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To the Chief Executive Defence SA

Opinion

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

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with the relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chief Executive and the Director Finance and Systems.

Basis for opinion

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

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

Responsibilities of the Chief Executive for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Defence SA for the financial year ended 30 June 2023.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence SA's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

19 September 2023

DEFENCE SA

Certification of the Financial Statements

We certify that the:

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



Richard Price
Chief Executive

18 September 2023



Peter Murdock
Director Finance and Systems

18 September 2023

DEFENCE SA

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

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

The accompanying notes form part of these financial statements.

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

DEFENCE SA

STATEMENT OF FINANCIAL POSITIONas at 30 June 2023

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

The accompanying notes form part of these financial statements.

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

DEFENCE SA

STATEMENT OF CHANGES IN EQUITY**for the year ended 30 June 2023**

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

The accompanying notes form part of these financial statements.
All changes in equity are attributable to the South Australian Government as owner.

DEFENCE SA

STATEMENT OF CASH FLOWSfor the year ended 30 June 2023

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

The accompanying notes form part of these financial statements.

DEFENCE SA

NOTE INDEX

	Note
About Defence SA	1
Basis of preparation	1.1
Objectives and programs	1.2
Budget performance	1.3
Income	2
Appropriation	2.1
Fees and charges	2.2
Grants	2.3
Recoveries	2.4
Resources received free of charge	2.5
Advisory Board, Council and employees	3
Key management personnel	3.1
Advisory Board, Council and employees	3.2
Employee benefits expenses	3.3
Employee benefits liability	3.4
Expenses	4
Supplies and services	4.1
Depreciation	4.2
Grants and subsidies	4.3
Interest on leases	4.4
Other expenses	4.5
Property, plant and equipment	5
Property, plant and equipment by asset class	5.1
Useful Life and depreciation	5.2
Property, plant and equipment owned by Defence SA	5.3
Property, plant and equipment leased by Defence SA	5.4
Financial assets	6
Categorisation of financial assets	6.1
Cash	6.2
Receivables	6.3
Liabilities	7
Categorisation of financial liabilities	7.1
Payables	7.2
Lease liabilities	7.3
Unearned revenue	7.4
Provisions	7.5
Outlook	8
Unrecognised commitments	8.1
Expected rental income	8.2
Contingent assets and contingent liabilities	8.3
Events after the reporting period	8.4
Administered Item	9
ANZAC Day Commemoration Fund	9.1

DEFENCE SA

1 About Defence SA

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

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

Defence SA administers the ANZAC Day Commemoration Fund established pursuant to the *ANZAC Day Commemoration Act 2005*. Financial information is presented in note 9.

1.1 Basis of preparation

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

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

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

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

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

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

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

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

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

1.2 Objectives and programs

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

Working closely with Defence and industry, the agency targets opportunities, drives and supports the delivery of major defence and space projects and facilities, and pursues the location of additional Defence units and capabilities within the state. Defence SA also plays a key role in supporting the Australian Government's strategic defence policy through increasing local industry participation and ensuring state-of-the-art infrastructure and a highly skilled, industry-ready workforce is in place to underpin defence projects.

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

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

1.2 Objectives and programs (continued)

Program 1 - Defence Industry Development

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

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

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

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

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

Program 2 - South Australian Space Industry Centre

The South Australian Space Industry Centre (SASIC) provides a whole of state government focal point for both local industry and international companies and organisations. SASIC's vision is to build a thriving and enduring South Australian space ecosystem, supporting Australia's national space strategy, building on the opportunities of NewSpace.

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

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

Program 3 - Veterans SA

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

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

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

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

DEFENCE SA

1.2 Objectives and programs (continued)

Expenses and income by program

for the year ended 30 June 2023

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

DEFENCE SA

1.2 Objectives and programs (continued)

Assets and liabilities by program

as at 30 June 2023

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

DEFENCE SA

1.3 Budget performance

The budget performance table compares Defence SA's outcomes against budget information presented to Parliament (2022-23 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

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

⁽¹⁾ The use of brackets identifies an unfavourable variance

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

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

DEFENCE SA

2 Income

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

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

2.1 Appropriation

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

Appropriations are recognised on receipt.

2.2 Fees and charges

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

2.3 Grants

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

2.4 Recoveries

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

2.5 Resources received free of charge

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

3 Advisory Board, Council and employees

3.1 Key management personnel

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

Total compensation paid by Defence SA for key management personnel was \$1.459 million (\$1.679 million). The compensation disclosed in this note excludes salaries and other benefits the Deputy Premier receives. The Deputy Premier's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

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

3.2 Advisory Board, Council members and employees

Defence SA Advisory Board

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

The Board has a core skills base made up of strategic defence expertise and networking capability across the full range of defence capabilities and extensive knowledge of the tertiary education and research sector. Defence SA has recruited board members from Defence, defence industry and organisations involved in research providing unique skills and experience to facilitate industry engagement with a view to attracting major Defence projects to the State.

Veterans Advisory Council

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

DEFENCE SA

3.2 Advisory Board and Council members (continued)

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

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

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

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

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

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

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

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

Advisory Board and Council remuneration

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

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

DEFENCE SA

3.2 Advisory Board and Council members (continued)

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

3.3 Employee benefits expenses

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

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

Executive remuneration

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

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

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

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

DEFENCE SA

3.4 Employee benefits liability

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

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The expected timing and amount of long service leave payments is determined through whole-of-government actuarial calculations, which are then applied to Defence SA's employee details. Key assumptions include whether the characteristics of employee remuneration, terms of service with the public sector, and expectations as to when employees take long service leave, as established by the actuary, are applicable to employees of Defence SA. These assumptions affect the expected amount to be paid that has been factored into the calculation of the liability. The discount rate used in measuring the liability is another key assumption. The discount rate is reflective of long-term Commonwealth Government bonds. The yield on long-term Commonwealth Government bonds has increased to 4.0% (3.5%).

The unconditional portion of the long service leave provision is classified as current as Defence SA does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 7 years of service.

DEFENCE SA

4 Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1 Supplies and services

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

Accommodation

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

4.2 Depreciation

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

All non-current assets, with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential (refer note 5.2).

4.3 Grants and subsidies

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

4.4 Interest on leases

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

4.5 Other expenses

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

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

⁽²⁾Other expenses include audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$45 000 (\$44 000). No other services were provided by the Auditor-General's Department.

DEFENCE SA

5 Property, plant and equipment

5.1 Property, plant and equipment by asset class

	2023	2022
	\$' 000	\$' 000
Right of use assets		
Right of use buildings and improvements		
Right of use buildings and improvements at cost	3,848	3,988
Accumulated depreciation at the end of the period	<u>(1,477)</u>	<u>(1,164)</u>
Total right of use buildings and improvements	<u>2,371</u>	<u>2,824</u>
Total right of use assets	<u>2,371</u>	<u>2,824</u>
Leasehold improvements		
Leasehold improvements at cost	884	884
Accumulated amortisation at the end of the period	<u>(884)</u>	<u>(884)</u>
Total leasehold improvements	<u>-</u>	<u>-</u>
Plant and equipment		
Plant and equipment at cost	14	14
Accumulated depreciation at the end of the period	<u>(14)</u>	<u>(14)</u>
Total plant and equipment	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>2,371</u>	<u>2,824</u>
Total property, plant and equipment at cost	4,746	4,886
Total accumulated depreciation/amortisation at the end of the period	<u>(2,375)</u>	<u>(2,062)</u>
Total property, plant and equipment	<u>2,371</u>	<u>2,824</u>
Reconciliation 2022-23		
	Right of use	Total assets
Carrying amount at 1 July 2022	2,824	2,824
Depreciation ⁽¹⁾ (refer note 4.2)	<u>(453)</u>	<u>(453)</u>
Carrying amount at 30 June 2023	<u>2,371</u>	<u>2,371</u>

5.2 Useful life and depreciation

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

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

5.3 Property, plant and equipment owned by Defence SA

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

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

Assets held by Defence SA have not been written down as they are of an immaterial value.

Impairment

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

DEFENCE SA

5.4 Property, plant and equipment leased by Defence SA

Right-of-use assets for property, plant and equipment leased by Defence SA as lessee are measured at cost. Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

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

Defence SA has a limited number of leases consisting of:

- Office space within Lot Fourteen leased from Renewal SA. This space is utilised by the Space Innovation Precinct and the Defence and Space Landing Pad. The Space Innovation Precinct is occupied by the Australian Space Agency and other key space organisations. The Defence and Space Landing Pad provides a facility for international companies to explore the opportunity to establish operations in South Australia's thriving defence and space sectors.

Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4.

Impairment

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

6 Financial assets

6.1 Categorisation of financial assets

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

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

6.2 Cash

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

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

DEFENCE SA

6.3 Receivables

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

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

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

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

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

DEFENCE SA

7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Categorisation of financial liabilities

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

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

7.2 Payables

	2023 \$' 000	2022 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	178	215
To non-government entities	247	291
Total trade creditors and accrued expenses	<u>425</u>	<u>506</u>
Statutory payables		
GST payable	61	60
Employment on-costs	122	100
Total statutory payables	<u>183</u>	<u>160</u>
Total current payables	<u>608</u>	<u>666</u>
Non-current		
Statutory payables		
Employment on-costs	14	15
Total statutory payables	<u>14</u>	<u>15</u>
Total non-current payables	<u>14</u>	<u>15</u>
Total payables	<u>622</u>	<u>681</u>

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

Statutory payables do not arise from contracts.

Employment on-costs

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

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

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

DEFENCE SA

7.3 Lease liabilities

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

7.4 Unearned revenue

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

7.5 Provisions

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

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

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost for ongoing payments to employees as required under current legislation.

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

DEFENCE SA

8 Outlook

8.1 Unrecognised contractual commitments

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

Expenditure commitments

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

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

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

8.2 Expected rental income

Operating lease maturity analysis

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

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

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

See note 5.4 for information about the right-of-use assets Defence SA leases out under operating lease.

8.3 Contingent assets and contingent liabilities

Defence SA is not aware of any contingent assets or liabilities

8.4 Events after the reporting period

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

There are no reportable events after the reporting period.

DEFENCE SA

9 Administered item**9.1 ANZAC Day Commemoration Fund**

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

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