



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
ABN 53 327 061 410
enquiries@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Defence SA

Opinion

I have audited the financial report of Defence SA for the financial year ended 30 June 2025.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2025, its financial performance and its cash flows for year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Disclosures.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2025
- a Statement of Financial Position as at 30 June 2025
- a Statement of Changes in Equity for the year ended 30 June 2025
- a Statement of Cash Flows for the year ended 30 June 2025
- 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 Australian Accounting Standards – Simplified Disclosures, 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 that 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 DefenceSA for the financial year ended 30 June 2025.

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 DefenceSA'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
Deputy Auditor-General

25 September 2025

DEFENCE SA

Table of Contents

	Page
Certification of the Financial Statements	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
1. About Defence SA	7
1.1. Basis of preparation	7
1.2. Objectives and programs	7
1.3. Budget performance	11
2. Advisory Board, Council and employees	12
2.1. Key management personnel	12
2.2. Advisory Board, Council members and employees	12
3. Income	14
3.1. Appropriation	14
3.2. Fees and charges	14
3.3. Grants	14
3.4. Resources received free of charge	14
3.5. Other Income	14
4. Expenses	15
4.1. Employee related expenses	15
4.2. Supplies and services	16
4.3. Depreciation	16
4.4. Grants	16
4.5. Interest on leases	16
4.6. Other expenses	16
5. Assets	17
5.1. Financial assets	17
5.2. Cash	17
5.3. Receivables	17
5.4. Property, plant and equipment by asset class	18
5.5. Useful life depreciation for non-financial assets	19
5.6. Property, plant and equipment owned by Defence SA	19
5.7. Property, plant and equipment leased by Defence SA	19
6. Liabilities	20
6.1. Financial liabilities	20
6.2. Payables	20
6.3. Lease liabilities	21
6.4. Unearned revenue	21
6.5. Employee related liabilities	22
6.6. Provisions	23
7. Outlook	24
7.1. Unrecognised commitments	24
7.2. Operating lease receivable maturity analysis	24
7.3. Contingent assets and liabilities	24
7.4. Events after the reporting period	24
8. Administered Item	25
8.1. ANZAC Day Commemoration Fund	25

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.



Matt Opie
Chief Executive

25 September 2025



Peter Murdock
Director Finance and Systems

25 September 2025

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2025

	Note	2025 \$' 000	2024 \$' 000
Income			
Appropriation	3.1	15,211	17,457
Fees and charges	3.2	554	395
Grants	3.3	988	639
Resources received free of charge	3.4	281	103
Other income	3.5	47	20
Total income		17,081	18,614
Expenses			
Employee related expenses	4.1	5,096	4,570
Supplies and services	4.2	5,353	4,547
Depreciation	4.3	474	465
Grants	4.4	7,625	3,618
Interest on leases	4.5	35	37
Cash alignment transfers to Consolidated Account		848	682
Other expenses	4.6	72	110
Total expenses		19,503	14,029
Net result		(2,422)	4,585
Total comprehensive result		(2,422)	4,585

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 POSITION			
as at 30 June 2025			
	Note	2025 \$' 000	2024 \$' 000
Current assets			
Cash	5.2	11,878	14,250
Receivables	5.3	544	1,082
Total current assets		<u>12,422</u>	<u>15,332</u>
Non-current assets			
Property, plant and equipment	5.4	1,708	2,182
Total non-current assets		<u>1,708</u>	<u>2,182</u>
Total assets		<u>14,130</u>	<u>17,514</u>
Current liabilities			
Payables	6.2	708	1,086
Lease liabilities	6.3	487	471
Unearned revenue	6.4	544	659
Employee related liabilities	6.5	427	688
Provisions	6.6	6	5
Total current liabilities		<u>2,172</u>	<u>2,909</u>
Non-current liabilities			
Lease liabilities	6.3	1,425	1,912
Employee related liabilities	6.5	477	216
Provisions	6.6	30	29
Total non-current liabilities		<u>1,932</u>	<u>2,157</u>
Total liabilities		<u>4,104</u>	<u>5,066</u>
Net assets		<u>10,026</u>	<u>12,448</u>
Equity			
Retained earnings		10,026	12,448
Total equity		<u>10,026</u>	<u>12,448</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 2025		
	Retained earnings \$' 000	Total equity \$' 000
Balance at 1 July 2023	7,863	7,863
Total comprehensive result for 2023-24	4,585	4,585
Balance at 30 June 2024	12,448	12,448
Total comprehensive result for 2024-25	(2,422)	(2,422)
Balance at 30 June 2025	10,026	10,026

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 FLOWS			
for the year ended 30 June 2025			
	Note	2025 \$' 000	2024 \$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		15,211	17,457
Fees and charges		613	495
Grants		1,585	708
GST recovered		992	796
Other receipts		98	14
Cash generated from operations		18,499	19,470
Cash outflows			
Employee related payments		(5,108)	(4,550)
Payments for supplies and services		(5,704)	(5,012)
Payments of grants		(8,690)	(3,372)
Interest payments on leases		(35)	(41)
Cash alignment transfers to Consolidated Account		(848)	(682)
Other payments		(10)	-
Cash used in operations		(20,395)	(13,657)
Net cash provided by/(used in) operating activities		(1,896)	5,813
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(476)	(490)
Cash used in financing activities		(476)	(490)
Net cash used in financing activities		(476)	(490)
Net increase/(decrease) in cash		(2,372)	5,323
Cash at the beginning of the period		14,250	8,927
Cash at the end of the period	5.2	11,878	14,250

The accompanying notes form part of these financial statements.

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 8.

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, applying simplified disclosures.

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

The historical cost convention is used unless a different measurement basis is identified in the notes to the financial statements.

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 the expense of the item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Assets that are to be sold, consumed or realised as part of the normal 12 month operating cycle have been classified as current assets. Liabilities that are due to be settled within 12 months after the end of the reporting period, or for which Defence SA has no right to defer the settlement for at least 12 months after the end of the reporting period, are classified as current liabilities. All other assets and liabilities are classified as non-current.

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

1.2 Objectives and programs

Defence SA is South Australia's lead government agency for all defence and space related matters. The agency is a single point of contact for all defence and space stakeholders, streamlining their interaction across the Government of South Australia. 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 Commonwealth 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.

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

1.2 Objectives and programs (continued)

Program 1 - Defence Industry Development

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

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

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

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

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

Program 2 - South Australian Space Industry Centre

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

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 aims 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, Defence Space Command and other key federal agencies to play a key role in the national space agenda.

Program 3 - Veterans SA

Veterans SA is dedicated to advocacy for current and former serving members of the Australian Defence Force and their families.

Veterans SA works across all levels of government, with private industry and with ex-service organisations and associations to advise, inform and educate on the unique nature of military service as it relates to uniformed members and their families, and provides information and guidance on the value and skills that this cohort of people can bring to the community.

Veterans SA engages and consults with individuals, Defence networks, ex-service organisations, civic groups and the wider community to learn the needs of the community and investigate potential ways in which government can assist in meeting those needs.

Veterans SA also plays a role in sharing information about services, supports, and programs that are available to veterans across South Australia, and provides advice to the Government of South Australia in relation to veterans' matters, as well as administering and distributing grant funds and providing secretariat support for the Minister's Veterans Advisory Council.

DEFENCE SA

1.2 Objectives and programs (continued)

Expenses and income by program

for the year ended 30 June 2025

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Not Attributed		Total Defence SA	
	2025 \$' 000	2024 \$' 000	2025 \$' 000	2024 \$' 000	2025 \$' 000	2024 \$' 000	2025 \$'000	2024 \$'000	2025 \$' 000	2024 \$' 000
Income										
Appropriation	-	-	-	-	-	-	15,211	17,457	15,211	17,457
Fees and charges	401	314	153	81	-	-	-	-	554	395
Grants	763	414	200	200	25	25	-	-	988	639
Resources received free of charge	281	103	-	-	-	-	-	-	281	103
Other income	47	19	-	1	-	-	-	-	47	20
Total income	1,492	850	353	282	25	25	15,211	17,457	17,081	18,614
Expenses										
Employee related expenses	4,244	3,715	192	321	660	534	-	-	5,096	4,570
Supplies and services	3,605	2,172	1,176	1,710	572	562	-	-	5,353	4,444
Depreciation	114	104	360	361	-	-	-	-	474	465
Grants	4,989	1,969	1,725	1,074	911	575	-	-	7,625	3,618
Interest payments on leases	9	7	26	30	-	-	-	-	35	37
Resources received free of charge	-	103	-	-	-	-	-	-	-	103
Cash alignment transfers to Consolidated Account	-	-	-	-	-	-	848	682	848	682
Other expenses	60	110	-	-	12	-	-	-	72	110
Total expenses	13,021	8,180	3,479	3,496	2,155	1,671	848	682	19,503	14,029
Net result	(11,529)	(7,330)	(3,126)	(3,214)	(2,130)	(1,646)	14,363	16,775	(2,422)	4,585

DEFENCE SA

1.2 Objectives and programs (continued)

Assets and liabilities by program

as at 30 June 2025

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Not Attributed		Total Defence SA	
	2025 \$' 000	2024 \$' 000	2025 \$' 000	2024 \$' 000	2025 \$' 000	2024 \$' 000	2025 \$'000	2024 \$'000	2025 \$' 000	2024 \$' 000
Assets										
Cash	-	-	-	-	4	50	11,873	14,200	11,878	14,250
Receivables	453	898	73	107	18	77	-	-	544	1,082
Property, plant and equipment	105	219	1,603	1,963	-	-	-	-	1,708	2,182
Total assets	558	1,117	1,676	2,070	22	127	11,873	14,200	14,130	17,514
Liabilities										
Payables	293	547	239	398	176	141	-	-	708	1,086
Lease liabilities	112	224	1,800	2,159	-	-	-	-	1,912	2,383
Unearned revenue	531	650	13	9	-	-	-	-	544	659
Employee related liabilities	824	752	6	31	74	121	-	-	904	904
Provisions	-	-	-	-	-	-	36	34	36	34
Total liabilities	1,760	2,173	2,058	2,597	250	262	36	34	4,104	5,066
Net assets (liabilities)	(1,202)	(1,056)	(382)	(527)	(228)	(135)	11,837	14,166	10,026	12,448

DEFENCE SA

1.3 Budget performance

The budget performance table compares Defence SA's outcomes to the budget information presented to Parliament (2024-25 Budget Paper 4). Appropriation reflects the appropriation issued to special deposit accounts [and deposit accounts] controlled by Defence SA. 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	Budget 2025 \$' 000	Actual 2025 \$' 000	Variance ⁽¹⁾ 2025 \$' 000
Income				
Appropriation	(a)	28,614	15,211	(13,403)
Fees and charges		393	554	161
Grants		597	988	391
Resources received free of charge		-	281	281
Other income		-	47	47
Total income		29,604	17,081	(12,523)
Expenses				
Employee related expenses		4,384	5,096	(712)
Supplies and services	(b)	8,444	5,353	3,091
Depreciation		360	474	(114)
Grants		6,506	7,625	(1,119)
Interest on leases		25	35	(10)
Cash alignment transfers to Consolidated Account		-	848	(848)
Other expenses		102	72	30
Total expenses		19,821	19,503	318
Net result		9,783	(2,422)	(12,205)
Total comprehensive result		9,783	(2,422)	(12,205)

⁽¹⁾ The use of brackets identifies an unfavourable variance

Explanations are provided where the variance in expense or income exceeds the greater of 10% of the budgeted amount and 5% of budgeted total expenses.

(a) The (\$13.403) million appropriation variance relates to the Space AIT Common User faculty at Lot 14 being delayed until 2027-28 (\$10 million) and the reprofiling of Defence Innovation Partnership and commemorative memorial projects to future years.

(b) The \$3.091 million supplies and services variance arises from lower expenditure on international and local events due to costs being lower than budgeted and delays in progressing several projects.

2 Advisory Board, Council and employees

2.1 Key management personnel

Key management personnel of Defence SA include the Treasurer, Chief Executive and members of the Executive Team who are responsible for the strategic direction and management of Defence SA.

The compensation disclosed in this note excludes salaries and other benefits the Treasurer receives. The Treasurer'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.

2.2 Advisory Board, Council members

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 sectors.

Defence SA has recruited board members from Defence, defence industry and organisations involved in research providing unique skills and experience to facilitate industry engagement aiming to attract 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 for Veterans' Affairs (Minister) 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

2.2 Advisory Board and Council members (continued)

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

Hon S Mullighan MP Treasurer⁽¹⁾
 VADM R Crane AO CSM RANR (Ret'd) (reappointed and appointed Chair
 1 September 2024)
 S Ludlam FREng (reappointed 1 September 2024)
 M Davis AM (reappointed 1 September 2024)
 K Toohey AM CSC (reappointed 12 May 2025)
 C Roberts AO, CSC
 LTGEN R Burr AO DSC MVO (Ret'd) (Commenced 1 September 2024)
 M Opie⁽²⁾

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

M Van Hooff (Appointed Chair 1 December 2024)
 H Boswell
 C Cates
 T Cowell⁽³⁾ (Appointed Deputy Chair 1 December 2024)
 LTCOL B Denny AM BM (Ret'd)
 A Houthuysen
 N Klinge
 K Matthias (Resigned 14 February 2025)
 K Smith
 M Thiele OAM⁽³⁾
 C Tilley⁽²⁾
 AIRCDRE A Maso AM⁽⁴⁾ (resigned 31 December 2024)
 AIRCDRE Grant Fifield CDR AWC⁽⁴⁾ (appointed 1 January 2025)
 BRIG T Orders⁽⁴⁾
 CMDR Tony Ryder ADC RAN⁽⁴⁾

⁽¹⁾ The Treasurer the Hon Stephen Mullighan MP received no remuneration for board duties during the period.

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

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

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

Advisory Board and Council remuneration

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

	2025 No.	2024 No.
\$1 to \$19 999	8	10
\$20 000 to \$39 999	-	4
\$40 000 to \$59 999	5	-
\$60 000 to \$79 999	1	-
Total number of members	14	14

Total remuneration received, or receivable by board and council members was \$355 000 (\$154 000).

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

DEFENCE SA

3 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.

3.1 Appropriation

	2025 \$' 000	2024 \$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act 2024</i>	15,211	17,457
Total appropriation	<u>15,211</u>	<u>17,457</u>

Appropriations are recognised on receipt.

3.2 Fees and charges

	2025 \$' 000	2024 \$' 000
Event participation fees	278	174
Rental income	150	79
Service fees	126	142
Total fees and charges	<u>554</u>	<u>395</u>

3.3 Grants

	2025 \$' 000	2024 \$' 000
Grants received from South Australian Government entities	254	228
Contingency funding provided by the Department of Treasury and Finance	28	21
Australian Government sourced grants	570	270
Other	136	120
Total grants	<u>988</u>	<u>639</u>

3.4 Resources received free of charge

	2025 \$' 000	2024 \$' 000
Services received free of charge		
Department Premier and Cabinet - Advertising Insights Hub	125	-
Department Premier and Cabinet - ICT, Media Monitoring	56	55
Audit Office of South Australia	46	-
Shared Services SA	54	48
Total resources received free of charge	<u>281</u>	<u>103</u>

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Defence SA receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge. Some ICT and Media Monitoring services are also received from the Department of Premier and Cabinet. The Audit Office of South Australia performed work under the Public Finance and Audit Act 1987. The Government Advertising and Insights Hub provided services supporting the delivery of agency advertising campaigns.

A corresponding expense is recognised in the financial statements.

3.5 Other income

	2025 \$' 000	2024 \$' 000
Other income	47	20
Total other income	<u>47</u>	<u>20</u>

DEFENCE SA

4 Expenses

4.1 Employee related expenses

	2025 \$' 000	2024 \$' 000
Salaries and wages	3,671	3,277
Long service leave	31	208
Annual leave	297	279
Skills and experience retention leave	8	11
Superannuation ⁽¹⁾	490	405
Fees paid to Advisory Board and Council members (refer note 2.2)	319	138
Workers compensation	2	14
Other employee related expenses	278	238
Total employee related expenses	5,096	4,570

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

Employee remuneration

	2025 \$' 000	2024 \$' 000
The number of employees whose remuneration received, or receivable falls within the following bands:	No	No
\$166 001 to \$172 000*	n/a	-
\$172 001 to \$192 000	2	4
\$192 001 to \$212 000	-	1
\$212 001 to \$232 000	3	1
\$232 001 to \$252 000	1	-
\$252 001 to \$272 000	1	1
\$272 001 to \$292 000	-	1
\$432 001 to \$452 000	1	-
Total number of employees	8	8

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2023-24.

The total remuneration received by those employees for the year was \$1.933 million (\$1.700 million).

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

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

DEFENCE SA

4.2 Supplies and services

	2025 \$' 000	2024 \$' 000
Promotion and events	2,483	1,401
Contractors	1,213	1,660
Accommodation and service costs	329	313
Property	72	75
Provision of services by South Australian Government entities ⁽¹⁾	523	345
Travel and related expenses	344	297
Legal fees	23	33
Staff safety, development and recruitment	75	130
Other expenses	291	293
Total supplies and services	5,353	4,547

⁽¹⁾Includes \$235 000 of services provided free of charge. See note 3.4

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. These accommodation costs are recognised as expenses as they become due as an MoAA does not meet the definition of leases set out in AASB 16.

4.3 Depreciation

	2025 \$' 000	2024 \$' 000
Right of use buildings and improvements	474	465
Total depreciation	474	465

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 5.5).

4.4 Grants

	2025 \$' 000	2024 \$' 000
Industry development	692	957
Industry assistance	2,068	-
Research programs	3,617	2,016
Support for the Veterans community	811	475
Intra-government payments	437	170
Total Grants	7,625	3,618

4.5 Interest on leases

	2025 \$' 000	2024 \$' 000
Buildings and improvements	35	37
Total interest on leases	35	37

4.6 Other expenses

	2025 \$' 000	2024 \$' 000
Audit fees - Audit Office of South Australia ⁽¹⁾	46	46
Internal audit	14	64
Other	12	-
Total other expenses	72	110

⁽¹⁾Other expenses include audit services received free of charge from the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Audit Office of South Australia. Refer note 3.4

DEFENCE SA

5 Assets

5.1 Financial assets

	Carrying amount 2025 \$' 000	Carrying amount 2024 \$' 000
Financial assets		
Cash	11,878	14,250
Receivables	28	700
Total financial assets	11,906	14,950

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

5.2 Cash

	2025 \$' 000	2024 \$' 000
Deposits with the Treasurer		
Defence SA operating account	8,475	10,802
Accrual Appropriation Excess Funds Account	3,398	3,398
Cash held in trust by Public Trustee	5	50
Total deposits with the Treasurer	11,878	14,250

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.

5.3 Receivables

	2025 \$' 000	2024 \$' 000
Current receivables		
Trade receivables		
From government entities	26	-
From non-government entities	28	700
Total trade receivables	54	700
Statutory receivables		
GST receivable	163	202
Total statutory receivables	163	202
Prepayments	327	180
Total current receivables	544	1,082

Receivables arise in the normal course of business. Receivables are normally settled within 30 days after the issuing of an invoice or the goods/services having 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 related to taxes and equivalents as well as statutory fees and charges. Statutory receivables are recognised and measured similarly to contractual receivables. Statutory receivables are not financial assets.

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

DEFENCE SA

5.4 Property, plant and equipment by asset class

	Right of use buildings and improvements	Leasehold improvements	Plant and equipment	Total
	\$' 000	\$' 000	\$' 000	\$' 000
Gross carrying amount	3,879	884	14	4,777
Accumulated depreciation	(2,171)	(884)	(14)	(3,069)
Carrying amount	1,708	-	-	1,708
Reconciliation 2024-25				
Carrying amount at the beginning of the period	2,182	-	-	2,182
Acquisitions	-	-	-	-
Depreciation	(474)	-	-	(474)
Carrying amount at the end of the period	1,708	-	-	1,708

5.5 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)
Leasehold improvements	8
Plant and equipment	4

5.6 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.

Impairment

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

5.7 Property, plant and equipment leased by Defence SA

Right-of-use assets for property, plant and equipment leased with Defence SA as the 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 4.2.

Right of use assets are only revalued when there are significant variations to the leases to which they apply. Defence SA has a limited number of leases, consisting of:

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

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

Impairment

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

DEFENCE SA

6 Liabilities

6.1 Financial liabilities

	Carrying amount 2025 \$' 000	Carrying amount 2024 \$' 000
Financial liabilities measured at amortised cost		
Payables	614	910
Lease liabilities	1,912	2,383
Total financial liabilities	2,526	3,293

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

6.2 Payables

	2025 \$' 000	2024 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	18	48
To non-government entities	614	910
Total trade creditors and accrued expenses	632	958
Statutory payables		
Audit Office of South Australia fee	-	46
GST payable	75	82
Other Liabilities	1	-
Total statutory payables	76	128
Total current payables	708	1,086
Total payables	708	1,086

Payables and accruals are raised for all amounts owing but unpaid. Payables are normally settled within 15 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. Statutory payables include government taxes and equivalents as well as statutory fees and charges. Statutory payables are carried at cost.

DEFENCE SA

6.3 Lease liabilities

	2025 \$' 000	2024 \$' 000
Current		
Buildings and improvements	487	471
Total current leases	487	471
Non-current		
Buildings and improvements	1,425	1,912
Total non-current leases	1,425	1,912
Total leases	1,912	2,383
Movements in leases		
Carrying amount at the beginning of the period	2,383	2,551
Additional leases recognised	-	276
Lease repayments	(471)	(444)
Carrying amount at the end of the period	1,912	2,383

Lease liabilities are related to property, plant and equipment lease arrangements disclosed in note 5.7.

Future lease payment maturity analysis

Not later than one year	487	471
Later than one year, but not later than five years	1,425	1,912
Later than five years	-	-
Total future lease payments	1,912	2,383

6.4 Unearned revenue

	2025 \$' 000	2024 \$' 000
Current		
Unearned revenue	544	659
Total current unearned revenue	544	659
Total unearned revenue	544	659

DEFENCE SA

6.5 Employee related liabilities

	2025 \$' 000	2024 \$' 000
Current		
Accrued salaries and wages	15	-
Annual leave	224	198
Long service leave	98	352
Skills and experience retention leave	8	13
Employment on-cost	82	125
Total current employee related liabilities	427	688
Non-current		
Long service leave	444	201
Employment on-cost	33	15
Total non-current employee related liabilities	477	216
Total employee related liabilities	904	904

Employee related liabilities accrue as a result of services provided up to the reporting date that remain unpaid. Apart from long service leave liability, employee related liabilities 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 are determined through whole-of-government actuarial calculations, which are based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. The discount rate is reflective of the yield on long-term Commonwealth Government bonds. The yield on long-term Commonwealth Government bonds has remained the same at 4.25%.

The current portion of employee related liabilities reflect the amount for which Defence SA does not have the right to defer settlement for at least 12 months after the reporting date. For long service leave, the amount relates to leave approved before year end that will be taken within 12 months, expected amount of leave to be approved and taken by eligible employees within 12 months, and expected amount of leave to be paid on termination to eligible employees within 12 months.

Employment on-cost liabilities

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

Defence SA contributes to State Government and externally managed superannuation schemes. These contributions are treated as an expense when incurred. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at the reporting date relates to any contributions due, but not yet paid to the respective 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 remained stable at 44% and the average factor for the calculation of employer superannuation on-cost has increased to 12.0% (11.5%). These rates are used in the employment on-cost calculations. The net financial effect of the change in the current financial year is an increase in the employment on-cost of \$NIL and employee benefits of \$NIL. The impact on future periods is impracticable to estimate.

DEFENCE SA

6.6 Provisions

	2025 \$' 000	2024 \$' 000
Current		
Provision for workers compensation	6	5
Total current provisions	<u>6</u>	<u>5</u>
Non-current		
Provision for workers compensation	30	29
Total non-current provisions	<u>30</u>	<u>29</u>
Total provisions	<u>36</u>	<u>34</u>
Movements in provisions		
Carrying amount at the beginning of the period	34	20
Increases/(reductions) resulting from re-measurement	2	14
Carrying amount at the end of the period	<u>36</u>	<u>34</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 the reporting date provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost for ongoing payments to employees as required under current legislation.

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

DEFENCE SA

7 Outlook

7.1 Unrecognised commitments

Commitments arising from contractual sources are disclosed at their nominal value inclusive of non-recoverable GST.

Expenditure commitments

	2025 \$' 000	2024 \$' 000
Within one year	8,998	10,339
Later than one year but no later than five years	3,223	2,412
Total expenditure commitments	12,221	12,751

Defence SA's operating expenditure commitments relate to agreements for:

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

7.2 Operating lease receivable maturity analysis

	2025 \$' 000	2024 \$' 000
Within one year	139	150
Later than one year but no later than five years	219	416
Later than five years	-	29
Total expected rental income	358	595

Defence Landing Pad commenced 1 October 2019.

Refer note 5.7 for information about the right-of-use assets Defence SA sublets to defence and space related organisations.

7.3 Contingent assets and liabilities

Defence SA is not aware of any contingent assets or liabilities.

7.4 Events after the reporting period

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

There are no reportable events after the reporting period.

DEFENCE SA

8 Administered item

8.1 ANZAC Day Commemoration Fund

The ANZAC Day Commemoration Fund was established under the *ANZAC Day Commemoration Act 2005*. The objective 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.

	2025 \$' 000	2024 \$' 000
Income		
Grants	100	100
Total income	<u>100</u>	<u>100</u>
Expenses		
Grants	100	85
Total expenses	<u>100</u>	<u>85</u>
Net result	<u>-</u>	<u>15</u>
Current assets		
Cash	118	110
Total current assets	<u>118</u>	<u>110</u>
Current liabilities		
Payables	7	-
Total current liabilities	<u>7</u>	<u>-</u>
Net assets	<u>111</u>	<u>110</u>
Equity		
Retained earnings	111	110
Total equity	<u>111</u>	<u>110</u>