

# Defence SA

Financial report  
for the year ended  
30 June 2018



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## To the Chief Executive Defence SA

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 2018.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Defence SA as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate Services.

### 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 have been met.

I believe that the audit evidence 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, 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.

## **Auditor's responsibilities for the audit of the financial report**

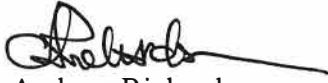
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

**Auditor-General**

15 August 2018

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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 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 2018 and the results of its operation and cash flows for the financial year.

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



Richard Price  
Chief Executive  
*10 August*  
September 2018



Robert Barnett  
Executive Director, Corporate Services  
*10 August*  
September 2018

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**DEFENCE SA**

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**STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30 June 2018

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	Note	2018 \$' 000	2017 \$' 000
<b>Expenses</b>			
Employee benefits expenses	3	5,316	5,725
Supplies and services	5	5,870	8,091
Depreciation and amortisation	6	3	6,832
Grants and subsidies	7	5,517	4,530
Impairment losses	8	-	11,525
Resources received free of charge	13	66	-
Other expenses	9	666	141
<b>Total expenses</b>		<u>17,438</u>	<u>36,844</u>
<b>Income</b>			
Revenues from fees and charges	10	1,717	4,686
Grants	11	1,869	8,794
Techport Australia recoveries	12	743	562
Resources received free of charge	13	66	-
Other income	14	101	116
<b>Total income</b>		<u>4,496</u>	<u>14,158</u>
<b>Net cost of providing services</b>		<u>(12,942)</u>	<u>(22,686)</u>
<b>Revenues from/(payments to) SA Government</b>			
Revenues from SA Government	15	19,467	20,808
Payments to SA Government	15	(160,010)	-
<b>Net result</b>		<u>(153,485)</u>	<u>(1,878)</u>
<b>Total comprehensive result</b>		<u>(153,485)</u>	<u>(1,878)</u>

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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**DEFENCE SA**

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**STATEMENT OF FINANCIAL POSITION**as at 30 June 2018

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	Note No.	2018 \$' 000	2017 \$' 000
<b>Current assets</b>			
Cash	16	10,005	34,617
Receivables	17	1,115	3,343
Non-current assets classified as held for sale	18	-	230,000
<b>Total current assets</b>		<u>11,120</u>	<u>267,960</u>
<b>Non-current assets</b>			
Property, plant and equipment	19	9	12
<b>Total non-current assets</b>		<u>9</u>	<u>12</u>
<b>Total assets</b>		<u>11,129</u>	<u>267,972</u>
<b>Current liabilities</b>			
Payables	20	1,309	2,489
Employee benefits	21	481	674
Provisions	22	4	4
<b>Total current liabilities</b>		<u>1,794</u>	<u>3,167</u>
<b>Non-current liabilities</b>			
Payables	20	13	22
Employee benefits	21	222	372
Provisions	22	6	9
<b>Total non-current liabilities</b>		<u>241</u>	<u>403</u>
<b>Total liabilities</b>		<u>2,035</u>	<u>3,570</u>
<b>Net assets</b>		<u>9,094</u>	<u>264,402</u>
<b>Equity</b>			
Contributed capital	23	-	101,823
Retained earnings	23	9,094	162,579
<b>Total equity</b>		<u>9,094</u>	<u>264,402</u>

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

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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**DEFENCE SA**

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**STATEMENT OF CHANGES IN EQUITY****for the year ended 30 June 2018**

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	Note	Contributed capital	Retained earnings	Total equity
		\$' 000	\$' 000	\$' 000
Balance at 30 June 2016		101,823	164,457	266,280
Net result for 2016-17		-	(1,878)	(1,878)
Total comprehensive result for 2016-17		-	(1,878)	(1,878)
Balance at 30 June 2017		101,823	162,579	264,402
Net result for 2017-18		-	(153,485)	(153,485)
Total comprehensive result for 2017-18		-	(153,485)	(153,485)
<b>Transactions with SA Government as owner</b>				
Equity contribution repaid	23	(101,823)	-	(101,823)
Balance at 30 June 2018		-	9,094	9,094

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## DEFENCE SA

### STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	2018	2017
		\$' 000	\$' 000
		Inflows	Inflows
		(Outflows)	(Outflows)
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefits payments		(5,685)	(5,619)
Payments for supplies and services		(7,163)	(10,053)
Payments of grants and subsidies		(6,260)	(3,821)
GST paid to the ATO		(21,776)	-
Other payments		(511)	(12)
<b>Cash used in operations</b>		<u>(41,395)</u>	<u>(19,505)</u>
<b>Cash inflows</b>			
Grants		2,692	7,730
Fees and charges		2,491	4,826
Techport Australia recoveries		799	523
GST recovered from the ATO		-	478
GST from sale of property, plant and equipment		23,000	-
Other receipts		167	182
<b>Cash generated from operations</b>		<u>29,149</u>	<u>13,739</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		19,467	20,808
Payments to SA Government		(160,010)	-
<b>Cash generated from SA Government</b>		<u>(140,543)</u>	<u>20,808</u>
<b>Net cash provided by/(used in) operating activities</b>		<u>(152,789)</u>	<u>15,042</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Payments for property, plant and equipment		-	(3,650)
Payments for capital work in progress		-	(4,361)
<b>Cash used in investing activities</b>		<u>-</u>	<u>(8,011)</u>
<b>Cash inflows</b>			
Proceeds from sale of property, plant and equipment		230,000	-
<b>Cash generated from investing activities</b>		<u>230,000</u>	<u>-</u>
<b>Net cash provided by/(used in) investing activities</b>		<u>230,000</u>	<u>(8,011)</u>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Capital contributions repaid to government		(101,823)	-
<b>Cash used in financing activities</b>		<u>(101,823)</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<u>(101,823)</u>	<u>-</u>
<b>Net increase/(decrease) in cash</b>		<u>(24,612)</u>	<u>7,031</u>
Cash at the beginning of the period		<u>34,617</u>	<u>27,586</u>
<b>Cash at the end of the period</b>	16	<u>10,005</u>	<u>34,617</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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## DEFENCE SA

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# DEFENCE SA

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## 1 Basis of Financial Statements

### 1.1 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.

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

### 1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

Defence SA has applied Australian Accounting Standards that are applicable to not-for-profit entities.

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 2018.

### 1.3 Basis of preparation

The financial statements have been prepared based on a 12 month 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.

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

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.

Significant accounting policies are set out in the notes.

### 1.4 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.

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.

The amount of GST recoverable from the ATO is included as a part of receivables and the amount payable to the ATO is included as a part of 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 ATO is classified as part of operating cash flows.

## **2 Objectives and activities**

### **2.1 Objectives**

Defence SA is South Australia's lead government agency for all defence related matters. Defence SA's mission is to grow the defence industry and strengthen the Australian Defence Force's presence in the state. Working closely with Defence and industry, Defence SA targets investment and expansion opportunities, drives and supports the delivery of major defence projects and facilities, and pursues the location of additional Defence units and capabilities in the state.

Defence SA aims to support the Australian Government's strategic defence policy, through increased local industry participation and ensuring that a highly skilled, industry-ready workforce is in place and the necessary infrastructure exists to underpin defence projects. The agency was also responsible for delivery of the Government of South Australia's commitments to the Air Warfare Destroyer (AWD) program including the provision of the Techport Australia Common User Facility until 30 November 2017 when the assets and operations of Techport were transferred to Australian Naval Infrastructure Pty Ltd (Australian Government entity).

Defence SA is working towards capturing further Defence and defence industry related work for South Australian businesses in the shipbuilding, cyber and systems, defence science and research and space domains.

Launched in September 2017, the new South Australian Space Industry Centre (SASIC), marked the creation of the nation's first dedicated centre to grow the local space economy and create future high-tech jobs. SASIC builds on the work of the previous Space Industry Office at Defence SA to drive space industry innovation, research and entrepreneurial development.

### **2.2 Activities of Defence SA**

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

#### *Activity 1 - Defence Industry Development*

This program delivers strategy and policy development that, together with guidance from the Defence SA Advisory Board, provides leadership across government on all defence related matters.

It targets national and international business development opportunities and supports Defence SA's administrative, financial and operational services.

The program delivers local industry participation and ensures that a highly skilled, industry-ready workforce is in place and the necessary infrastructure exists to underpin defence projects.

This program seeks to support the growth of Defence and sustainable defence industries in South Australia across shipbuilding, cyber and systems 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 based universities.

## **2.2 Activities of Defence SA (continued)**

### *Activity 2 - South Australian Space Industry Centre*

The South Australian Space Industry Centre (SASIC) facilitates industry collaboration with the space sector at all levels, locally, nationally and internationally. A key aspect of SASIC's role is to facilitate connections amongst space sector entities within industry, academia and government.

A \$4 million Space Innovation Fund has been established to support space entrepreneurs create, an incubator for space projects and an environment where new space technologies can be rapidly developed and brought to market over the next four years. The fund provides funding in three key areas; space scholarships, space incubator program and a space accelerator program.

### *Activity 3 – Techport Australia (formerly Activity 2)*

This program delivered the state's shipbuilding and infrastructure commitment to the Air Warfare Destroyer (AWD) project through establishment and operation of Techport Australia as Australia's premier naval industry hub.

In May 2017, a Memorandum of Understanding was signed to transfer the state-owned Techport and its assets to the Australian Government. The transfer included the Common User Facility (CUF) and all associated infrastructure and equipment, the Maritime Skills Centre, the CUF expansion land, vacant land within the Techport Australia Suppliers Precinct and some adjacent vacant land.

The majority of assets and operations were acquired by Australian Naval Infrastructure Pty Ltd (Australian Government entity) on 30 November 2017, when Defence SA ceased to operate the facility.

**DEFENCE SA**

**2.3 Expenses and income by activity**

for the year ended 30 June 2018

Refer Note 2.2 for detailed activity descriptions	Defence Industry Development		South Australian Space Industry Centre		Techport Australia		Total Defence SA	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>Expenses</b>								
Employee benefits expenses	3,793	3,795	456	337	1,067	1,593	5,316	5,725
Supplies and services	2,400	3,305	689	148	2,781	4,638	5,870	8,091
Depreciation and amortisation	3	5	-	-	-	6,827	3	6,832
Grants and subsidies	5,395	4,530	122	-	-	-	5,517	4,530
Impairment losses	-	-	-	-	-	11,525	-	11,525
Resources received free of charge	66	-	-	-	-	-	66	-
Other expenses	92	114	-	-	574	27	666	141
<b>Total expenses</b>	<b>11,749</b>	<b>11,749</b>	<b>1,267</b>	<b>485</b>	<b>4,422</b>	<b>24,610</b>	<b>17,438</b>	<b>36,844</b>
<b>Income</b>								
Revenues from fees and charges	-	18	-	-	1,717	4,668	1,717	4,686
Grants	1,657	4,664	198	-	14	4,130	1,869	8,794
Techport Australia recoveries	-	-	-	-	743	562	743	562
Resources received free of charge	66	-	-	-	-	-	66	-
Other income	62	116	39	-	-	-	101	116
<b>Total income</b>	<b>1,785</b>	<b>4,798</b>	<b>237</b>	<b>-</b>	<b>2,474</b>	<b>9,360</b>	<b>4,496</b>	<b>14,158</b>
<b>Net cost of providing services</b>	<b>(9,964)</b>	<b>(6,951)</b>	<b>(1,030)</b>	<b>(485)</b>	<b>(1,948)</b>	<b>(15,250)</b>	<b>(12,942)</b>	<b>(22,686)</b>
<b>Revenues from/(payments to) SA Government</b>								
Revenues from SA Government <sup>(1)</sup>	19,467	20,808	-	-	-	-	19,467	20,808
Payments to SA Government	(160,010)	-	-	-	-	-	(160,010)	-
<b>Net result</b>	<b>(150,507)</b>	<b>13,857</b>	<b>(1,030)</b>	<b>(485)</b>	<b>(1,948)</b>	<b>(15,250)</b>	<b>(153,485)</b>	<b>(1,878)</b>

<sup>(1)</sup> Revenues from SA Government are provided to fund the operating activities of Defence SA and have not been allocated between activities.

**DEFENCE SA**

**2.4 Assets and liabilities by activity**

as at 30 June 2018

Refer Note 2.2 for detailed activity descriptions	Defence Industry Development		South Australian Space Industry Centre		Techport Australia		Total Defence SA	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>Assets</b>								
Cash <sup>(1)</sup>	10,005	34,617	-	-	-	-	10,005	34,617
Receivables	1,088	1,981	6	121	21	1,241	1,115	3,343
Non-current assets classified as held for sale	-	-	-	-	-	230,000	-	230,000
Property, plant and equipment	9	12	-	-	-	-	9	12
<b>Total assets</b>	<b>11,102</b>	<b>36,610</b>	<b>6</b>	<b>121</b>	<b>21</b>	<b>231,241</b>	<b>11,129</b>	<b>267,972</b>
<b>Liabilities</b>								
Payables	1,148	1,525	129	83	45	903	1,322	2,511
Employee benefits	555	708	109	-	39	338	703	1,046
Provisions	10	13	-	-	-	-	10	13
<b>Total liabilities</b>	<b>1,713</b>	<b>2,246</b>	<b>238</b>	<b>83</b>	<b>84</b>	<b>1,241</b>	<b>2,035</b>	<b>3,570</b>
<b>Net assets</b>	<b>9,389</b>	<b>34,364</b>	<b>(232)</b>	<b>38</b>	<b>(63)</b>	<b>230,000</b>	<b>9,094</b>	<b>264,402</b>

<sup>(1)</sup> Cash has not been allocated between activities.

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## DEFENCE SA

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### 3 Employee benefits - expenses

#### 3.1 Employee benefits expenses

	2018	2017
	\$' 000	\$' 000
Salaries and wages	3,974	4,050
Targeted Voluntary Separation Packages (refer note 3.2)	122	97
Long service leave	(86)	108
Annual leave	221	382
Skills and experience retention leave	5	4
Employment on-costs - superannuation <sup>(1)</sup>	417	435
Employment on-costs - other	248	252
Advisory Board and committee fees (refer note 4)	309	331
Workers compensation	8	(17)
Other employee related expenses	98	83
<b>Total employee benefits expenses</b>	<b>5,316</b>	<b>5,725</b>

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

#### 3.2 Targeted Voluntary Separation Packages

	2018	2017
	\$' 000	\$' 000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	122	97
Leave paid to those employees	57	62
<b>Total Targeted Voluntary Separation Packages</b>	<b>179</b>	<b>159</b>

The number of employees who received a Targeted Voluntary Separation Package during the reporting period was 2 (1).

#### 3.3 Key management personnel

Key management personnel of Defence SA include the Premier, the former Minister for Defence Industries, 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 \$1.190 million (\$1.305 million). Salaries and other benefits paid to the Minister responsible for Defence SA are excluded from this total. The Ministers' 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*.



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## DEFENCE SA

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### 3.4 Remuneration of employees

2018  
\$' 000

2017  
\$' 000

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

	No	No
\$149 001 to \$159 000	1	1
\$159 001 to \$169 000	1	1
\$169 001 to \$179 000	-	2
\$179 001 to \$189 000	1	-
\$189 001 to \$199 000	1	-
\$199 001 to \$209 000	2	2
\$209 001 to \$219 000	1	1
\$219 001 to \$229 000	-	1
\$229 001 to \$239 000	1	-
\$239 001 to \$249 000	-	1
\$269 001 to \$279 000*	1	1
\$319 001 to \$329 000	1	-
\$389 001 to \$399 000*	1	-
\$399 001 to \$409 000	-	1
<b>Total number of employees</b>	<b>11</b>	<b>11</b>

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.

The total remuneration received by these employees for the year was \$2.552 million (\$2.447 million).

\* Total of salaries and contract termination payments paid to executives whose contracts were terminated during the year.

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## DEFENCE SA

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### 4 Remuneration of Advisory Board and committee members

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

ACM Sir A Houston AK AFC (Ret'd) (Chair)  
Hon S Marshall MP Premier (appointed to Board 19/03/18)\*  
Hon J Weatherill MP (retired from Board 17/03/18)\*  
Hon M Hamilton-Smith MP (retired from Board 18/01/18)\*  
Dr N Bryans  
VADM R Crane AO CSM RANR (Ret'd)  
A Keough (retired from Board 15/10/17)\*\*  
S Ludlam FEng  
LTGEN P Leahy AC (Ret'd) (retired from Board 21/11/17)  
Prof T Monro  
R Price (appointed to Board 16/10/17)  
Prof P Quester  
RADM T Ruting AM CSC RANR (Ret'd)

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

C McSparran (independent member/chair) \*\*  
R Barnett \*\*  
P Robertson (independent member)  
J Holmes (independent member) \*\*  
S Ludlam FEng (independent member)

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

	2018 No.	2017 No.
\$1 to \$9 999	1	3
\$10 000 to \$19 999	1	-
\$30 000 to \$39 999	6	7
\$70 000 to \$79 999	1	1
<b>Total number of members</b>	<b>9</b>	<b>11</b>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received or receivable, by board and committee members was \$338 000 (\$362 000).

\* The Premier the Hon Stephen Marshall MP, the former Premier the Hon J Weatherill MP and the former Minister for Defence Industries the Hon M Hamilton-Smith MP did not receive any remuneration for board duties during the period.

\*\* Pursuant to the Department of Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board/committee duties during the financial year.

## DEFENCE SA

### 5 Supplies and services

	2018	2017
	\$' 000	\$' 000
Accommodation and service costs	322	302
Consultants (refer note 5.2)	154	204
Contractors	1,410	1,687
Electricity	738	1,533
Gas and gas equipment	61	155
Insurance	40	96
Legal fees	204	180
Minor plant and equipment	39	115
Promotion and events	1,203	1,393
Property	133	275
Provision of corporate services under Service Level Agreements	216	329
Security services	259	652
Staff safety, development and recruitment	105	147
Travel and related expenses	359	286
Other expenses	627	737
<b>Total supplies and services</b>	<b>5,870</b>	<b>8,091</b>

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

#### 5.1 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased assets.

#### 5.2 Consultants

The number and dollar amount of consultants paid/payable that fell within the following bands:

	2018		2017	
	No	\$' 000	No	\$' 000
Below \$10 000	-	-	-	-
\$10 000 and above	3	154	1	204
<b>Total paid/payable to the consultants engaged</b>	<b>3</b>	<b>154</b>	<b>1</b>	<b>204</b>

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## DEFENCE SA

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### 6 Depreciation and amortisation

	2018	2017
	\$' 000	\$' 000
Buildings and improvements	-	174
Plant and equipment	3	91
Harbour and port facilities	-	6,567
<b>Total depreciation and amortisation</b>	<b>3</b>	<b>6,832</b>

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.

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.

#### 6.1 Useful life

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

Class of asset	Useful life (years)
Harbour and port facilities	5-50
Buildings and improvements	6-40
Leasehold improvements	Life of lease
Plant and equipment	4-25

#### 6.2 Revision of accounting estimates

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.

### 7 Grants and subsidies

	2018	2017
	\$' 000	\$' 000
Defence Teaming Centre	1,000	1,548
AWD program	1,950	682
Industry assistance	1,400	2,170
Research programs	662	-
Intra-government payments	505	130
<b>Total grants and subsidies</b>	<b>5,517</b>	<b>4,530</b>

### 8 Impairment losses

	2018	2017
	\$' 000	\$' 000
Impairment losses (refer note 18)	-	11,525
<b>Total impairment losses</b>	<b>-</b>	<b>11,525</b>

In May 2017, the state entered into a Memorandum of Understanding for the transfer of the Techport Australia assets and operations to Australian Naval Infrastructure Pty Ltd (Australian Government entity) during the 2017-18 year. An impairment loss was recognised on reclassification of these assets to non-current assets classified as held for sale.

## DEFENCE SA

### 9 Other expenses

	2018	2017
	\$' 000	\$' 000
Audit fees - Auditor General	41	40
Internal audit	76	82
Bad debts	-	99
Allowances for doubtful debts (refer note 17)	139	(98)
Other <sup>(1)</sup>	410	18
<b>Total other expenses</b>	<b>666</b>	<b>141</b>

<sup>(1)</sup> During the 2016-17 year spare parts and components to the value of \$407 000 were ordered for the Techport Australia Common User Facility; these were delivered during the 2017-18 year and included in the transfer of the facility to Australian Naval Infrastructure Pty Ltd (Australian Government entity). In line with Australian Accounting standard AASB 116 these have been expensed in the 2017-18 year.

### 10 Revenues from fees and charges

	2018	2017
	\$' 000	\$' 000
CUF priority access fee	1,139	2,721
Techport Australia other fees	578	1,947
Renewal SA income	-	18
<b>Total fees and charges</b>	<b>1,717</b>	<b>4,686</b>

### 11 Grants

	2018	2017
	\$' 000	\$' 000
Intra-government transfers - industry assistance programs	1,648	4,664
ASC AWD Shipbuilder Pty Ltd contribution to CUF infrastructure	14	4,130
Other	207	-
<b>Total grants</b>	<b>1,869</b>	<b>8,794</b>

### 12 Techport Australia recoveries

	2018	2017
	\$' 000	\$' 000
Techport Australia recoveries	743	562
<b>Total Techport Australia recoveries</b>	<b>743</b>	<b>562</b>

### 13 Resources received free of charge

	2018	2017
	\$' 000	\$' 000
Services received free of charge from Shared Services SA	66	-
<b>Total resources received free of charge</b>	<b>66</b>	<b>-</b>

### 14 Other income

	2018	2017
	\$' 000	\$' 000
Event participation fees	101	116
<b>Total other income</b>	<b>101</b>	<b>116</b>

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**DEFENCE SA**

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**15 Revenues from/(payments) to SA Government**

2018  
\$' 000

2017  
\$' 000

**Revenues from SA Government**

Appropriations from Consolidated Account pursuant to the  
*Appropriation Act*

18,457

20,808

Transfers received - Department of Treasury and Finance

1,010

-

**Total revenues from SA Government**

19,467

20,808

**Payments to SA Government**

Return of surplus cash pursuant to cash alignment policy

(1,456)

-

Return of accrual appropriation associated with the transfer of assets

(30,377)

-

Proceeds from the sale of Techport Australia assets (refer note 18 and 23)

(128,177)

-

**Total payments to SA Government**

(160,010)

-

Appropriations are recognised on 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 capital.

**16 Cash**

2018  
\$' 000

2017  
\$' 000

Deposits with the Treasurer

6,578

8,442

Deposits with the Treasurer - Accrual Appropriation Excess Funds Account

3,427

26,175

**Total cash**

10,005

34,617

**16.1 Deposits with the Treasurer**

Defence SA has two deposit accounts with the Treasurer, a General Operating Account and an Accrual Appropriation Excess Funds Account. Although Defence SA controls the money in the Accrual Appropriation Account its use must be approved by the Treasurer. Defence SA does not earn interest on its deposits with the Treasurer.

## DEFENCE SA

### 17 Receivables

	2018	2017
	\$' 000	\$' 000
<b>Current</b>		
Receivables and accrued income	931	2,368
Less allowance for doubtful debts	(153)	(1)
Prepayments	209	289
GST input tax recoverable	128	687
<b>Total current receivables</b>	<b>1,115</b>	<b>3,343</b>

#### 17.1 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.

	2018	2017
	\$' 000	\$' 000
<b>Carrying amount at the beginning of the period</b>	<b>1</b>	<b>99</b>
Increase in allowance	153	1
Amounts written off	-	(99)
Amounts recovered during the year	(1)	-
<b>Carrying amount at the end of the period</b>	<b>153</b>	<b>1</b>

#### 17.2 Interest and credit risk

Receivables arise in the normal course of selling goods and services to external entities. Receivables are generally 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.

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

### 18 Non-current assets classified as held for sale

	2018	2017
	\$' 000	\$' 000
Land only holdings	-	13,895
Site land	-	2,500
Buildings and improvements	-	4,975
Plant and equipment	-	454
Harbour and port facilities	-	208,176
<b>Total non-current assets classified as held for sale</b>	<b>-</b>	<b>230,000</b>

Non-current assets are classified as held for sale and carried at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sales 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.

In May 2017 the state signed a Memorandum of Understanding to transfer the Techport Australia Common User Facility and associated assets to Australian Naval Infrastructure Pty Ltd (Australian Government entity) during the 2017-18 year. The sale was completed during 2017-18 and Defence SA is no longer responsible for the Techport Australia operations.

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## DEFENCE SA

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### 18.1 Reconciliation of non-current assets classified as held for sale

The following table shows the movement of non-current assets classified as held for sale during 2016-17

	Land	Buildings	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	-	-	-	-	-
Property, plant and equipment transferred to held for sale (refer note 19.5)	26,020	5,715	471	208,984	241,190
Capital works in progress transferred to held for sale	-	-	-	335	335
Impairment loss recognised on transfer (refer note 9)	(9,625)	(740)	(17)	(1,143)	(11,525)
Assets classified as held for sale	<u>16,395</u>	<u>4,975</u>	<u>454</u>	<u>208,176</u>	<u>230,000</u>

The following table shows the movement of non-current assets classified as held for sale during 2017-18

	Land	Buildings	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	16,395	4,975	454	208,176	230,000
Asset sales to Australian Naval Infrastructure Pty Ltd	(16,395)	(4,975)	(454)	(208,176)	(230,000)
Assets classified as held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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**DEFENCE SA**

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**19 Property, plant and equipment**

	2018	2017
	\$' 000	\$' 000
<b>Leasehold improvements</b>		
Leasehold improvements at cost	884	884
Accumulated amortisation at the end of the period	<u>(884)</u>	<u>(884)</u>
<b>Total leasehold improvements</b>	<u>-</u>	<u>-</u>
<b>Plant and equipment</b>		
Plant and equipment at cost	27	27
Accumulated depreciation at the end of the period	<u>(18)</u>	<u>(15)</u>
<b>Total plant and equipment</b>	<u>9</u>	<u>12</u>
<b>Total buildings and improvements, plant and equipment</b>	<u>9</u>	<u>12</u>
Total property, plant and equipment	911	911
Total accumulated depreciation/amortisation at the end of the period	<u>(902)</u>	<u>(899)</u>
<b>Total property, plant and equipment</b>	<u>9</u>	<u>12</u>

**19.1 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.

Other asset classes 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, i.e. 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.

**19.2 Valuation of land and buildings**

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 (excluding specialised 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 three years. The Treasurer approved that specialised assets (Techport Australia Common User Facility (CUF)) did not need to be revalued until 30 June 2024.

Every six years Defence SA revalues its land and buildings (excluding CUF) via an independent Certified Practising Valuer.

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 valuation 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, buildings and associated plant and equipment were last revalued in the year ended 30 June 2012.

**19.3 Carrying amount of leasehold improvements, plant and equipment**

All leasehold improvements and items of plant and equipment that had a fair value at the time of acquisition that was less than \$1 million or had an estimated life of less than three years, have not been revalued in accordance with Accounting Policy Framework III. The carrying value of these assets are deemed to approximate fair value.

**19.4 Impairment**

Impairment losses of \$11.525 million were recognised during 2016-17 as a result of the reclassification of Techport Australia assets as non-current assets held for sale.

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## DEFENCE SA

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### 19.5 Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2016-17

	Land	Buildings	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	22,370	5,889	550	211,288	240,097
Acquisitions and transfers	3,650	-	24	4,263	7,937
Transferred to held for sale	(26,020)	(5,715)	(471)	(208,984)	(241,190)
Depreciation and amortisation	-	(174)	(91)	(6,567)	(6,832)
Carrying amount at the end of the period	-	-	12	-	12

The following table shows the movement of property, plant and equipment during 2017-18

	Land	Buildings	Plant and equipment	Harbour and port facilities	Total assets
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Carrying amount at the beginning of the period	-	-	12	-	12
Depreciation and amortisation	-	-	(3)	-	(3)
<b>Carrying amount at the end of the period</b>	-	-	<b>9</b>	-	<b>9</b>

## DEFENCE SA

### 20 Payables

	2018	2017
	\$' 000	\$' 000
<b>Current</b>		
Creditors and accrued expenses	1,218	2,296
Employment on-costs	91	119
GST payable	-	74
<b>Total current payables</b>	<b>1,309</b>	<b>2,489</b>
<b>Non-current</b>		
Employment on-costs	13	22
<b>Total non-current payables</b>	<b>13</b>	<b>22</b>
<b>Total payables</b>	<b>1,322</b>	<b>2,511</b>

Employee benefits on-costs include payroll tax and superannuation contributions.

Defence SA makes contributions 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 from the 2017 rate (40%) to 41% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2017 rate (10.1%) to 9.9%. These rates are used in the employment on-cost calculation.

There is no material financial effect from changes in actuarial assumptions in employment on-costs in 2018 \$nil (\$3 000) and employees benefits expense \$nil (\$3 000). The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions. A key assumption is the proportion of Long Service Leave taken as leave instead of a lump sum, a result determined by the actuary based on current period data.

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

### 21 Employee benefits - liability

	2018	2017
	\$' 000	\$' 000
<b>Current</b>		
Accrued salaries and wages	56	80
Annual leave	186	285
Long service leave	233	303
Skills and experience retention leave	6	6
<b>Total current employee benefits - liability</b>	<b>481</b>	<b>674</b>
<b>Non-current</b>		
Long service leave	222	372
<b>Total non-current employee benefits - liability</b>	<b>222</b>	<b>372</b>
<b>Total employee benefits - liability</b>	<b>703</b>	<b>1,046</b>

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.

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## DEFENCE SA

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### 21.1 Salaries and wages, annual leave, skills and experience retention 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 and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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.

### 21.2 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.

AASB 119 *Employee Benefits* describes the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and years of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has not changed from the 2017 rate of 2.5%.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$6 000 and employee benefits expense of \$6 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions including the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no financial effect resulting from changes in the salary inflation rate.

## 22 Provisions

	2018 \$' 000	2017 \$' 000
<b>Current</b>		
Provision for workers compensation	4	4
<b>Total current provisions</b>	<u>4</u>	<u>4</u>
<b>Non-current</b>		
Provision for workers compensation	6	9
<b>Total non-current provisions</b>	<u>6</u>	<u>9</u>
<b>Total provisions</b>	<u>10</u>	<u>13</u>

### 22.1 Movements in provisions

<b>Carrying amount at the beginning of the period</b>	13	30
Reductions resulting from re-measurement	(3)	(17)
<b>Carrying amount at the end of the period</b>	<u>10</u>	<u>13</u>

A liability 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 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a Division of the Department of the Premier and Cabinet). 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.

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## DEFENCE SA

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### 23 Equity

	2018	2017
	\$' 000	\$' 000
Contributed capital <sup>(1) (2)</sup>	-	101,823
Retained earnings <sup>(2)</sup>	9,094	162,579
<b>Total equity</b>	<b>9,094</b>	<b>264,402</b>

<sup>(1)</sup> Contributed capital represents equity contribution from the SA Government under Appropriation Acts to fund the investing activities of Defence SA for assets owned by Defence SA.

<sup>(2)</sup> Proceeds from the sale of the Techport Australia assets of \$230.000 million have been returned to SA Government as a return of contributed capital \$101.823 million and payment to Consolidated Account \$128.177 million.

### 24 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

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

#### 24.1 Capital commitments

	2018	2017
	\$' 000	\$' 000
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	-	843
<b>Total capital commitments</b>	<b>-</b>	<b>843</b>

Defence SA's capital commitments were to various contractors providing dredging services and supplying specialised spare parts for the shiplift for the Techport Australia Common User Facility.

#### 24.2 Expenditure commitments

	2018	2017
	\$' 000	\$' 000
Operating expenditure commitments as at the reporting date but not recognised as liabilities in the financial statements are payable as follows:		
Within 1 year	7,990	5,927
Later than 1 year but not longer than 5 years	11,133	7,089
<b>Total expenditure commitments</b>	<b>19,123</b>	<b>13,016</b>

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

## 25 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the contingencies are disclosed on a gross basis.

Defence SA secures 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 fulfil their agreed contractual commitments.

	2018 \$' 000	2017 \$' 000
Contingent liabilities to which a value can be assigned	<u>2,898</u>	<u>2,000</u>
<b>Total</b>	<u><b>2,898</b></u>	<u><b>2,000</b></u>

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

Defence SA facilitated the private sector delivery of the Techport Australia Commercial Campus pursuant to its commitments to the AWD project and development of Techport Australia as Australia's premier naval industry hub. This 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.

### *Birdon Pty Ltd - Claims for recoupment of costs associated with the maintenance dredging contract at the Techport Australia Common User Facility*

Birdon Pty Ltd were contracted to undertake dredging works at the Techport Australia Common User Facility prior to its transfer to the Australian Government. Defence SA has paid all contracted sums in full, however, subsequent to completing the works, Birdon submitted several variation claims totalling \$1.952 million for additional costs and downtime incurred during the works. Defence SA does not accept liability for the claims and will defend the claims.

### *Continuous Naval Shipbuilding*

In May 2017 the state signed a Memorandum of Understanding (MoU) to transfer the Techport Australia Common User Facility and associated assets to Australian Naval Infrastructure Pty Ltd (Australian Government entity) during the 2017-18 year.

Under the MoU the state is responsible for construction of overpass(es) to provide pedestrian access to the shipyard. The value cannot be determined until designs are finalised and costing completed.

## **26 Related party transactions**

Defence SA is an administrative unit of the Public Service established in 2007 under section 7 of the *Public Sector Management Act 1995* and is responsible for delivering the State's Defence and Space strategies on behalf of the Premier.

Related parties of Defence SA include all key management personnel and their close family members, all Cabinet Ministers and their close family members, and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

### **26.1 Transactions with key management personnel and other related parties**

Defence SA had no transactions with key management personnel and other related parties other than those in the normal course of business.

Compensation of key management personnel is disclosed in note 3.3.



## DEFENCE SA

### 27 Budgetary reporting

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2017-18 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements is not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with the line items in the financial statements. These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

	Original budget 2018	Actual 2018	Variance <sup>(1)</sup>
	\$' 000	\$' 000	\$' 000
<b>Statement of Comprehensive Income</b>	Note		
<b>Expenses</b>			
Employee benefits expenses	5,150	5,316	(166)
Supplies and services	5,599	5,870	(271)
Depreciation and amortisation	(a) 3,693	3	3,690
Net loss from disposal of non-current assets	(a) 4,588	-	4,588
Grants and subsidies	(c) 3,978	5,517	(1,539)
Resources received free of charge	-	66	(66)
Other expenses	(a) 2,806	666	2,140
<b>Total expenses</b>	<b>25,814</b>	<b>17,438</b>	<b>8,376</b>
<b>Income</b>			
Revenues from fees and charges	2,021	1,717	(304)
Grants	1,450	1,869	419
Techport Australia recoveries	-	743	743
Resources received free of charge	-	66	66
Other income	57	101	44
<b>Total income</b>	<b>3,528</b>	<b>4,496</b>	<b>968</b>
<b>Net cost of providing services</b>	<b>(22,286)</b>	<b>(12,942)</b>	<b>9,344</b>
<b>Revenues from/payments to SA Government</b>			
Revenues from SA Government	18,478	19,467	989
Payments to SA Government	(b) (158,554)	(160,010)	(1,456)
<b>Net result</b>	<b>(162,362)</b>	<b>(153,485)</b>	<b>8,877</b>
<b>Total comprehensive result</b>	<b>(162,362)</b>	<b>(153,485)</b>	<b>8,877</b>
	Original budget <sup>(1)</sup> 2018	Actual 2018	Variance <sup>(1)</sup>
	\$' 000	\$' 000	\$' 000
<b>Investing expenditure summary</b>			
New projects	133	-	133
<b>Total investing expenditure</b>	<b>133</b>	<b>-</b>	<b>133</b>

<sup>(1)</sup> The use of brackets identifies an adverse variance

**27 Budgetary reporting (continued)**

The following are brief explanations of variances between original budget and actual amounts.

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) On the 30 November 2017 Defence SA sold the Techport Australia Common User Facility to the Australian Government. The property was revalued to \$230.000 million as at 30 June 2017 and reclassified as an asset held for sale in line with Australian Accounting standards. An impairment loss of \$11.525 million was also recorded at that time.

The original budget for 2017-18 did not reclassify the facility at 30 June 2017 but rather recognised the sale taking place in December 2017 with a loss on disposal of assets being recorded at that time. Accordingly expenditure budgets included several line items that were not realised during the 2017-18 year due to the accounting treatment of the sale in the 2016-17 financial statements. These savings are:

Depreciation \$3.690 million

Loss on sale of assets \$4.588 million

Donation of land to the Commonwealth \$2.491 million (Other expenses)

- (b) Surplus cash returned to Department of Treasury and Finance \$1.456 million

- (c) Industry assistance and research grants increased by \$1.539 million compared to the original budget primarily as a result of:

- Air Warfare Destroyer program Payroll Tax Assistance \$1.241 million

- Research grants \$0.241 million

**28 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.

There are no reportable events after the reporting period.