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To the Acting Chief Executive Defence SA

Opinion

I have audited the financial report of Defence SA for the financial year ended 30 June 2026.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2026, 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 2026
- a Statement of Financial Position as at 30 June 2026
- a Statement of Changes in Equity for the year ended 30 June 2026
- a Statement of Cash Flows for the year ended 30 June 2026
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Acting 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 Acting Chief Executive for the financial report

The Acting 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 Acting 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 Acting 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 2026.

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 Acting Chief Executive

- conclude on the appropriateness of the Acting 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 Acting 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 2026

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.



Jessica Hernandez
Acting Chief Executive

24 September 2026



Peter Murdock
Director Finance and Systems

24 September 2026

Defence SA			
STATEMENT OF COMPREHENSIVE INCOME			
for the year ended 30 June 2026			
	Note	2026 \$' 000	2025 \$' 000
INCOME			
Appropriation	3.1	20,909	15,211
Fees and charges	3.2	508	554
Grants	3.3	1,654	988
Recoveries	3.4	12	-
Resources received free of charge	3.5	618	281
Other income	3.6	5	47
Total income		23,706	17,081
EXPENSES			
Employee related expenses	4.1	5,555	5,096
Supplies and services	4.2	7,092	5,353
Depreciation	4.3	469	474
Grants and subsidies	4.4	8,098	7,625
Interest on leases	4.5	22	35
Cash alignment transfers to Consolidated Account		3,628	848
Other expenses	4.6	97	72
Total expenses		24,961	19,503
Net result		(1,255)	(2,422)
Total comprehensive result		(1,255)	(2,422)

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 2026			

	Note	2026	2025
	No.	\$' 000	\$' 000
Current assets			
Cash	5.2	10,185	11,878
Receivables	5.3	828	544
Total current assets		11,013	12,422
Non-current assets			
Property, plant and equipment	5.4	1,485	1,708
Total non-current assets		1,485	1,708
Total assets		12,498	14,130
Current liabilities			
Payables	6.2	988	708
Lease liabilities	6.3	509	487
Unearned revenue	6.4	71	544
Employee related liabilities	6.5	506	427
Provisions	6.6	7	6
Total current liabilities		2,081	2,172
Non-current liabilities			
Lease liabilities	6.3	1,150	1,425
Employee related liabilities	6.5	465	477
Provisions	6.6	31	30
Total non-current liabilities		1,646	1,932
Total liabilities		3,727	4,104
Net assets		8,771	10,026
Equity			
Retained earnings		8,771	10,026
Total equity		8,771	10,026

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 2026

	Retained Earnings \$' 000	Total \$' 000
Balance at 1 July 2024	12,448	12,448
Total comprehensive result for 2024-25	(2,422)	(2,422)
Balance at 30 June 2025	10,026	10,026
Total comprehensive result for 2025-26	(1,255)	(1,255)
Balance at 30 June 2026	8,771	8,771

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 2026			
	Note	2026	2025
	No.	\$' 000	\$' 000
Cash flows from operating activities			
Cash inflows			
Appropriation		20,909	15,211
Fees and Charges		529	613
Grants		853	1,585
Recoveries		7	-
GST recovered from the ATO		24	992
Other receipts		1,138	98
Cash generated from operations		23,460	18,499
Cash outflows			
Employee related payments		(5,485)	(5,108)
Payments for supplies and services		(7,191)	(5,704)
Payments of grants		(8,275)	(8,690)
Interest payments on leases		(25)	(35)
Cash alignment payments to consolidated account		(3,628)	(848)
GST paid to the ATO		(1)	-
Other payments		-	(10)
Cash used in operations		(24,605)	(20,395)
Net cash provided by operating activities		(1,145)	(1,896)
Net cash used in investing activities		-	-
Cash flows from financing activities			
Cash outflows			
Payment of principal portion of lease liabilities		(548)	(476)
Cash used from financing activities		(548)	(476)
Net cash provided by/(used in) financing activities		(548)	(476)
Net increase in cash		(1,693)	(2,372)
Cash at the beginning of the period		11,878	14,250
Cash at the end of the period	5.2	10,185	11,878

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 contributes the growth of the defence and space sectors in South Australia by targeting opportunities, driving and supporting 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.

1.2 Objectives and programs (continued)

Program 1 - Defence Industry Development

This program delivers strategy and policy development that grows the defence related economy in South Australia and provides leadership and subject matter expertise across government on 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 defence industries in South Australia across shipbuilding, aerospace, advanced systems and defence science and research domains.

The program also incorporates the Defence Innovation Partnership (DIP) that promotes growth of defence research and development activity in South Australia. The DIP is a joint initiative of the Government of South Australia, the Defence Science and Technology Group and South Australian universities.

The DIP works collaboratively across industry, government and the education sector to generate defence-related research and development for the state, whilst concurrently supporting industry.

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 sector, supporting Australia's national space strategy.

Building on the state's sector, SASIC will continue contributing to the national space industry and aims to increase the state's share of the national space economy.

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 the support and development of 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 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 understand the needs of the community and investigate potential ways in which government can assist in meeting those needs.

Veterans SA plays a role in sharing information about services, support, and programs that are available to veterans, 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)

Income and expenses by Program

for the year ended 30 June 2026

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Not Attributed		Total Defence SA	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income										
Appropriation	-	-	-	-	-	-	20,909	15,211	20,909	15,211
Fees and charges	349	401	159	153	-	-	-	-	508	554
Grants	1,629	763	-	200	25	25	-	-	1,654	988
Recoveries	12	-	-	-	-	-	-	-	12	-
Resources received free of charge	618	281	-	-	-	-	-	-	618	281
Other income	-	47	-	-	5	-	-	-	5	47
Total income	2,608	1,492	159	353	30	25	20,909	15,211	23,706	17,081
Expenses										
Employee benefit expenses	4,546	4,244	272	192	737	660	-	-	5,555	5,096
Supplies and services	5,306	3,605	1,203	1,176	583	572	-	-	7,092	5,353
Depreciation	117	114	352	360	-	-	-	-	469	474
Grants and subsidies	5,748	4,989	1,500	1,725	850	911	-	-	8,098	7,625
Interest on lease liabilities	1	9	21	26	-	-	-	-	22	35
Cash alignment transfers to Consolidated Account	-	-	-	-	-	-	3,628	848	3,628	848
Other expenses	97	60	-	-	-	12	-	-	97	72
Total expenses	15,815	13,021	3,348	3,479	2,170	2,155	3,628	848	24,961	19,503
Net result	(13,207)	(11,529)	(3,189)	(3,126)	(2,140)	(2,130)	17,281	14,363	(1,255)	(2,422)

Defence SA

1.2 Objectives and programs (continued)

Assets and liabilities by Program

as at 30 June 2026

	Defence Industry Development		South Australian Space Industry Centre		Veterans SA		Not Attributed		Total	
	2026 \$'000	2025 \$'000	2026 \$'000	2025 \$'000	2026 \$'000	2025 \$'000	2026 \$'000	2025 \$'000	2026 \$'000	2025 \$'000
Assets										
Cash	-	-	-	-	13	4	10,172	11,874	10,185	11,878
Receivables	755	453	50	73	23	18	-	-	828	544
Property, plant and equipment	236	105	1,249	1,603	-	-	-	-	1,485	1,708
Total assets	991	558	1,299	1,676	36	22	10,172	11,874	12,498	14,130
Liabilities										
Payables	717	293	165	239	106	176	-	-	988	708
Lease liabilities	236	112	1,423	1,800	-	-	-	-	1,659	1,912
Unearned revenue	57	531	14	13	-	-	-	-	71	544
Employee related benefits	913	824	14	6	44	74	-	-	971	904
Provisions	-	-	-	-	-	-	38	36	38	36
Total liabilities	1,923	1,760	1,616	2,058	150	250	38	36	3,727	4,104
Net assets (liabilities)	(932)	(1,202)	(317)	(382)	(114)	(228)	10,134	11,838	8,771	10,026

DEFENCE SA

1.3 Budget performance

The budget performance table compares Defence SA's outcomes against budget information presented to Parliament (2025-26 Budget Paper 4). Appropriation reflects 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 2026 \$' 000	Actual 2026 \$' 000	Variance ⁽¹⁾ 2026 \$' 000
Income				
Appropriation		20,909	20,909	-
Fees and charges		338	508	170
Grants		598	1,654	1,056
Recoveries		-	12	12
Resources received free of charge		-	618	618
Other income		-	5	5
Total income		21,845	23,706	1,861
Expenses				
Employee related expenses		5,878	5,555	323
Supplies and services	(a)	5,829	7,092	(1,263)
Depreciation		360	469	(109)
Grants and subsidies	(b)	10,082	8,098	1,984
Interest on leases		25	22	3
Cash alignment transfers to Consolidated Account	(c)	-	3,628	(3,628)
Other expenses		82	97	(15)
Total expenses		22,256	24,961	(2,705)
Net result		(411)	(1,255)	(844)
Total comprehensive result		(411)	(1,255)	(844)

⁽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 \$1.263 million supplies and services variance is due to resources received free of charge from other government agencies not included in original budget, new Commonwealth funded projects and project milestones met earlier than expected in the Kanyini project .
- (b) The \$1.984 million Grants and Subsidies variance is due to delays in recipients achieving project milestones for the release of funding.
- (c) The \$3.628 million cash alignment variance was due to payments associated with the State Government Cash Alignment Policy, that were not included in the original budget.

DEFENCE SA

2 Advisory Board, Council and employees

2.1 Key management personnel

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

Total compensation paid by Defence SA for key management personnel was \$1.784 million (\$1.660 million). The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister'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.

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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⁾ (Retired 19 September 2025)
Hon P Malinauskas MP Premier⁽¹⁾ (Appointed 19 September 2025, Retired 25 March 2026)
Hon C Picton MP⁽¹⁾ (Appointed 25 March 2026)
LTGEN R Burr AO DSC MVO (Ret'd) (Appointed Chair 4 September 2025)
S Ludlam FREng (reappointed 4 September 2025)
K Toohey AM CSC
C Roberts AO, CSC (reappointed 27 March 2026)
C Zeitza, CPA (appointed 4 September 2025)
M Opie⁽²⁾

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

M Van Hooff (Re appointed Chair 1 December 2025)
H Boswell
C Cates
T Cowell⁽³⁾ (Reappointed Deputy Chair 1 December 2025)
K Smith
M Thiele OAM⁽³⁾
C Tilley⁽²⁾
CMDR R Wilson RAN⁽⁴⁾ (appointed 21 November 2025)
BRIG C Shillabeer⁽⁴⁾ (appointed 21 November 2025)
WGCDR C Keane CSC⁽⁴⁾ (appointed 12 November 2025)

⁽¹⁾ The Treasurer the Hon Stephen Mullighan MP, The Premier Hon P Malinauskas MP and Hon C Picton 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:

	2026 No.	2025 No.
\$0 to \$19 999	9	8
\$40 000 to \$59 999	1	5
\$60 000 to \$79 999	4	1
Total number of members	14	14

Total remuneration received or receivable by members was \$338 000 (\$355 000). Remuneration of members includes all costs paid/payable to board members, such as sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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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

	2026	2025
	\$' 000	\$' 000
Appropriation		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	20,909	15,211
Total appropriation	20,909	15,211

Appropriations are recognised on receipt.

3.2 Fees and charges

	2026	2025
	\$' 000	\$' 000
Event participation fees	231	278
Rental income	156	150
Service fees	121	126
Total fees and charges	508	554

3.3 Grants

	2026	2025
	\$' 000	\$' 000
Grants received from South Australian Government entities	-	254
Contingency funding provided by the Department of Treasury and Finance	85	28
Australian Government sourced grants	1,434	570
Other grants	135	136
Total grants	1,654	988

3.4 Recoveries

	2026	2025
	\$' 000	\$' 000
Other recoveries	12	-
Total recoveries	12	-

DEFENCE SA

3.5 Resources received free of charge

	2026	2025
	\$' 000	\$' 000
Services received free of charge		
Department Premier and Cabinet - Advertising Insights Hub	461	125
Department Premier and Cabinet - ICT, Media Monitoring	40	56
Audit Office of South Australia	46	46
Shared Services SA	71	54
Total resources received free of charge	618	281

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 the Premier and Cabinet. DefenceSA receives audit services free of charge from the Audit Office of South Australia (AOSA) in relation to work performed under the Public Finance and Audit Act 1987. No other services were provided. The Government Advertising and Insights Hub provided services supporting the delivery of agency advertising campaigns. A corresponding expense is recognised in the financial statements.

3.6 Other income

	2026	2025
	\$' 000	\$' 000
Other income	5	47
Total other income	5	47

DEFENCE SA

4 Expenses

4.1 Employee related expenses

	2026	2025
	\$' 000	\$' 000
Salaries and wages	3,987	3,671
Long service leave	77	31
Annual leave	295	297
Skills and experience retention leave	9	8
Superannuation ⁽¹⁾	554	490
Fees paid to Advisory Board and Council members (refer note 2.2)	302	319
Workers compensation	47	2
Other employee related expenses	284	278
Total employee related expenses	5,555	5,096

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

Employee remuneration

	2026	2025
	\$' 000	\$' 000
The number of employees whose remuneration received, or receivable falls within the following bands:	No	No
\$171 000 to \$177 000*	n/a	2
\$177 001 to \$197 000	1	-
\$197 001 to \$217 000	-	2
\$217 001 to \$237 000	2	1
\$237 001 to \$257 000	3	2
\$257 001 to \$277 000	2	-
\$437 001 to \$457 000	-	1
\$457 001 to \$477 000	1	-
Total number of employees	9	8

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2024-25.

The total remuneration received by those employees for the year was \$2.356 million (\$1.933 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.

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4.2 Supplies and services

	2026	2025
	\$' 000	\$' 000
Promotion and events	3,812	2,483
Contractors	1,466	1,213
Accommodation and service costs	411	329
Property	90	72
Provision of services by South Australian Government entities ⁽¹⁾	747	523
Travel and related expenses	250	344
Consultants	68	-
Legal fees	18	23
Staff safety, development and recruitment	150	75
Other expenses	80	291
Total supplies and services	7,092	5,353

(1) Includes \$572 000 of services provided free of charge. See note 3.5

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 the arrangements do not meet the definition of a lease set out in AASB 16.

4.3 Depreciation

	2026	2025
	\$' 000	\$' 000
Right of use buildings and improvements	469	474
Total depreciation	469	474

All non-current assets with a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential (refer note 5.5).

4.4 Grants and subsidies

	2026	2025
	\$' 000	\$' 000
Industry development	1,125	692
Industry assistance	2,119	2,068
Research programs	3,577	3,617
Support for the Veterans community	850	811
Intra-government payments	427	437
Total Grants	8,098	7,625

4.5 Interest on leases

	2026	2025
	\$' 000	\$' 000
Buildings and improvements	22	35
Total interest on leases	22	35

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4.6 Other expenses	2026	2025
	\$' 000	\$' 000
Audit fees - Audit Office of South Australia ⁽¹⁾	46	46
Internal audit	50	14
Bad debts	1	-
Other	-	12
Total other expenses	97	72

⁽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 3.5

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5 Assets

5.1 Financial assets

	Carrying amount 2026 \$' 000	Carrying amount 2025 \$' 000
Financial assets		
Cash	10,185	11,878
Receivables	470	54
Total financial assets	10,655	11,932

All financial assets are measured at amortised cost.

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

5.2 Cash

	2026 \$' 000	2025 \$' 000
Deposits with the Treasurer		
Defence SA operating account	6,774	8,475
Accrual Appropriation Excess Funds Account	3,398	3,398
Total deposits with the Treasurer	10,172	11,873
External bank accounts		
Cash held in External Bank accounts	13	5
Total external bank accounts	13	5
Total Cash	10,185	11,878

Defence SA has two deposit accounts with the Treasurer:

Some of Defence SA's appropriation is deposited into the Accrual Appropriation Excess Funds Account. Although Defence SA controls the money reported above 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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5.3 Receivables

	2026	2025
	\$' 000	\$' 000
Current receivables		
Contractual receivables		
From government entities	23	26
From non-government entities	447	28
Total contractual receivables	<u>470</u>	<u>54</u>
Statutory receivables		
GST receivable	128	163
Total statutory receivables	<u>128</u>	<u>163</u>
Prepayments	230	327
Total current receivables	<u>828</u>	<u>544</u>

All receivables are non-interest bearing. They are held with the objective of collecting the contractual cash flows.

Contractual receivables arise in the normal course of selling goods and services to other government agencies and to the public. Contractual 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.

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

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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	4,134	884	14	5,032
Accumulated depreciation	(2,649)	(884)	(14)	(3,547)
Carrying amount	1,485	-	-	1,485

Reconciliation 2025-26

Carrying amount at the beginning of the period	1,708	-	-	1,708
Additional leases recognised	246	-	-	246
Depreciation	(469)	-	-	(469)
Carrying amount at the end of the period	1,485	-	-	1,485

5.5 Useful life and depreciation

Depreciation and amortisation are 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 owned by Defence SA with a value equal to or in excess of \$15 000 is capitalised, otherwise it is expensed.

Owned property, plant and equipment, other than right-of-use assets, is 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 by Defence SA as the lessee are measured at cost.

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

Defence SA has two leases, consisting of:

- Office space within Lot Fourteen leased from Renewal SA utilised by the Space Innovation Precinct. The Space Innovation Precinct is occupied by the Australian Space Agency and other key space organisations.
- Office space within Lot Fourteen leased from Renewal SA utilised by the Defence and Space Landing Pad. 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.

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6 Liabilities

6.1 Financial liabilities

	Carrying amount 2026 \$' 000	Carrying amount 2025 \$' 000
Financial liabilities measured at amortised cost		
Payables	931	632
Lease liabilities	1,659	1,912
Total financial liabilities	2,590	2,544

All financial liabilities are measured at amortised cost.

6.2 Payables

	2026 \$' 000	2025 \$' 000
Current		
Trade creditors and accrued expenses		
To government entities	23	18
To non-government entities	908	614
Total trade creditors and accrued expenses	931	632
Statutory payables		
GST payable	57	75
Other liabilities	-	1
Total statutory payables	57	76
Total current payables	988	708
Total payables	988	708

Payables and accrued expenses are recognised for all amounts owing but not paid. All payables are non-interest bearing.

Contractual payables are liabilities that arise from contracts. They include trade payables and accrued expenses. Accrued expenses are expenses incurred but not yet invoiced or paid. The balances are transferred to trade payables when invoices are received. Contractual payables are normally settled within 15 days from the date the invoice is received.

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. They are not financial liabilities.

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6.3 Lease liabilities

	2026 \$' 000	2025 \$' 000
Current		
Buildings and improvements	509	487
Total current leases	509	487
Non-current		
Buildings and improvements	1,150	1,425
Total non-current leases	1,150	1,425
Total leases	1,659	1,912
Movements in leases		
Carrying amount at the beginning of the period	1,912	2,383
Additional leases recognised	246	-
Lease repayments	(497)	(471)
Reductions resulting from re-measurement	(2)	-
Carrying amount at the end of the period	1,659	1,912
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	509	487
Later than one year, but not later than five years	1,150	1,425
Later than five years	-	-
Total future lease payments	1,659	1,912

6.4 Unearned revenue

	2026 \$' 000	2025 \$' 000
Current		
Unearned revenue	71	544
Total current unearned revenue	71	544
Total unearned revenue	71	544

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6.5 Employee related liabilities

	2026	2025
	\$' 000	\$' 000
Current		
Accrued salaries and wages	29	15
Annual leave	270	224
Long service leave	97	98
Skills and experience retention leave	10	8
Employment on-cost	101	82
Total current employee related liabilities	506	427
Non-current		
Long service leave	433	444
Employment on-cost	32	33
Total non-current employee related liabilities	465	477
Total employee related liabilities	971	904

Employee related liabilities are accrued 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

Long service leave liability 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 increased to 4.75%.(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 the amount of on-cost liabilities recognised as a consequence of long service leave liabilities.

Defence SA contributes to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at 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 remained at 12.0% . These rates are used in the employment on-cost calculations. The net financial effect of the change to actuarial assumptions in the current financial year was immaterial. The impact on future periods is impracticable to estimate.

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6.6 Provisions

	2026 \$' 000	2025 \$' 000
Current		
Provision for workers compensation	7	6
Total current provisions	<u>7</u>	<u>6</u>
Non-current		
Provision for workers compensation	31	30
Total non-current provisions	<u>31</u>	<u>30</u>
Total provisions	<u>38</u>	<u>36</u>
Movements in provisions		
Carrying amount at the beginning of the period	36	34
Increases/(reductions) resulting from re-measurement	2	2
Carrying amount at the end of the period	<u>38</u>	<u>36</u>

A provision has been reported to reflect unsettled 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.

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7 Outlook

7.1 Unrecognised commitments

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

Expenditure commitments

	2026	2025
	\$' 000	\$' 000
Within one year	14,324	8,998
Later than one year but no later than five years	1,019	3,223
Later than five years	11	-
Total expenditure commitments	15,354	12,221

Defence SA's contractual commitments comprise:

- Memoranda of administrative arrangements 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

	2026	2025
	\$' 000	\$' 000
Within one year	133	139
Later than one year but no later than five years	200	219
Later than five years	-	-
Total expected rental income	333	358

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 the reporting period 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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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.

	2026 \$' 000	2025 \$' 000
Income		
Interest	-	-
Grants	100	100
Other income	1	-
Total income	101	100
Expenses		
Grants	137	100
Total expenses	137	100
Net result	(36)	-
Current assets		
Cash	74	118
Total current assets	74	118
Current liabilities		
Payables	-	7
Total current liabilities	-	7
Net assets	74	111
Equity		
Retained earnings	74	111
Total equity	74	111