

# **SOUTH AUSTRALIA THE DEFENCE STATE**

**DEFENCE SA ANNUAL REPORT  
2009-2010**



Government of  
South Australia

**DEFENCE** 

1 July 2009–30 June 2010

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30 September 2010

Dear Ministers

I am pleased to present to you Defence SA's Annual Report and financial statements for the year ended 30 June 2010. The report has been prepared in accordance with the requirements of the *Public Sector Act 2009* and the *Public Finance and Audit Act 1987*.

Yours sincerely



Andrew Fletcher  
Chief Executive  
Defence SA



Government of  
South Australia

**DEFENCE SA**

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# CHIEF EXECUTIVE'S FOREWORD

Defence SA made major progress in 2009–10 on supporting delivery of major defence projects already won and positioning the state to capture further Defence work in the future.

Notably, we commissioned the Techport Australia Common User Facility, the centrepiece of the state's commitments to the Air Warfare Destroyer project. The facility is a strategic national asset, and will ensure that South Australia is able to support major naval shipbuilding and maintenance contracts well into the future, including the next generation of submarines.

Defence is a key economic driver for South Australia, which represents 25 percent of the country's national defence industry. As at 30 June 2008, the defence sector employed 22,765 people (direct and indirect) and contributed \$1.215 billion to the state's economy. The relocation of the 7RAR Battle Group to the Edinburgh Defence Precinct from late 2010 and the ramp up of the AWD project at Techport Australia are serving as major new catalysts for defence industry expansion in South Australia over the medium term.

Defence SA will continue to actively support these programs and pursue others which result in the best outcomes for South Australia's defence industry and our growing Defence presence.

The Defence SA Advisory Board is leading South Australian advocacy for reforms to Australia's naval shipbuilding and through life support procurement policies. Defence SA supported the board's December 2009 national release of a major discussion paper: *Naval Shipbuilding – Australia's \$250 billion Nation Building Opportunity*, to promote broad, informed discussion about achieving better value in naval shipbuilding in Australia over the next 20–30 years.

On behalf of the agency, I thank the Board for its continued commitment, support and wise counsel. The small team at Defence SA – enhanced by Technology Park Adelaide staff who joined us during the year – continues to deliver strongly, and I thank them for their focused and dedicated efforts.



Andrew Fletcher  
Chief Executive

# HIGHLIGHTS

Defence SA has played a key role in many projects, initiatives and strategies throughout the year to facilitate the development and growth of Defence and sustainable defence industries in South Australia. Key highlights for 2009-10 include:

- commissioned Techport Australia Common User Facility, the centrepiece of the state's commitments to the Air Warfare Destroyer project
- Techport Australia Common User Facility commenced operations, including commercial use and visits by Royal Australian Navy ANZAC class frigates HMAS Parramatta and HMAS Arunta
- continued advocacy for reforms to Australia's naval shipbuilding and through life support procurement policies, including support to the Defence SA Advisory Board's release of a major discussion paper: *Naval Shipbuilding – Australia's \$250 billion Nation Building Opportunity*, and participation in national public debate
- achieved Green Building Council of Australia five-star Green Star rating for the Techport Australia Maritime Skills Centre – the first Green Star education rating in South Australia
- completed an extensive research program to benchmark the defence sector's workforce and economic contribution
- continued support to the Australian Army to facilitate the successful relocation of the 1100-strong 7RAR Battle Group to Edinburgh from late 2010, including involvement in Army Roadshows in Darwin
- promoted the state's defence capabilities at major events, including the Defence + Industry 2009 Conference and Trade Exhibition, PACIFIC 2010 International Maritime Exposition and Clipsal 500 Adelaide
- transferred Technology Park Adelaide assets from the Land Management Corporation to Defence SA, with increased sales and leasing activity
- secured Defence Systems Integration – Technical Advisory and Defence Systems Innovation Centre as anchor tenants of the Secure Electronic Common User Facility at Technology Park and commenced construction of stage one in support of the state's position as a national hub in critical capability of systems engineering and integration
- supported the industry-led development of the *Defence Industry Workforce Action Plan*, the first collaborative approach to skills requirements in the defence sector, culminating in the release of the five-year plan
- construction completed on the Techport Australia Commercial Campus including purpose built premises for the AWD Alliance and Raytheon Australia

# **ABOUT DEFENCE SA**

# CORPORATE GOVERNANCE

## ORGANISATIONAL STRUCTURE

Defence SA is the state's lead government agency for all defence-related matters, and remains Australia's only stand-alone state defence organisation. Defence SA works closely with Defence and industry to grow Defence's presence and sustainable defence industries in South Australia.

Defence SA has lead responsibility for the state's defence key performance indicators – embedded in *South Australia's Strategic Plan*, formalising its commitment to:

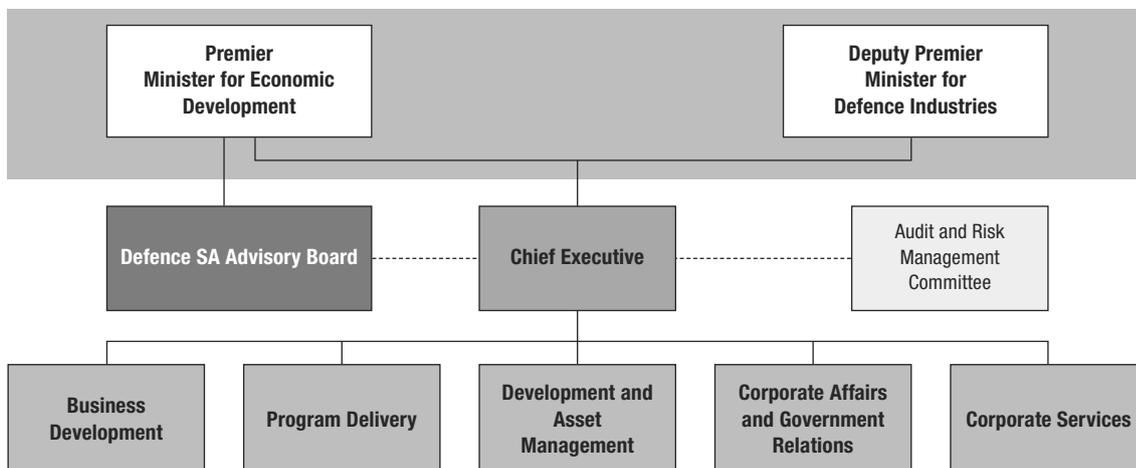
- increase defence industry employment from 16,000 to 28,000 by 2013 (T1.13)
- double the defence industry contribution to our economy from \$1 billion to \$2 billion by 2013 (T1.20).

South Australia is on track to meet these targets – as at 30 June 2008, the defence sector employed 22,765 people (direct and indirect) and contributed \$1.215 billion to the state's economy. The relocation of the 7RAR Battle Group to the Edinburgh Defence Precinct from late 2010 and the ramp-up of the \$8 billion Air Warfare Destroyer project at Techport Australia are serving as major new catalysts for defence industry expansion in South Australia over the medium term.

Work will commence in 2010–11 on the renewal of these high-level targets, which serve as our main guiding direction. By growing Defence and a sustainable defence industry in South Australia, Defence SA contributes to the broader economic growth, jobs, investment, population, sustainability, innovation and training targets also contained within *South Australia's Strategic Plan*.

Effective 1 October 2009, Defence SA assumed management and operational responsibility for the state's Technology Park Adelaide assets.

As at 30 June 2010, Defence SA employed 35.7 full-time equivalent employees across three locations. During the year, the management structure was amended with the loss of one general manager position (General Manager Commercial) and the functions amalgamated with the financial and human resource functions to form the Corporate Services Division. The structure and reporting arrangements of the agency as at 30 June 2010 are depicted in the figure below.



## UNIT FUNCTIONS

**Business Development** manages customer and stakeholder relationships, and identifies and develops defence industry and facility opportunities for the state. It also supports the Chief Executive and the Defence SA Advisory Board in defence sector strategy development.

**Program Delivery** is responsible for the physical delivery of Defence SA's major projects, including Techport Australia and the Secure Electronic Common User Facility, including managing all project inputs, as well as cost, time and risk considerations.

**Development and Asset Management** is responsible for the commercial development of Defence SA's portfolio of property assets, as well as land sales, masterplanning, design development, costing, feasibility analysis, risk identification and management and scheduling for the agency's land development projects.

**Corporate Affairs and Government Relations** delivers executive support to the Defence SA Advisory Board, as well as providing policy and strategy guidance for the agency's Ministers and input into relevant State Government committees, including those of Parliament and Cabinet. The unit is also responsible for the agency's marketing and event management activities as well as strategic and business planning. The unit leads the coordination of intra-government projects including workforce development, the relocation of the 7RAR Battle Group and the Woomera mining and defence interface review.

**Corporate Services** delivers all administration, finance and procurement support for the agency, as well as providing commercial cost/benefit analyses where required. The unit delivers specialist assistance to contract negotiations in the areas of legal advice, insurance and risk mitigation and is responsible for occupational health and safety issues.

## DEFENCE SA REPORTING ARRANGEMENTS

Defence SA reports to the Premier in his capacity as Minister for Economic Development. Following the creation of a dedicated defence industry ministerial portfolio in March 2010, a general delegation of all relevant powers and functions in relation to Defence SA was granted to the Minister for Defence Industries pursuant to section 9 of the *Administrative Arrangements Act 1994*. Defence SA's strategy and policy development is assisted by the Defence SA Advisory Board.

## DEFENCE SA ADVISORY BOARD

The Defence SA Advisory Board, chaired by General Peter Cosgrove AC MC, advises and recommends high-level strategy and policy for consideration and implementation by the State Government to build on South Australia's capabilities and strengths across the four defence sectors – maritime, land, aerospace and systems.

Particular focus areas include:

- promotion of South Australia as the pre-eminent Australian state for Defence presence and defence industry investment
- identification, development and exploitation of market opportunities to develop and grow Defence presence and sustainable defence industries in South Australia
- development of the capabilities of existing firms with a base of operations in South Australia
- development of a strong flexible skills base, particularly high-end skills, to meet defence industry and facility requirements
- ensuring the adequacy of infrastructure and research and development activities to meet the needs of expanding South Australian defence industries and facilities
- maximisation of commercialisation opportunities from South Australia's research and research and development institutions, particularly the Defence Science and Technology Organisation
- identification and minimisation of impediments to development and growth of Defence presence and sustainable defence industries in South Australia.

## MEMBERSHIP

The Defence SA Advisory Board has a core skills based made up of high-level strategy, defence and commercial expertise. Members of the board as at 30 June 2010 were:

- General Peter Cosgrove AC MC (Chairman) – Chief of the Defence Force (2002–05) and Australian of the Year (2001)
- Dr Ian Chessell – South Australia's Chief Scientist and former Australian Chief Defence Scientist (2000–03)
- Air Marshal Les Fisher AO – former Chief of the Air Force (1994–98)
- Mr Andrew Fletcher – Chief Executive, Defence SA
- Ms Beth Laughton – economist, investment banker and company director
- Lieutenant General Peter Leahy AC – former Chief of Army (2002–08)
- Rear Admiral Trevor Ruting AM CSC RANR – naval architect and former Head Maritime Systems, Defence Materiel Organisation
- Dr John White – engineer and business leader in defence, resources, technology and manufacturing sectors.

The Premier and Deputy Premier are ex-officio members of the board.

Emeritus Professor Paul Dibb AM is an advisor to the board on strategic policy matters.

The board farewelled two retiring members this year – former Chief of Navy Vice Admiral David Shackleton AO and leading South Australian businessman Mr Malcolm Kinnaird AC – following meritorious service of many years to South Australia and Australia’s defence industry. Former Deputy Prime Minister, Professor the Honourable Kim Beazley AC resigned from the Board, following his appointment as Australia’s Ambassador to the United States. Former Transfield Defence Chief Executive and member of the former Defence Industry Advisory Board, Dr John White, joined the Board.

## BOARD MEETING ATTENDANCE

The board held six formal meetings in 2009–10 and attendance was as follows:

	BOARD MEETINGS	
	Eligible	Attended
GEN Peter Cosgrove AC MC (Chairman)	6	5
Hon Mike Rann MP	6	1
Hon Kevin Foley MP	6	1
Professor Kim Beazley AC <sup>1</sup>	3	3
Dr Ian Chessell	6	5
AIRMSHL Les Fisher AO	6	6
Mr Andrew Fletcher	6	6
Mr Malcolm Kinnaird AC <sup>2</sup>	1	1
Ms Beth Laughton	6	6
LTGEN Peter Leahy AC	6	5
RADM Trevor Ruting AM CSC RANR	6	5
VADM David Shackleton AO <sup>3</sup>	5	3
Dr John White <sup>4</sup>	5	4
Emeritus Professor Paul Dibb AM (Advisor)	6	6

<sup>1</sup> resigned 1 January 2010

<sup>2</sup> retired 31 August 2009

<sup>3</sup> retired 26 April 2010

<sup>4</sup> appointed 1 September 2009

# CORPORATE GOVERNANCE continued

## BOARD MEETING ATTENDANCE

Members also contributed considerable out-of-session input to strategy development, projects and initiatives, including through participation in formal Board subcommittees at the sectoral level. Subcommittee members as at 30 June 2010 were:

Member	STANDING BOARD SUBCOMMITTEES			
	Maritime	Land	Aerospace	Systems
GEN Peter Cosgrove AC MC		Member		
Dr Ian Chessell	Member			Chair
AIRMSHL Les Fisher AO			Chair	Member
Mr Andrew Fletcher	Member	Member	Member	Member
Ms Beth Laughton		Member		
LTGEN Peter Leahy AC		Chair		
RADM Trevor Ruting AM CSC RANR	Member			
Dr John White	Chair			
Emeritus Professor Paul Dibb AM (Advisor)	Member	Member	Member	Member

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee provides independent risk assessment and management advice to the Chief Executive. Committee members as at 30 June 2010 were:

- Mr Christopher McSporran – Director, Director, Sustainable Budget Commission Secretariat, Department of Treasury and Finance (Chair and independent member)
- Ms Beth Laughton – Defence SA Advisory Board member
- Mr Peter Robertson – Chartered Accountant (independent member)
- Mr Andrew Blaskett – General Manager, Government Accounting and Reporting, Department of Treasury and Finance (independent member)
- Mr Damon Hall – General Manager, Corporate Services, Defence SA.

## LEGISLATION

Defence SA does not administer any legislation.

# STRATEGIC DIRECTIONS

## MISSION

*“Facilitate the development and growth of Defence and sustainable defence industries in South Australia.”*

Defence SA leads the state’s defence industry efforts, offering focused and responsive service to Defence and defence industry to drive the sector’s growth in South Australia, to support the delivery of key defence projects and facilities, and to cement the state’s reputation as Australia’s *Defence State*.

The growth of Defence and sustainable defence industries in South Australia plays a key role in South Australia’s economic development – for example by increasing population through the attraction of further Defence personnel and their families, adding to the state’s high technology industries and skills-base particularly as a result of growth in the areas of naval shipbuilding and electronics, and injecting further demand for general goods and services through the level of construction required over the next few years as Defence and related companies expand and upgrade their local presence.

## VALUES

Our values are a reflection of how we conduct our business.

- **Customers** – meeting customer commitments first time, every time
- **People** – the right people, well trained and well rewarded
- **Quality** – world’s best and sustainable practices
- **Healthy and Safe Environment** – our people and the community deserve a safe, healthy and clean environment
- **Integrity** – the foundation stone of all our values
- **Commercial** – fair reward for effort and competitive returns for stakeholders

# STRATEGIC DIRECTIONS continued

## STRATEGIC CONTEXT

Defence SA's strategic directions are aligned with the Australian Government's Defence White Paper and support the Defence Capability Plan. Our 10-year vision for the South Australian defence sector is as follows:

SOUTH AUSTRALIA'S DEFENCE SECTOR – 2018	
Three World Class Defence Precincts	Techport Australia Technology Park Adelaide Edinburgh Defence Precinct
Significant Defence Presence	Australian Defence Force superbase Defence Science and Technology Organisation Defence Materiel Organisation Upgraded Cultana and Woomera training and test areas
Centres of Industry Expertise	Naval shipbuilding Submarines Systems integration Military vehicles Advanced aerospace components manufacturing Space
Strong Research and Development Collaboration	DSTO and universities Industry
Skills Availability	Systems integration Maths and science Trade and technical skills

To that end, the agency aims to achieve the following sector-based outcomes by 2013:

## **MARITIME**

Techport Australia recognised and sustained as the national naval ship and submarine consolidation hub  
Successful delivery of State Government Air Warfare Destroyer program support packages

## **LAND**

Additional Australian Defence Force elements permanently based in South Australia  
Land vehicle fabrication and support established in South Australia  
Successful delivery of State Government support packages for planned Army relocation and expansion

## **AEROSPACE**

Increased share of military and commercial aircraft components market  
Australia's airborne surveillance and reconnaissance support capability sustained and developed in South Australia  
Increased share of future space domain market activities

## **SYSTEMS**

South Australia established as the centre of expertise for military electronic systems  
Joint and combined military training environment established in South Australia and used by Australian Defence Force and allied forces

## **OUTCOME-FOCUSED SECTOR APPROACH**

Defence SA's operations are aligned to meet these overarching objectives within the four defence sectors, with two additional sectors to reflect policy and corporate goals:

- **Defence State** – enhanced environment to facilitate the development and growth of Defence and sustainable defence industries in South Australia
- **Corporate** – effective and efficient corporate services to Defence SA, its board and committees and ministers.



# **SECTOR ACHIEVEMENTS**

# MARITIME

The main focus of this sector is on delivering the South Australian Government's commitments to the Air Warfare Destroyer program, as well as ensuring that the infrastructure and programs being put into place are well used over the long term. Significant work has been undertaken in and around Techport Australia to ensure these objectives are met.

## TECHPORT AUSTRALIA COMMON USER FACILITY

The Common User Facility was commissioned and commenced operations this year. The facility forms the centrepiece of the state's commitments to the AWD Project. It consists of three key areas:



### WHARF

The fully serviced wharf is 213 metres long and 25 metres wide. It can support heavy load equipment and is capable of servicing an AWD vessel through final outfitting, test and activation, harbour trials, sea trials, and maintenance and repair activities.



### SHIPLIFT

The shiplift is the largest in the southern hemisphere, capable of supporting a vessel up to 9,300 tonnes. At 156 metres long and 34 metres wide, it descends 18 metres into the water to launch and lift ships. Its design incorporates the potential to expand to 210 metres with a 22,000 tonne lifting capacity.



### RUNWAY AND DRY BERTH

The runway – with embedded and separate dry berth – can support the consolidation of two AWDs concurrently. The area is supported by a rail-based transfer system enabling vessel movement around the site and onto the shiplift, and is fully serviced via an underground service duct – over 700 metres long and containing high voltage electricity, potable water, seawater, fire services, communications and compressed air.

The facility is a strategic national asset, owned and operated by the Government of South Australia. Spread over eight hectares, the facility provides flexible access to a range of companies, contractors and sub-contractors and indeed a range of projects in addition to the AWD Project. Designed with expansion in mind, the facility ensures that South Australia can continue to support naval shipbuilding and maintenance contracts into the future, including the next generation of submarines.

The Common User Facility achieved ISO accreditation in June 2010 and is available for commercial use where capacity permits. In May 2010, the first commercial user, SVITZER, used the facility for a month-long survey and maintenance overhaul of one of its tug boats.



## **TECHPORT AUSTRALIA COMMERCIAL CAMPUS**

The Techport Australia Commercial Campus forms a critical mass of naval systems integration skills and incorporates the AWD Alliance's Air Warfare Destroyer Systems Centre and Raytheon Australia's South Australian Engineering Centre. The Commercial Campus will also support retail and commercial accommodation, becoming a hub for key professional functions and provide a focal point for the thousands of workers to be employed at Techport Australia.

Private sector development of the stage one 9,000 square-metre double-story office complex achieved practical completion during the year, with facilities for cornerstone tenants Raytheon and the AWD Alliance achieving practical completion in February and May 2010 respectively.

The campus is adjacent to the Maritime Skills Centre which is delivering the trade and technical skills required for the AWD project.

## **TECHPORT AUSTRALIA SUPPLIER PRECINCT**

The Supplier Precinct is a fully integrated industrial precinct for suppliers to set up operations on site and establish strong and efficient supply chains. The precinct offers an outstanding opportunity for businesses to locate alongside anchor tenant ASC – prime contractor for the AWD build contract and Collins class through life support contract.

The precinct is ideally suited for companies in naval and commercial shipbuilding and repair. Companies already in the precinct include Pacific Marine Batteries, National Crane Hire, Ferrocut, Le Fevre Developments and Babcock Integrated Technology Australia, with private development of several purpose-built facilities completed during the year. Stage One of the precinct is already over half sold, with further stages being prepared for future release.



## LAND

**The main focus of this sector is on delivering support to the Australian Army for its expansion activities in South Australia and capturing additional related work for local industry.**

### RELOCATION OF 7RAR BATTLE GROUP

Defence SA continues its focus on working with Defence, local governments and state agencies to support the 7th Royal Australian Regiment (7RAR) Battle Group personnel and their families in their move to Adelaide. The agency is coordinating activity across state agencies to ease the transition of partners and families into the state's health and education system, and into employment.

Construction of around \$570 million of new facilities is well advanced at RAAF Base Edinburgh in preparation for 7RAR's arrival from late 2010. Eighty new buildings are being constructed including working accommodation, a state-of-the-art health facility, combined dining and recreation facility, fitness centre, advanced high-tech close training facility, living accommodation and support facilities.

To support increased Defence activity within the precinct, the State Government, in conjunction with the Cities of Salisbury and Playford, has committed to a \$20 million program of road and rail works to improve connectivity and ease pressure on the existing transport network.

The relocation will provide significant economic opportunities for South Australia, further reinforcing our position as the *Defence State*. Some 1,900 people are forecast to arrive in Adelaide from late 2010, including soldiers, their partners and children. A large portion will integrate into northern suburb communities, creating demand for housing as well as education, childcare, sporting and medical facilities.



Once fully operational, the Battle Group is expected to contribute more than \$100 million to the South Australian economy and support 1,675 jobs annually.

The unique level of state support – the first of its kind, has been well received by the Army.

## **LAND VEHICLE FABRICATION AND SUPPORT**

Defence SA is promoting South Australia's defence credentials to national and international companies shortlisted for Defence's Land 121 Phase 4 military vehicles project. South Australia, with its growing reputation as a military vehicle hub, is well placed as a manufacturing and support base for this and future vehicle replacement projects. Key military vehicle prime companies have major establishments in South Australia, and are well supported by an established base of small to medium enterprises with significant fabrication, production and maintenance capabilities.



## AEROSPACE

**The main focus of this sector is on capturing further surveillance and reconnaissance activity in South Australia, and the development of the local aerospace component manufacturing and space industries.**

Defence SA continued to facilitate industry development activities related to aerospace advanced component manufacturing, ensuring manufacturers in the state have the skills, tools and productivity required to be internationally competitive. Local companies continue to be successful in securing global supply chain contracts on the multi-million dollar F-35 Joint Strike Fighter program.

A new Space Advisory Group has been formed, helping refocus the state's activities towards an increased share of the future space domain market. Strong relationships are being maintained with the Space Policy Unit of the Department of Industry, Innovation, Science and Research, and the agency has supported South Australian initiatives under the Australian Space Research Program.

Defence SA continues to promote South Australia's credentials as a location for additional Australian Defence Force aeronautical activities, including the establishment of Edinburgh as the home base for Unmanned Aircraft Systems.



## SYSTEMS

**The main focus of this sector is on consolidating expertise in defence support systems capabilities and related industry in South Australia.**

Defence SA has established a Secure Electronic Common User Facility (SECUF) in Endeavour House, Technology Park Adelaide.

Positioning South Australia as the leader in network-centric warfare, defence electronics and systems integration, SECUF will be of significant strategic importance to the state, providing multi-level, secure common use environment for the defence community in the integration of complex defence systems. SECUF will facilitate collaboration between industry and academia on innovation and commercialisation opportunities for South Australia.

Stage one of the development is well advanced and scheduled for completion in July 2010 for anchor tenants, the Defence Systems Innovation Centre and Defence Systems Integration – Technical Advisory.

# DEFENCE STATE

**The main focus of this sector is on delivery of strategy and policy, which in conjunction with the Defence SA Advisory Board provides leadership across government on all defence-related matters, as well as strategic development and management of Defence SA property assets.**

## DEFENCE POLICY

Complementing the Defence White Paper, in June 2010 the Australian Government released a Defence Industry Policy Statement, *Building Defence Capability: A Policy for a Smarter and More Agile Defence Industry Base*. This policy reaffirms the Commonwealth's position for local defence opportunities and engagement, formalising a range of initiatives which Defence has established to increase industry's sustainability. It also confirmed for the first time that South Australia represents 25 percent of the country's national defence industry.

Defence SA is focused on securing early opportunities arising out of the Future Submarine Project, following the Australian Government's commitment to assemble the 12 next generation submarines in South Australia.

## NAVAL SHIPBUILDING POLICY

The Defence SA Advisory Board is leading South Australian advocacy for reforms to Australia's naval shipbuilding and through life support procurement policies. Defence SA supported the Board's December 2009 national release of a major discussion paper: *Naval Shipbuilding – Australia's \$250 billion Nation Building Opportunity*, to promote broad, informed discussion about achieving better value in naval shipbuilding in Australia over the next 20–30 years.

This massive forward infrastructure investment provides a unique opportunity for Australia to develop a strategic and enduring national naval shipbuilding capability, with potentially far reaching rewards. This is an industry that has the potential to provide cost-effective capability to Defence, long-term jobs growth across the nation and the establishment of a sustainable high technology skills base that could flow through to other critical national industries such as mining, advanced manufacturing and information communication technology over the coming decades.

## WORKFORCE DEVELOPMENT

Defence SA continues to actively promote and contribute to a strategic and integrated whole-of-state approach to workforce development efforts, particularly with respect to defence industries. Working collaboratively with the Defence Teaming Centre, Defence SA promotes defence industry skills needs relevant to government agencies and education and training providers to help strengthen the state's position as a hub for future advanced defence industry.

An industry-led five-year *Defence Industry Workforce Action Plan* was released in October 2009 to provide guidance to key stakeholders on key workforce development-related priorities for the future. Implementation of a number of key actions identified in the plan are well underway, including the establishment and commencement of the South Australian Defence Industry Leadership Program and up-skilling workers in the defence industry through the Productivity Places Program.

Focus continues on delivery the state's substantial commitments to workforce development to support AWD project requirements, in particular through the onsite Maritime Skills Centre at Techport Australia.

Defence SA continues to work closely with the Australian Government on defence related skills initiatives, including the \$5.7 million Advanced Technology Industry-Schools Pathways Program, which commenced in early 2010.

The state has also committed to establishing Le Fevre High School as a maritime high school, and providing 75 scholarships per year over the next three years to students studying defence related honours degrees.

## **NORTHERN LEFEVRE PENINSULA**

Defence SA administers substantial strategic government-owned land holdings on the Lefevre Peninsula – identified in the *Metropolitan Adelaide Industrial Land Strategy* as a region which should be afforded long-term protection from incompatible or competing uses, due to its economic importance to the state, significant export function, extent of infrastructure investment, and future industrial land supply.

Defence SA continues to work on the long-term sustainable development of the peninsula in line with the *Northern Lefevre Peninsula Masterplan*, ensuring new industrial and port-related development is planned and coordinated to maximise local community benefits and economic benefit to the state. The *Northern Lefevre Peninsula Industry and Open Space Development Plan Amendment* was gazetted in November 2009, and the zoning changes in the DPA support the masterplan.

## **TECHNOLOGY PARK ADELAIDE**

In October 2009, Technology Park Adelaide facilities and staff were transferred to the Minister for Economic Development and now form part of the Defence SA property portfolio. Technology Park Adelaide is the state's high-technology precinct, focusing on electronics and systems development and integration. The Secure Electronic Common User Facility in Endeavour House is located within Technology Park Adelaide, supporting advanced engineering and research activities.

## **WOOMERA MINING/DEFENCE COEXISTENCE**

In May 2010, the Australian Government announced a review into the security and economic interests in the Woomera Prohibited Area (WPA). Led by Dr Allan Hawke AC, the objective of the review is to research and analyse the short and long-term national security and economic interests in the WPA and to make recommendations on how to ensure and maximise the coexistence of a strongly developing resources industry with Defence interests.

The State Government has consistently recognised the significant contribution of both mining and defence to the state's economic growth and the need for coexistence in the WPA. To facilitate good relations, Defence SA chairs a Working Group that also includes representatives from Primary Industries and Resources South Australia (PIRSA), Air Force Headquarters, Aerospace Operational Support Group, Defence Support Group, and the Department of Resources, Energy and Tourism. Defence SA is now also working closely with PIRSA to support Dr Hawke's review, which is due to report to the Minister of Defence in December 2010.

# APPENDICES

## EMPLOYEE NUMBERS, GENDER AND STATUS

**Total number of employees** (Staff paid as at 30 June 2010)

	Male	Female
Persons	18	18
FTEs	17.7	18.0

### By gender

	% Persons	% FTEs
Male	50.0	49.6
Female	50.0	50.4

### Employees separated and recruited

	Number
Separated from the agency during 2009–10	11
Recruited to the agency during 2009–10	18
Number of persons on leave without pay at 30 June 2010	1

### Number of employees by salary bracket

Salary Bracket	Male	Female	Total
\$0 - \$41,999	0	2	2
\$42,000 - \$62,499	1	7	8
\$62,500 - \$80,999	0	2	2
\$81,000 - \$100,999	2	3	5
\$101,000 +	15	4	19
<b>Total</b>	<b>18</b>	<b>18</b>	<b>36</b>

### Status of employees in current position

	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	Total
<b>FTEs</b>					
Male	1.7	1	15	0	17.7
Female	0	3	15	0	18
<b>Total</b>	<b>1.7</b>	<b>4</b>	<b>30</b>	<b>0</b>	<b>35.7</b>
<b>Persons</b>					
Male	2	1	15	0	18
Female	0	3	15	0	18
<b>Total</b>	<b>2</b>	<b>4</b>	<b>30</b>	<b>0</b>	<b>36</b>

## EXECUTIVES

### Executives by gender, classification and status

Classification	Ongoing		Contract Tenured		Contract Untenured		Total
	Male	Female	Male	Female	Male	Female	
EXEC0A	0	0	0	0	0	0	0
EXEC0B	0	0	0	0	1	0	1
EXEC0D	0	0	0	0	0	0	0
EXEC0F	0	0	0	0	1	0	1
SAES1	0	0	0	0	7	1	8
SAES2	0	0	0	0	2	0	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>1</b>	<b>12</b>

## LEAVE MANAGEMENT

### Average days taken per full-time equivalent employee

Leave Type	Number of Days
Sick Leave	4.45
Family Carers Leave	0.73
Special Leave with Pay	0.59

# WORKFORCE DIVERSITY

## Aboriginal and/or Torres Strait Islander employees

Nil.

## Number of employees by age bracket by gender

Age Bracket	Male	Female	Total	% of Total	Workforce Benchmark *
15-19	0	0	0	0	6.5%
20-24	0	0	0	0	10.3%
25-29	0	1	1	2.8	11.1%
30-34	3	7	10	27.8	10.7%
35-39	3	2	5	13.9	11.7%
40-44	4	2	6	16.7	11.4%
45-49	2	3	5	13.9	11.9%
50-54	4	1	5	13.9	10.3%
55-59	0	2	2	5.5	8.2%
60-64	2	0	2	5.5	5.3%
65+	0	0	0	0	2.6%
<b>Total</b>	<b>18</b>	<b>18</b>	<b>36</b>	<b>100</b>	<b>100.0%</b>

\* Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at May 2009.

## Cultural and linguistic diversity

	Male	Female	Total	% Agency	SA Community *
Number of employees born overseas	1	6	7	19.4	20.3%
Number of Employees who speak language(s) other than English at home	2	1	3	8.3	16.6%

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 Census.

## Disability

### Number of employees with disabilities (according to Commonwealth *Disability Discrimination Act 1992* definition)

Nil.

### Number of employees with disabilities requiring workplace adaptation

Nil.

## VOLUNTARY FLEXIBLE WORKING ARRANGEMENTS BY GENDER

### Employees by gender, classification and status

	Male	Female	Total
Purchased Leave	0	0	0
Flexitime	0	0	0
Compressed Weeks	1	0	1
Part-time	1	0	1
Job Share	0	0	0
Working from Home	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>

## PERFORMANCE DEVELOPMENT

### Documented review of individual performance management

Employees with...	% Total Workforce
A review within the past 12 months	100
A review older than 12 months	0
No review	0

## LEADERSHIP AND MANAGEMENT DEVELOPMENT

Training And Development	Total Cost	% of Total Salary Expenditure
Total training and development expenditure	\$96,318	1.66%
Total leadership and management development expenditure *	N/A	N/A

\* Defence SA does not separately record leadership and management costs. Costs incurred on this type of training and development are reflected in total training and development expenditure.

## ACCREDITED TRAINING PACKAGES

Nil.

## EQUAL EMPLOYMENT OPPORTUNITY PROGRAMS

Defence SA did not manage any whole-of-government equal opportunity programs during the reporting period. No specific equal opportunity programs for Defence SA employees and contract staff were conducted during the reporting period.

## OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

### OHS notices and corrective action taken

	2009–10	2008–09
Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	0	0
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	0	0
Number of notices served pursuant to OHS&W s35, s39 and s40 (default, improvement and prohibition notices)	0	0

### Agency gross workers' compensation expenditure for 2009–10 compared with 2008–09

Expenditure	2009–10 (\$m)	2008–09 (\$m)	Variation (\$m) + (-)	% Change + (-)
Income maintenance	0	0	0	0
Lump sum settlements redemptions – sect. 42	0	0	0	0
Lump sum settlements Permanent Disability – sect. 43	0	0	0	0
Medical/hospital costs combined	0	0	0	0
Other	0	0	0	0
<b>Total Claims Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Meeting safety performance targets

	Base 2005–06	Performance: 12 months to end of June 2009 <sup>1</sup>			Final Target
	Numbers or %	Actual	Notional Qtrly Target <sup>2</sup>	Variation	Numbers or %
<b>1</b> Workplace fatalities	na <sup>4</sup>	0	0	0	0
<b>2</b> New workplace injury claims	na <sup>4</sup>	0	0	0	0
<b>3</b> New workplace injury claims frequency rate	na <sup>4</sup>	0	0	0	0
<b>4</b> Lost time injury frequency rate <sup>3</sup>	na <sup>4</sup>	0	0	0	0
<b>5</b> New psychological injury claims	na <sup>4</sup>	0	0	0	0
<b>6</b> Rehabilitation and return to work	na <sup>4</sup>				
<b>a</b> Early assessment within 2 days	na <sup>4</sup>	0	0	0	80% or more
<b>b</b> Early intervention within 5 days	na <sup>4</sup>	0	0	0	80% or more
<b>c</b> Return to work within 5 business days	na <sup>4</sup>	0	0	0	74% or more
<b>7</b> Claim determination	na <sup>4</sup>				
<b>a</b> Claims determined in 10 days	na <sup>4</sup>	0	0	0	75% or more
<b>b</b> Claims still to be determined after 3 months	na <sup>4</sup>	0	0	0	3% or less
<b>8</b> Income maintenance – payments for recent injuries	na <sup>4</sup>				
<b>a</b> 2006–07 injuries (at 24 months development)	na <sup>4</sup>	0	0	0	Below previous 2 years average
<b>b</b> 2007–08 injuries (at 12 month development)	na <sup>4</sup>	0	0	0	Below previous 2 years average

<sup>1</sup> Except for Target 8, which is YTD. For Targets 5, 6c, 7a and 7b, performance is measured up to the previous quarter to allow reporting lag.

<sup>2</sup> Based on cumulative reduction from base at a constant quarterly figure.

<sup>3</sup> Lost Time Injury Frequency Rate Injury – frequency rate for new lost-time injury/disease for each one million hours worked. This frequency rate is calculated for benchmarking and is used by the WorkCover Corporation. Lost time injury frequency rate (new claims) formula is: Number of new cases of lost-time injury/disease for year divided by number of hours worked in the year multiplied by 1,000,000.

<sup>4</sup> Defence SA was established on 1 September 2007.

## CONTRACTUAL ARRANGEMENTS

On behalf of its minister, Defence SA entered into one contract in 2009–10 exceeding \$4 million. The contract was for the Techport Australia Common User Facility with RPG (SA) Pty Ltd for the supply of transfer trestles for use in conjunction with the shiplift and transfer system, valued at \$4.2 million (excluding GST).

## ACCOUNT PAYABLE PERFORMANCE

Particulars	Numbers of Accounts Paid	% of Accounts Paid	Value of \$A of Accounts Paid	% of Accounts Paid (By Value)
Paid by due date	3,569	98.4	\$145,678,990	99.3
Paid within 30 days or less from due date	47	1.3	\$496,055	0.3
Paid more than 30 days from due date	12	0.3	\$552,363	0.4

## FRAUD

There were no reported instances of fraud or corrupt behaviour in the agency during 2009–10. The agency's corporate risk management and financial management frameworks and fraud policy and procedures provides a control and compliance environment to minimise the risk of fraud.

## WHISTLEBLOWERS PROTECTION ACT 1993

Defence SA has designated responsible officers for the purposes of the *Whistleblowers Protection Act 1993*.

## EXTERNAL CONSULTANTS

Below \$10,000	Nil
\$10,000 - \$50,000	
Realty Solutions	Strategic property and development advice
Hudson Howells	Customer feedback survey and report
Above \$50,000	Nil

## OVERSEAS TRAVEL

No. of Employees	Destination(s)	Reasons for travel	Total cost to Agency
1	United Kingdom United States Canada	Inspection of ship transfer systems, launching of a ship and transfer of ship modules	\$13,100
1	United States United Kingdom	Support Premier in the promotion of defence industry in South Australia	\$17,300
1	United States United Kingdom Spain Switzerland	Support Deputy Premier in the promotion of defence industry in South Australia	\$84,100
1	Canada United Kingdom	Promotion of South Australian defence industry investment opportunities to international targets	\$14,200

## DISABILITY ACTION PLAN

Defence SA complies with the requirements of the *Disability Discrimination Act 1992*. Insofar as the Act relates to the functions of the agency, Defence SA confirms its commitment to the key principles of the Government of South Australia's *Promoting Independence – Disability Action Plan*.

## ASBESTOS MANAGEMENT IN GOVERNMENT BUILDINGS

Defence SA Annual Asbestos Management Report 2009–10				
Category	Number of Sites		Category Description	Interpretation
	Start of year	End of year		
1	0	0	Remove	Should be removed promptly
2	0	0	Remove as soon as practicable	Should be scheduled for removal at a practicable time
3	0	1*	Use care during maintenance	May need removal during maintenance works
4	1	1	Monitor condition	Has asbestos present, inspected according to legislation and managed appropriately
5	0	0	No asbestos identified	All asbestos identified as per OHS&W 4.2.10(1) has been removed
6	0	0	Further information required	These sites not yet categorised

\* Technology Park Adelaide asset, acquired 1 October 2009.

## URBAN DESIGN CHARTER

South Australia's *Urban Design Charter* aims to embed the principles of good design into government processes and to record the State Government's commitment to good urban design. The principles of the charter are reflected in the planning and design of Techport Australia and its environs and other defence precincts under the management of Defence SA.

The *Techport Australia Development Guidelines* were established by Defence SA to create a coherent vision for the built-form and landscape of Techport Australia, and ensure that the precinct incorporates best practice design, planning and sustainability principles. The Urban Design section of the Guidelines ensures that a high standard of construction and presentation can be achieved, clearly articulating the design principles, whilst the Ecologically Sustainable Development section outlines current environmental policies, plans and statements as well as detailing the fundamental design elements for ecologically sustainable development, encouraging such development within the Techport Australia precinct.

# FREEDOM OF INFORMATION STATEMENT

This statement is published in accordance with subsection 9(2) of the *Freedom of Information Act 1991* (FOI Act). Subject to certain restrictions, the FOI Act gives members of the public a legally enforceable right to access information held by the South Australian Government. A comprehensive introduction to freedom of information can be found on the State Records website at <http://www.archives.sa.gov.au/foi/index.html>

## Structure and functions of Defence SA

Defence SA is South Australia's lead government agency for all defence-related matters. The agency's goal is to facilitate the growth of Defence and sustainable defence industries in South Australia in accordance with *South Australia's Strategic Plan*.

To achieve this goal, the agency is focused on delivering the Government of South Australia's commitments to the Air Warfare Destroyer project, as well as capturing further defence work in the four defence sectors — maritime, land, aerospace and systems.

Defence SA is also striving to ensure the right climate for defence industry growth, and is working with a number of partners to deliver results for industry in the areas of workforce development and innovation, in particular.

A Chief Executive manages the operations of the Defence SA, which is structurally aligned to the delivery of the required functions and is organisationally represented by the following business areas:

- Business Development
- Program Delivery
- Development and Asset Management
- Corporate Affairs and Government Relations
- Corporate Services.

The Defence SA Advisory Board provides strategic and policy assistance to the Chief Executive and Government of South Australia on defence-related matters.

## Public participation in Defence SA

The main opportunity for public participation in the functions of the agency will be through project-specific consultation programs managed by Defence SA or by third parties on behalf of Defence SA.

## Description of the kinds of documents held by Defence SA

Documents held by the agency fall broadly into the categories described below. While most are available in hard copy, it should be noted that some are only available electronically. The listing of these categories does not necessarily mean all documents are accessible in full or in part under the Act. The categories include:

- corporate files containing correspondence, memoranda and minutes on all aspects of agency operations
- policies, procedures and guidelines prescribing the way various projects and programs are to be performed
- legal agreements
- personnel files relating to the agency's employees
- accounting and financial reports relating to the running of Defence SA.

## FREEDOM OF INFORMATION STATEMENT

### Making an application

In accordance with the Act, applications for access to documents held by the agency must:

- be made in writing – you may choose to write a letter or use the application form – [http://www.archives.sa.gov.au/files/forms\\_foi\\_request\\_for\\_access.pdf](http://www.archives.sa.gov.au/files/forms_foi_request_for_access.pdf)
- specify that the application is made under the *Freedom of Information Act 1991*
- be accompanied by a \$28.75 application fee (exemptions apply for Members of Parliament and pensioners or health card holders)
- specify an address in Australia to which information can be sent
- clearly identify the documents being sought or the matter to which they pertain
- specify whether the documents contain information of a personal nature
- specify the desired type of access to the document, such as inspection of the document at an arranged location or having a copy made.

Applications under the Act should be forwarded to:

The Accredited FOI Officer  
 Defence SA  
 PO Box 3643 Rundle Mall  
 ADELAIDE SA 5000

The Accredited Officer can be contacted on (08) 8463 7140.

Defence SA received seven Freedom of Information applications in 2009–10. All applications were processed in accordance with the Act.

## ENERGY EFFICIENCY ACTION PLAN

Defence SA was established in September 2007, with 2008–09 used as its base year for energy consumption. The base year included energy consumption associated with construction of the Techport Australia Common User Facility. With construction now complete, the agency’s energy consumption has significantly reduced.

	Energy Use (GJ) <sup>1</sup>	GHG Emissions (tonnes) <sup>2</sup>	Business Measure <sup>3</sup> 1 (MJ/m <sup>2</sup> /annum)
Base Year 2008–09	596.00	127.50	434.7
2009–10	199.59	42.69	240.0
2014 Target <sup>4</sup>	447.00	95.70	326.0

<sup>1</sup> Energy use data will be expressed in gigajoules (GJ) and is the sum of all fuel types used by the agency (eg electricity, natural gas, petrol etc) for that period.

<sup>2</sup> To pursue a 'triple bottom line' reporting approach, Defence SA has included Greenhouse Gas Emissions (in CO<sub>2</sub>) as a means of quantifying an aspect of environmental performance.

<sup>3</sup> Business measures are also known as normalisation factors. A key performance indicator for energy efficiency is energy intensity, i.e. the energy consumed per unit of a given business measure. The business measures used by Defence SA are the square metres of floor area of Defence SA buildings. The energy intensity therefore becomes the energy used per unit defined by the business measure such as MJ/m<sup>2</sup>.

<sup>4</sup> Mandated 25 percent energy efficiency improvement from the base year, although Defence SA will aim to achieve energy efficiency improvement well in excess of its 2014 target.

## **GREENING OF GOVERNMENT OPERATIONS FRAMEWORK**

Activities undertaken in 2009–10 to achieve Greening of Government outcomes include:

- achieved Green Star Building Council of Australia five-star Green Star rating for the Techport Australia Maritime Skills Centre – the first Green Star education rating in South Australia
- support for the Techport Australia Common User Facility managing contractor to participate in the KESAB clean worksite program, achieving a recycling rate of over 90 percent for the construction program
- facilitation of private sector development of a five-star rated facility at Techport Australia to house the AWD Systems Centre.

## **REGIONAL IMPACT ASSESSMENT STATEMENT**

Defence SA had no requirement to complete such a statement in 2009–10.



# **FINANCIAL STATEMENTS**

**DEFENCE SA (JULY 2009 – JUNE 2010)**





**Government of South Australia**

Auditor-General's Department

*Our Ref: A09/451*

25 September 2009

Mr Andrew Fletcher  
Chief Executive  
Level 4  
151 Pirie Street  
ADELAIDE SA 5000

9th Floor  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

Dear Mr Fletcher

**Audit of Defence SA  
for the year ended 30 June 2009**

The audit of the Defence SA financial statements for the year ended 30 June 2009 has been completed.

Management letters detailing Audit's findings with respect to the interim audit were provided to yourself and the Chief Financial Officer. Responses were received from Defence SA for all matters raised.

Returned herewith is Defence SA's audited financial report together with the Independent Auditor's Report which is unqualified.

The co-operation and assistance provided to the audit team was appreciated.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill', with a horizontal line underneath.

**S O'Neill  
AUDITOR-GENERAL**

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## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

9th Floor  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

### To the Chief Executive Defence SA

As required by section 31 of the *Public Finance and Audit Act 1987* I have audited the accompanying financial statements of Defence SA for the financial year ended 30 June 2009. The financial statements comprise:

- A Statement of Comprehensive Income
- A Statement of Financial Position
- A Statement of Changes in Equity
- A Statement of Cash Flows
- Disaggregated Disclosures - Expenses and Income
- Disaggregated Disclosures - Assets and Liabilities
- Notes, comprising a summary of significant accounting policies and other explanatory information and
- A Certificate from the Chief Executive and the Chief Finance Officer

### The Responsibility of the Chief Executive for the Financial Statements

The Chief Executive is responsible for the preparation and the fair presentation of the financial statements in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The Auditing Standards require that the auditor complies with relevant ethical requirements relating to audit engagements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as the overall presentation of the financial statements.

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

**Auditor's Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Defence SA as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



**S O'Neill**  
**AUDITOR-GENERAL**  
25 September 2009

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**DEFENCE SA**

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**Certification of the Financial Statements**

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We certify that the attached general purpose financial statements for Defence SA:

- comply with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of Defence SA; and
- present a true and fair view of the financial position of Defence SA as at 30 June 2009 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by Defence SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Andrew Fletcher  
Chief Executive  
16 September 2009



Christopher McSparran  
Chief Finance Officer  
16 September 2009

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**DEFENCE SA**

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**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 30 June 2009**

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	Note No.	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>EXPENSES</b>			
Employee benefits expenses	5	3,671	2,832
Supplies and services	6	6,527	6,030
Depreciation and amortisation	7	268	14
Grants and subsidies	8	5,873	595
Other expenses	9	157	755
<b>Total expenses</b>		<b>16,496</b>	<b>10,226</b>
<b>INCOME</b>			
Revenues from fees and charges	11	594	-
Grants	12	-	16,640
Net gain on disposal of non-current assets	13	2,184	-
Techport Australia recoveries	14	4,381	-
Property revenues	15	1,230	747
Other income	16	518	690
<b>Total income</b>		<b>8,907</b>	<b>18,077</b>
<b>Net (cost) / surplus from provision of services</b>	30	<b>(7,589)</b>	<b>7,851</b>
<b>Revenues from / payments to SA Government</b>			
Revenues from SA Government	17	16,036	15,730
Payments to SA Government	17	(2,135)	-
<b>Net result</b>		<b>6,312</b>	<b>23,581</b>
<b>Total comprehensive result</b>		<b>6,312</b>	<b>23,581</b>

Comparative figures for the period ended 30 June 2008 represent the ten months of operation following the establishment of Defence SA on 1 September 2007.

Net result and comprehensive result are attributable to the SA Government as owner.

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

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## DEFENCE SA

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Note No.	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Current assets</b>			
Cash	18	8,813	44,646
Receivables	19	3,781	3,291
		<u>12,594</u>	<u>47,937</u>
Land classified as held for sale	20	9,714	1,644
<b>Total current assets</b>		<u>22,308</u>	<u>49,581</u>
<b>Non-current assets</b>			
Land	21	83,721	67,104
Buildings and improvements, plant and equipment	21	5,299	4,605
Capital works in progress	22	229,507	136,751
<b>Total non-current assets</b>		<u>318,527</u>	<u>208,460</u>
<b>Total assets</b>		<u>340,835</u>	<u>258,041</u>
<b>Current liabilities</b>			
Payables	23	4,805	19,604
Employee benefits	24	581	436
Other current liabilities	25	21	-
<b>Total current liabilities</b>		<u>5,407</u>	<u>20,040</u>
<b>Non-current liabilities</b>			
Other non-current liabilities	25	126	-
<b>Total non-current liabilities</b>		<u>126</u>	<u>-</u>
<b>Total liabilities</b>		<u>5,533</u>	<u>20,040</u>
<b>Net assets</b>		<u>335,302</u>	<u>238,001</u>
<b>Equity</b>			
Contributed capital	26	200,656	109,428
Retained earnings*		134,646	128,573
<b>Total equity</b>		<u>335,302</u>	<u>238,001</u>

\* Includes \$94.552 million of contributed equity received from the Port Adelaide Maritime Corporation following the establishment of Defence SA on 1 September 2007.

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

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

**DEFENCE SA**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2009

	Note No.	Contributed Capital \$' 000	Retained Earnings \$' 000	Total \$' 000
Balance at 1 September 2007		-	-	-
Net result for 2007-08		-	23,581	23,581
<b>Total comprehensive result for the period 1 September 2007 to 30 June 2008</b>		<b>-</b>	<b>23,581</b>	<b>23,581</b>
<b>Transactions with SA Government as owner</b>				
Equity contribution received		109,428	-	109,428
Net assets received from an administrative restructure*		-	104,992	104,992
<b>Balance at 30 June 2008</b>		<b>109,428</b>	<b>128,573</b>	<b>238,001</b>
Error correction		-	(239)	(239)
Restated balance at 30 June 2008		109,428	128,334	237,762
<b>Net result for 2008-09</b>		<b>-</b>	<b>6,312</b>	<b>6,312</b>
<b>Total comprehensive result for 2008-09</b>		<b>-</b>	<b>6,312</b>	<b>6,312</b>
<b>Transactions with SA Government as owner</b>				
Equity contribution received	26	100,339	-	100,339
Equity contribution repaid	26	(9,111)	-	(9,111)
<b>Balance at 30 June 2009</b>		<b>200,656</b>	<b>134,646</b>	<b>335,302</b>

\* Includes \$94.552 million of contributed equity received from the Port Adelaide Maritime Corporation following the establishment of Defence SA on 1 September 2007.

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

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

**DEFENCE SA**

**STATEMENT OF CASH FLOWS**

For the year ended 30 June 2009

	Note No.	30 June 2009 \$' 000 Inflows (Outflows)	30 June 2008 \$' 000 Inflows (Outflows)
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefit payments		(3,513)	(2,650)
Payments for supplies and services		(6,647)	(6,327)
Payments of grants and subsidies		(5,872)	(595)
GST payments on purchases		(14,420)	(12,318)
GST paid to the ATO		(1,752)	(1,755)
<b>Cash used in operations</b>		<u>(32,204)</u>	<u>(23,645)</u>
<b>Cash inflows</b>			
Grants		-	16,640
Fees and charges		376	-
Techport Australia recoveries		4,345	-
Property revenues		1,279	639
GST receipts on receivables		1,767	1,756
GST recovered from the ATO		12,670	11,559
Deposits on sale of land		(412)	412
Other receipts		599	682
<b>Cash generated from operations</b>		<u>20,624</u>	<u>31,688</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		16,036	15,730
Payments to SA Government		(2,135)	-
<b>Cash generated from SA Government</b>		<u>13,901</u>	<u>15,730</u>
<b>Net cash provided by operating activities</b>	30	<u>2,321</u>	<u>23,773</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of land		(19,024)	(15,997)
Payments for property plant and equipment		(1,202)	(3,119)
Payments for capital work in progress		(120,402)	(101,196)
<b>Cash used in investing activities</b>		<u>(140,628)</u>	<u>(120,312)</u>
<b>Cash inflows</b>			
Proceeds from sale of land		11,246	-
<b>Cash generated from investing activities</b>		<u>11,246</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(129,382)</u>	<u>(120,312)</u>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Capital contributions repaid to government		(9,111)	-
<b>Cash used in financing activities</b>		<u>(9,111)</u>	<u>-</u>
<b>Cash inflows</b>			
Capital contributions from SA Government		100,339	109,428
Cash received from restructuring activities		-	31,757
<b>Cash generated from financing activities</b>		<u>100,339</u>	<u>141,185</u>
<b>Net cash provided by financing activities</b>		<u>91,228</u>	<u>141,185</u>
<b>Net (decrease)/increase in cash</b>		<u>(35,833)</u>	<u>44,646</u>
Cash at the beginning of the period		44,646	-
<b>Cash at the end of the period</b>	18, 30	<u>8,813</u>	<u>44,646</u>

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

## DEFENCE SA

### DISAGGREGATED DISCLOSURES – EXPENSES AND INCOME

For the year ended 30 June 2009

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Defence Precincts		Workforce Development		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Expenses</b>								
Employee benefit expenses	2,858	2,264	813	562	-	6	3,671	2,832
Supplies and services	4,469	3,132	2,058	2,884	-	14	6,527	6,030
Depreciation and amortisation	110	14	158	-	-	-	268	14
Grants and subsidies	684	573	2,637	-	2,552	22	5,873	595
Other expenses	37	62	120	693	-	-	157	755
<b>Total expenses</b>	<b>8,158</b>	<b>6,045</b>	<b>5,786</b>	<b>4,139</b>	<b>2,552</b>	<b>42</b>	<b>16,496</b>	<b>10,226</b>
<b>Income</b>								
Revenues from fees and charges	-	-	594	-	-	-	594	-
Grants	-	-	-	16,640	-	-	-	16,640
Net Gain from disposal of non-current assets	3	-	2,181	-	-	-	2,184	-
Techport Australia recoveries	-	-	4,381	-	-	-	4,381	-
Property revenues	-	-	1,230	747	-	-	1,230	747
Other income	169	648	240	15	109	27	518	690
<b>Total income</b>	<b>172</b>	<b>648</b>	<b>8,626</b>	<b>17,402</b>	<b>109</b>	<b>27</b>	<b>8,907</b>	<b>18,077</b>
Net (cost) / surplus from provision of services	<b>(7,986)</b>	<b>(5,397)</b>	<b>2,840</b>	<b>13,263</b>	<b>(2,443)</b>	<b>(15)</b>	<b>(7,589)</b>	<b>7,851</b>
<b>Revenues from SA Government</b>								
Revenues from SA Government	16,036	15,730	-	-	-	-	16,036	15,730
Payments to SA Government	<b>(2,135)</b>	-	-	-	-	-	<b>(2,135)</b>	-
<b>Net result</b>	<b>5,915</b>	<b>10,333</b>	<b>2,840</b>	<b>13,263</b>	<b>(2,443)</b>	<b>(15)</b>	<b>6,312</b>	<b>23,581</b>

Comparative figures for the period ended 30 June 2008 represent the ten months of operation following the establishment of Defence SA on 1 September 2007.

## DEFENCE SA

### DISSAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES

As at 30 June 2009

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Defence Precincts		Workforce Development		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Assets</b>								
Cash	7,810	43,623	1,003	1,023	-	-	8,813	44,646
Receivables	131	249	3,650	3,028	-	14	3,781	3,291
Land held for sale	-	-	9,714	1,644	-	-	9,714	1,644
Land	-	-	83,721	67,104	-	-	83,721	67,104
Buildings and improvements, plant and equipment	790	18	4,509	4,587	-	-	5,299	4,605
Capital works in progress	-	47	229,507	136,704	-	-	229,507	136,751
<b>Total assets</b>	<b>8,731</b>	<b>43,937</b>	<b>332,104</b>	<b>214,090</b>	<b>-</b>	<b>14</b>	<b>340,835</b>	<b>258,041</b>
<b>Liabilities</b>								
Payables	590	667	4,206	18,912	9	25	4,805	19,604
Employee benefits	527	436	54	-	-	-	581	436
Other liabilities	147	-	-	-	-	-	147	-
Total liabilities	1,264	1,103	4,260	18,912	9	25	5,533	20,040
<b>Net assets</b>	<b>7,467</b>	<b>42,834</b>	<b>327,844</b>	<b>195,178</b>	<b>(9)</b>	<b>(11)</b>	<b>335,302</b>	<b>238,001</b>

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**DEFENCE SA**

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**Note 1 Objectives of Defence SA**

Defence SA is South Australia's lead government agency for all defence-related matters. The agency's mission is to facilitate the development and growth of Defence and defence industries in South Australia on a competitive and sustainable basis in accordance with *South Australia's Strategic Plan*.

To achieve this mission, the agency is focused on delivering the Government of South Australia's commitments to the Air Warfare Destroyer project, as well as capturing further defence work in the four defence sectors - maritime, land, aerospace and electronics and weapons systems.

Defence SA is also striving to ensure the right climate exists for defence industry growth, and is working with a number of partners to deliver results for industry in the areas of workforce development and innovation, in particular.

**Note 2 Summary of significant accounting policies****a) Statement of Compliance**

The financial statements are general-purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and Treasurer's instructions and accounting policy statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

As disclosed in note 3, Defence SA has early adopted the amendments to AASB 101 *Presentation of Financial Statements* (September 2007 version) including AASB 2007 - 08 and AASB 2007 - 10 (these standards make consequential amendments to other standards as a result of the revised AASB 101). All other Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Defence SA for the reporting period ending 30 June 2009.

**b) Basis of Preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying Defence SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
  - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
  - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
  - c) employees whose remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
  - d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

**Note 2**

Defence SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

**c) Reporting entity**

Defence SA is a government agency of the State of South Australia, established pursuant to the *Public Sector Management Act 1995*. Defence SA is an administrative unit acting on behalf of the Crown and has no subsidiaries.

**d) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 *Presentation of Financial Statements* and specific revised accounting standards and accounting policy statements.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

Comparative figures for the period ended 30 June 2008 represent the ten months of operation following the establishment of Defence SA on 1 September 2007.

**e) Rounding**

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

**f) Project overheads**

Defence SA adopts a full cost approach to the costing of its capital works. This method entails the allocation of a proportionate share of project specific overheads to all activities based upon a regime of cost drivers in accordance with AASB 116 *Property Plant and Equipment*.

**g) Taxation**

Defence SA is not subject to income tax. Defence SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy. Defence SA is only liable for land tax on properties for which a contract for sale is held as at 30 June annually.

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, 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.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables, or payables in the Statement of Financial Position.

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 Australian Taxation Office is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

**Note 2 h) Events after the end of 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 those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

**i) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to Defence SA will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to its nature.

The following are specific recognition criteria:

*Revenues from SA Government*

Appropriations to fund activities are recognised as revenues when Defence SA obtains control over the funding. Control over appropriations is normally obtained upon receipt. Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of Defence SA and the appropriation is recorded as contributed equity.

*Net gain on disposal of non-current assets*

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with the carrying amount.

When revalued assets are sold, the revaluation reserve will be transferred to retained earnings.

Gains on disposal of land are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

*Other income*

Rental income is derived from property holdings and includes lease income and recoveries of tenant outgoings. Lease income is accounted for on a straight-line basis over the lease term.

**j) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from Defence SA will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to its nature.

The following are specific recognition criteria:

*Employee benefits expenses*

Employee benefits expenses include all costs related to employment including wages and salaries, non monetary benefits and leave entitlements. These are recognised when incurred.

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by Defence SA to several State Government and externally managed superannuation schemes in respect of current services of current Defence SA staff.

**Note 2***Depreciation*

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

Depreciation is applied to tangible assets. Defence SA has no intangible assets.

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and non-current assets held for sale are not depreciated.

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

Class of asset	Useful life (years)
Common User Facility infrastructure	50
Buildings	40
Leasehold improvements	Life of lease
Plant and equipment	4-15
Furniture and fittings	3-10

*Grants and Subsidies*

For contributions payable, the contribution will be recognised as a liability and expense when Defence SA has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by Defence SA have been unconditional.

*Payments to SA Government*

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and net profit on sale of non-current assets. These funds are paid directly to the Consolidated Account.

**k) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. Defence SA has established a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, Defence SA has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

**l) Assets**

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where an asset line item combines amounts expected to be settled within twelve months and more than twelve months, Defence SA has separately disclosed the amounts expected to be recovered after more than twelve months.

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

**Note 2***Cash*

Cash in the Statement of Financial Position includes:

- deposits with the Treasurer
- cash held in escrow, held for a specific purpose, as narrated in note 18

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that Defence SA will not be able to collect the debt. Bad debts will be written off when identified.

*Capital works in progress*

During the period work continued on the development of infrastructure to support the Air Warfare Destroyer construction program in accordance with the Infrastructure Assistance Agreement and other defence and industrial developments.

Defence SA engages in projects that include land acquisition, infrastructure development and ultimate disposal through sale or various leasing arrangements.

The accounting policy of capitalisation of project overheads attributable to capital works is disclosed in note 2 f).

Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with non-current asset acquisition and recognition (refer below).

*Non-current assets held for sale*

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

*Non-current asset acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

Complex assets are componentised when the asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

**Note 2***Revaluation of non-current assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets will only be performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years. As at 30 June 2009, no revaluations have been undertaken.

Every 3 years Defence SA will revalue its land, buildings and leasehold improvements. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

*Impairment*

All non-current tangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

**m) Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combines amounts expected to be settled within twelve months and more than twelve months, Defence SA has separately disclosed the amounts expected to be settled after more than twelve months.

The notes accompanying the financial statements disclose financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

*Payables*

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Defence SA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with Treasurer's Instruction 11 *Payment of Creditor Accounts*.

Employment benefit on-costs include superannuation contributions and payroll tax in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

Defence SA makes contributions to several 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.

*Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

Defence SA has entered into an operating lease for space within Endeavour House to establish the Secure Electronic Common User Facility (SECUF) at Technology Park.

*Operating Leases*

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the term of the lease.

*Lease Incentives*

All incentives received for the agreement of a new or renewed operating lease are recognised as a liability.

The aggregate benefits of lease incentives received by Defence SA in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

**Note 2***Employee benefits*

These benefits accrue for employees 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.

*Wages, salaries, annual leave and sick leave*

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

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than twelve months, the liability will be measured at present value.

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

*Long service leave*

The majority of Defence SA employees are newly recruited to the South Australian Government and are employed on contracts with less than 4 years to expiry. The long service leave liability accrual has been calculated based on the actual leave accrual for those staff with an existing long service leave entitlement.

The unconditional portion of the long service leave provision is classified as current as Defence SA does not have any 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 ten years of service.

*Employee benefit on-costs*

Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

*Provisions*

Provisions are recognised when Defence SA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When Defence SA expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

**n) Workers compensation**

Defence SA is responsible for payments of workers compensation claims. Defence SA has a Service Level Agreement with the Public Sector Workforce Division of the Department of the Premier and Cabinet to undertake injury management and rehabilitation services.

**o) Insurance**

Defence SA has arranged, through South Australian Government Financing Authority - Insurance Division (SAICORP), to insure all major risks of Defence SA. The excess payable under this arrangement is \$1,000 per claim.

Defence SA has arranged, with input from SAICORP, project specific professional indemnity, contractors, all risk and legal liability insurance policies applicable to the design and construction of the Common User Facility (CUF) at Techport Australia.

**Note 2 p) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Defence SA holds a number of performance guarantees in support of contractor performance. No value is assigned to these guarantees for financial statement purposes as they will only be called upon in the event that the contractor fails to fulfill their agreed contractual commitments.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Tax Office, the commitments and contingencies are disclosed on a gross basis.

**Note 3 New and revised accounting standards and policies**

Details of the accounting policies that Defence SA has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on Defence SA's financial statements from new and amended Australian accounting standards that are applicable for the first time in 2008-09 are also detailed below.

*Restructure of Administrative Arrangements*

In accordance with the revised AASB 1004 *Contributions*, Defence SA has provided comparative information for the restructure of administrative arrangements that occurred on 1 September 2007 as transactions with owners in their capacity as owners rather than as a revenue item.

*Other*

Defence SA has early adopted the September 2007 version of AASB 101 *Presentation of Financial Statements* including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income. In accordance with the new accounting standard AASB 1052 *Disaggregated Disclosures*, the amount of assets and liabilities reliably attributable to each activity has been disclosed.

*Issued or amended but not yet effective*

Except for amendments to AASB 101 *Presentation of Financial Statements*, which Defence SA has early-adopted, the Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by Defence SA for the period ending 30 June 2009. Defence SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of Defence SA.

**Note 4 Activities of Defence SA**

Activity information is prepared in conformity with the accounting policies of the entity as disclosed in note 2.

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

*Activity 1 - Defence Industry Development*

This activity incorporates delivery of strategy and policy, which in conjunction with the Defence SA Advisory Board provides leadership across government on all defence-related matters.

It also includes targeted business development opportunities and the agency's administrative, financial and other operational services.

This activity seeks to support the growth of Defence and sustainable defence industries in South Australia - across the maritime, land, aerospace and electronics and weapons sectors.

*Activity 2 - Defence Precincts*

This activity incorporates Defence SA's development and project delivery business areas, including activities relating to Techport Australia, the Secure Electronic Common User Facility and the Northern Lefevre Peninsula Masterplan.

It also includes targeted industry development initiatives at Edinburgh Defence Precinct and Technology Park and supporting expanded use of Defence's Cultana Training Area and Woomera Test Range.

This activity seeks to ensure world-class infrastructure to support the growth of Defence and sustainable defence industries in South Australia.

*Activity 3 - Workforce Development*

This activity incorporates delivery of the state's workforce development commitments to the Air Warfare Destroyer (AWD) project and integration of defence industry skills demand into whole of state workforce development planning and implementation initiatives.

This activity seeks to support South Australia in meeting the skill growth required to support Defence and defence industries, with particular focus on the immediate requirements of the AWD project.

This will be achieved through focused and innovative delivery of investment and skills attraction and development programs, appropriately integrated with whole of state workforce development efforts.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the 10 months to 30 June 2008 and for the year ended 30 June 2009.

**DEFENCE SA**

<b>Note 5</b>	<b>Employee benefits expenses</b>	<b>30 June 2009 \$' 000</b>	<b>30 June 2008 \$' 000</b>
	Salaries and wages	3,609	2,678
	Long service leave	10	75
	Annual leave	290	255
	Employment on-costs - superannuation	364	261
	Employment on-costs - other	232	171
	Board fees (note 29)	296	259
	Other employee related expenses	59	41
	<b>Total employee benefits expenses</b>	<b>4,860</b>	<b>3,740</b>
	Charged to capital projects	<b>(1,189)</b>	<b>(908)</b>
	<b>Total employee benefits expenses as per Statement of Comprehensive Income</b>	<b>3,671</b>	<b>2,832</b>

**Remuneration of employees**

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

\$100 000 - \$109 999	4	1
\$110 000 - \$119 999	2	2
\$120 000 - \$129 999	1	-
\$130 000 - \$139 999	2	-
\$140 000 - \$149 999	1	3
\$150 000 - \$159 999	1	-
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	2	1
\$190 000 - \$199 999	1	-
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	-	1
\$320 000 - \$329 999	1	-
\$370 000 - \$379 999	-	1
\$480 000 - \$489 999	1	-
<b>Total number of employees</b>	<b>18</b>	<b>11</b>

The table includes all employees who received remuneration of \$100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits.

The total remuneration received by these employees for the year was \$3.123 million (\$1.995 million).

**DEFENCE SA**

<b>Note 6</b>	<b>Supplies and services</b>	<b>30 June 2009 \$' 000</b>	<b>30 June 2008 \$' 000</b>
	<b>Supplies and services provided by entities within the SA</b>		
	<b>Government</b>		
	Accommodation and service costs	293	102
	Legal fees to Crown Solicitor's Office	96	136
	Provision of corporate services under Service Level Agreements	103	135
	Other	189	96
	<b>Total supplies and services - SA Government entities</b>	<b>681</b>	<b>469</b>
	<b>Supplies and services provided by entities external to the SA</b>		
	<b>Government</b>		
	Contractors	1,443	2,759
	Consultants (refer below)	157	199
	Legal fees	165	142
	Staff development and recruitment	284	92
	Travel and related expenses	380	448
	Promotion and events	2,123	1,223
	Property	727	500
	Other expenses	567	198
	<b>Total supplies and services - Non SA Government entities</b>	<b>5,846</b>	<b>5,561</b>
	<b>Total supplies and services</b>	<b>6,527</b>	<b>6,030</b>

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to Defence SA not holding a valid tax invoice or payments relating to third party arrangements.

**The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:**

	<b>30 June 2009</b>		<b>30 June 2008</b>	
	<b>No</b>	<b>\$' 000</b>	<b>No</b>	<b>\$' 000</b>
Below \$10 000	2	10	3	4
Between \$10 000 and \$50 000	3	82	2	26
Above \$50 000	1	65	2	169
<b>Total paid/payable to the consultants engaged</b>	<b>6</b>	<b>157</b>	<b>7</b>	<b>199</b>

**DEFENCE SA**

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 7 Depreciation and amortisation expense</b>		
<b>Depreciation</b>		
Buildings and improvements	140	-
Plant and equipment	35	14
<b>Total depreciation</b>	<u>175</u>	<u>14</u>
<b>Amortisation</b>		
Leasehold improvements	93	-
<b>Total amortisation</b>	<u>93</u>	<u>-</u>
<b>Total depreciation and amortisation</b>	<u>268</u>	<u>14</u>
<b>Note 8 Grants and subsidies</b>	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Grants and subsidies paid/payable to entities external to the SA Government</b>		
Defence Teaming Centre	670	316
University of South Australia	-	257
ASC Pty Ltd	5,140	22
Defence Projects Pty Ltd and Techport Developments Pty Ltd	63	-
<b>Total grants and subsidies - Non SA Government entities</b>	<u>5,873</u>	<u>595</u>
<b>Note 9 Other expenses</b>	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Other expenses paid/payable to entities within the SA Government</b>		
Audit fees (refer note 10)	37	62
Land tax and emergency services levy	44	693
<b>Total other expenses - SA Government entities</b>	<u>81</u>	<u>755</u>
<b>Other expenses paid/payable to entities external to the SA Government</b>		
Bad debts and allowances for doubtful debts (refer note 19)	76	-
<b>Total other expenses - Non SA Government entities</b>	<u>76</u>	<u>-</u>
<b>Total other expenses</b>	<u>157</u>	<u>755</u>
<b>Note 10 Auditor's remuneration</b>	30 June 2009 \$' 000	30 June 2008 \$' 000
Audit fees paid/payable to the Auditor-General's Department		
Fees paid / payable for prior period audits	-	27
Fees paid / payable for the current reporting period	37	35
<b>Total audit fees</b>	<u>37</u>	<u>62</u>
<b>Other services</b>		
No other services were provided by the Auditor-General's Department.		
<b>Note 11 Revenues from fees and charges</b>	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Fees and charges received/receivable from entities external to the SA Government</b>		
CUF priority access fee	594	-
<b>Total fees and charges - Non SA Government</b>	<u>594</u>	<u>-</u>

**DEFENCE SA**

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 12 Grants</b>		
<b>Grants received/receivable from entities external to the SA Government</b>		
ASC Pty Ltd contribution to CUF extended dry berth	-	16,640
<b>Total grants - Non SA Government entities</b>	<u>-</u>	<u>16,640</u>
<b>Note 13 Net gain on disposal of non current assets</b>		
Proceeds from disposal of land	11,246	-
Less net book value of land disposed	(9,065)	-
Proceeds from disposal of plant and equipment	3	-
<b>Total net gain from disposal of non-current assets</b>	<u>2,184</u>	<u>-</u>
<b>Note 14 Techport Australia recoveries</b>		
<b>Techport Australia recoveries received/receivable from entities external to the SA Government</b>		
Commercial Campus recoveries*	3,263	-
Other Techport Australia recoveries	1,118	-
<b>Total Techport Australia recoveries</b>	<u>4,381</u>	<u>-</u>
*Commercial Campus recoveries resulting from the transfer of the Commercial Campus development to a private developer.		
<b>Note 15 Property revenues</b>		
<b>Property revenues received/receivable from entities external to the SA Government</b>		
Rental income and recoveries	1,230	747
<b>Total property revenues</b>	<u>1,230</u>	<u>747</u>
<b>Note 16 Other income</b>		
<b>Other income received/receivable from entities within the SA Government</b>		
Transfers received - Department of Trade and Economic Development	-	494
Transfers received - Department of Further Education, Employment, Science and Technology	109	68
Other income	5	5
<b>Total other income - SA Government entities</b>	<u>114</u>	<u>567</u>
<b>Other income received/receivable from entities external to the SA Government</b>		
Insurance recoveries	-	71
Contribution to Army Presence in South Australia study	84	-
Contribution to Northern Lefevre Peninsula headworks design	229	-
Other recoveries	91	52
<b>Total other income - Non SA Government entities</b>	<u>404</u>	<u>123</u>
<b>Total other income</b>	<u>518</u>	<u>690</u>

## DEFENCE SA

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 17 Revenues from/payments to SA Government</b>		
<b>Revenues from SA Government</b>		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	16,000	15,697
Transfers received - Department of Treasury and Finance, Contingencies	36	33
<b>Total revenues from SA Government</b>	<b>16,036</b>	<b>15,730</b>
<b>Payments to SA Government</b>		
Other payments to the Consolidated Account*	(2,135)	-
<b>Total payments to SA Government</b>	<b>(2,135)</b>	<b>-</b>

\*This amount represents the estimated net profit on sale of non-current assets.

Total revenues from SA Government consists of \$16.000 million (\$15.697 million) for operational funding. For details on the expenditure associated with the operational funding received refer to notes 5 to 14. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to Defence SA under the annual Appropriation Act was reduced as Defence SA used surplus cash balances from prior years. This funding strategy was approved by the Department of Treasury and Finance.

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 18 Cash</b>		
Deposits with the Treasurer	7,810	43,623
Cash held in escrow	1,003	1,023
<b>Total cash</b>	<b>8,813</b>	<b>44,646</b>

### Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, and can only be used in accordance with the Treasurer's/Under Treasurer's approval.

### Interest rate risk

Exposure to interest rate risk may arise through interest bearing assets and liabilities. Deposits with the Treasurer and cash held in escrow are non-interest bearing. The carrying amount of cash represents net fair value.

### Cash held in escrow

Cash held in escrow represents cash held for a specific purpose (land remediation) as per contract conditions. This cash is not available to fund other Defence SA activities.

## DEFENCE SA

	<b>30 June</b>	30 June
	<b>2009</b>	2008
	<b>\$' 000</b>	\$' 000
<b>Note 19 Receivables</b>		
<b>Current</b>		
Receivables	468	178
Less allowance for doubtful debts	(76)	-
GST input tax recoverable	3,354	2,907
Prepayments	35	206
<b>Total current receivables</b>	<b>3,781</b>	<b>3,291</b>

Receivables are due from Non SA Government entities.

### **Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)

Carrying amount at the beginning of the period	-	-
Increase in allowance	76	-
Amounts written off	-	-
Carrying amount at the end of the period	76	-

### **Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

	<b>30 June</b>	30 June
	<b>2009</b>	2008
	<b>\$' 000</b>	\$' 000
<b>Note 20 Land classified as held for sale</b>		
Carrying amount at the beginning of the period	1,644	-
Additions	17,135	1,644
Disposals (sales)	(9,065)	-
<b>Land held for sale at the end of the period</b>	<b>9,714</b>	<b>1,644</b>

Defence SA is undertaking remediation, development and sub-division of land parcels on the Lefevre Peninsula on a progressive basis. The value of land classified as held for sale represents those parcels available and likely to be settled within 12 months. The value recorded represents the acquisition and development costs of the land.

## DEFENCE SA

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 21 Property, plant and equipment</b>		
<b>Land</b>		
Land only holdings at cost	83,099	67,104
Site land	622	-
<b>Total land</b>	<u>83,721</u>	<u>67,104</u>
<b>Buildings and improvements, plant and equipment</b>		
Buildings at cost	4,239	4,555
Accumulated depreciation at the end of the period	(140)	-
<b>Total buildings</b>	<u>4,099</u>	<u>4,555</u>
<b>Leasehold improvements</b>		
Leasehold improvements at cost	866	-
Accumulated amortisation at the end of the period	(93)	-
<b>Total leasehold improvements</b>	<u>773</u>	<u>-</u>
<b>Plant and equipment</b>		
Plant and equipment at cost (deemed fair value)	510	97
Accumulated depreciation at the end of the period	(83)	(47)
<b>Total plant and equipment</b>	<u>427</u>	<u>50</u>
<b>Total buildings and improvements, plant and equipment</b>	<u>5,299</u>	<u>4,605</u>
Total property, plant and equipment at cost	89,336	71,756
Total accumulated depreciation/amortisation at the end of the period	(316)	(47)
<b>Total property, plant and equipment</b>	<u>89,020</u>	<u>71,709</u>

### Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2009.

## DEFENCE SA

### Note 21 Property, plant and equipment (continued)

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement on property, plant and equipment during 2007-08

	Land	Buildings	Leasehold improvements	Plant and equipment	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Acquisition through administrative restructuring	52,751	-	-	32	52,783
Additions	15,997	4,555	-	32	20,584
Assets reclassified to assets held for sale	(1,644)	-	-	-	(1,644)
Disposals	-	-	-	-	-
Depreciation/amortisation	-	-	-	(14)	(14)
<b>Carrying amount at the end of the period</b>	<b>67,104</b>	<b>4,555</b>	<b>-</b>	<b>50</b>	<b>71,709</b>

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement on property, plant and equipment during 2008-09

	Land	Buildings	Leasehold improvements	Plant and equipment	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>Carrying amount at the beginning of the period</b>	<b>67,104</b>	<b>4,555</b>	<b>-</b>	<b>50</b>	<b>71,709</b>
Additions	33,752	80	866	255	34,953
Assets reclassified to assets held for sale	(17,135)	-	-	-	(17,135)
Disposals	-	-	-	-	-
Expense of non-capital items*	-	(239)	-	-	(239)
Assets class transfers	-	(157)	-	157	-
Depreciation/amortisation	-	(140)	(93)	(35)	(268)
<b>Carrying amount at the end of the period</b>	<b>83,721</b>	<b>4,099</b>	<b>773</b>	<b>427</b>	<b>89,020</b>

\*Minor items of furniture, fittings and equipment included in the amount capitalised for Maritime Skills Centre construction as at 30 June 2008 which do not meet the Defence SA capitalisation policy.

## DEFENCE SA

	<b>30 June</b>	30 June
<b>Note 22 Capital works in progress</b>	<b>2009</b>	2008
	<b>\$' 000</b>	<b>\$' 000</b>
The balance of capital works in progress as at the end of the reporting period.	<b>229,507</b>	136,751

Capital works in progress includes:

- detailed planning and design and remediation and infrastructure headworks on development land
- detailed planning and design and development work associated with the construction of the CUF
- detailed planning and design of the leasehold improvements associated with the SECUF.

### RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2007-08

	Improvements to freehold land	Harbour and port infrastructure	Buildings	Leasehold improve- ments	Total capital works in progress
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Acquisition through administrative restructuring	4,569	17,280	1,469	-	23,318
Additions	8,900	105,898	3,364	-	118,162
Expense of prior year capital cost	-	-	(174)	-	(174)
Reclassified as property, plant and equipment	-	-	(4,555)	-	(4,555)
Carrying amount at the end of the period	13,469	123,178	104	-	136,751

### RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2008-09

	Improvements to freehold land	Harbour and port infrastructure	Buildings	Leasehold improve- ments	Total capital works in progress
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>Carrying amount at the beginning of the period</b>	13,469	123,178	104	-	136,751
Additions	21,016	85,577	-	1,756	108,349
Reclassified as property, plant and equipment	(14,727)	-	-	(866)	(15,593)
Leasehold improvements transferred from buildings*	-	-	(82)	82	-
<b>Carrying amount at the end of the period</b>	<b>19,758</b>	<b>208,755</b>	<b>22</b>	<b>972</b>	<b>229,507</b>

\*Leasehold improvements included in buildings in the 2007-08 capital works in progress reconciliation.

## DEFENCE SA

	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 23 Payables</b>		
<b>Current</b>		
Creditors and accrued expenses	4,697	19,097
Deposits on land sales	-	412
Employment on-costs	108	95
<b>Total current payables</b>	4,805	19,604
<b>Government / non-government payables</b>		
<b>Payables to SA Government entities</b>		
Creditors and accrued expenses	104	156
Employment on-costs	39	82
<b>Total payables to other SA Government entities</b>	143	238
<b>Payables to non-SA Government entities</b>		
Creditors and accrued expenses	4,593	18,941
Deposits on land sales	-	412
Employment on-costs	69	13
<b>Total payables to non-SA Government entities</b>	4,662	19,366
<b>Total payables</b>	4,805	19,604

### Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) **Maturity analysis of payables** - refer to note 31

(b) **Categorisation of financial instruments and risk exposure information** - refer to note 31

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 24 Employee benefits</b>		
<b>(a) Employee benefits current</b>		
Accrued salaries and wages	112	60
Annual leave	285	201
Short-term long service leave	184	175
<b>Total current employee benefits</b>	581	436
<b>Total employee benefits</b>	581	436
<b>(b) Employee benefits and related on-costs</b>		
<b>Accrued salaries and wages, annual leave and long service leave</b>		
On-costs included in payables (note 23)	108	95
Provision for employee benefits (note 24 (a))	581	436
<b>Total accrued salaries and wages, annual leave and long service leave</b>	689	531

As a result of an actuarial assessment performed by the Department of Treasury and Finance the salary inflation rate has been revised down by 0.5% from the 2008 rate of 4.5%. The net financial effect of the change is a decrease in the total leave liability and employee benefit expense of \$3 000. The net financial effect of the change if adopted in a future year is not anticipated to be materially different.

## DEFENCE SA

	30 June 2009	30 June 2008
<b>Note 25 Other liabilities</b>		
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Lease incentive	<u>21</u>	<u>-</u>
<b>Total current other liabilities</b>	<u>21</u>	<u>-</u>
<b>Non-current other liabilities</b>		
Lease incentive	<u>126</u>	<u>-</u>
<b>Total non-current other liabilities</b>	<u>126</u>	<u>-</u>
<b>Total other liabilities</b>	<u>147</u>	<u>-</u>

Lease liabilities are due to Non SA Government entities and are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

### Note 26 Contributed capital

Contributed capital received represents equity contribution from the SA Government under Appropriation Acts to fund the investing activities of Defence SA.

Contributed capital repaid represents the purchase price and cost of development of land sold during the year originally funded from contributed capital.

### Note 27 Unrecognised contractual commitments

	30 June 2009	30 June 2008
<b>Capital commitments</b>		
Capital expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	<u>36,664</u>	<u>119,767</u>
Later than 1 year but not longer than 5 years	<u>5,835</u>	<u>12,044</u>
<b>Total capital commitments</b>	<u>42,499</u>	<u>131,811</u>

Defence SA's capital commitments are to various contractors providing design and construction services for the CUF and Supplier Precinct at Techport Australia.

#### Operating commitments

Operating expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

Within 1 year	<u>1,436</u>	<u>1,445</u>
Later than 1 year but not longer than 5 years	<u>3,800</u>	<u>1,175</u>
<b>Total operating commitments</b>	<u>5,236</u>	<u>2,620</u>

Defence SA's operating commitments reflect grant and fee for service contracts for defence industry development and specialist technical and engineering advice.

#### Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Within 1 year	<u>3,837</u>	<u>3,184</u>
Later than 1 year but not longer than 5 years	<u>5,260</u>	<u>1,848</u>
<b>Total remuneration commitments</b>	<u>9,097</u>	<u>5,032</u>

Amounts disclosed include commitments arising from executive and other service contracts. Defence SA does not offer fixed-term remuneration contracts greater than five years.

**Note 28 Contingent assets and liabilities****Contingent assets to which no value can be assigned**

Defence SA holds performance guarantees issued on behalf of a number of contractors which can be exercised in the event that the respective contractors fail to deliver in terms of their contractual arrangements.

Defence SA is entitled to claim liquidated damages from the CUF construction managing contractor as a result of a delay in completion of the dredging component of the contract. A liquidated damages claim has been served by Defence SA however the loss and any subsequent claim cannot be reliably estimated at present.

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Contingent liabilities to which a value can be assigned</b>		
Contingent liability to which a value can be assigned	14,706	1,909
<b>Total</b>	<u>14,706</u>	<u>1,909</u>

**Techport Australia Commercial Campus (Stage One)**

Defence SA facilitated the private sector delivery of the Techport Australia Commercial Campus, pursuant to its commitments to the AWD project and development of Techport Australia as Australia's premier naval industry hub. Stage One development includes the AWD Alliance's AWD Systems Centre, Raytheon Australia's SA Engineering Centre, and supporting commercial and retail accommodation. Related agreements require:

- a) Defence SA to provide accommodation assistance to ASC AWD Shipbuilder Pty Ltd with payments commencing upon occupation of the facility in 2010. The State's exposure is approximately \$6.381 million.
- b) Defence SA to accept a novation of the residual lease period should ASC AWD Shipbuilder Pty Ltd elect to vacate the premises between November 2019 and expiration of its initial 10-year lease term, which is considered unlikely. The State's exposure is approximately \$0.2 million per calendar month (2008 dollars) for the novation period which is not expected to exceed 12 months.
- c) Defence SA to provide a contribution to the fitout costs incurred by the developer in establishing the facility. Defence SA's exposure is limited to \$5.925 million.

Payment is contingent on completion of the facility and occupation by the tenants.

**Contingent liabilities to which no value can be assigned****Air Warfare Destroyer Project - Common User Facility**

The State has entered into an agreement with the Commonwealth for the construction of a Common User Facility (CUF) at Osborne to support ASC AWD Shipbuilder Pty Ltd in the construction of three air warfare destroyers for the Royal Australian Navy. The agreement indemnifies the Commonwealth from any third party losses or damages arising from a failure by the State to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered remote, and the State's exposure is capped at \$320 million.

## DEFENCE SA

### Note 29 Remuneration of board and committee members and related party disclosure

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

GEN P Cosgrove AC MC  
 Hon M Rann MP \*  
 Hon K Foley MP \*  
 N Adler AC (ceased 31 August 2008)  
 Professor Hon Kim Beazley AC (appointed 1 January 2009)  
 M Kinnaird AC  
 LTGEN P Leahy AC (appointed 14 October 2008)  
 AM L Fisher AO  
 B Laughton  
 Dr I Chessell  
 RADM (Rtd) T Ruting AM CSC RANR  
 VADM (Rtd) D Shackleton AO  
 A Fletcher \*\*  
 P Young (ceased 31 August 2008)

Members of the Audit and Risk Management Committee during the financial year were:

P Robertson (independent member)  
 B Laughton (independent member)  
 A Blaskett (independent member) \*\*  
 C McSporran \*\*  
 M Mitchell \*\*

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

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>No.</b>	<b>No.</b>
\$1 - \$9 999	3	1
\$10 000 - \$19 999	1	1
\$20 000 - \$29 999	1	6
\$30 000 - \$39,999	6	-
\$40 000 - \$49 999	-	1
\$50 000 - \$59 999	-	1
\$60 000 - \$69 999	1	-
	<b>12</b>	<b>10</b>

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. Total income received, or due and receivable, by board and committee members was \$320 000 (\$280 000), plus Defence SA compulsory superannuation contributions of \$24 000 (\$21 000). Other expenses of Advisory Board members were \$203 000 (\$152 000).

\* The Premier and Deputy Premier did not receive any remuneration for board/committee duties during the period.

\*\* In accordance with the Department of Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between related parties are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

RADM (Rtd) T Ruting also provided services to Defence SA on a contract basis. Total contractual payments for the period were \$13 550.

AM Les Fisher AO is Chairman of Aerospace Australia Limited. Defence SA participated in the Australian International Airshow and Aerospace and Defence Exposition in March 2009, which is an event managed by Aerospace Australia Limited.

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Note	30 June 2009 \$' 000	30 June 2008 \$' 000
<b>Note 30 Cash flow reconciliation</b>		
<b>Reconciliation of cash – cash at end of reporting period:</b>		
Cash disclosed in the Statement of Financial Position	8,813	44,646
Balance as per the Statement of Cash Flows	8,813	44,646
<b>Reconciliation of net cash provided by operating activities to net cost of providing of services:</b>		
Net cash provided by operating activities	2,321	23,773
Less revenues from SA Government	17 (16,036)	(15,730)
Add payments to SA Government	17 2,135	-
<b>Add/(less) non-cash items</b>		
Payables assumed on restructure	-	339
Receivables assumed on restructure	-	(504)
Employee benefits assumed on restructure	-	279
Depreciation and amortisation expense of non-current assets	7 (268)	(14)
Prior period capital work in progress expensed	-	(174)
Gain on sale of non-current assets	13 2,184	-
Non-current assets accrual in payables	(12,922)	16,599
<b>Movement in assets/liabilities</b>		
Increase in receivables	19 490	3,291
Decrease/(Increase) in payables	23 14,799	(19,599)
(Increase) in employee benefits	24 (145)	(409)
(Increase) in other liabilities	25 (147)	-
<b>Net (cost) / surplus from provision of services</b>	<u>(7,589)</u>	<u>7,851</u>

**Note 31 Financial instruments/financial risk management**

**Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 *Summary of Significant Accounting Policies*.

Category of financial assets and financial liabilities	Note	Carrying Amount 30 June 2009	Carrying Amount 30 June 2008
<b>Financial assets</b>			
Cash	18, 30	8,813	44,646
Receivables (at cost) <sup>(1)</sup>	19	427	178
<b>Financial liabilities</b>			
Payables (at cost) <sup>(1)</sup>	23	4,354	17,884

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to GST receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

**Note 31 Financial instruments/financial risk management (continued)****Credit risk**

Credit risk arises when there is the possibility of Defence SA's debtors defaulting on their contractual obligations resulting in financial loss to Defence SA. Defence SA measures credit risk on a fair value basis and monitors risk on a regular basis.

Defence SA has minimal concentration of credit risk. Defence SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. Defence SA does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently Defence SA does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 19 for information on the allowance for the impairment in relation to receivables.

**Ageing analysis of financial assets past due including impaired assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

**Ageing analysis of financial assets**

2009	Past due by			Total
	< 30 days \$' 000	30 - 60 days \$' 000	> 60 days \$' 000	
<b>Not impaired</b>				
Receivables*	-	-	-	-
<b>Impaired</b>				
Receivables*	-	-	127	127

\*Amount of receivables disclosed here excludes statutory receivables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

**Maturity analysis of financial assets and liabilities**

All Defence SA financial assets and liabilities mature within 1 year.

**Liquidity risk**

Defence SA is funded principally from appropriations by the SA Government. Defence SA works with the Department of Treasury and Finance to determine the cashflows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cashflows. The continued existence of Defence SA is dependent on State Government policy and on continuing appropriations by Parliament for the administration and programs of Defence SA. Defence SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The exposure of Defence SA to liquidity risk is insignificant based on past experience and current assessment of risk.

**Market Risk**

Defence SA has no interest bearing assets or liabilities. There is no exposure to foreign currency or other price risks as all significant contracts are in Australian dollars.

**Sensitivity analysis disclosure**

A sensitivity analysis has not been undertaken for interest rate risk given the immaterial exposure.

**Note 32 Events after the end of the reporting period**

On 7 September 2009 Cabinet approved the transfer of the majority of the assets, land holdings and operational responsibility (\$44.310 million) of Technology Park from the Land Management Corporation to Defence SA, to take effect 1 October 2009.



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