

# ANNUAL REPORT 2010-11



Government of  
South Australia

**DEFENCE** 





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Minister for Economic Development  
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ADELAIDE SA 5000

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Minister for Defence Industries  
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30 September 2011

Dear Ministers

I am pleased to present to you Defence SA's Annual Report and financial statements for the year ended 30 June 2011. 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**





# Table of Contents

<b>Foreword</b>	<b>1</b>
<b>Highlights</b>	<b>2</b>
<b>About Defence SA</b>	<b>3</b>
Corporate Governance	5
Strategic Directions	8
<b>Achievements</b>	<b>9</b>
Expanded Defence Presence	11
Sustainable Defence Industries	12
Productive Infrastructure	15
Effective Advocacy	18
Exemplar Government Agency	20
<b>Appendices</b>	<b>23</b>
<b>Financial Statements</b>	<b>37</b>



# FOREWORD

Defence is a dynamic business and 2010–11 was no exception with the appointment of a number of new ministers, service chiefs, the imminent changeover of a significant number of Department of Defence civilian leaders, and a range of new business and project reviews. All this change requires significant liaison and Defence SA engages Defence at all levels to ensure the State Government is on top of all the relevant issues.

The State Government is not immune to change. In February, ministerial changes resulted in new Deputy Premier and Treasurer appointments. Defence SA continued to report to the Premier in his capacity as Minister for Economic Development and the Hon Kevin Foley MP in his capacity as Minister for Defence Industries. The agency has been fortunate to have maintained its ministerial reporting arrangements, and I thank the Premier and Minister for their longstanding commitment to the defence portfolio.

The state's defence sector continued to travel well. At 30 June 2009 (latest figures released in 2010–11) the defence sector employed 24 766 people, with projections that employment will reach 30 487 people by 2013–14, well above the state's target of 28 000 by 2013. In June, the Premier announced new, more ambitious defence targets reforecast to 2020–21 reflecting the state's confidence in the long-term future of defence in South Australia.

Over the course of the year, Defence SA staff focused on securing opportunities arising out of the *Defence Capability Plan*. South Australia also warmly welcomed the 7RAR mechanised battalion and other elements of 1<sup>st</sup> Brigade which commenced operations at Edinburgh in January.

The Techport Australia Common User Facility is well and truly into its operational phase, and the Air Warfare Destroyer program continued module construction, with even further work likely to flow to South Australia as a result of a realignment of module construction activity in May.

It was also the first full year of Technology Park Adelaide operations under Defence SA control with significant asset management improvements and strong leasing and ongoing sales activity.

While there was a lot of change, some things stay the same, particularly Defence SA's commitment to focus on building on existing defence strengths and to continually strive for organisational excellence. I thank all staff and the Defence SA Advisory Board for their role in delivering another successful year for the agency.



Andrew Fletcher  
**CHIEF EXECUTIVE**

# HIGHLIGHTS

- Supported the arrival of Army's 7RAR mechanised battalion and other elements of 1<sup>st</sup> Brigade and their families to Adelaide.
- Fostered national debate on the future of naval shipbuilding and through-life support in Australia.
- Continued industry development focus on military vehicles, aerospace components manufacturing, space and systems integration.
- Successfully promoted South Australia's defence capabilities at the Land Warfare Conference 2010, Avalon 2011 Australian International Airshow and Aerospace & Defence Exposition, and Defence + Industry 2011 Conference and Trade Exhibition.
- Supported the Defence SA Advisory Board to prepare and release its *State of Defence in South Australia* report, the first comprehensive economic study into South Australian-based Defence and related industry activity.
- Supported the Air Warfare Destroyer (AWD) Alliance and Raytheon Australia to establish operations in the Techport Australia Commercial Campus.
- Supported AWD pre-consolidation activity at the Techport Australia Common User Facility.
- Supported third party commercial use of the Techport Australia Common User Facility.
- Completed open space network masterplan for the northern Lefevre Peninsula, recognising the environmental and cultural heritage of the area as well as providing for significantly enhanced recreational facilities for local residents.
- Completed Stage 1 construction of the Secure Electronic Common User Facility and occupation by anchor tenants Defence Systems Innovation Centre and Defence Systems Integration – Technology Australia.
- Completed first full year of operations for Technology Park Adelaide after acquisition in 2009–10, with continued strong sales and leasing activity.
- Significant input into Commonwealth Government Review of the Woomera Prohibited Area (Hawke Review), which determined that increased mining activity can coexist alongside Defence's use of the range, reflecting favourably on a longstanding state position.
- Facilitated delivery of tailored skilled migration, career promotion and other workforce development services to support the AWD project.
- Supported roll out of Advanced Technology Industry-School Pathways Program.
- Supported implementation of the industry-led *Defence Industry Workforce Action Plan*.

# ABOUT DEFENCE SA



SOUTH AUSTRALIA

SOUTH AUSTRALIA  
THE DEFENCE STATE

TORQUE

Extron

SOUTH AUSTRALIA



TECHPORT AUSTRALIA  
THE DEFENCE

DEFENCE+INDUSTRY  
CONFERENCE+TRADE EXPO

Acacia Bioscience

Building  
future systems  
right here  
at home

TECHPORT AUSTRALIA



# 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.

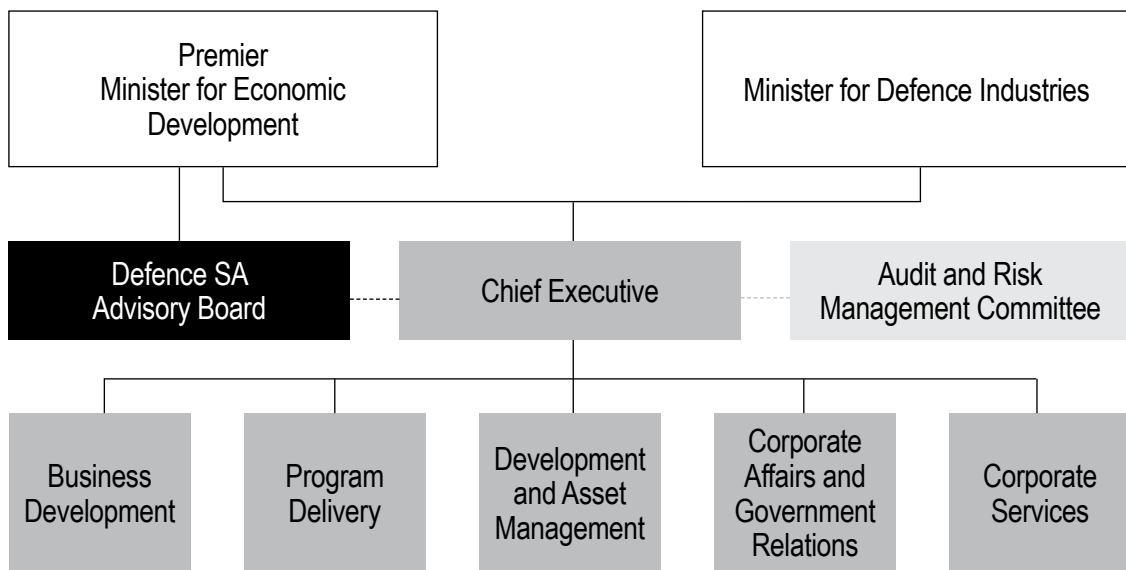
At 30 June 2011, Defence SA employed 38.6 full-time equivalent employees across three locations – Adelaide, Mawson Lakes and Osborne. The agency's current structure and reporting arrangements are depicted below.

## Unit Functions

**Business Development** is responsible for industry and company attraction and expansion in South Australia, as well as effectively promoting the state's defence industry capabilities. The unit also liaises closely with companies to address issues that may be inhibiting growth.

**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 advice and coordination. The unit is also responsible for the agency's marketing and event management activities as well as strategic and business planning. The unit also leads the coordination of intra-government projects including workforce development, Army relocation and the Woomera mining and defence coexistence framework.

**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 safety, health and environment coordination.

### **Defence SA Reporting Arrangements**

Defence SA reports to the Premier in his capacity as Minister for Economic Development, with general delegation of all relevant powers and functions in relation to Defence SA invested in 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 provides high-level strategic and policy advice to promote the growth of Defence and defence industries and facilities on a competitive and sustainable basis in accordance with *South Australia's Strategic Plan* targets.

The board also supports efforts to build on South Australia's capabilities and strengths across the four defence sectors – maritime, land, aerospace and systems. Since its establishment, the board has made a significant contribution to the state's efforts to cement its reputation as the *Defence State*, and to lay the foundations for a strong, sustainable future through well-guided strategic policy advice.

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 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.

### **Board Membership**

Defence SA Advisory Board membership recommendations are based on a core skills base requirement of high-level strategic defence expertise and networking capability across the full range of defence capabilities, coupled with commercial and financial expertise. Members of the board on 30 June 2011 were:

- General Peter Cosgrove AC MC (Chairman)  
Chief of the Defence Force (2002–05) and Australian of the Year (2001)
- Dr Ian Chessell  
Former Australian Chief Defence Scientist (2000–03) and South Australia's Chief Scientist (2008–10)
- Air Marshal Les Fisher AO  
Former Chief of Air Force (1994–98)
- Mr Andrew Fletcher  
Chief Executive, Defence SA (2007–present)
- Ms Beth Laughton  
Chartered Accountant, former 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 the Minister for Defence Industries are ex-officio members of the board.

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

There were no membership changes to the board in 2010–11. Defence industry leader and former Chief Executive of Lockheed Martin Australia and Chairman of the Australian Industry Group Defence Council, Mr Paul Johnson MBE, will join the board on 1 July 2011.

### Board Meeting Attendance

The board held seven formal meetings in 2010–11 and attendance was as follows:

	Board Meetings	
	Eligible	Attended
GEN Peter Cosgrove AC MC (Chairman)	7	7
Hon Mike Rann MP	7	0
Hon Kevin Foley MP	7	3
Dr Ian Chessell	7	6
AIRMSHL Les Fisher AO	7	6
Mr Andrew Fletcher	7	7
Ms Beth Laughton	7	7
LTGEN Peter Leahy AC	7	7
RADM Trevor Ruting AM CSC RANR	7	7
Dr John White	7	6
Emeritus Professor Paul Dibb AM (Advisor)	7	6

Mr Paul Johnson MBE attended the board meeting held on 29 June 2011 as a guest pending his imminent appointment.

### Audit and Risk Management Committee

The Audit and Risk Management Committee provides independent risk management advice to the Chief Executive. Committee members at 30 June 2011 were:

- Mr Christopher McSparran  
Chief Financial Officer, SA Lotteries  
(Chair and independent member)
- Ms Beth Laughton  
Defence SA Advisory Board member  
(independent 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 Tony Brumfield  
General Manager, Corporate Services, Defence SA

### Legislation

Defence SA does not administer any legislation.



# STRATEGIC DIRECTIONS

## South Australia's Strategic Plan

In January 2007, the Government of South Australia released the second edition of *South Australia's Strategic Plan (SASP)*, which for the first time formally captured the state's main defence-related targets:

- Increase Defence and industry employment from 16 000 to 28 000 by 2013 (T1.13).
- Double the Defence and industry contribution to our economy from \$1 billion to \$2 billion by 2013 (T1.20).

South Australia is on track to meet these targets – at 30 June 2009, the defence sector employed 24 766 people, with projections that employment will reach 30 487 people by 2013–14, well above the target of 28 000 by 2013.

These targets serve as Defence SA's main guiding direction. By growing Defence and sustainable defence industries in South Australia, Defence SA will contribute to the broader economic growth, jobs, investment, population, sustainability, innovation and training targets also contained within SASP.

The third edition of SASP is due to be released in September 2011, and will contain the following defence-related target, projected to a new longer timeframe:

- Increase Defence and defence industry employment to 37 000 people and annual contribution to our economy to \$2.5 billion by 2020.

## 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 the 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.

# ACHIEVEMENTS





# EXPANDED DEFENCE PRESENCE

## Army moves in

The 7RAR mechanised battalion and other elements of 1<sup>st</sup> Brigade formally commenced operations at RAAF Base Edinburgh on 27 January 2011 with approximately 550 personnel. Army estimates personnel numbers will grow to 700 by the end of 2011, and then steadily to 1100 personnel by 2014.

Defence SA continues to work very closely with Army and key State Government agencies to ensure the relocation progresses smoothly and with the least disruption to Army's operational plans and to Army families. Highly valued relocation and settlement activities were the focus over 2010–11 and Defence SA provided in-kind and financial assistance to the following activities:

- 26–27 August – second tranche of information roadshows in Darwin for relocating personnel and their families
- 13 February – Defence Community Organisation Welcome Expo
- 5 March – RAAF Base Edinburgh Defence Family Day
- 19 March – exclusive access to Elizabeth Service SA centre for Army personnel and families for streamlined assistance and processing of vehicle registration and licensing applications, and interstate registration refunds
- Provision of 700 Entertainment Books to incoming personnel to promote use of local services and community integration
- Planning support for key Army events in September 2011 – opening of the Horseshoe Barracks and presentation of the Queen's and Regimental Colour to the 7RAR Battalion

To support increased Defence activity within the Edinburgh Defence 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 works are being delivered by the Department of Transport, Energy and Infrastructure and at 30 June 2011, works to improve local and arterial road networks surrounding the base were well advanced.

## Air Force is also on its way

Construction commenced in October on new facilities at DSTO Edinburgh for RAAF's 462 Squadron. Approximately 100 RAAF personnel and their families will relocate from Canberra at the end of 2011.

The squadron is the only unit in the ADF that conducts information warfare operations. The transfer of the unit to South Australia consolidates Defence's key information and electronic warfare capabilities in the Edinburgh Defence Precinct. These capabilities include the Joint Electronic Warfare Support Unit, RAAF's air intelligence squadron (87 Squadron) and DSTO's Command, Control, Communications and Intelligence Division.



# SUSTAINABLE DEFENCE INDUSTRIES

## Naval Shipbuilding

### AWD Alliance and Raytheon Australia move to Techport Australia

Under a private sector arrangement, Defence SA delivered on its commitment to provide purpose-built facilities at Techport Australia for the Air Warfare Destroyer (AWD) Alliance and Raytheon Australia. The project was developed by local joint venture Prime Space Projects and constructed by Tagara.

The AWD Alliance commenced occupancy of its purpose-built facility at Techport Australia in August, with broad positive staff feedback. The AWD Systems Centre is home to those workers responsible for ship design, systems integration and the project management team. The co-location of this branch of the project, alongside the main manufacturing and assembly site, brings tremendous benefit to the project as it matures in the construction phase. The building was officially opened by the Minister for Defence Materiel in December.

Raytheon Australia consolidated its South Australian engineering functions into its new facility in December. In addition to providing in-service support for the Collins class submarines, the company is responsible for acquiring and integrating the Aegis combat system into the AWDs.

There are now more than 800 people directly working on the AWD project in South Australia with the majority based at Techport Australia.

### More AWD block work for ASC

Each of the three AWD will be constructed of 31 fabricated and pre-outfitted hull blocks which will be joined to form a completed ship. Full block production is now underway at three shipyards in Australia – Osborne (ASC), Williamstown (BAE Systems) and Newcastle (Forgacs).

A small number of sonar blocks also are being built in Spain and the United Kingdom.

In May, the Minister for Defence and Minister for Defence Materiel announced that up to 13 steel blocks from the first two AWDs would be reallocated among the three Australian shipyards, and up to a further five steel blocks will be reallocated to Navantia in Ferrol, Spain, which is the home of the original design of the AWD. The Commonwealth Government reallocated the work to relieve pressure on BAE Systems' Williamstown shipyard, which is also constructing the superstructure for Defence's new amphibious ships which will be delivered in 2014 and 2015.

### Future submarine project is taking shape

In 2009, in further recognition of the state's naval expertise, the Commonwealth Government committed to the consolidation of Australia's next generation submarines in Adelaide. The Commonwealth Government is currently refining its top level requirements and is then expected to make a decision on the submarines' design. Irrespective of whether the design is ultimately an existing military off the shelf or totally new design, the project will create opportunities for South Australian industry involvement. Defence SA continues to focus on securing early opportunities arising out of the future submarine project, including promoting South Australia as the logical location for project design activity.

### Scottish Firm MacTaggart Scott establishes at Techport Australia

In June, MacTaggart Scott, a privately owned Scottish engineering company, announced it would establish its first Australian subsidiary in Adelaide. For more than 100 years the company has been involved in naval defence and marine industries in the United Kingdom,

the United States and 20 other countries around the globe. MacTaggart Scott is delivering aircraft elevators for Australia's Landing Helicopter Dock program, and will support installation and sustainment of this project from its new Adelaide base. The company is also involved in the Collins class submarine through-life support program.

## **Military Vehicles**

### **SA gaining ground on Land 121 Phase 4**

Under Land 121 Phase 4, Defence will acquire some 1300 lightweight protected vehicles to replace 30 percent of Army's Land Rover fleet. Defence is concurrently pursuing a number of acquisition options including partnering with the United States in its developmental Joint Light Tactical Vehicle (JLTV) program, as well as investigating Manufactured and Supported in Australia (MSA) options.

South Australia is well placed as a manufacturing and support base for this and future vehicle replacement projects. The state's military vehicle engineering and manufacturing capabilities are well established and supported by a strong base of small to medium enterprises with significant fabrication, production and maintenance capabilities.

Securing Land 121 Phase 4 work in South Australia is the critical first stage in the development of a centralised military vehicle manufacture and support hub at Edinburgh. It also significantly builds on the state's existing substantial military vehicle manufacturing expertise which over the past ten years has produced more military vehicles than any other state. Defence SA is in dialogue with each of the three companies shortlisted under Defence's MSA strategy. In September, the State Government made an in-principle commitment to deliver a purpose-built manufacturing facility for the company that is ultimately successful under the project should the Commonwealth select a MSA option. In October, one of the contenders, Force Protection, committed to establishing in South Australia should it win the project.

Defence SA is also actively promoting the State's credentials to JLTV contenders. While production would occur offshore under this procurement approach, there are considerable opportunities for South Australian industry involvement in the supply chain.

Defence will make a final decision on the successful Land 121 Phase 4 platform between 2012–13 and 2014–15. This project is widely seen as the prelude to the more lucrative Land 400 armoured vehicle replacement program, which will be procured later in the decade.

### **SA land capabilities showcased at Land Warfare Conference**

Defence SA managed delivery of a major state exhibition at the Land Warfare Conference in Brisbane in November. Attendance provided the opportunity for Defence SA and State Government ministers to meet with key Defence personnel and significant industry players. Twelve South Australian firms also exhibited on the *South Australia – the Defence State* stand and were able to generate significant exposure for their products and services.

## **Aerospace Components Manufacturing and Processing**

### **Joint Strike Fighter work flowing to SA firms**

In March, Levett Engineering secured an additional Joint Strike Fighter supply contract with Pratt & Whitney, expanding on the state's existing success rate with this project. BAE Systems Australia is a key player in developing the vertical tail fin component and Levett Engineering is undertaking complex aluminium and titanium parts manufacture.

To meet Australia's pressing need for an in-country processing requirement, Defence SA is also progressing a proposal to underpin establishment of an advanced aerospace component manufacturing and processing capability in South Australia to produce large aerospace-grade titanium parts for the Joint Strike Fighter and other military and civil aerospace programs.

### **SA aerospace capabilities showcased at Avalon Airshow**

In February/March, Defence SA and South Australian defence industry successfully promoted the state's defence and commercial capabilities, particularly in advanced aerospace component manufacturing and airborne surveillance and response, to a broad and relevant Defence and industry audience at the Avalon International Airshow and Aerospace & Defence Exposition.

Defence SA and the Defence Teaming Centre successfully facilitated opportunity identification for South Australian companies resulting in positive engagement with high prospects of success. In particular Mincham Aviation, Legend Defence and IMAGINiT all developed new opportunities they would not have otherwise identified.

Defence SA also successfully promoted South Australia as a focus for current and future national intelligence, surveillance and reconnaissance capabilities; in particular, the manned and unmanned P3 replacement platforms and its associated ground environment.

## Space

### SA organisations are growing their space-related capability

Four South Australian proponents were successful in winning Australian Space Research Program (ASRP) funding in 2010–11:

- Flinders University is using its funds to train teachers about earth observation sciences.
- a successful International Space University Summer School Program was held in February and run jointly by the University of South Australia (UniSA) and the International Space University with 46 participants from nine countries. Future programs are planned for Adelaide in 2012 and 2013.
- UniSA's Institute for Telecommunications Research and partners are planning to develop a new satellite-based wireless transmitter network.
- Vipac Engineers and Scientists is producing a greenhouse gas sensor.

These four South Australian proponents won 22 percent of available ASRP funding, surpassed only by Australian Capital Territory.

Two space-related workshops were held in May. The first workshop focused on industry development and featured South Australia Thinker in Residence, Professor Göran Roos. The second focused on education and skills with guest Dr Michael Wiskerchen from the University of California. Dr Wiskerchen is the international assessor on the ASRP review panel. Findings from the workshops will inform future space strategy development.

Defence SA is also actively involved with the Australian Department of Innovation, Industry, Science and Research in its development of a national space policy.

## New Industries

### Fostering new robotics technology in South Australia

In November, Adelaide hosted the joint American-Australian Multi-Autonomous Ground-robotics International Challenge (MAGIC) 2010 competition. The event provided an opportunity for competitors to demonstrate their capacity to develop the benefits of 'swarming' semi-autonomous robots for military and security purposes. The event comprised some 100 personnel from five competing teams drawn from universities in the United States, Turkey and Australia. This field of robotics is at the cutting edge and the event provided an opportunity for local companies to become involved in the embryonic stage of the industry.

# PRODUCTIVE INFRASTRUCTURE

## **Techport Australia's Common User Facility is in demand**

In 2010–11, the Common User Facility (CUF) site office achieved full staffing complement, in line with the ramp up of AWD and third party operational requirements. Eight full-time employees are now based on site delivering technical, asset maintenance and operational support.

Minor capital works completed during the year included the extension to the security and administration building to incorporate a boardroom. An additional set of trestles was also fabricated and supplied in March to supplement the operational capacity of the Techport Australia CUF for both AWD and third party work.

In advance of AWD project requirements, Techport Australia's CUF proved to be a popular site for commercial ship repair and maintenance. Commercial users this year included:

- Kangaroo Island Sealink ferry – survey and maintenance work
- Svitzer tug *Keera* – breakdown maintenance repairs
- Svitzer tug *Burra* – maintenance
- Svitzer tug *Marimba* – maintenance
- Waverider – consolidation activities and launch of wave energy convertor prototype.

## **Joint vision for future submarine site at Techport Australia**

In June, the Premier and the Minister for Defence Materiel signed a Memorandum of Understanding that grants first option to the Defence Materiel Organisation over approximately seven hectares of land adjacent to the Techport Australia CUF. The land is being reserved to

directly support the construction or assembly of Australia's future submarines.

## **Northern Lefevre Peninsula residents set to benefit from suite of new open space projects**

Following endorsement of the *Northern Lefevre Masterplan* in March 2008, the State Government approved a significant investment of \$5 million in the 2009–10 Budget for the Northern Lefevre Peninsula open space enhancement project to provide safe, accessible and enhanced open space, as well as to recognise and celebrate Aboriginal culture and maritime heritage within the enhanced and linked community spaces.

The Open Space Masterplan was completed in November with considerable community and local government consultation on the concepts. The State Government, through Defence SA, has been open and transparent with all stakeholders that the available funds, while significant, would not fund all potential concepts for the open space network. The holistic, long-term planning process, however, allows Defence SA, the Port Adelaide Enfield Council or the community to take advantage of future funding opportunities as they become available to fully roll out open space enhancements in the region.

In March, detailed design and documentation activity commenced for the key open space concepts across the five precincts: North Haven, Biodiversity Park, Lefevre Cultural Park, The Link and Mutton Cove Buffers. Tendering of construction packages is scheduled for late 2011, with onsite works to commence in early 2012.

A number of local firms/offices are involved in this project, including:

- Swanbury Penglase – landscape architects.
- FMG Engineering and EBS Ecology – environmental consultants.

- Rider Levett Bucknall – quantity surveyors.
- Hydroplan Irrigation – irrigation design.
- Pro Ag – soil testing.
- Alexander and Symonds – surveying.
- Environmental Projects and Soil and Groundwater – environmental consultants.
- JMB Project Management – technical advice.
- Aurecon – masterplan development.

### **Port Direct Industrial Precinct ready for market release**

In November, the Public Works Committee endorsed the Osborne North Industrial Precinct development (now known as Port Direct). Construction of Stage 1 also commenced in November and involved site preparation works, the extension of Mersey Road corridor to Pelican Point Road, augmentation of infrastructure headworks to the precinct and landscape/streetscaping.

CB Richard Ellis and Jones Lang LaSalle have been appointed as joint marketing agents for the precinct, with Stage 1, some eight hectares of newly serviced industrial land, anticipated to be released to the market in October 2011.

The development of Port Direct represents the continuation of the State Government's commitment to long-term sustainable industrial development in the emerging northern Lefevre Peninsula economic region. Subject to successful sales of Stage 1, an additional 19 hectares of land is forecast to be developed in 2014–15 along with the signalisation of the Victoria/Veitch Road intersection.

Local firm Bardavcol was responsible for Stage 1 civil works. Other main South Australian contractors included:

- GHD – engineering consultants.
- Rider Levett Bucknall – quantity surveyors.
- Alexander and Symonds – surveying.
- Soil and Groundwater – environmental consultants.
- Delta Environmental Consulting – flora and fauna studies.
- JMB Project Management – technical services.

### **Maritime Skills Centre delivering skills for the AWD project**

The Maritime Skills Centre (MSC) is fast becoming a centre of excellence in skill development in naval

shipbuilding and related industries. AWD Alliance member use of the facility ramped up significantly during the year, in readiness for the AWD construction phase - key training focused on engineering, project management, naval ship design, fabrication and management. Commercial use of the facility also increased, including a range of courses for ASC's submarine sustainment workforce.

An AWD Integrated Platform Management System (IPMS) training simulator is being installed at the MSC. The IPMS training simulator, acquired by the AWD Alliance, will assist AWD marine technicians to gain the knowledge and skills necessary to operate the IPMS on board the Hobart Class AWDs. The IPMS provides the capability to monitor and control the platform systems from a central control position on the ship.

### **Land sales continue on the northern Lefevre Peninsula**

Defence SA manages the sales and marketing of vacant industrial land sites at Techport Australia's Supplier Precinct and around the northern Lefevre Peninsula. In 2010–11, proceeds from land and property sales in this region totalled \$2.243 million. This lower than forecast result is due to weaker than expected market demand for commercial and industrial land, reflective of current economic circumstances.

Land sales revenue targets are based on the best available information, including independent expert market assessments. Defence SA continues to closely monitor the property market given the difficulty of accurately forecasting the timing of future land sale receipts in the current economic climate.

### **Port Adelaide Industrial Precinct development postponed**

The former Port Adelaide Industrial Precinct project proposed a three-stage development of 69 hectares of Defence SA-administered land in Port Adelaide. The 18.6 hectare Stage 1 was approved and funded in the 2009–10 Budget (Stage 1 Moorhouse Road), and was to involve an upgrade of infrastructure and services to facilitate the subdivision of land with direct frontage to Moorhouse Road and the North Arm of the Port River.

A subsequent detailed review of Stage 1 project feasibility concluded that the project was not commercially feasible at this time due to unacceptable technical, construction and commercial risks. Subsequently, the Treasurer approved cancellation of the project in November, with budget impacts reflected in the *2010–11 Mid-Year Budget Review*. Key stakeholders were engaged throughout the project and briefed on its postponement.

As part of its ongoing asset planning and management activities, Defence SA will periodically review potential future development of the land, subject to commercial viability and appropriate government approvals.

### **Technology Park Adelaide being revamped**

In October 2009, responsibility for Technology Park Adelaide was transferred to the Minister for Economic Development and forms part of the Defence SA property portfolio. The 65-hectare park is the state's high-tech precinct, focused on information and communications technology, electronics, light manufacturing and professional services occupancy. It has a strong defence industry presence, centred on electronics and systems integration.

The park contains a significant number of international defence businesses including Saab Systems, BAE Systems Australia, Raytheon Australia, Lockheed Martin Australia, General Dynamics Land Systems – Australia and Ultra Electronics Avalon Systems and provides employment for approximately 2500 workers across 94 companies.

Transferring the assets and associated marketing responsibility to Defence SA enabled the State Government to benefit from the agency's strong economic development mandate, and its commercial and industrial development expertise to reinvigorate interest and investment activity in the park. Significant operational improvements, including strong sales and leasing results, less arrears and service contractor efficiencies, were realised in 2010–11.

In December, Defence SA commenced a \$5.3 million, five-year refurbishment and upgrade program focused on upgrading or replacing essential end-of-life plant and equipment in Endeavour and Innovation Houses, as well as other interior refurbishments to maintain occupancy levels and maximise lease returns. External upgrades to Innovation House, including the removal of asbestos cladding, replacement of pavers, increased car parking and new entry signage are also being undertaken. At 30 June 2011, 11 of 18 projects were already completed.

The precinct also experienced considerable leasing activity in 2010–11, with QinetiQ Australia, Babcock, General Dynamics Land Systems – Australia, City of Salisbury, Multiple Sclerosis Society and the Phoenix Society all taking up new space within Technology Park Adelaide. Raytheon Australia also extended its existing lease, committing the company to Technology Park Adelaide for a further seven years and accounting for 23 percent of lettable area within Innovation House.

Three properties were sold in 2010–11: Allotment 416 Douglas Drive; 3 Park Way Tce; and 2 Park Way Tce, resulting in gross land sales proceeds of \$1.627 million for the year.

Defence SA is looking to partner with a private sector developer to jointly develop a Technology Park Masterplan, aimed at fundamentally repositioning Technology Park Adelaide to create a high density mixed use precinct. An open market Expression of Interest was issued in November, resulting in the Request for Proposal (Alignment) being issued to three short-listed proponents. Two of those proponents have since progressed to the Request for Proposal (Concept Phase), which will close at the end of 2011.

### **Secure Electronic Common User Facility becomes a reality**

The State Government has invested in a new Secure Electronic Common User Facility (SECUF) at Technology Park Adelaide to provide secret-level office and laboratory space to support advanced engineering and research including in relation to the integration of complex defence networks and systems. In July, the two anchor tenants took occupancy: the Defence Systems Innovation Centre and the Commonwealth Government's Defence Systems Integration – Technology Advisory.

SECUF is strategically important to the state's defence academic and industry community, and in particular is assisting to position South Australia as the leader in network centric warfare, defence electronics and systems integration.

Common user facilities of this type and scale are not currently available or accessible in Australia and it has markedly differentiated the state's offering to defence academia and industry, both nationally and internationally.

Construction of Stage 1 was completed in July. Works included the fitout of two and a half of seven existing building modules within Endeavour House to provide individual tenancies containing secure offices, common areas, a server room, and individual syndicate rooms or laboratories.

The managing contractor for the construction of the SECUF was Built Environs with professional services provided by Woods Bagot (architectural services), Bestec (building services), ISM (security) and Rider Levett Bucknall (quantity surveyors).

# EFFECTIVE ADVOCACY

## **Supporting a strategic and integrated approach to 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 to relevant 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, released in October 2009, continues to provide guidance to key stakeholders, including the Training and Skills Commission on future workforce development priorities. Implementation of a number of key actions identified in the plan are well underway, including the South Australian Defence Industry Leadership Program and up-skilling workers in the defence industry through the Productivity Places Program.

The state's defence industry is now collaborating with the resources industry in areas of common interest, including the establishment of the Women Influencing Defence and Resources Industries program, funded through Department of Further Education, Employment, Science and Technology.

Defence SA also continues to work closely with the Department of Education and Children's service and the Commonwealth Government on defence related skills initiatives, including the Commonwealth-funded Advanced Technology Industry-Schools Pathways Program, which has now commenced in each of the three lead and 15 partner schools across South Australia.

Other recent initiatives include the establishment of LeFevre High School as a Maritime High School, to be a 'flagship' for specialist studies and industry pathway

programs related to the maritime industry and the establishment of a scholarship program for up to 75 students per year over the next three years undertaking defence-related honours degrees.

## **Fostering ongoing debate on future of naval shipbuilding**

Over the next 20 years, Defence will acquire some 48 new vessels at a cost of some \$80 to \$100 billion. Including through-life support costs, the expenditure is estimated to be in the order of \$250 billion. In 2010–11, mainly through the Defence SA Advisory Board, South Australia continued to actively participate in the national debate on the future of naval shipbuilding and through-life support in Australia, including ongoing dissemination of the Board's December 2009 naval shipbuilding discussion paper, *Naval Shipbuilding: Australia's \$250 billion Nation Building Opportunity*.

## **Facilitating increased dual use of Defence's Woomera Prohibited Area**

In November, Defence released the *Interim Report of Government Review of the Woomera Prohibited Area (WPA)* which identified the current and future economic value of mineral and energy resources in the WPA and recommended that Defence retain authority to control access under an improved governance and management framework, effectively confirming a longstanding State Government position.

In May, the Premier and the Minister for Resources Development joined the Commonwealth Ministers for Defence and Resources and Energy to release the Final Report which proposed five integrated measures to achieve increased coexistence, including:

- amended legislation to provide Defence with access enforcement and cost recovery mechanisms.

- new policies and procedures to provide direction to non-Defence parties seeking access to the WPA, including a new three-tier zoned entry system.
- formation of an Advisory Board, with an independent chair, and featuring representatives from Defence, Resources Energy and Tourism, and Finance and Primary Industries and Resources South Australia (PIRSA) and Defence SA to monitor and oversee the balance of national security and economic interests.
- additional resourcing for the Range Management System to cope with increased demand for access and compliance monitoring.
- a set of principles to guide the action of all users.
- establishment of appropriate planning frameworks surrounding the base to meet anticipated future noise and other Defence requirements.
- a multi-million dollar program of capital works to upgrade roads and rail networks to support increased traffic flow.
- delivery of tailored relocation and settlement services and information.
- preliminary development of a new masterplan for adjoining State Government-owned land to increased amenities and link the base directly to the Elizabeth Town Centre and Rail Station.
- an open invitation for Defence representatives to participate in related State and local government planning forums.

The State Government welcomed the report as a pragmatic and balanced solution to the complex coexistence issues arising from both mining and Defence use of the WPA. The State Government, through Defence SA and PIRSA, is now actively participating in the new joint Commonwealth/State Government WPA Coordination Office to develop the detailed governance, financial, legislative and regulatory arrangements for the new management framework.

### **Supporting the Cultana Training Area expansion**

Defence SA continues to support the finalisation of the *Miscellaneous Lease for Defence Purposes* which is being progressed concurrently by Defence along with other key project elements, specifically the Indigenous Land Use Agreement negotiations and Public Environmental Review.

### **Preparing for RAAF Base Edinburgh expansion and growth**

In preparation for the introduction into service at RAAF Base Edinburgh of the P8 Poseidon aircraft, together with an anticipated increase in future fast-jet activity by Super Hornet and Joint Strike Fighter aircraft, Defence is reviewing its forecast noise exposure levels for Edinburgh airfield.

RAAF Base Edinburgh is also currently experiencing a significant population surge with the ongoing arrival of Army's 7RAR mechanised battalion and other 1<sup>st</sup> Brigade elements, as well as the imminent arrival of Air Force's 462 Squadron. There were some 3300 Defence personnel already working on the base, and these relocations will increase the base's direct ADF population by some 1200 military personnel.

Defence SA is working with other State Government agencies and local councils to accommodate the current and future expansion of RAAF Base Edinburgh. Measures to support the base's expanded use include:

### **Monitoring defence industry performance**

Since 2009, Defence SA has been closely monitoring the performance of the state's specialist defence industry through an annual survey. Results are also used to model the contribution of the industry to the state's economy, and as input to the State Government's policy and strategy analysis.

In November, the Defence SA Advisory Board released the *State of Defence in South Australia* report, the first comprehensive economic study into South Australian-based defence and related industry activity. The board found that Defence and the defence industry made a combined direct and indirect contribution of some \$1.2 billion and 22 765 jobs to the state's economy in 2007–08.

Results of the 2008–09 defence industry update were also released as a fact sheet entitled *South Australia's Defence Industry Update 2008–09* in November. The update found that South Australia's specialist defence industry directly employed some 4989 personnel in 2008–09, up from 4438 the previous year and expected to grow by an average 6.6 percent over the medium term.

The board's *State of Defence in South Australia* report and the *South Australia's Defence Industry Update 2008–09* fact sheet were featured in the Defence Teaming Centre's *SA Defence Business* magazine in March. The data was also used to support the development of the new defence SASP target of increasing Defence and defence industry employment to 37 000 people and annual contribution to our economy to \$2.5 billion by 2020.



# EXEMPLAR GOVERNMENT AGENCY

## Doing our part to save money

Defence SA achieved its \$0.617 million savings target for 2010–11 by rationalising the agency's corporate and Development and Asset Management functions. The agency continues to develop its approach to savings in future years to ensure that the most appropriate mix of activities is affected by the savings measures.

## Commercial analysis strengthened through new Project Management Framework

In April, Defence SA rolled out the Opportunity Assessment, Delivery and Sustenance Model, which defines the lifecycle of an opportunity or project from conception to implementation. The framework outlines the process that the agency follows to ensure that ideas and opportunities are appropriately assessed, and that approved initiatives are well scoped and efficiently delivered.

## Promoting safety, health and the environment

Defence SA is committed to preserving the safety and health of its staff, as well as being mindful of environmental considerations. Defence SA undertook a range of activities to support this commitment in 2010–11, including mandatory safety, health and environment (SHE) briefings at staff meetings, monthly SHE messages promulgated at all Defence SA sites, regular staff SHE surveys, SHE training opportunities and a wellbeing program. Defence SA recorded no medical treatment injuries or lost time injuries in 2010–11.

## Promoting South Australia – the Defence State

### Major trade event participation

Major Defence trade exhibitions are key platforms for South Australia to communicate with its primary target audience – Defence and defence industry. These events attract a high concentration of key influencers and decision makers and provide excellent opportunities for aggressive targeted promotion of South Australia's defence credentials to national and international audiences.

In addition to sector-specific participation at the Land Warfare Conference and Avalon Airshow, Defence SA also facilitated a strong and successful representation at the tri-service Defence + Industry Conference and Trade Exhibition (D+I 2011), which was held in Adelaide in June for the third consecutive time – effectively cementing the state as the event's preferred location. D+I 2011 attracted around 2000 national and international delegates and was the vehicle for release of an electronic supplement to the *Defence Capability Plan* by Defence, outlining the adjustments to that document since December 2010.

South Australia had a strong and successful representation at D+I 2011 including:

- *South Australia – the Defence State* expo stand, featuring 12 local defence companies as well as a strong focus on the state's three defence precincts: Techport Australia, Technology Park Adelaide and Edinburgh Defence Precinct
- exclusive event sponsorship including *South Australia – the Defence State* branding throughout the event, floor space selection for the expo stand, and a keynote speech by the Premier
- targeted meetings with relevant international and national companies, military and government officials

- a themed VIP function involving *South Australia – the Defence State* ambassadors, targeted key stakeholders and potential investors
- various social events to promote networking opportunities
- site tours for delegates/VIPs to promote selected key state defence assets (Techport Australia and the new Army and common use facilities at RAAF Base Edinburgh).

### **Media coverage**

A targeted media campaign in specialist defence industry publications and defence features within national newspapers continued in 2010–11, contributing to strong awareness levels for both *South Australia – The Defence State* and Techport Australia.

In addition, editorial was secured across a host of publications including the *Adelaide Advertiser*, *Australian Financial Review*, *The Australian*, *Australian Defence Magazine*, and *SA Defence Business* magazine regarding progress of the state's defence strategy and covering a broad range of other topical issues.

### **Targeted VIP events and speaking engagements**

Defence SA hosted a raft of targeted VIP functions throughout 2010–11 including site tours, ministerial meetings, boardroom lunches and themed dinners. These activities enabled Defence SA to communicate key messages to Defence and defence industry key influencers and other decision makers across government.

More than 20 external speaking engagements were undertaken in 2010–11 to promote the *South Australia – the Defence State*. Audiences included local industry and business associations, foreign diplomats, groups involved in professional development programs, and a range of community groups.





# APPENDICES





# APPENDICES

## Employee Numbers, Gender and Status

Total number of employees at 30 June 2011

	Male	Female
Persons	22	17
FTEs	21.7	16.9

### By gender

	% Persons	% FTEs
Male	56.4	56.3
Female	43.6	43.7

### Employees separated and recruited

	Number
Separated from the agency during 2010–11	6
Recruited to the agency during 2010–11	11
On leave without pay on 30 June 2011	2

### Number of employees by salary bracket

Salary Bracket	Male	Female	Total
\$0 – \$50 399	0	1	1
\$50 400 – \$64 099	3	6	9
\$64 100 – \$82 099	0	4	4
\$82 100 – \$103 599	4	2	6
\$103 600 +	15	4	19
<b>Total</b>	<b>22</b>	<b>17</b>	<b>39</b>

## Status of employees in current position

	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	Total
<b>FTEs</b>					
Male	1.7	1	19	0	21.7
Female	1	4	11.9	0	16.9
<b>Total</b>	<b>2.7</b>	<b>5</b>	<b>30.9</b>	<b>0</b>	<b>38.6</b>
<b>Persons</b>					
Male	2	1	19	0	22
Female	1	2	14	0	17
<b>Total</b>	<b>3</b>	<b>3</b>	<b>33</b>	<b>0</b>	<b>39</b>

## Executives

### Executives by gender, classification and status

Classification	Ongoing		Contract Tenured		Contract Untenured		Total
	Male	Female	Male	Female	Male	Female	Total
EXEC0A	0	0	0	0	0	0	0
EXEC0B	0	0	0	0	0	0	0
EXEC0C	0	0	0	0	0	0	0
EXEC0D	0	0	0	0	0	0	0
EXEC0F	0	0	0	0	1	0	1
SAES1	0	0	0	0	9	1	10
SAES2	0	0	0	0	1	0	1
<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	3.7
Family Carers Leave	0.7
Miscellaneous Special Leave	0.2

## Workforce Diversity

### Aboriginal and/or Torres Strait Islander employees

Nil.

### Number of employees by age bracket and gender

Age Bracket	Male	Female	Total	% of Total	Workforce Benchmark*
15–19	0	0	0	0	6.4
20–24	0	0	0	0	10.4
25–29	2	1	3	7.69	11.0
30–34	2	6	8	20.51	10.1
35–39	2	2	4	10.26	10.3
40–44	6	2	8	20.51	11.0
45–49	2	3	5	12.82	11.5
50–54	6	1	7	17.95	11.4
55–59	0	2	2	5.13	9.4
60–64	2	0	2	5.13	5.5
65+	0	0	0	0	3.0
<b>Total</b>	<b>22</b>	<b>17</b>	<b>39</b>	<b>100</b>	<b>100</b>

\* Source: Australia 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 2011.

### Cultural and linguistic diversity

	Male	Female	Total	% Agency	SA Community*
Number of employees born overseas	4	5	9	23.1	20.3
Number of employees who speak language(s) other than English at home	1	0	1	2.6	16.6

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

### Number of employees with disabilities (according to Commonwealth DDA definition)

Nil.

### Number of employees with disabilities requiring workplace adaptation

Nil.



## Voluntary Flexible Working Arrangements by Gender

### By gender

	Male	Female	Total
Purchased Leave	0	0	0
Flexitime	0	0	0
Compressed Weeks	3	1	4
Part-time	1	2	3
Job Share	0	0	0
Working from Home	0	0	0
<b>Total</b>	<b>4</b>	<b>3</b>	<b>7</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	\$135 792	2.33
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.

## 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

	2010–11	2009–10
Number of notifiable occurrences pursuant to OHS&W Regulations Part 7 Division 6	0	0
Number of notifiable injuries pursuant to OHS&W Regulations Part 7 Division 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 2010–11 compared with 2009–10

Expenditure	2010–11 (\$m)	2009–10 (\$m)	Variation (\$m) + (-)	% Change + (-)
Income maintenance	0	0	0	0
Lump sum settlements redemptions – s42	0	0	0	0
Lump sum settlements Permanent Disability – s43	0	0	0	0
Permanent Disability – s43	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:	Performance:			Final Target
	2009–10	12 months to end of June 2011 <sup>1</sup>			
	Numbers or %	Actual	Notional Qtrly Target <sup>2</sup>	Variation	Numbers or %
1. Workplace fatalities	0	0	0	0	–
2. New workplace injury claims	0	0	0	0	–
3. New workplace injury claims frequency rate	0	0	0	0	–
4. Lost time injury frequency rate <sup>3</sup>	0	0	0	0	–
5. New psychological injury claims	0	0	0	0	–
6. Rehabilitation and return to work:	0	0	0	0	–
a. Early assessment within 2 days	0	0	0	0	80%
b. Early intervention within 5 days	0	0	0	0	90%
c. LTI have 10 business days or less lost time	0	0	0	0	60%
7. Claim determination:	0	0	0	0	–
a. New claims not yet determined, assessed for provisional liability in 7 days	0	0	0	0	100%
b. Claims determined in 10 days	0	0	0	0	75%
c. Claims still to be determined after 3 months	0	0	0	0	3%
8. Income maintenance – payments for recent injuries:	0	0	0	0	–
a. 2009–10 injuries (at 24 months development)	0	0	0	0	Below previous 2 years average
b. 2010–11 injuries (at 12 months development)	0	0	0	0	Below previous 2 years average

<sup>1</sup> Except for Target 8, which is YTD  
For Targets 5, 6c, 7b and 7c, 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.

### Formula for Lost Time Injury frequency rate (new claims):

Number of new cases of lost-time injury/disease for year x 1,000,000 Number of hours worked in the year

## Contractual Arrangements

On behalf of its Minister, Defence SA entered into two contracts in 2010–11 exceeding \$4 million:

- Techport Australia Common User Facility – BOC – industrial bulk gas supply \$4.0 million.
- Osborne North Industrial Precinct Headworks – Bardavcol – construction \$11.1 million.

## Account Payable Performance

Particulars	Numbers of Accounts Paid	Percentage of Accounts Paid (by Number)	Value in \$A of Accounts Paid	Percentage of Accounts Paid (by Value)
Paid by due date*	4034	96.8	45 639 885	98.9
Paid within 30 days or less from due date	106	2.5	446 026	1.0
Paid more than 30 days from due date	31	0.7	66 060	0.1

\* Note: The due date is defined under section 11.7 of Treasurer's Instruction 11 Payment of Creditors' Accounts. Generally, unless there is a discount or a written agreement between the public authority and the creditor, payment should be within 30 days of the date of the invoice or claim. Some agencies receive invoices significantly later than the invoice date, due to supplier invoicing processes. Agencies may choose to report against the date the invoice is first received rather than the date of invoice.

## Fraud

There were no reported instances of fraud or corrupt behaviour in the agency during the 2010–11 year. A corporate risk management framework and financial management framework and fraud policy and procedure are in place to provide a control and compliance environment to minimise the risk of fraud.

## Consultants

Value	Firm	Service
Below \$10 000	–	–
\$10 000 – \$50 000	Realty Corp Property Solutions	Strategic property and development advice
Above \$50 000	Macroeconomics	Economic analysis



## Overseas Travel

Number of Employees	Destination/s	Reasons for Travel	Total Cost to Agency
1	United Kingdom/ United States	Support Deputy Premier to promote defence industry development opportunities in South Australia.	\$20 456
1	United States	Support Deputy Premier to promote defence industry development opportunities in South Australia.	\$22 855
1	United States	Promote opportunities for South Australian industry involvement in the JLTV program.	\$16 433

## Reporting Against the Carers Recognition Act 2005

Nil.

## 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 State Government's *Promoting Independence – Disability Action Plan*.

## Asbestos Management in Government Buildings

### Defence SA Annual Asbestos Management Report 2010–11

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	2	Use care during maintenance	May need removal during maintenance works
4	1	2	Monitor condition	Has asbestos present, inspected according to legislation and policy
5	0	0	No asbestos identified/ asbestos has been removed	All asbestos identified as per OHS&W Regulations 2010 (Division 2 – Asbestos) has been removed
6	0	0	Further information required	These sites not yet categorised or some asbestos items do not have recommended actions

## 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.

In the establishment of the Port Direct Industrial Estate, to the north of Techport Australia, Defence SA has adopted the successful principles learnt from Techport Australia based on feedback from key stakeholders and occupants.

## Freedom of Information Statement

This statement is published in accordance with subsection 9(2) of the *Freedom of Information Act 1991* (Act). Subject to certain restrictions, the 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 is 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.

## 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 \$29.50 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 SA 5000

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

Defence SA received 19 Freedom of Information applications in 2010–11. All applications were processed in accordance with the Act.

## Whistleblowers Protection Act 1993

Defence SA has designated responsible officers for the purposes of the *Whistleblowers Act 1993* (Act) pursuant to Section 7 of the Public Sector Act 2009. There have been no instances of disclosure of public interest information to a responsible officer of Defence SA under the Act.

## Energy Efficiency Action Plan

Defence SA was created in September 2007 and established base year energy consumption in 2008–09.

	Energy Use (GJ) <sup>1</sup>	GHG Emissions (tonnes) <sup>2</sup>	Business Measure <sup>3</sup> (MJ/m <sup>2</sup> /annum)
Base Year 2008–09 <sup>4</sup>	596	127.5	434.7
2010–11 Total	234	50.1	241.9
2014 Target <sup>5</sup>	447	95.7	326.0

Notes:

<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. Business measures used by Defence SA are the square metres of floor area of Defence SA. The energy intensity therefore becomes the energy used per unit defined by the business measure MJ/m<sup>2</sup>.

<sup>4</sup> Includes energy consumption associated with construction of the Techport Australia CUF. With construction now complete, the agency's energy consumption has significantly reduced.

<sup>5</sup> The portfolio target in 2014 should equal a 25 percent energy efficiency improvement from the base year.

## Greening of Government Operations Framework

Defence SA operates from a 4.5-star rated building in Adelaide and significant energy saving measures also have been implemented at Technology Park Adelaide including:

- installation of automated lighting systems to common areas
- installation of energy efficient T5 fluorescent lighting
- introduction of waste recycling bins
- installation of water saving measure in bathrooms
- plumbing of garden and irrigation system into the Mawson Lakes recycled water supply.





# FINANCIAL STATEMENTS







Our ref: A11/451

28 September 2011

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Mr A Fletcher  
Chief Executive  
Defence SA  
PO Box 3643  
Rundle Mall  
ADELAIDE SA 5000

Dear Mr Fletcher

**The audit of Defence SA  
for the year ended 30 June 2011**

The audit of the accounts of Defence SA for the year ended 30 June 2011 has been completed.

The audit scope addressed the principal areas of the financial operations of Defence SA and included the review of systems, processes, internal controls and financial transactions.

The notable areas of audit coverage included the review of:

- expenditure
- payroll
- cash at bank
- financial accounting
- fixed assets
- revenue
- governance framework (including the Financial Management Compliance Framework).

The audit was directed to meeting statutory audit responsibilities under the *Public Finance and Audit Act 1987* and also the requirements of Australian Auditing Standards.

Two important outcomes result from the annual audit process:

- The issue of the Independent Auditor's Report (IAR) on the integrity of the Defence SA financial report.
- The issue of a management letter advising of system, process and control matters and recommendation for improvement.

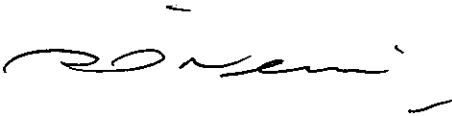
In this regard, returned herewith is the financial report of Defence SA together with the IAR, which is unmodified.

My Annual Report to Parliament indicates that an unmodified IAR has been issued for the Defence SA financial report.

In addition, during the year audit a management letter was forwarded to Defence SA detailing findings and recommendations from the audit. A response to the letter and matters raised was received and will be followed up in the 2011-12 annual audit.

Finally, I would like to express my appreciation to the management and staff of Defence SA for providing assistance during the year to my officers in the conduct of the annual audit.

Yours sincerely

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

**S O'Neill**  
**AUDITOR-GENERAL**

enc



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**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 report of Defence SA for the financial year ended 30 June 2011. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2011
- a Statement of Financial Position as at 30 June 2011
- a Statement of Changes in Equity for the year ended 30 June 2011
- a Statement of Cash Flows for the year ended 30 June 2011
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the General Manager Corporate Services.

**Chief Executive's Responsibility for the Financial Report**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report 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 comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 report.

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

**Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2011, 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.

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

**S O'Neill**  
**AUDITOR-GENERAL**  
28 September 2011

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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 2011 and the results of its operations 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  
23 September 2011



Tony Brumfield  
General Manager, Corporate Services  
23 September 2011





# DEFENCE SA FINANCIAL STATEMENTS

## Statement of Comprehensive Income for the year ended 30 June 2011

	Note No.	30 June 2011 \$' 000	30 June 2010 \$' 000
<b>EXPENSES</b>			
Employee benefits expenses	5	5,264	4,642
Supplies and services	6	11,577	10,010
Depreciation and amortisation	7	7,867	3,886
Grants and subsidies	8	1,909	6,944
Other expenses	9	692	85
<b>Total expenses</b>		<b>27,309</b>	<b>25,567</b>
<b>INCOME</b>			
Revenues from fees and charges	11	2,959	2,661
Grants	12	275	–
Net gain on disposal of non-current assets	13	198	–
Techport Australia recoveries	14	1,361	1,365
Property revenues	15	5,346	3,467
Other income	16	400	487
<b>Total income</b>		<b>10,539</b>	<b>7,980</b>
<b>Net cost of providing services</b>	30	<b>(16,770)</b>	<b>(17,587)</b>
<b>Revenues from / payments to SA Government</b>			
Revenues from SA Government <sup>(1)</sup>	17	31,890	39,643
Payments to SA Government	17	(6,345)	(8,415)
<b>Net result</b>		<b>8,775</b>	<b>13,641</b>
<b>Other comprehensive income</b>			
Net gain on revaluation of land		–	27,510
<b>Total comprehensive result</b>		<b>8,775</b>	<b>41,151</b>

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

<sup>(1)</sup> The 2010 comparative has been restated for prior year adjustments.

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

## Statement of Financial Position as at 30 June 2011

	Note No.	30 June 2011 \$' 000	30 June 2010 \$' 000
<b>Current assets</b>			
Cash	18	22,059	8,983
Receivables	19	1,300	966
		<u>23,359</u>	<u>9,949</u>
Land and buildings classified as held for sale	20	9,016	11,341
<b>Total current assets</b>		<u>32,375</u>	<u>21,290</u>
<b>Non-current assets</b>			
Land	21	157,358	132,210
Buildings and improvements, plant and equipment	21	28,052	22,383
Harbour and port facilities	21	236,265	237,038
Capital works in progress	22	17,676	34,506
<b>Total non-current assets</b>		<u>439,351</u>	<u>426,137</u>
<b>Total assets</b>		<u>471,726</u>	<u>447,427</u>
<b>Current liabilities</b>			
Payables	23	4,345	2,082
Employee benefits	24	625	678
Other current liabilities	25	21	21
<b>Total current liabilities</b>		<u>4,991</u>	<u>2,781</u>
<b>Non-current liabilities</b>			
Other non-current liabilities	25	83	105
<b>Total non-current liabilities</b>		<u>83</u>	<u>105</u>
<b>Total liabilities</b>		<u>5,074</u>	<u>2,886</u>
<b>Net assets</b>		<u>466,652</u>	<u>444,541</u>
<b>Equity</b>			
Contributed capital <sup>(1)</sup>	26	282,080	268,744
Retained earnings <sup>(1) (2)</sup>		159,762	150,868
Asset revaluation surplus		24,810	24,929
<b>Total equity</b>		<u>466,652</u>	<u>444,541</u>

<sup>(1)</sup> The 2010 comparative has been restated for prior year adjustments.

<sup>(2)</sup> 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 FINANCIAL STATEMENTS

## Statement of Changes in Equity for the year ended 30 June 2011

	Note No.	Contributed capital \$' 000	Asset revaluation surplus \$' 000	Retained earnings \$' 000	Total \$' 000
Balance at 30 June 2009		200,656	–	134,646	335,302
<b>Net result for 2009–10</b>		–	–	<b>(2,762)</b>	<b>(2,762)</b>
Gain on revaluation of land during 2009–10		–	27,510	–	27,510
Revaluation surplus transferred to retained earnings on disposal of non-current asset		–	(2,581)	2,581	–
<b>Total comprehensive result for 2009–10</b>		–	<b>24,929</b>	<b>(181)</b>	<b>24,748</b>
Adjustment for error correction		–	–	16,403	16,403
<b>Restated total comprehensive result for 2009–10</b>		–	<b>24,929</b>	<b>16,222</b>	<b>41,151</b>
<b>Transactions with SA Government as owner</b>					
Equity contribution received		87,310	–	–	87,310
Adjustment for error correction	26	(16,403)	–	–	(16,403)
Restated equity contribution received		70,907	–	–	70,907
Equity contribution repaid		(2,819)	–	–	(2,819)
<b>Restated balance at 30 June 2010</b>		<b>268,744</b>	<b>24,929</b>	<b>150,868</b>	<b>444,541</b>
<b>Net result for 2010–11</b>		–	–	<b>8,775</b>	<b>8,775</b>
<b>Total comprehensive result for 2010–11</b>		–	–	<b>8,775</b>	<b>8,775</b>
<b>Transactions with SA Government as owner</b>					
Equity contribution received		15,291	–	–	15,291
Equity contribution repaid		(1,955)	–	–	(1,955)
Revaluation surplus transferred to retained earnings on disposal of non-current asset		–	(119)	119	–
<b>Balance at 30 June 2011</b>		<b>282,080</b>	<b>24,810</b>	<b>159,762</b>	<b>466,652</b>

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

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

## Statement of Cash Flows for the year ended 30 June 2011

	Note No.	30 June 2011 \$' 000	30 June 2010 \$' 000
		Inflows / (Outflows)	Inflows / (Outflows)
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefit payments		(5,344)	(4,536)
Payments for supplies and services		(10,999)	(9,984)
Payments of grants and subsidies		(1,909)	(6,944)
GST paid to the ATO and suppliers		(4,881)	(11,016)
<b>Cash used in operations</b>		<b>(23,133)</b>	<b>(32,480)</b>
<b>Cash inflows</b>			
Grants		275	–
Fees and charges		2,744	2,438
Techport Australia recoveries		1,361	1,364
Property revenues		5,227	3,279
GST recovered from the ATO and customers		4,461	14,075
Deposits on sale of land		(15)	15
Other receipts		508	992
<b>Cash generated from operations</b>		<b>14,561</b>	<b>22,163</b>
<b>Cash flows from SA Government</b>			
Receipts from SA Government <sup>(1)</sup>		31,890	39,643
Payments to SA Government		(6,345)	(8,415)
<b>Cash generated from SA Government</b>		<b>25,545</b>	<b>31,228</b>
<b>Net cash provided by operating activities</b>	30	<b>16,973</b>	<b>20,911</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of land		–	(26,847)
Payments for property, plant and equipment		(631)	(17,548)
Payments for capital work in progress		(18,859)	(49,834)
<b>Cash used in investing activities</b>		<b>(19,490)</b>	<b>(94,229)</b>
<b>Cash inflows</b>			
Proceeds from sale of land and buildings		2,257	5,400
<b>Cash generated from investing activities</b>		<b>2,257</b>	<b>5,400</b>
<b>Net cash used in investing activities</b>		<b>(17,233)</b>	<b>(88,829)</b>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Capital contributions repaid to government		(1,955)	(2,819)
<b>Cash used in financing activities</b>		<b>(1,955)</b>	<b>(2,819)</b>
<b>Cash inflows</b>			
Capital contributions from SA Government <sup>(1)</sup>		15,291	70,907
<b>Cash generated from financing activities</b>		<b>15,291</b>	<b>70,907</b>
<b>Net cash provided by financing activities</b>		<b>13,336</b>	<b>68,088</b>
<b>Net increase/(decrease) in cash</b>		<b>13,076</b>	<b>170</b>
Cash at the beginning of the period		8,983	8,813
<b>Cash at the end of the period</b>	18, 30	<b>22,059</b>	<b>8,983</b>

<sup>(1)</sup> The 2010 comparative has been restated for prior year adjustments.  
The above statement should be read in conjunction with the accompanying notes.

# DEFENCE SA FINANCIAL STATEMENTS

## Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2011

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Defence Precincts		Workforce Development		Total	
	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000
<b>Expenses</b>								
Employee benefit expenses	3,331	3,086	1,933	1,556	–	–	5,264	4,642
Supplies and services	3,685	3,378	7,892	6,632	–	–	11,577	10,010
Depreciation and amortisation	119	118	7,748	3,768	–	–	7,867	3,886
Grants and subsidies	518	605	–	6,162	1,391	177	1,909	6,944
Other expenses	43	56	649	29	–	–	692	85
<b>Total expenses</b>	<b>7,696</b>	<b>7,243</b>	<b>18,222</b>	<b>18,147</b>	<b>1,391</b>	<b>177</b>	<b>27,309</b>	<b>25,567</b>
<b>Income</b>								
Revenues from fees and charges	–	–	2,959	2,661	–	–	2,959	2,661
Grants	–	–	275	–	–	–	275	–
Net gain from disposal of non-current assets	–	–	198	–	–	–	198	–
Techport Australia recoveries	–	–	1,361	1,365	–	–	1,361	1,365
Property revenues	–	–	5,346	3,467	–	–	5,346	3,467
Other income	117	1	202	405	81	81	400	487
<b>Total income</b>	<b>117</b>	<b>1</b>	<b>10,341</b>	<b>7,898</b>	<b>81</b>	<b>81</b>	<b>10,539</b>	<b>7,980</b>
<b>Net (cost) / surplus from provision of services</b>	<b>7,579</b>	<b>(7,242)</b>	<b>(7,881)</b>	<b>(10,249)</b>	<b>(1,310)</b>	<b>(96)</b>	<b>(16,770)</b>	<b>(17,587)</b>
<b>Revenues from / payments to SA Government</b>								
Revenues from SA Government <sup>(1)</sup>	31,890	39,643	–	–	–	–	31,890	39,643
Payments to SA Government	(6,345)	(8,415)	–	–	–	–	(6,345)	(8,415)
<b>Net result</b>	<b>(17,966)</b>	<b>23,986</b>	<b>(7,881)</b>	<b>(10,249)</b>	<b>(1,310)</b>	<b>(96)</b>	<b>8,775</b>	<b>13,641</b>

<sup>(1)</sup> The 2010 comparative has been restated for prior year adjustments.

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Defence Precincts		Workforce Development		Total	
	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000	2011 \$' 000	2010 \$' 000
<b>Assets</b>								
Cash	22,059	7,980	–	1,003	–	–	22,059	8,983
Receivables	119	78	1,137	872	44	16	1,300	966
Land and buildings held for sale	–	–	9,016	11,341	–	–	9,016	11,341
Land	–	–	157,358	132,210	–	–	157,358	132,210
Buildings and improvements, plant and equipment	564	683	27,488	21,700	–	–	28,052	22,383
Harbour and port facilities	–	–	236,265	237,038	–	–	236,265	237,038
Capital works in progress	–	–	17,676	34,506	–	–	17,676	34,506
<b>Total assets</b>	<b>22,742</b>	<b>8,741</b>	<b>448,940</b>	<b>438,670</b>	<b>44</b>	<b>16</b>	<b>471,726</b>	<b>447,427</b>
<b>Liabilities</b>								
Payables	906	287	3,408	1,787	31	8	4,345	2,082
Employee benefits	625	644	–	34	–	–	625	678
Other liabilities	104	126	–	–	–	–	104	126
<b>Total liabilities</b>	<b>1,635</b>	<b>1,057</b>	<b>3,408</b>	<b>1,821</b>	<b>31</b>	<b>8</b>	<b>5,074</b>	<b>2,886</b>
<b>Net assets</b>	<b>21,107</b>	<b>7,684</b>	<b>445,532</b>	<b>436,849</b>	<b>13</b>	<b>8</b>	<b>466,652</b>	<b>444,541</b>

# DEFENCE SA FINANCIAL STATEMENTS

## Note Index

	<b>Note</b>
Objectives of Defence SA	Note 1
Summary of significant accounting policies	Note 2
New and revised accounting standards and policies	Note 3
Activities of Defence SA	Note 4
<b>Expense notes</b>	
Employee benefits expenses	Note 5
Remuneration of employees	Note 5
Supplies and services	Note 6
Depreciation and amortisation expense	Note 7
Grants and subsidies	Note 8
Other expenses	Note 9
Auditor's remuneration	Note 10
Payments to SA Government	Note 17
<b>Income notes</b>	
Revenues from fees and charges	Note 11
Grants	Note 12
Net gain on disposal of non-current assets	Note 13
Techport Australia recoveries	Note 14
Property revenues	Note 15
Other income	Note 16
Revenues from SA Government	Note 17
<b>Asset notes</b>	
Cash	Note 18
Receivables	Note 19
Land and buildings classified as held for sale	Note 20
Property, plant and equipment	Note 21
Capital works in progress	Note 22
<b>Liability notes</b>	
Payables	Note 23
Employee benefits	Note 24
Other current liabilities	Note 25
Other non-current liabilities	Note 25
<b>Equity Notes</b>	
Contributed capital	Note 26
<b>Other notes</b>	
Unrecognised contractual commitments	Note 27
Contingent assets and contingent liabilities	Note 28
Remuneration of Advisory Board and committee members and related party disclosure	Note 29
Cash flow reconciliation	Note 30
Financial instruments/financial risk management	Note 31
Events after the reporting period	Note 32



## Notes

### 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 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*.

Except for amendments to Australian Accounting Standards, AASB 2009–12, which Defence SA has early adopted, 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 2011. These are outlined in Note 3.

#### 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 normal remuneration is equal to or greater than the base executive remuneration level (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.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### 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, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

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 2011 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 Act 2009*. 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 specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

#### 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 the 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 reporting period**

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

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:

#### *Fees and charges*

Revenues from fees and charges are derived from the provision of goods and services to external entities. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

#### *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 (including land and buildings) is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus will be transferred to retained earnings.

#### *Property revenues*

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.

#### *Other income*

Other income consists of recoveries of costs for work performed on behalf of external entities.

### **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.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### Note 2

#### *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.

#### *Depreciation and amortisation*

All non-current assets, having a limited useful life, are systematically depreciated/ amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is applied to leasehold improvements. Depreciation is applied to other tangible assets. Defence SA has no recognised intangible assets.

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, 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/amortisation is calculated on a straight line basis over the estimated useful life of the classes of assets as follows:

<b>Class of asset</b>	<b>Useful life (years)</b>
Harbour and port facilities	5–50
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 described in note 18

For the purposes of the Statement of Cash Flows, cash consists of cash 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 settled 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.

Assets have been componentised where appropriate to recognise their unique nature and useful lives.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### 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 the assets' fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years.

Every 3 years Defence SA revalues 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. Defence SA's land-only holdings were last revalued in the year ended 30 June 2010.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease in the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon disposal or derecognition, any revaluation surplus relating to an asset is transferred to retained earnings.

#### *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.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

### **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, GST payable 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 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.

Employee 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.

## Note 2

### *Leases*

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

#### *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.

#### *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 the 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 were recruited from outside 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 those staff that will attain a long service leave entitlement during their current contract term.

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 seven 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.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### Note 2 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 in the event of a claim.

### 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 \$5 000 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.

### 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

In accordance with amendments to APS 4.8 within Accounting Policy Framework II *General Purpose Financial Statements Framework*, effective 1 July 2010 Defence SA has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the agency to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in Note 5.

Defence SA did not voluntarily change any of its accounting policies during 2010–11.

Except for the amending Standard AASB 2009–12, 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 2011. 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 accordance 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 systems sectors.

##### *Activity 2 – Defence Precincts*

This activity incorporates Defence SA's development and project delivery business areas, including activities relating to Techport Australia, Technology Park Adelaide and the Northern Lefevre Peninsula Masterplan.

It also includes supporting expanded use of Defence's Cultana Training Area and Woomera Prohibited Area.

This activity seeks to ensure the provision of 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 skills 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 years ended 30 June 2010 and 30 June 2011.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 5	Employee benefits expenses	30 June 2011 \$' 000	30 June 2010 \$' 000
	Salaries and wages	4,242	4,302
	Long service leave	219	81
	Annual leave	363	398
	Employment on-costs – superannuation	405	419
	Employment on-costs – other	265	266
	Advisory Board and committee fees (note 29)	248	287
	Other employee related expenses	83	83
	<b>Total employee benefits expenses</b>	<b>5,825</b>	<b>5,836</b>
	Charged to capital projects	(561)	(1,194)
	<b>Total employee benefits expenses as per Statement of Comprehensive Income</b>	<b>5,264</b>	<b>4,642</b>

### Remuneration of employees

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

\$127 500 – \$130 699*	–	1
\$130 700 – \$140 699	1	2
\$140 700 – \$150 699	2	4
\$150 700 – \$160 699	2	1
\$160 700 – \$170 699	2	–
\$170 700 – \$180 699	2	2
\$180 700 – \$190 699	1	–
\$190 700 – \$200 699	1	2
\$200 700 – \$210 699	1	–
\$230 700 – \$240 699	1	1
\$240 700 – \$250 699	1	1
\$300 700 – \$310 699	–	1
\$490 700 – \$500 699	–	1
\$530 700 – \$540 699	1	–
<b>Total number of employees</b>	<b>15</b>	<b>16</b>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009–10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits.

The total remuneration received by these employees for the year was \$3.031 million (\$3.176 million).

In 2010–11 the payroll cycle resulted in 27 fortnightly payments to employees compared to the 26 fortnightly payments in 2009–10.

### Accounting policy change

In accordance with the revised Accounting Policy Framework II *General Purpose Financial Statements Framework*, Defence SA has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 7 for 2011 and 6 for 2010.

<b>Note 6</b>	<b>Supplies and services</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Supplies and services provided by entities within the SA Government</b>		
	Accommodation and service costs	290	283
	Legal fees to Crown Solicitor's Office	133	154
	Provision of corporate services under Service Level Agreements	394	313
	Insurance	117	65
	Land tax refunded to Land Management Corporation	–	367
	Security services	598	145
	Provision of contract services by Department for Transport, Energy and Infrastructure	407	15
	Other expenses	145	110
	<b>Total supplies and services – SA Government entities</b>	<b>2,084</b>	<b>1,452</b>
	<b>Supplies and services provided by entities external to the SA Government</b>		
	Contractors	2,646	3,206
	Consultants (refer below)	135	186
	Legal fees	91	192
	Staff development and recruitment	360	291
	Travel and related expenses	349	367
	Promotion and events	1,725	1,222
	Property	2,754	1,705
	Security services	21	388
	Electricity	199	197
	Minor plant and equipment	364	94
	Other expenses	849	710
	<b>Total supplies and services – Non SA Government entities</b>	<b>9,493</b>	<b>8,558</b>
	<b>Total supplies and services</b>	<b>11,577</b>	<b>10,010</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.

#### **Consultants**

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

	<b>30 June 2011</b>		<b>30 June 2010</b>	
	<b>No</b>	<b>\$' 000</b>	<b>No</b>	<b>\$' 000</b>
Below \$10 000	–	–	–	–
Between \$10 000 and \$50 000	2	55	3	80
Above \$50 000	1	80	1	106
<b>Total paid/payable to the consultants engaged</b>	<b>3</b>	<b>135</b>	<b>4</b>	<b>186</b>

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 7	Depreciation and amortisation expense	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Depreciation</b>		
	Buildings and improvements	1,124	475
	Plant and equipment	77	50
	Harbour and port facilities	6,554	3,249
	<b>Total depreciation</b>	<b>7,755</b>	<b>3,774</b>
	<b>Amortisation</b>		
	Leasehold improvements	112	112
	<b>Total amortisation</b>	<b>112</b>	<b>112</b>
	<b>Total depreciation and amortisation</b>	<b>7,867</b>	<b>3,886</b>
Note 8	Grants and subsidies	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Grants and subsidies paid/payable to entities external to the SA Government</b>		
	Defence Teaming Centre	475	605
	ASC AWD Shipbuilder Pty Ltd	1,391	177
	Defence Projects Pty Ltd and Techport Developments Pty Ltd	–	6,162
	Other	19	–
	<b>Total grants and subsidies – Non SA Government entities</b>	<b>1,885</b>	<b>6,944</b>
	<b>Grants and subsidies paid / payable to entities within the SA Government</b>		
	Other	24	–
	<b>Total grants and subsidies – SA Government entities</b>	<b>24</b>	<b>–</b>
	<b>Total grants and subsidies</b>	<b>1,909</b>	<b>6,944</b>
Note 9	Other expenses	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Other expenses paid/payable to entities within the SA Government</b>		
	Audit fees (refer note 10)	43	55
	Land tax, local government rates in lieu and emergency services levy	25	40
	<b>Total other expenses – SA Government entities</b>	<b>68</b>	<b>95</b>
	<b>Other expenses paid/payable to entities external to the SA Government</b>		
	Bad debts and allowances for doubtful debts (refer note 19)	20	(10)
	Transfer from Capital Works in Progress (refer note 22)	604	–
	<b>Total other expenses – Non SA Government entities</b>	<b>624</b>	<b>(10)</b>
	<b>Total other expenses</b>	<b>692</b>	<b>85</b>

<b>Note 10</b>	<b>Auditor's remuneration</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	Audit fees paid/payable to the Auditor-General's Department	<u>43</u>	<u>55</u>
	<b>Total audit fees</b>	<u><b>43</b></u>	<u><b>55</b></u>
	<b>Other services</b>		
	No other services were provided by the Auditor-General's Department.		
<b>Note 11</b>	<b>Revenues from fees and charges</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Fees and charges received/receivable from entities external to the SA Government</b>		
	CUF priority access fee	<u>2,484</u>	<u>2,411</u>
	CUF other fees	<u>180</u>	<u>28</u>
	Technology Park Conference Centre	<u>295</u>	<u>222</u>
	<b>Total fees and charges – Non SA Government</b>	<u><b>2,959</b></u>	<u><b>2,661</b></u>
<b>Note 12</b>	<b>Grants</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Grants received/receivable from entities external to the SA Government</b>		
	ASC contribution to CUF electrical augmentation	<u>275</u>	<u>–</u>
	<b>Total grants – SA Government</b>	<u><b>275</b></u>	<u><b>–</b></u>
<b>Note 13</b>	<b>Net gain on disposal of non-current assets</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	Proceeds from disposal of land and buildings	<u>2,257</u>	<u>5,400</u>
	Less net book value of land and buildings disposed	<u>(2,059)</u>	<u>(5,400)</u>
	<b>Total net gain from disposal of non-current assets</b>	<u><b>198</b></u>	<u><b>–</b></u>
<b>Note 14</b>	<b>Techport Australia recoveries</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Techport Australia recoveries received/receivable from entities within the SA Government</b>		
	Techport Australia recoveries	<u>–</u>	<u>69</u>
	<b>Total Techport Australia recoveries – SA Government entities</b>	<u><b>–</b></u>	<u><b>69</b></u>
	<b>Techport Australia recoveries received/receivable from entities external to the SA Government</b>		
	Other Techport Australia recoveries	<u>1,361</u>	<u>1,296</u>
	<b>Total Techport Australia recoveries – Non SA Government</b>	<u><b>1,361</b></u>	<u><b>1,296</b></u>
	<b>Total Techport Australia recoveries</b>	<u><b>1,361</b></u>	<u><b>1,365</b></u>
<b>Note 15</b>	<b>Property revenues</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Property revenues received/receivable from entities external to the SA Government</b>		
	Rental income and recoveries	<u>5,346</u>	<u>3,467</u>
	<b>Total property revenues</b>	<u><b>5,346</b></u>	<u><b>3,467</b></u>

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 16	Other Income	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Other income received / receivable from entities within the SA Government</b>		
	Transfers received – Land Management Corporation	–	253
	Transfers received – Department of Further Education, Employment, Science and Technology	81	81
	Other income	–	3
	<b>Total other income – SA Government entities</b>	<b>81</b>	<b>337</b>
	<b>Other income received/receivable from entities external to the SA Government</b>		
	Contribution to Northern Lefevre Peninsula headworks design	–	27
	Other recoveries	319	123
	<b>Total other income – Non SA Government entities</b>	<b>319</b>	<b>150</b>
	<b>Total other income</b>	<b>400</b>	<b>487</b>
Note 17	Revenues from/payments to SA Government	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Revenues from SA Government</b>		
	Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i> <sup>(1)</sup>	31,874	39,604
	Transfers received – Department of Treasury and Finance Contingencies	16	39
	<b>Total revenues from SA Government</b>	<b>31,890</b>	<b>39,643</b>
	<b>Payments to SA Government</b>		
	Return of surplus cash pursuant to cash alignment policy	(6,042)	(5,834)
	Other payments to the Consolidated Account <sup>(2)</sup>	(303)	(2,581)
	<b>Total payments to SA Government</b>	<b>(6,345)</b>	<b>(8,415)</b>

Total revenues from SA Government were \$31.890 million (\$39.643 million) for operational funding.

<sup>(1)</sup> The 2010 comparative has been adjusted to correct an error in the 2009–10 financial statements. See Note 26.

<sup>(2)</sup> This amount represents the net gain on disposal of non-current assets adjusted for revaluations.

Note 18	Cash	30 June 2011 \$' 000	30 June 2010 \$' 000
	Deposits with the Treasurer	22,059	7,980
	Cash held in escrow	–	1,003
	<b>Total cash</b>	<b>22,059</b>	<b>8,983</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.

<b>Note 19</b>	<b>Receivables</b>	<b>30 June 2011 \$' 000</b>	<b>30 June 2010 \$' 000</b>
	<b>Current</b>		
	Receivables	543	330
	Less allowance for doubtful debts	(20)	(10)
	GST input tax recoverable	660	540
	Prepayments	117	106
	<b>Total current receivables</b>	<b>1,300</b>	<b>966</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	10	76
Increase in allowance	20	10
Amounts written off	(10)	(56)
Amounts recovered during the year	-	(20)
Carrying amount at the end of the period	<b>20</b>	<b>10</b>

**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>Note 20</b>	<b>Land and buildings classified as held for sale</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	Carrying amount at the beginning of the period	11,341	9,714
	Disposals (sales)	(2,059)	-
	Land held for sale reclassified as non-current asset	(3,179)	-
	Additions	2,913	1,627
	<b>Land and buildings held for sale at the end of the period</b>	<b>9,016</b>	<b>11,341</b>

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

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 21	Property, plant and equipment	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Land</b>		
	Land only holdings at fair value	148,356	123,208
	Site land at cost	9,002	9,002
	<b>Total land</b>	<u>157,358</u>	<u>132,210</u>
	<b>Buildings and improvements</b>		
	Buildings at cost	28,315	21,773
	Accumulated depreciation at the end of the period	(1,724)	(601)
	<b>Total buildings</b>	<u>26,591</u>	<u>21,172</u>
	<b>Leasehold improvements</b>		
	Leasehold improvements at cost	866	866
	Accumulated amortisation at the end of the period	(317)	(205)
	<b>Total leasehold improvements</b>	<u>549</u>	<u>661</u>
	<b>Plant and equipment</b>		
	Plant and equipment at cost (deemed fair value)	1,089	650
	Accumulated depreciation at the end of the period	(177)	(100)
	<b>Total plant and equipment</b>	<u>912</u>	<u>550</u>
	<b>Total buildings and improvements, plant and equipment</b>	<u>28,052</u>	<u>22,383</u>
	<b>Harbour and port facilities</b>		
	Harbour and port facilities at cost (deemed fair value)	246,068	240,287
	Accumulated depreciation at the end of the period	(9,803)	(3,249)
	<b>Total harbour and port facilities</b>	<u>236,265</u>	<u>237,038</u>
	Total property, plant and equipment	433,696	395,786
	Total accumulated depreciation / amortisation at the end of the period	(12,021)	(4,155)
	Total property, plant and equipment	<u>421,675</u>	<u>391,631</u>

### Valuation of land

The valuation of land was performed by Savills (SA) Pty Ltd, an independent valuer as at 31 March 2010. The valuer arrived at fair value based on recent market transactions for similar land in the area taking into account zoning, restricted use and development work completed as at the valuation date.

### Impairment

There were no indications of impairment of infrastructure, property, plant and equipment as at 30 June 2011.



**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 2009–10

	Land	Buildings	Leashold improvements	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	83,721	4,099	773	427	–	89,020
Additions	27,277	18,276	–	175	240,287	286,015
Assets reclassified to assets held for sale	(898)	(742)	–	–	–	(1,640)
Disposals	(5,400)	–	–	(11)	–	(5,411)
Revaluation increment	27,510	–	–	–	–	27,510
Depreciation/amortisation*	–	(461)	(112)	(41)	(3,249)	(3,863)
Carrying amount at the end of the period	132,210	21,172	661	550	237,038	391,631

\* Net movement in depreciation after adjusting for accumulated depreciation in assets disposed of and assets transferred to held for sale during the year.

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT**

The following table shows the movement on property, plant and equipment during 2010–11

	Land	Buildings	Leashold improvements	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	132,210	21,172	661	550	237,038	391,631
Additions	34,164	6,543	–	439	5,781	46,927
Assets reclassified to assets held for sale	(9,016)	–	–	–	–	(9,016)
Disposals	–	–	–	–	–	–
Revaluation increment	–	–	–	–	–	–
Depreciation/amortisation	–	(1,124)	(112)	(77)	(6,554)	(7,867)
Carrying amount at the end of the period	157,358	26,591	549	912	236,265	421,675

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### Note 22 Capital works in progress

30 June  
2011  
\$' 000

30 June  
2010  
\$' 000

The balance of capital works in progress as at the end of the reporting period.

17,676

34,506

Capital works in progress includes:

- detailed planning, design and remediation and infrastructure headworks on development land
- planning, design and development work associated with CUF assets not yet completed
- works associated with the upgrade of Technology Park buildings

#### RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2009–10

	Improvements to freehold land	Harbour and port facilities	Buildings	Leasehold improvements	Total capital works in progress
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	19,758	208,755	22	972	229,507
Additions	8,292	35,055	3,292	–	46,639
Reclassified as property, plant and equipment	(430)	(241,163)	(47)	–	(241,640)
Leasehold improvements transferred to buildings*	–	–	972	(972)	–
Carrying amount at the end of the period	27,620	2,647	4,239	–	34,506

\* Improvements to a leased building which was subsequently acquired.

#### RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2010–11

	Improvements to freehold land	Harbour and port facilities	Buildings	Leasehold improvements	Total capital works in progress
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	27,620	2,647	4,239	–	34,506
Additions	15,047	5,066	678	–	20,791
Reclassified as property, plant and equipment	(24,884)	(7,454)	(4,679)	–	(37,017)
Capital works in progress expensed during the period**	(604)	–	–	–	(604)
Carrying amount at the end of the period	17,179	259	238	–	17,676

\*\* Project design and planning works previously carried as capital works in progress were expensed during 2010–11.

Note 23	Payables	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>Current</b>		
	Creditors and accrued expenses	4,192	1,344
	Deposits on land sales	–	15
	GST payable	42	606
	Employment on-costs	111	117
	<b>Total current payables</b>	<b>4,345</b>	<b>2,082</b>
	<b>Government / non-government payables to SA Government entities</b>		
	<b>Payable to SA Government entities</b>		
	Creditors and accrued expenses	248	132
	Employment on-costs	32	33
	<b>Total payables to other SA Government entities</b>	<b>280</b>	<b>165</b>
	<b>Payables to non-SA Government entities</b>		
	Creditors and accrued expenses	3,944	1,212
	Deposits on land sales	–	15
	GST payable	42	606
	Employment on-costs	79	84
	<b>Total payables to non-SA Government entities</b>	<b>4,065</b>	<b>1,917</b>
	<b>Total payables</b>	<b>4,345</b>	<b>2,082</b>

#### 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

Note 24	Employee benefits	30 June 2011 \$' 000	30 June 2010 \$' 000
	<b>(a) Employee benefits current</b>		
	Accrued salaries and wages	–	118
	Annual leave	305	310
	Short-term long service leave	320	250
	Total current employee benefits	625	678
	<b>Total employee benefits</b>	<b>625</b>	<b>678</b>
	<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)	111	117
	Provision for employee benefits (note 24 (a))	625	678
	<b>Total accrued salaries and wages, annual leave and long service leave</b>	<b>736</b>	<b>795</b>

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 25 Other liabilities	30 June 2011 \$' 000	30 June 2010 \$' 000
<b>Current other liabilities</b>		
Lease incentive	21	21
<b>Total current other liabilities</b>	<u>21</u>	<u>21</u>
<b>Non-current other liabilities</b>		
Lease incentive	83	105
<b>Total non-current other liabilities</b>	<u>83</u>	<u>105</u>
<b>Total other liabilities</b>	<u>104</u>	<u>126</u>

Lease liabilities are due to 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.

The 2009–10 financial statements incorrectly classified \$16.403 million of Appropriation from Consolidated Account as an equity contribution (Contributed Capital) whereas the correct treatment was as an operating revenue from SA Government. The 2010 comparative has been adjusted to reflect this error correction.

	Previous closing balance 2009–10 \$' 000	Error correction \$' 000	Restated balance 2009–10 \$' 000
Adjustments due to error correction	\$' 000	\$' 000	\$' 000
Revenues from SA Government	23,240	16,403	39,643
Net result	(2,762)	16,403	13,641
Total comprehensive result	24,748	16,403	41,151
<i>Equity</i>			
Retained earnings	134,465	16,403	150,868
Contributed capital	285,147	(16,403)	268,744
Asset revaluation surplus	24,929	–	24,929
Total equity	<u>444,541</u>	<u>–</u>	<u>444,541</u>

**Note 27 Unrecognised contractual commitments**

	30 June 2011 \$' 000	30 June 2010 \$' 000
--	----------------------------	----------------------------

**Capital commitments**

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

Within 1 year	7,368	7,489
Later than 1 year but not longer than 5 years	–	3,481
<b>Total capital commitments</b>	<b>7,368</b>	<b>10,970</b>

Defence SA's capital commitments are to various contractors providing design and construction services for the CUF, Techport Australia, Northern Lefevre Peninsula and Technology Park.

**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	1,323	1,566
Later than 1 year but not longer than 5 years	2,599	3,079
Later than five years	2,724	3,194
<b>Total operating commitments</b>	<b>6,646</b>	<b>7,839</b>

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	4,148	4,430
Later than 1 year but not longer than 5 years	4,309	5,078
<b>Total remuneration commitments</b>	<b>8,457</b>	<b>9,508</b>

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

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### Note 28 Contingent assets and contingent 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.

	30 June 2011 \$' 000	30 June 2010 \$' 000
<b>Contingent liabilities to which a value can be assigned</b>		
Contingent liability to which a value can be assigned	7,540	8,361
<b>Total</b>	<b>7,540</b>	<b>8,361</b>

#### 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 contractual commitments require Defence SA to accept novation of the residual lease period should ASC AWD Shipbuilder Pty Ltd elect to vacate the premises between December 2019 and expiration of its initial 10-year lease term in May 2020, which is considered unlikely.

#### Air Warfare Destroyer Project – Workforce Assistance

The State's contractual commitments with the Commonwealth in support of the AWD project include reimbursement of eligible claimed costs incurred by the Shipbuilder in attracting and maintaining its workforce, and reimbursement of a portion of the Shipbuilder's payroll tax liability under certain terms and conditions.

#### 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.

## Note 29 Remuneration of Advisory 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 \*  
LTGEN P Leahy AC  
AIRMSHL L Fisher AO  
B Laughton  
Dr I Chessell  
RADM T Ruting AM CSC RANR  
Dr J White  
A Fletcher \*\*

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 (independent member/ chair) \*\*  
T Brumfield \*\* (appointed 24 January 2011)  
D Hall \*\* (resigned 31 December 2010)

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

	30 June 2011 \$' 000	30 June 2010 \$' 000
\$1 – \$9 999	1	2
\$10 000 – \$19 999	–	1
\$20 000 – \$29 999	–	2
\$30 000 – \$39,999	6	5
\$60 000 – \$69 999	1	1
	<u>8</u>	<u>11</u>

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 remuneration received, or due and receivable, by board and committee members was \$248 000 (\$287 000), plus Defence SA compulsory superannuation contributions of \$22 000 (\$25 000). Other expenses of Advisory Board members were \$143 000 (\$159 000).

\* The Hon M Rann MP and the Hon K Foley MP 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.

AIRMSHL L Fisher AO is Chairman of Aerospace Australia Limited. Defence SA participated in the Australian International Airshow and Aerospace and Defence Exposition in March 2011, which is an event managed by Aerospace Australia Limited

Dr I Chessell is Chairman of QinetiQ Australia. A related entity, QinetiQ Consulting Pty Ltd was engaged via a tender process in April 2010 to undertake a review of the draft management plans for the CUF. This work was completed in July 2010.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

Note 30	Cash flow reconciliation	Note	30 June 2011 \$' 000	30 June 2010 \$' 000
<b>Reconciliation of cash at end of reporting period</b>				
	Cash disclosed in the Statement of Financial Position		22,059	8,983
	Balance as per the Statement of Cash Flows		22,059	8,983
<b>Reconciliation of net cash provided by operating activities to net cost of providing of services:</b>				
	Net cash provided by operating activities <sup>(1)</sup>		16,973	20,911
	Less revenues from SA Government <sup>(1)</sup>	17	(31,890)	(39,643)
	Add payments to SA Government	17	6,345	8,415
<b>Add/(less) non-cash items</b>				
	Depreciation and amortisation of expense of non-current assets	7	(7,867)	(3,886)
	Gain on sale of non-current assets	13	198	–
	Non-current assets accrual in payables		1,930	(3,195)
	Other expenses – transfer from capital works in progress	9	(604)	–
	Investing expense reclassified		–	(21)
<b>Movement in assets/liabilities</b>				
	Increase/(decrease) in receivables	19	334	(2,815)
	(Increase)/decrease in payables	23	(2,263)	2,723
	(Increase)/decrease in employee benefits	24	53	(97)
	(Increase)/decrease in other liabilities	25	21	21
	<b>Net (cost) / surplus from provision of services <sup>(1)</sup></b>		<b>(16,770)</b>	<b>(17,587)</b>

<sup>(1)</sup> The 2010 comparative has been adjusted to correct an error in the 2009–10 financial statements. (refer to Note 26).

## 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 2011 \$' 000	Carrying Amount 30 June 2010 \$' 000
<b>Financial assets</b>			
Cash	18, 30	22,059	8,983
Receivables (at cost) <sup>(1)</sup>	19	640	426
<b>Financial liabilities</b>			
Payables (at cost) <sup>(1)</sup>	23	3,951	1,476

<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. AASB 132 *Financial Instruments: Presentation* 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.

### Fair Value

Defence SA does not recognise any financial assets or financial liabilities at fair value (refer Note 2 Summary of significant accounting policies and Notes 18, 19, 23, 25, 30).



**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. Defence SA currently holds collateral of \$5 000 (\$10 000) as security for 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**

	Past due by			Total \$' 000
	< 30 days \$' 000	30 – 60 days \$' 000	> 60 days \$' 000	
<b>2010</b>				
<b>Not impaired</b>				
Receivables*	20	–	5	25
<b>Impaired</b>				
Receivables*	–	–	9	9
<b>2011</b>				
<b>Not impaired</b>				
Receivables*	2	1	1	4
<b>Impaired</b>				
Receivables*	7	7	6	20

\* 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.

# DEFENCE SA FINANCIAL STATEMENTS

## Notes

### Note 31 Financial instruments/financial risk management (continued)

#### 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 within 30 days of 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 material 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 reporting period

There were no reportable events after the reporting period.

1 July 2010 – 30 June 2011

**Defence SA**

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Government of  
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**DEFENCE SA**

