

State Owned
Generators Leasing Co Pty Ltd

Financial report
for the year ended
30 June 2021



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To the Chair of the Board of Directors State Owned Generators Leasing Co Pty Ltd

Opinion

I have audited the financial report of the State Owned Generators Leasing Co Pty Ltd (the Company) for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report of the State Owned Generators Leasing Co Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2021 and its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Directors' declaration.

Basis for opinion

I conducted the audit in accordance with 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 the State Owned Generators Leasing Co Pty Ltd in accordance with the auditor independence requirements of the *Corporations Act 2001*. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the State Owned Generators Leasing Co Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

I have audited the financial report of the State Owned Generators Leasing Co Pty Ltd for the financial year ended 30 June 2021.

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

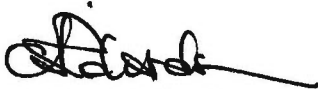
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- conclude on the appropriateness of the Company'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 directors and 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.



Andrew Richardson

Auditor-General

29 September 2021

State Owned Generators Leasing Company Pty Ltd

Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Income	4	4,206	-
Total income		<u>4,206</u>	<u>-</u>
Expenses			
Generator connection and operation charges		(9,407)	-
Depreciation		(6,345)	-
Site remediation		(1,980)	-
Other expenses	5	(689)	(13)
Total expenses		<u>(18,421)</u>	<u>(13)</u>
Operating profit/(loss)		<u>(14,215)</u>	<u>(13)</u>
Total comprehensive income for the period		<u>(14,215)</u>	<u>(13)</u>

The accompanying notes form part of these financial statements. The operating loss and total comprehensive result are attributable to the Treasurer as owner.

State Owned Generators Leasing Company Pty Ltd

Statement of Financial Position

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Current Assets			
Cash and cash equivalents	6	4,160	-
Receivables		16	-
Total current assets		<u>4,176</u>	<u>-</u>
Non-Current Assets			
Plant and equipment	7	210,855	217,200
Total Non-current assets		<u>210,855</u>	<u>217,200</u>
Total Assets		<u>215,031</u>	<u>217,200</u>
Current Liabilities			
Payables and other liabilities	8	1,079	13
Remediation provision	9	1,980	-
Total Liabilities		<u>3,059</u>	<u>13</u>
Net Assets		<u>211,972</u>	<u>217,187</u>
Equity			
Contributed equity	10	226,200	217,200
Accumulated losses		(14,228)	(13)
Total Equity		<u>211,972</u>	<u>217,187</u>

The accompanying notes form part of these financial statements. Total equity is attributable to the Treasurer as owner.

State Owned Generators Leasing Company Pty Ltd

Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Issued Share Capital \$'000	Accumulated losses \$'000	Total Equity \$'000
Opening balance		-	-	-
Profit/(loss) for the period 2019-20		-	(13)	(13)
Total comprehensive result for 2019-20		<u>-</u>	<u>(13)</u>	<u>(13)</u>
Shares issued	10	217,200	-	217,200
Balance at 30 June 2020		<u>217,200</u>	<u>(13)</u>	<u>217,187</u>
Opening balance as at 1 July 2020		217,200	(13)	217,187
Loss for the period 2020-21		-	(14,215)	(14,215)
Total comprehensive result for 2020-21		<u>-</u>	<u>(14,215)</u>	<u>(14,215)</u>
Shares Issued	10	9,000	-	9,000
Balance as at 30 June 2021		<u>226,200</u>	<u>(14,228)</u>	<u>211,972</u>

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

State Owned Generators Leasing Company Pty Ltd

Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Lease rent receipts		3,681	-
Other receipts		2,474	-
Interest received		22	-
Payments to suppliers		(11,017)	-
Net Cashflow outflow from operating activities	13	(4,840)	-
Net Cashflows from investing activities		-	-
Cashflows from financing activities			
Proceeds from issues of shares	10	9,000	-
Net Cashflow from financing activities		9,000	-
Net increase in cash and cash equivalents		4,160	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at end of year	6	4,160	-
Non cash transaction	7	-	217,200

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

State Owned Generators Leasing Company Pty Ltd

Notes to the Financial Statements

Note 1 – Company information

State Owned Generators Leasing Company Pty Ltd (SOGLC) was incorporated on 30 January 2020 under the *Corporations Act 2001*. SOGLC's registered address is Level 5, State Administration Centre, 200 Victoria Square, Adelaide, South Australia 5000.

Certain electricity generating sets were transferred from the Treasurer to the company via proclamation under section 7(1)b of the *Administrative Arrangements Act 1994* with an effective date of 30 June 2020.

In consideration for the transfer of the generators, SOGLC issued fully paid ordinary shares to the Treasurer on 30 June 2020.

The principal activities of SOGLC are set out in its constitution. The Company has leased four generators to Iberdrola Energy on 1 November 2020 for a term of 25 years. The Company has leased five generators to Nexif Energy on 21 September 2021 for a term of 25 years.

Note 2 - Significant Accounting Policies

(a) Basis of preparation

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

- *Treasurer's Instructions and Accounting Policy Statements* issued by the Treasurer under the *Public Finance and Audit Act 1987*;
- Relevant Australian Accounting Standards; and
- *Corporations Act 2001*

SOGLC is a for-profit entity for the purpose of preparing the financial statements.

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

Historical cost convention

The financial statements have been prepared on a historical cost basis unless a different measurement basis is specifically disclosed in the note associated with the item measured.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Note 2 - Significant Accounting Policies (continued)

(c) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the owner of the entity.

(d) Property, Plant and Equipment

Initial Recognition

Property, Plant and Equipment which comprises the generators, are held at cost plus any incidental costs involved with acquisition.

At the time of acquisition, it was identified that there were two major components of the generators, with a useful life of 25 years and 40 years respectively. Accordingly, the generators are depreciated over a period of 25 years and 40 years for these two major components.

(e) Leases

SOGLC retains a substantial amount of the risk and rewards incidental to ownership of the leased assets. Accordingly, the Iberdrola Energy lease has been classified and recorded as an operating lease.

Lease income is recognised on a straight-line basis over the period of the lease.

(f) Taxation

SOGLC is not subject to income tax in accordance with section 24AM of the *Income Tax Assessment Act 1936*.

Income, expenses, assets and liabilities 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, in which case the GST is recognised as part of the cost of acquisition of the asset or part of the expense item applicable; and
- Receivables and payables, which are stated with the amount of GST included.

(g) Revenue

The main income source of the company is derived from the rent income of leased out generators to the Lessee. Refer to Note 2(e) - Leases for further information regarding the recognition of the income.

(h) Receivables

Receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Note 2 - Significant Accounting Policies (continued)

(h) Payables and other liabilities

These amounts represent liabilities for goods and services provided by the suppliers prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Note 3 - Critical estimates and judgements

Depreciation of property, plant and equipment

SOGLC acquired 9 generator sets and ancillary equipment from the Treasurer on 30 June 2020, for consideration of \$217,200,000 from the Department of Energy & Mining (DEM). This acquisition was treated as a capital purchase of property, plant and equipment and recorded at the value agreed for the transfer of these assets.

Since these assets were acquired on 30 June 2020, there was no depreciation recorded in 2020.

The generators are depreciated using the component method based on two major components of the generators. The 'Hot Zone' is depreciated over 25 years and the 'Casing' is depreciated over 40 years. This assessment resulted in depreciation of \$6,345,000 for the year (Hot Zone, \$1,800,000, Casing \$4,545,000) which is recorded as an expense in the current year.

Note 4 – Income

The main source of income for the company is derived from the Rent income by leasing out the Generators to the Lessee. Lease rental income is recognised on a straight-line basis over the period of the lease.

	2021 \$'000	2020 \$'000
<i>Revenue</i>		
Lease rent income	3,347	-
Fee income	710	-
Interest income	22	-
Other	127	-
	<u>4,206</u>	<u>-</u>

The maturity analysis of the lease rent payments is as follows:

Type of leases	Year 1 \$'000	Year 2 \$'000	Year 3 \$'000	Year 4 \$'000	Year 5 \$'000	More than 5 \$'000
Lease payments – Iberdrola Lease	5,104	5,231	5,362	5,496	5,633	141,299
Total lease payments	5,104	5,231	5,362	5,496	5,633	141,299

The lease rental payments are made monthly for Iberdrola Energy.

Note 5 – Other Expenses

	2021 \$'000	2020 \$'000
Fee waiver	355	-
Diesel	131	-
Advisory fees	100	-
Consultants	45	-
Insurance	40	-
Audit fees	13	13
Other	5	-
	<u>689</u>	<u>13</u>

*The number and dollar of
consultancies paid/payable*

	No	2021 \$'000	No	2020 \$'000
Bellow \$10,000	-	-	-	-
\$10,000 and above	2	45	-	-
	<u>2</u>	<u>45</u>	<u>-</u>	<u>-</u>

Note 6 – Cash and cash equivalents

	2021	2020
	\$'000	\$'000
<i>Current Assets</i>		
Cash at Bank	4,160	-
	<u>4,160</u>	<u>-</u>

Note 7 - Property, plant and equipment

	Property, plant, and equipment \$'000
<i>30 June 2021</i>	
Opening balance	217,200
Depreciation	(6,345)
Closing balance	<u>210,855</u>
 <i>30 June 2020</i>	
Opening Balance	-
Acquisition	217,200
Depreciation	-
Closing balance	<u>217,200</u>

Note 8 – Payables and other liabilities

	2021	2020
	\$'000	\$'000
<i>Current Liabilities</i>		
Lease rental received in advance	937	-
Other payables	142	13
	<u>1,079</u>	<u>13</u>

Note 9 – Remediation Provision

SOGLC is obligated to remediate the sites at which the generators have been temporarily located. The remediation works will be completed following relocation of the generators to their permanent sites. This is expected to occur in 2021-22.

Note 10 – Equity

30 June 2021		
Details	Number of shares	Total \$'000
Balance as at 1 July 2020	108,600,001	217,200
Shares issue during the period	4,500,000	9,000
Balance as at 30 June 2021	<u>113,100,001</u>	<u>226,200</u>

30 June 2020		
Details	Number of shares	Total \$'000
Issued on formation on 30 January 2020	1	-
Contribution of assets	108,600,000	217,200
Balance as of 30 June 2020	<u>108,600,001</u>	<u>217,200</u>

The Treasurer is the sole shareholder of the Company. During 2020-21 SOGLC issued 4.5 million ordinary shares to the Treasurer for total consideration of \$9.0 million.

Note 11 - Related party transactions

Key management personnel of the Company include the Treasurer and the directors of the Company.

The intercompany transaction with public authorities includes audit fees payable to the Auditor-General (\$13,000) and amounts paid/payable to DEM (\$9,507,475).

(a) Key Management Personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of SOGLC directly or indirectly during the financial year:

Mr S Hocking	Deputy Chief Executive, Department of Treasury and Finance
Mr T Burfield	Director Risk and Commercial Advisory, South Australian Government Financing Authority
Mr P Heithersay	Chief Executive Officer, Department for Energy and Mining

In accordance with the Premier and Cabinet Circular PC016, government employees did not receive any remuneration for director duties during the financial year.

(b) Transactions of director and director-related entities

There were no transactions between the Company and director-related entities.

Note 12 - Events subsequent to balance date

On 21 September 2021 SOGLC leased the remaining five generators to Nexif Energy for a period of 25 years.

No other events have arisen since 30 June 2021 that would be likely to materially affect the operations or the state of affairs of the Company.

Note 13 – Reconciliation of loss for the year with net cash outflow from operating activities

	2021	2020
	\$'000	\$'000
Loss for the year	(14,215)	(13)
Depreciation	6,345	-
Change in trade and other receivable	(16)	-
Change in trade and other payable	1,066	13
Remediation provision	1,980	-
Net cash outflow from operating activities	<u>(4,840)</u>	<u>-</u>

Note 14 – Contingent Liability

Under its leasing arrangements, SOGLC may be required to fund certain essential modification/upgrade works to the generators. Where such works are required SOGLC will contribute 80% of the costs, up to an aggregate of \$8,000,000, and would obtain full title to the upgraded assets.

Note 15 – Impact of COVID-19 pandemic on the Corporation

The COVID-19 pandemic has not impacted the operations of the Corporation in 2020-21 or 2019-20.

Directors' declaration on the Financial Statements

The Directors of the Company declare:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with relevant Australian Accounting Standards; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date.
2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Stuart Hocking

Chair

Date: 28 September, 2021