-
Cash generated from operations		<u>15,749</u>	<u>23,756</u>
Cash outflows			
Employee benefits payments		(4,349)	(4,584)
Payments for supplies and services		(5,236)	(5,738)
Payments of grants and subsidies		(4,967)	(7,744)
Interest payments on leases		(38)	(43)
Cash alignment transfers to Consolidated Account		(8,878)	-
Other payments		(15)	(1,202)
Cash used in operations		<u>(23,483)</u>	<u>(19,311)</u>
Net cash provided by/(used in) operating activities		<u>(7,734)</u>	<u>4,445</u>
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(475)	(438)
Cash used in financing activities		<u>(475)</u>	<u>(438)</u>
Net cash used in financing activities		<u>(475)</u>	<u>(438)</u>
Net increase/(decrease) in cash		<u>(8,209)</u>	<u>4,007</u>
Cash at the beginning of the period		<u>17,136</u>	<u>13,129</u>
Cash at the end of the period	6.2	<u>8,927</u>	<u>17,136</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.

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.

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).

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:

1.2 Objectives and programs (continued)

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'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 and other key federal agencies to play a key role in the national space agenda.

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 2023

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000
Income										
Appropriation	13,055	11,646	-	-	-	-	-	-	13,055	11,646
Fees and charges	-	-	291	257	119	160	-	-	410	417
Grants	-	-	475	6,562	700	4,110	34	215	1,209	10,887
Recoveries	-	-	2	60	44	104	-	-	46	164
Resources received free of charge	-	-	79	61	-	-	-	-	79	61
Total income	13,055	11,646	847	6,940	863	4,374	34	215	14,799	23,175
Expenses										
Employee benefits expenses	-	-	3,264	3,206	506	723	513	617	4,283	4,546
Supplies and services	-	-	2,600	1,755	1,739	2,414	379	458	4,718	4,627
Depreciation	-	-	93	94	360	361	-	-	453	455
Grants and subsidies	-	-	3,004	4,458	850	840	535	785	4,389	6,083
Interest on leases	-	-	-	-	35	39	-	-	35	39
Resources received free of charge	-	-	79	61	-	-	-	-	79	61
Cash alignment transfers to Consolidated Account	8,878	-	-	-	-	-	-	-	8,878	-
Other expenses	-	-	99	1,308	-	-	-	-	99	1,308
Total expenses	8,878	-	9,139	10,882	3,490	4,377	1,427	1,860	22,934	17,119
Net result	4,177	11,646	(8,292)	(3,942)	(2,627)	(3)	(1,393)	(1,645)	(8,135)	6,056

DEFENCE SA

1.2 Objectives and programs (continued)

Assets and liabilities by program

as at 30 June 2023

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000	2023 \$' 000	2022 \$' 000
Assets										
Cash	8,927	17,136	-	-	-	-	-	-	8,927	17,136
Receivables	-	-	642	585	153	311	22	14	817	910
Property, plant and equipment	-	-	47	140	2,324	2,684	-	-	2,371	2,824
Total assets	8,927	17,136	689	725	2,477	2,995	22	14	12,115	20,870
Liabilities										
Payables	-	-	531	410	44	143	47	128	622	681
Lease liabilities	-	-	48	143	2,503	2,831	-	-	2,551	2,974
Unearned revenue	-	-	286	286	5	59	-	-	291	345
Employee benefits	-	-	623	563	50	119	95	145	768	827
Provisions	20	45	-	-	-	-	-	-	20	45
Total liabilities	20	45	1,488	1,402	2,602	3,152	142	273	4,252	4,872
Net assets	8,907	17,091	(799)	(677)	(125)	(157)	(120)	(259)	7,863	15,998

DEFENCE SA

1.3 Budget performance

The budget performance table compares Defence SA's outcomes against budget information presented to Parliament (2022-23 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 2023 \$' 000	Actual 2023 \$' 000	Variance ⁽¹⁾ 2023 \$' 000
Income				
Appropriation		13,499	13,055	(444)
Fees and charges		231	410	179
Grants		695	1,209	514
Recoveries		-	46	46
Resources received free of charge		-	79	79
Other income		92	-	(92)
Total income		14,517	14,799	282
Expenses				
Employee benefits expenses		4,808	4,283	525
Supplies and services	(b)	3,276	4,718	(1,442)
Depreciation		360	453	(93)
Grants and subsidies	(a)	8,214	4,389	3,825
Interest on leases		34	35	(1)
Resources received free of charge		-	79	(79)
Cash alignment transfers to Consolidated Account	(c)	-	8,878	(8,878)
Other expenses		98	99	(1)
Total expenses		16,790	22,934	(6,144)
Net result		(2,273)	(8,135)	(5,862)
Total comprehensive result		(2,273)	(8,135)	(5,862)

⁽¹⁾ The use of brackets identifies an unfavourable 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 \$3.825 million grant expenditure variance is due to delays in achievement of program milestones by grant recipients.
- (b) The (\$1.442) million supplies and services expenditure variance is due to changes in the expenditure / milestone profiles of several projects; including the SASAT1 Space Services Mission (Kanyini) project .
- (c) The \$8.878 million variance was due to payments associated with the State Government Cash Alignment Policy, not included in the original budget.

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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

	2023	2022
	\$' 000	\$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2022</i>	13,055	11,180
Appropriations under other Acts	-	466
Total appropriation	13,055	11,646

Appropriations are recognised on receipt.

2.2 Fees and charges

	2023	2022
	\$' 000	\$' 000
Event participation fees	193	156
Rental income	50	57
Service fees	167	204
Total fees and charges	410	417

2.3 Grants

	2023	2022
	\$' 000	\$' 000
Grants received from South Australian Government entities	819	715
Contingency funding provided by the Department of Treasury and Finance	-	1,200
Funding allocated from the Jobs Economic Growth Fund	-	8,382
Australian Government sourced grants	270	270
Other	120	320
Total grants	1,209	10,887

2.4 Recoveries

	2023	2022
	\$' 000	\$' 000
Defence Innovation Partnership recoveries	-	60
Other recoveries	46	104
Total recoveries	46	164

2.5 Resources received free of charge

	2023	2022
	\$' 000	\$' 000
Services received free of charge from South Australian Government agencies	79	61
Total resources received free of charge	79	61

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 \$1.459 million (\$1.679 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.

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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) (retired 3 August 2022)
Hon S Close MP Deputy Premier⁽¹⁾
VADM R Crane AO CSM RANR (Ret'd)
S Ludlam FREng
M Davis AM
K Toohey AM CSC (appointed 12 May 2023)
R Price⁽²⁾

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

COL R Manton (Ret'd) (Chair) (appointed 1 January 2023)
M Van Hooff (deputy Chair) (appointed 1 January 2023)
H Boswell (appointed 1 January 2023)
C Cates
T Cowell (appointed 1 January 2023)
LTCOL B Denny AM BM (Ret'd) (appointed 1 January 2023)
A Houthuysen (appointed 1 January 2023)
N Klinge
K Matthias (appointed 1 January 2023)
K Smith (appointed 1 January 2023)
M Thiele⁽³⁾
C Tilley⁽²⁾
AIRCDRE A Maso AM (appointed 30 January 2023) ⁽⁴⁾
CMDR E McDonald-Kerr ADC RAN ⁽⁴⁾
COL T Orders (appointed 30 January 2023) ⁽⁴⁾
LTCOL R Spackman (retired 31 December 2022)⁽⁴⁾
COL S Neuhaus AM CSC (Ret'd) (Chair) (retired) (retired 30 June 2022)
COL C Burns CSC (Rsv) (retired 31 December 2022)
AIRCDRE M Forster CSM (Rsv) (retired 31 December 2022) ⁽²⁾
J Godwin (Deputy Chair) (retired 31 December 2022)
J Hanrahan (retired 31 December 2022)
MAJ S Heidenreich (Rsv) (retired 31 December 2022)
F Lampard OAM (retired 31 December 2022) ⁽³⁾
J Milham (retired 31 December 2022)
AIRCDRE R Bender (retired 31 December 2022) ⁽⁴⁾

⁽¹⁾ The Deputy Premier the Hon Susan Close MP received no remuneration for board duties during the period.

⁽²⁾ Pursuant to the Department of the Premier and Cabinet Circular PC016, government employees received no remuneration for board duties during the period.

⁽³⁾ Elected to receive no remuneration for council duties during the period.

⁽⁴⁾ Ex-Officio Australian Defence Force members received no remuneration for council duties during the period.

Advisory Board and Council remuneration

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

	2023 No.	2022 No.
\$1 to \$19 999	12	9
\$20 000 to \$39 999	3	3
\$60 000 to \$79 999	-	1
Total number of members	15	13

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3.2 Advisory Board and Council members (continued)

Total remuneration received or receivable, by board and council members was \$115 000 (\$188 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3 Employee benefits expenses

	2023	2022
	\$' 000	\$' 000
Salaries and wages	3,234	3,317
Long service leave	65	69
Annual leave	251	340
Skills and experience retention leave	14	13
Employment on-costs - superannuation ⁽¹⁾	385	369
Employment on-costs - other	202	207
Fees paid to Advisory Board and Council members (refer note 3.2)	102	171
Workers compensation	(25)	30
Other employee related expenses	55	30
Total employee benefits expenses	4,283	4,546

⁽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

	2023	2022
	\$' 000	\$' 000
The number of employees whose remuneration received or receivable falls within the following bands:	No	No
\$157 001 to \$160 000	-	1
\$160 001 to \$180 000	2	2
\$200 001 to \$220 000	3	3
\$220 001 to \$240 000	1	1
\$240 001 to \$260 000	-	1
\$360 001 to \$380 000	1	1
Total number of employees	7	9

The total remuneration received by those employees for the year was \$1.600 million (\$2.000 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.

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3.4 Employee benefits liability

	2023	2022
	\$' 000	\$' 000
Current		
Accrued salaries and wages	-	(14)
Annual leave	231	296
Long service leave	316	306
Skills and experience retention leave	20	16
Total current employee benefits liability	567	604
Non-current		
Long service leave	201	223
Total non-current employee benefits liability	201	223
Total employee benefits liability	768	827

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 to 4.0% (3.5%).

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 7 years of service.

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4 Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1 Supplies and services

	2023 \$' 000	2022 \$' 000
Promotion and events	1,402	1,053
Contractors	2,056	2,531
Accommodation and service costs	300	281
Property	57	58
Provision of corporate services under Service Level Agreements	231	229
Travel and related expenses	316	122
Legal fees	21	15
Staff safety, development and recruitment	56	48
Service recoveries paid to South Australian Government entities	3	8
Other expenses	276	282
Total supplies and services	4,718	4,627

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.

4.2 Depreciation

	2023 \$' 000	2022 \$' 000
Right of use buildings and improvements	453	454
Right of use vehicles	-	1
Total depreciation	453	455

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).

4.3 Grants and subsidies

	2023 \$' 000	2022 \$' 000
Industry development	796	1,103
Industry assistance	2,013	2,096
Research programs	911	1,411
Support for the Veterans community	435	512
Intra-government payments	234	961
Total grants and subsidies	4,389	6,083

4.4 Interest on leases

	2023 \$' 000	2022 \$' 000
Buildings and improvements	35	39
Total interest on leases	35	39

4.5 Other expenses

	2023 \$' 000	2022 \$' 000
Audit fees - Auditor General ⁽²⁾	45	44
Internal audit	54	54
Other ⁽¹⁾	-	1,210
Total other expenses	99	1,308

⁽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 \$45 000 (\$44 000). No other services were provided by the Auditor-General's Department.

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5 Property, plant and equipment

5.1 Property, plant and equipment by asset class

	2023	2022
	\$' 000	\$' 000
Right of use assets		
Right of use buildings and improvements		
Right of use buildings and improvements at cost	3,848	3,988
Accumulated depreciation at the end of the period	<u>(1,477)</u>	<u>(1,164)</u>
Total right of use buildings and improvements	2,371	2,824
Total right of use assets	2,371	2,824
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	-	-
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	-	-
Total property, plant and equipment	2,371	2,824
Total property, plant and equipment at cost	4,746	4,886
Total accumulated depreciation/amortisation at the end of the period	<u>(2,375)</u>	<u>(2,062)</u>
Total property, plant and equipment	2,371	2,824
Reconciliation 2022-23		
	Right of use	Total assets
Carrying amount at 1 July 2022	2,824	2,824
Depreciation ⁽¹⁾ (refer note 4.2)	<u>(453)</u>	<u>(453)</u>
Carrying amount at 30 June 2023	2,371	2,371

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

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 written down as they are of an immaterial 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.

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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.

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

	Carrying amount 2023 \$' 000	Carrying amount 2022 \$' 000
Financial assets		
Cash	8,927	17,136
Receivables	389	351
Total financial assets	9,316	17,487

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

6.2 Cash

	2023 \$' 000	2022 \$' 000
Deposits with the Treasurer		
Defence SA operating account	5,529	13,738
Accrual Appropriation Excess Funds Account	3,398	3,398
Total deposits with the Treasurer	8,927	17,136

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.

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6.3 Receivables

	2023	2022
	\$' 000	\$' 000
Current		
Trade receivables		
From government entities	-	219
From non-government entities	389	351
Total trade receivables	<u>389</u>	<u>570</u>
Statutory receivables		
GST recoverable from the ATO	325	263
Total statutory receivables	<u>325</u>	<u>263</u>
Prepayments	103	77
Total current receivables	<u>817</u>	<u>910</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.

The net amount of GST receivable from the ATO is included as part of receivables.

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.

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7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Categorisation of financial liabilities

	Carrying amount 2023 \$' 000	Carrying amount 2022 \$' 000
Financial liabilities		
Payables	247	291
Lease liabilities	2,551	2,974
Total financial liabilities	<u>2,798</u>	<u>3,265</u>

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

7.2 Payables

	2023 \$' 000	2022 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	178	215
To non-government entities	247	291
Total trade creditors and accrued expenses	<u>425</u>	<u>506</u>
Statutory payables		
GST payable	61	60
Employment on-costs	122	100
Total statutory payables	<u>183</u>	<u>160</u>
Total current payables	<u>608</u>	<u>666</u>
Non-current		
Statutory payables		
Employment on-costs	14	15
Total statutory payables	<u>14</u>	<u>15</u>
Total non-current payables	<u>14</u>	<u>15</u>
Total payables	<u>622</u>	<u>681</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 contributes to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to these superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed at 43% (42%) and the average factor for the calculation of employer superannuation cost on-cost has increased to 11.1% (10.6%). These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is a decrease in the employment on-cost of \$16,000 and employee benefits of \$16,000. The impact on future periods is impracticable to estimate.

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7.3 Lease liabilities

	2023 \$' 000	2022 \$' 000
Current		
Buildings and improvements	392	423
Total current leases	<u>392</u>	<u>423</u>
Non-current		
Buildings and improvements	2,159	2,551
Total non-current leases	<u>2,159</u>	<u>2,551</u>
Total leases	<u>2,551</u>	<u>2,974</u>
Movements in leases		
Carrying amount at the beginning of the period	2,974	3,171
Additional leases recognised	-	245
Write downs	-	(26)
Lease repayments	(423)	(416)
Carrying amount at the end of the period	<u>2,551</u>	<u>2,974</u>

7.4 Unearned revenue

	2023 \$' 000	2022 \$' 000
Current		
Unearned revenue	291	345
Total current unearned revenue	<u>291</u>	<u>345</u>
Total unearned revenue	<u>291</u>	<u>345</u>

7.5 Provisions

	2023 \$' 000	2022 \$' 000
Current		
Provision for workers compensation	5	11
Total current provisions	<u>5</u>	<u>11</u>
Non-current		
Provision for workers compensation	15	34
Total non-current provisions	<u>15</u>	<u>34</u>
Total provisions	<u>20</u>	<u>45</u>
Movements in provisions		
Carrying amount at the beginning of the period	45	16
Additional provisions recognised	-	29
Reductions resulting from re-measurement	(25)	-
Carrying amount at the end of the period	<u>20</u>	<u>45</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 2023 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 contractual commitments

Commitments include operating and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value inclusive of non-recoverable GST.

Expenditure commitments

	2023	2022
	\$' 000	\$' 000
Within one year	8,764	13,068
Later than one year but no longer than five years	4,213	2,800
Total expenditure commitments	12,977	15,868

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

	2023	2022
	\$' 000	\$' 000
Within one year	56	54
Later than one year but no longer than five years	307	235
Later than five years	29	158
Total expected rental income	392	447

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

Defence SA is not aware of any contingent assets or liabilities

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.

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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.

	2023	2022
	\$' 000	\$' 000
Income		
Grants	100	100
Total income	<u>100</u>	<u>100</u>
Expenses		
Grants and subsidies	100	82
Total expenses	<u>100</u>	<u>82</u>
Net result	<u>-</u>	<u>18</u>
Current assets		
Cash	97	95
Total current assets	<u>97</u>	<u>95</u>
Current liabilities		
Payables	2	-
Total current liabilities	<u>2</u>	<u>-</u>
Net assets	<u>95</u>	<u>95</u>
Equity		
Retained earnings	95	95
Total equity	<u>95</u>	<u>95</u>