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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 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2022, 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies 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 2022.

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 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

26 September 2022

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

26th September 2022



Peter Murdock
Director Finance and Systems

26th September 2022

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30 June 2022**

	Note	2022 \$' 000	2021 \$' 000
Income			
Appropriation	2.1	11,646	14,878
Fees and charges	2.2	417	405
Grants	2.3	10,887	7,404
Recoveries	2.4	164	185
Resources received free of charge	2.5	61	65
Total income		<u>23,175</u>	<u>22,937</u>
Expenses			
Employee benefits expenses	3.3	4,546	4,466
Supplies and services	4.1	4,627	3,114
Depreciation	4.2	455	457
Grants and subsidies	4.3	6,083	9,625
Interest on leases	4.4	39	43
Resources received free of charge	2.5	61	65
Cash alignment transfers to Consolidated Account		-	7,064
Other expenses	4.5	1,308	53
Total expenses		<u>17,119</u>	<u>24,887</u>
Net result		<u>6,056</u>	<u>(1,950)</u>
Total comprehensive result		<u>6,056</u>	<u>(1,950)</u>

The accompanying notes form part of these financial statements.

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

DEFENCE SA

STATEMENT OF FINANCIAL POSITIONas at 30 June 2022

	Note	2022 \$' 000	2021 \$' 000
Current assets			
Cash	6.2	17,136	13,129
Receivables	6.3	910	427
Total current assets		<u>18,046</u>	<u>13,556</u>
Non-current assets			
Property, plant and equipment	5.1	2,824	3,070
Total non-current assets		<u>2,824</u>	<u>3,070</u>
Total assets		<u>20,870</u>	<u>16,626</u>
Current liabilities			
Payables	7.2	666	2,230
Lease liabilities	7.3	423	340
Unearned revenue	7.4	345	361
Employee benefits	3.4	604	697
Provisions	7.5	11	5
Total current liabilities		<u>2,049</u>	<u>3,633</u>
Non-current liabilities			
Payables	7.2	15	12
Lease liabilities	7.3	2,551	2,831
Employee benefits	3.4	223	197
Provisions	7.5	34	11
Total non-current liabilities		<u>2,823</u>	<u>3,051</u>
Total liabilities		<u>4,872</u>	<u>6,684</u>
Net assets		<u>15,998</u>	<u>9,942</u>
Equity			
Retained earnings		15,998	9,942
Total equity		<u>15,998</u>	<u>9,942</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 2022**

	Retained earnings \$' 000	Total equity \$' 000
Balance at 1 July 2020	11,892	11,892
Total comprehensive result for 2020-21	(1,950)	(1,950)
Transactions with SA Government as owner		
Balance at 30 June 2021	<u>9,942</u>	<u>9,942</u>
Total comprehensive result for 2021-22	6,056	6,056
Balance at 30 June 2022	<u>15,998</u>	<u>15,998</u>

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 2022

	Note	2022 \$' 000	2021 \$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		11,644	14,880
Fees and charges		432	490
Grants		10,483	7,468
Recoveries		180	287
GST recovered from the ATO		1,017	1,117
Other receipts		-	22
Cash generated from operations		<u>23,756</u>	<u>24,264</u>
Cash outflows			
Employee benefits payments		(4,584)	(4,439)
Payments for supplies and services		(5,738)	(3,177)
Payments of grants and subsidies		(7,744)	(10,906)
Interest payments on leases		(43)	(43)
Cash alignment transfers to Consolidated Account		-	(7,064)
Other payments		(1,202)	(25)
Cash used in operations		<u>(19,311)</u>	<u>(25,654)</u>
Net cash provided by/(used in) operating activities		<u>4,445</u>	<u>(1,390)</u>
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(438)	(449)
Cash used in financing activities		<u>(438)</u>	<u>(449)</u>
Net cash used in financing activities		<u>(438)</u>	<u>(449)</u>
Net increase/(decrease) in cash		<u>4,007</u>	<u>(1,839)</u>
Cash at the beginning of the period		13,129	14,968
Cash at the end of the period	6.2	<u>17,136</u>	<u>13,129</u>

The accompanying notes form part of these financial statements.

DEFENCE SA

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DEFENCE SA

1 About Defence SA

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

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

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

1.1 Basis of preparation

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

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

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

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

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

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

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).

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.

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:

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 coordinates and implements industry and workforce development through initiatives, events, scholarships and an incubator program. 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 to play a key role in the national space agenda.

1.2 Objectives and programs (continued)

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 2022

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000
Income										
Appropriation	11,646	14,878	-	-	-	-	-	-	11,646	14,878
Fees and charges	-	-	257	127	160	278	-	-	417	405
Grants	-	-	6,562	2,289	4,110	4,854	215	261	10,887	7,404
Recoveries	-	-	60	79	104	106	-	-	164	185
Resources received free of charge	-	-	61	65	-	-	-	-	61	65
Total income	11,646	14,878	6,940	2,560	4,374	5,238	215	261	23,175	22,937
Expenses										
Employee benefits expenses	-	-	3,206	3,151	723	526	617	789	4,546	4,466
Supplies and services	-	-	1,755	2,014	2,414	736	458	364	4,627	3,114
Depreciation	-	-	94	90	361	367	-	-	455	457
Grants and subsidies	-	-	4,458	5,247	840	3,840	785	538	6,083	9,625
Interest on leases	-	-	-	1	39	42	-	-	39	43
Resources received free of charge	-	-	61	65	-	-	-	-	61	65
Cash alignment transfers to Consolidated Account	-	7,064	-	-	-	-	-	-	-	7,064
Other expenses	-	-	1,308	53	-	-	-	-	1,308	53
Total expenses	-	7,064	10,882	10,621	4,377	5,511	1,860	1,691	17,119	24,887
Net result	11,646	7,814	(3,942)	(8,061)	(3)	(273)	(1,645)	(1,430)	6,056	(1,950)

DEFENCE SA

1.2 Objectives and programs (continued)

Assets and liabilities by program

as at 30 June 2022

	Not Attributed		Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Total Defence SA	
	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000	2022 \$' 000	2021 \$' 000
Assets										
Cash	17,136	13,129	-	-	-	-	-	-	17,136	13,129
Receivables	-	-	585	238	311	133	14	56	910	427
Property, plant and equipment	-	-	140	25	2,684	3,045	-	-	2,824	3,070
Total assets	17,136	13,129	725	263	2,995	3,178	14	56	20,870	16,626
Liabilities										
Payables	-	-	410	1,144	143	934	128	164	681	2,242
Lease liabilities	-	-	143	26	2,831	3,145	-	-	2,974	3,171
Unearned revenue	-	-	286	329	59	32	-	-	345	361
Employee benefits	-	-	563	607	119	134	145	153	827	894
Provisions	45	16	-	-	-	-	-	-	45	16
Total liabilities	45	16	1,402	2,106	3,152	4,245	273	317	4,872	6,684
Net assets	17,091	13,113	(677)	(1,843)	(157)	(1,067)	(259)	(261)	15,998	9,942

DEFENCE SA

1.3 Impact of COVID-19 pandemic on Defence SA

The COVID-19 pandemic has not had a material impact on Defence SA's operations.

1.4 Budget performance

The budget performance table compares Defence SA's outcomes against budget information presented to Parliament (2021-22 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 2022 \$' 000	Actual 2022 \$' 000	Variance ⁽¹⁾ 2022 \$' 000
Income				
Appropriation		11,180	11,646	466
Fees and charges		274	417	143
Grants	(a)	9,397	10,887	1,490
Recoveries		-	164	164
Resources received free of charge		-	61	61
Other income		30	-	(30)
Total income		20,881	23,175	2,294
Expenses				
Employee benefits expenses		4,478	4,546	(68)
Supplies and services	(c)	7,113	4,627	2,486
Depreciation		386	455	(69)
Grants and subsidies	(b)	8,912	6,083	2,829
Interest on leases		38	39	(1)
Resources received free of charge		-	61	(61)
Cash alignment transfers to Consolidated Account		-	-	-
Other expenses	(d)	97	1,308	(1,211)
Total expenses		21,024	17,119	3,905
Net result		(143)	6,056	6,199
Total comprehensive result		(143)	6,056	6,199

⁽¹⁾ The use of brackets identifies an adverse 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 \$1.490 million grant income variance relates movements in funding from the Jobs Economic Growth Fund for the Space Mission Control and Discovery centre, SASAT1 Space Services Mission (Kanyini) and Defence Innovation Partnership projects.
- (b) The \$2.829 million grant expenditure variance is due to delays in achievement of program milestones by the recipients and the extension of the Defence Innovation Partnership.
- (c) The \$2.486 million supplies and services expenditure variance is due to delays in projects; including the SASAT1 Space Services Mission (Kanyini) project.
- (d) 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.

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

	2022	2021
	\$' 000	\$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2021</i>	11,180	14,878
Appropriations under other Acts	466	-
Total appropriation	11,646	14,878

Appropriations are recognised on receipt.

2.2 Fees and charges

	2022	2021
	\$' 000	\$' 000
Event participation fees	156	93
Rental income	57	51
Service fees	204	161
Event sponsorships	-	100
Total fees and charges	417	405

2.3 Grants

	2022	2021
	\$' 000	\$' 000
Grants received from South Australian Government entities	715	780
Contingency funding provided by the Department of Treasury and Finance	1,200	-
Funding allocated from the Jobs Economic Growth Fund	8,382	6,054
Australian Government sourced grants	270	330
Other	320	240
Total grants	10,887	7,404

2.4 Recoveries

	2022	2021
	\$' 000	\$' 000
Defence Innovation Partnership recoveries	60	60
Industry assistance grants recovered	-	19
Other recoveries	104	106
Total recoveries	164	185

2.5 Resources received free of charge

	2022	2021
	\$' 000	\$' 000
Services received free of charge from South Australian Government agencies	61	65
Total resources received free of charge	61	65

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 \$1.679 million (\$1.274 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)
Hon S Marshall MP Premier⁽¹⁾ (retired 21 March 2022)
Hon S Close MP Deputy Premier⁽¹⁾ (appointed 24 March 2022)
VADM R Crane AO CSM RANR (Ret'd)
S Ludlam FREng
M Davis AM
AVM Alan Clements CSC (retired 1 September 2021)
R Price⁽²⁾

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

COL S Neuhaus AM CSC (Ret'd) (Chair)
COL C Burns CSC (Rsv)
C Cates
CMDR A Cooper ADC RAN (retired 31 December 2021)⁽⁴⁾
AIRCDRE M Forster CSM (Rsv)⁽²⁾
J Godwin (Deputy Chair)
J Hanrahan
MAJ S Heidenreich (Rsv)
N Klinge
F Lampard OAM⁽³⁾
J Milham
M Thiele⁽³⁾
C Tilley⁽²⁾
AIRCDRE R Bender⁽⁴⁾
LTCOL T Orders (retired 31 December 2021)⁽⁴⁾
CMDR E McDonald-Kerr (appointed 1 January 2022)⁽⁴⁾
LTCOL R Spackman (appointed 1 January 2022)⁽⁴⁾

⁽¹⁾ The Deputy Premier the Hon Susan Close MP and the former Premier the Hon Steven Marshall MP did not receive any remuneration for board duties during the period.

⁽²⁾ Pursuant to the Department of the Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board duties during the financial year.

⁽³⁾ Elected not to receive any remuneration for council duties during the financial year.

⁽⁴⁾ Ex-Officio Australian Defence Force members did not receive any remuneration for council duties during the financial year.

Advisory Board and Council remuneration

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

	2022 No.	2021 No.
\$1 to \$19 999	9	12
\$20 000 to \$39 999	3	4
\$60 000 to \$79 999	1	1
Total number of members	13	17

Total remuneration received or receivable, by board and council members was \$188 000 (\$214 000).

Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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3.3 Employee benefits expenses

	2022	2021
	\$' 000	\$' 000
Salaries and wages	3,317	3,318
Targeted Voluntary Separation Packages	-	37
Long service leave	69	44
Annual leave	340	274
Skills and experience retention leave	13	11
Employment on-costs - superannuation ⁽¹⁾	369	362
Employment on-costs - other	207	206
Fees paid to Advisory Board and Council members (refer note 3.2)	171	193
Workers compensation	30	4
Other employee related expenses	30	17
Total employee benefits expenses	4,546	4,466

⁽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

	2022	2021
	\$' 000	\$' 000
The number of employees whose remuneration received or receivable falls within the following bands:	No	No
\$157 001 to \$177 000	2	3
\$177 001 to \$197 000	1	1
\$197 001 to \$217 000	2	3
\$217 001 to \$237 000	2	1
\$237 001 to \$257 000	1	1
\$337 001 to \$357 000	-	1
\$357 001 to \$377 000	1	-
Total number of employees	9	10

The total remuneration received by those employees for the year was \$2.000 million (\$2.100 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.

Targeted voluntary separation packages

The number of employees who received a targeted voluntary separation package during the reporting period was Nil (1).

	2022	2021
	\$' 000	\$' 000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	-	37
Leave paid to those employees	-	12
Total Targeted Voluntary Separation Packages	-	49

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3.4 Employee benefits liability

	2022	2021
	\$' 000	\$' 000
Current		
Accrued salaries and wages	(14)	104
Annual leave	296	240
Long service leave	306	333
Skills and experience retention leave	16	20
Total current employee benefits liability	<u>604</u>	<u>697</u>
Non-current		
Long service leave	223	197
Total non-current employee benefits liability	<u>223</u>	<u>197</u>
Total employee benefits liability	<u>827</u>	<u>894</u>

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 from 2021 (1.25%) to 2022 (3.5%).

This increase in the bond yield results in a decrease in the reported long service leave liability.

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 10 years of service.

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4 Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1 Supplies and services

	2022 \$' 000	2021 \$' 000
Promotion and events	1,053	1,266
Contractors	2,531	815
Accommodation and service costs	281	362
Property	58	67
Provision of corporate services under Service Level Agreements	229	224
Travel and related expenses	122	40
Consultants	-	43
Legal fees	15	13
Staff safety, development and recruitment	48	45
Service recoveries paid to South Australian Government entities	8	20
Other expenses	282	219
Total supplies and services	4,627	3,114

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.

Consultants

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

	2022		2021	
	No	\$' 000	No	\$' 000
\$10 000 and above	-	-	1	43
Total paid/payable to the consultants engaged	-	-	1	43

4.2 Depreciation

	2022 \$' 000	2021 \$' 000
Right of use buildings and improvements	454	448
Right of use vehicles	1	6
Plant and equipment	-	3
Total depreciation	455	457

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).

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4.3 Grants and subsidies

	2022	2021
	\$' 000	\$' 000
Industry development	1,103	1,329
Industry assistance	2,096	3,300
Research programs	1,411	1,617
Support for the Veterans community	512	438
Intra-government payments	961	2,941
Total grants and subsidies	6,083	9,625

4.4 Interest on leases

	2022	2021
	\$' 000	\$' 000
Buildings and improvements	39	43
Total interest on leases	39	43

4.5 Other expenses

	2022	2021
	\$' 000	\$' 000
Audit fees - Auditor General ⁽²⁾	44	43
Internal audit	54	40
Bad debts	-	69
Allowances for doubtful debts (refer note 6.2)	-	(139)
Other ⁽¹⁾	1,210	40
Total other expenses	1,308	53

⁽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 \$44 000 (\$43 000). No other services were provided by the Auditor-General's Department.

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5 Property, plant and equipment

5.1 Property, plant and equipment by asset class

	2022	2021
	\$' 000	\$' 000
Right of use assets		
Right of use buildings and improvements		
Right of use buildings and improvements at cost	3,988	3,779
Accumulated depreciation at the end of the period	<u>(1,164)</u>	<u>(710)</u>
Total right of use buildings and improvements	<u>2,824</u>	<u>3,069</u>
Right of use vehicles		
Right of use vehicles at cost	-	14
Accumulated depreciation at the end of the period	<u>-</u>	<u>(13)</u>
Total right of use vehicles	<u>-</u>	<u>1</u>
Total right of use assets	<u>2,824</u>	<u>3,070</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>2,824</u>	<u>3,070</u>
Total property, plant and equipment at cost	4,886	4,691
Total accumulated depreciation/amortisation at the end of the period	<u>(2,062)</u>	<u>(1,621)</u>
Total property, plant and equipment	<u>2,824</u>	<u>3,070</u>
Reconciliation 2021-22		
	Right of use	Total assets
Carrying amount at 1 July 2021	3,070	3,070
Acquisitions and additions	245	245
Revaluations	(22)	(22)
Disposals	(14)	(14)
Depreciation ⁽¹⁾ (refer note 4.2)	<u>(455)</u>	<u>(455)</u>
Carrying amount at 30 June 2022	<u>2,824</u>	<u>2,824</u>

⁽¹⁾ During the year the lease for the Defence Landing Pad was extended effective from 17 May 2021 to 31 Dec 2023 resulting in a revaluation of the right of use asset.

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

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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 revalued as they are either fully written down or are of an immaterial value. The carrying value of these items are deemed to approximate fair 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.

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.

The lease liabilities related to the right-of-use assets including maturity analysis are disclosed in note 7.3. 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

	2022 Carrying amount \$' 000	2021 Carrying amount \$' 000
Financial assets		
Cash	17,136	13,129
Receivables	351	56
Total financial assets	<u>17,487</u>	<u>13,185</u>

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

6.2 Cash

	2022 \$' 000	2021 \$' 000
Deposits with the Treasurer		
Defence SA operating account	13,738	9,731
Accrual Appropriation Excess Funds Account	3,398	3,398
Total deposits with the Treasurer	<u>17,136</u>	<u>13,129</u>

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

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6.3 Receivables

	2022	2021
	\$' 000	\$' 000
Current		
Trade receivables		
From government entities	219	34
From non-government entities	351	56
Total trade receivables	<u>570</u>	<u>90</u>
Statutory receivables		
GST recoverable from the ATO	263	240
Total statutory receivables	<u>263</u>	<u>240</u>
Prepayments	77	97
Total current receivables	<u>910</u>	<u>427</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.

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

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

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7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Categorisation of financial liabilities

	2022 Carrying amount \$' 000	2021 Carrying amount \$' 000
Financial liabilities		
Payables	291	1,905
Lease liabilities	2,974	3,171
Total financial liabilities	<u>3,265</u>	<u>5,076</u>

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

7.2 Payables

	2022 \$' 000	2021 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	215	205
To non-government entities	291	1,905
Total trade creditors and accrued expenses	<u>506</u>	<u>2,110</u>
Statutory payables		
GST payable	60	17
Employment on-costs	100	101
Paid parental leave scheme payable	-	2
Total statutory payables	<u>160</u>	<u>120</u>
Total current payables	<u>666</u>	<u>2,230</u>
Non-current		
Statutory payables		
Employment on-costs	15	12
Total statutory payables	<u>15</u>	<u>12</u>
Total non-current payables	<u>15</u>	<u>12</u>
Total payables	<u>681</u>	<u>2,242</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.

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7.3 Lease liabilities

	2022	2021
	\$' 000	\$' 000
Current		
Buildings and improvements	423	339
Vehicles	-	1
Total current leases	<u>423</u>	<u>340</u>
Non-current		
Buildings and improvements	2,551	2,831
Vehicles	-	-
Total non-current leases	<u>2,551</u>	<u>2,831</u>
Total leases	<u>2,974</u>	<u>3,171</u>
Movements in leases		
Carrying amount at the beginning of the period	3,171	3,565
Additional leases recognised	245	-
Write downs	(26)	-
Lease repayments	(416)	(394)
Carrying amount at the end of the period	<u>2,974</u>	<u>3,171</u>

7.4 Unearned revenue

	2022	2021
	\$' 000	\$' 000
Current		
Unearned revenue	345	361
Total current unearned revenue	<u>345</u>	<u>361</u>
Total unearned revenue	<u>345</u>	<u>361</u>

7.5 Provisions

	2022	2021
	\$' 000	\$' 000
Current		
Provision for workers compensation	11	5
Total current provisions	<u>11</u>	<u>5</u>
Non-current		
Provision for workers compensation	34	11
Total non-current provisions	<u>34</u>	<u>11</u>
Total provisions	<u>45</u>	<u>16</u>
Movements in provisions		
Carrying amount at the beginning of the period	16	12
Additional provisions recognised	29	4
Reductions resulting from re-measurement	-	-
Carrying amount at the end of the period	<u>45</u>	<u>16</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 2022 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.

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8 Outlook

8.1 Unrecognised commitments

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

Unrecognised 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.

Expenditure commitments

	2022	2021
	\$' 000	\$' 000
Within one year	13,068	11,895
Later than one year but no longer than five years	2,800	10,055
Later than five years	-	114
Total expenditure commitments	15,868	22,064

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

	2022	2021
	\$' 000	\$' 000
Within one year	54	53
Later than one year but no longer than five years	235	229
Later than five years	158	219
Total expected rental income	447	501

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

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.

Contingent Liabilities to which values cannot be applied

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.

8.4 Events after the reporting period

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

There are no reportable events after the reporting period.

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

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

	2022	2021
	\$' 000	\$' 000
Income		
Grants	100	100
Other income	-	2
Total income	<u>100</u>	<u>102</u>
Expenses		
Grants and subsidies	82	100
Total expenses	<u>82</u>	<u>100</u>
Net result	<u>18</u>	<u>2</u>
Current assets		
Cash	95	77
Total current assets	<u>95</u>	<u>77</u>
Net assets	<u>95</u>	<u>77</u>
Equity		
Retained earnings	95	77
Total equity	<u>95</u>	<u>77</u>