

# Generation Lessor Corporation

Financial report  
for the year ended  
30 June 2019



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## To the Chair Generation Lessor Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 13(3) of the Schedule to the *Public Corporations Act 1993*, I have audited the financial report of the Generation Lessor Corporation for the financial year ended 30 June 2019.

## Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Generation Lessor Corporation as at 30 June 2019, their financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, section 13(2) of the Schedule to the *Public Corporations Act 1993* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair.

## 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 the Generation Lessor Corporation. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

## **Responsibilities of the directors for the financial report**

The directors of the Generation Lessor Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The directors are responsible for overseeing the entity's financial reporting process.

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

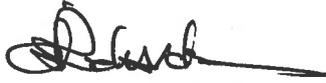
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Generation Lessor Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- 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 Chair about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

**Auditor-General**

30 August 2019

# Generation Lessor Corporation

## Statement of Comprehensive Income for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Fees and charges	2	258	7,249
Interest	3	54	48
Other income	4	-	4,800
<b>Total Income</b>		<b>312</b>	<b>12,097</b>
<b>Expenses</b>			
Supplies and services	6	412	499
Depreciation	11	-	449
Other expenses	7	42	4,814
<b>Total Expenses</b>		<b>454</b>	<b>5,762</b>
<b>Revenues from SA Government</b>			
Revenues from SA Government	5	200	200
<b>Net result</b>		<b>58</b>	<b>6,535</b>
<b>Items that will not be reclassified to net result</b>			
Changes in property, plant and equipment asset revaluation surplus		665	-
<b>Total Other Comprehensive income</b>		<b>665</b>	<b>-</b>
<b>Total Comprehensive result</b>		<b>723</b>	<b>6,535</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

# Generation Lessor Corporation

## Statement of Financial Position as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	8	6,248	1,256
Receivables	9	13	12
<b>Total current assets</b>		<b>6,261</b>	<b>1,268</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	4,485	3,820
<b>Total non-current assets</b>		<b>4,485</b>	<b>3,820</b>
<b>Total assets</b>		<b>10,746</b>	<b>5,088</b>
<b>Current liabilities</b>			
Payables	10	20	27
Funds held in trust	10	4,942	-
<b>Total current liabilities</b>		<b>4,962</b>	<b>27</b>
<b>Total liabilities</b>		<b>4,962</b>	<b>27</b>
<b>Net assets</b>		<b>5,784</b>	<b>5,061</b>
<b>Equity</b>			
Contributed equity		24,539	24,539
Retained earnings		(22,000)	(22,058)
Asset revaluation surplus		3,245	2,580
<b>Total equity</b>		<b>5,784</b>	<b>5,061</b>
Contingent asset	16		
Contingent liability	17		

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

## Generation Lessor Corporation

### Statement of Changes In Equity for the year ended 30 June 2019

	Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 01 July 2017</b>		<b>24,539</b>	<b>2,580</b>	<b>(21,600)</b>	<b>5,519</b>
Net result for 2017-18		-	-	6,535	6,535
<b>Total comprehensive result for 2017-18</b>		<b>-</b>	<b>-</b>	<b>6,535</b>	<b>6,535</b>
Dividends to Treasurer SA	13	-	-	(6,993)	(6,993)
<b>Balance at 30 June 2018</b>		<b>24,539</b>	<b>2,580</b>	<b>(22,058)</b>	<b>5,061</b>
Net result for 2018-19		-	-	58	58
Gain on revaluation of land during 2018-19		-	665	-	665
<b>Total comprehensive result for 2018-19</b>		<b>-</b>	<b>665</b>	<b>58</b>	<b>723</b>
<b>Balance at 30 June 2019</b>		<b>24,539</b>	<b>3,245</b>	<b>(22,000)</b>	<b>5,784</b>

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

# Generation Lessor Corporation

## Statement of Cash Flows for the year ended 30 June 2019

		2019	2018
	Note	Inflows/ (Outflows) \$'000	Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
<b>Cash Outflows</b>			
Payment for supplies and services		(455)	(435)
Net GST paid to the ATO		(4)	(10)
Payments to SA Government		-	(5,280)
<b>Cash used in operations</b>		<u>(459)</u>	<u>(5,725)</u>
<b>Cash Inflows</b>			
Interest received		48	48
Recoveries and Other Income		283	5,561
Other receipts		4,920	-
<b>Cash generated from operations</b>		<u>5,251</u>	<u>5,609</u>
<b>Cash Flows from SA Government</b>			
Receipts from SA Government		200	200
<b>Cash generated from SA Government</b>		<u>200</u>	<u>200</u>
<b>Net cash provided by operating activities</b>		<u>4,992</u>	<u>84</u>
<b>Net increase in cash</b>		4,992	84
Cash at the beginning of the period		1,256	1,172
<b>Cash at the end of the period</b>	8	<u>6,248</u>	<u>1,256</u>

The accompanying notes form part of these financial statements.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements For the year ended 30 June 2019

### 1 Basis of Financial Statements

#### Reporting Entity

Generation Lessor Corporation (Corporation) was established on 29 July 1999 as a subsidiary of the Treasurer of South Australia (Treasurer) under Regulations made pursuant to the *Public Corporations Act 1993*.

Pursuant to Ministerial Transfer Orders, dated 6 June 2000 and 8 September 2000 all the prescribed electricity assets consisting of certain generating plant and the land on which the generating plant is located, were transferred to the Corporation at book value.

On 1 July 2010, *The Public Corporations (Generation Lessor Corporation) Regulations 2010* came into operation to replace the expiring *Public Corporations (Generation Lessor Corporation) Regulations 1999*.

The principal activity of the Corporation is as lessor of the prescribed electricity assets which are in the nature of certain generation plant and the land upon which the generation plant is located.

#### Statement of compliance

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 [Tier 2 only: with reduced disclosure requirements].

#### Basis of preparation

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

#### Leases

##### Prescribed electricity generation assets

Prescribed electricity assets consisting of generating plant and the land on which the generating plant is located are leased under finance leases for 100 years.

Lease rentals were fully prepaid by each lessee to the Treasurer. Prepaid lease rentals received in excess of the book value of the prescribed electricity assets are recognised as profit on the finance lease.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements For the year ended 30 June 2019

### Taxation

#### *Income tax equivalent*

The Treasurer of South Australia has issued a determination pursuant to the Schedule to the Public Corporations Act 1993 whereby the Corporation is not subject to Commonwealth income tax equivalents for the period since incorporation.

#### *Goods and services tax*

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

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

#### *Land tax*

The Corporation is liable to pay Land Tax in respect of its land holdings, but the Corporation received reimbursement from the lessees.

### Property, plant and equipment

#### *Recognition*

Land, plant and equipment, including buildings and leasehold property have been initially recorded at book values.

#### *Revaluations*

The Directors consider the value of land and buildings annually, with respect to inputs including Valuer General valuations.

#### *Disposal of revalued assets*

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

# **Generation Lessor Corporation**

**Notes to and forming part of the Financial Statements  
For the year ended 30 June 2019**

## **Insurance**

The Corporation has arranged, through the South Australian Government Financing Authority (SAFA) to insure all major risks of the Corporation. The excess payable under this arrangement varies depending on each class of insurance held.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>2 Revenues from fees and charges</b>		
<i>Income from lease of assets</i>		
- Amortisation of deferred lease rental income	-	6,993
<i>Revenue from recovery of Land Tax</i>		
- Recovery of Land Tax	258	256
<b>Total fees and charges</b>	258	7,249

The reduction in revenues from fees and charges of \$6,991,000 is due the surrender by Flinders Power of leases for the Leigh Creek Township and Leigh Creek Railway therefore the amortisation of deferred lease rental was finalised in the 2017-18 financial year.

<b>3 Interest revenues</b>		
- Interest	54	48
<b>Total interest revenues</b>	54	48

<b>4 Other income</b>		
- Flinders Power Partnership additional consideration	-	4,800
<b>Total other income</b>	-	4,800

<b>5 Revenues from SA Government</b>		
<i>Appropriations</i>		
- Administration	200	200
<b>Total revenues from SA Government</b>	200	200

Total revenues from Government consists of \$200,000 for operational funding. For further details on the expenditure associated with the operational funding refer to notes 6 and 7.

<b>6 Supplies and services</b>		
- Insurance	14	14
- Management fees (SAFA)	100	100
- Land Tax	265	264
- Consultants	33	121
<b>Total Supplies and Services</b>	412	499

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) to within the following bands:

	2019		2018
	No	\$'000	No
		\$'000	
- Below \$10,000	1	5	-
- \$10,000 or above	1	28	2
<b>Total paid/payable to the consultants engaged</b>	2	33	2

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>7 Other expenses</b>		
- Audit fees	12	13
- Other costs	30	1
- Head lease surrender additional consideration	-	4,800
<b>Total other expenses</b>	42	4,814

### 8 Cash and cash equivalents

- Cash	60	54
- Short-term deposit with SAFA	1,246	1,202
- Short-term deposit with SAFA (Flinders Power Partnership)	4,942	-
<b>Total cash and cash equivalents</b>	6,248	1,256

### Movement in Flinders Power Partnership Trust account

	\$'000
Balance 1 July 2019	-
Receipts	4,942
<b>Balance 30 June 2019</b>	4,942

Cash is measured at nominal amounts. Short-term deposits are lodged with SAFA and are at-call.

### 9 Receivables

#### Current

- GST receivable	5	10
- Interest receivable	8	2
<b>Total current receivables</b>	13	12

### 10 Payables

#### Current

- Accrued expenses	20	27
<b>Total Current Payables</b>	20	27

### Funds held in trust - Flinders Power Partnership

- Cash deposit - Flinders Power Partnership	4,942	-
<b>Total Funds held in trust</b>	4,942	-

During March 2019 funds were deposited into an account held by the Corporation on behalf of Flinders Power Partnership. The funds held in trust can only be used by Flinders Power to meet obligations under the 5 year monitoring and maintenance period relating to the Leigh Creek Mine. The balance of funds will be held in trust by the Corporation until the 5 year monitoring and maintenance period for the mine expires in 2023. The funds will be progressively reduced to zero over the 5 year period as Flinders Power completes the required monitoring and maintenance works.

### 11 Depreciation

- Leigh Creek Railway	-	449
<b>Total depreciation</b>	-	449

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>12 Property, plant and equipment</b>		
Torrens Island		
<i>Network land and easements</i>		
- At Fair Value	3,800	3,150
<i>Non generation land and easements</i>		
- At Fair Value	685	670
	4,485	3,820
<b>Total Property, plant and equipment</b>	4,485	3,820
<b>Reconciliations</b>		
<b>Torrens Island</b>		
<i>Network Land and Easements</i>		
- Carrying amount at beginning of year	3,150	3,150
- Revaluation increment	650	-
- Carrying amount at end of year	3,800	3,150
<i>Non-generation land and infrastructure not leased</i>		
- Carrying amount at beginning of year	670	670
- Revaluation increment	15	-
- Carrying amount at end of year	685	670
<b>Leigh Creek Railway infrastructure</b>		
Leigh Creek Railway infrastructure		
- Carrying amount at beginning of year	-	449
- Depreciation	-	(449)
- Carrying amount at end of year	-	-

### Surrender of Northern Generating Plant and Playford B Generating Plant Leases

On 27 February 2019, Flinders Power provided GLC with a Dismantling Notice as required under the terms of the Closure Implementation Deed advising that the Northern and Playford power stations would be dismantled on or about 29 March 2019. The Dismantling Notice is deemed to constitute a notice of surrender of the Northern and Playford B Generating Plant Leases. Flinders Power has completed the dismantling of the power stations with the Northern and Playford B Generating Plant leases being surrendered on 20 May 2019. Under the terms of the Northern and Playford B Land Leases, GLC is required to transfer the Northern and Playford B Land to Flinders for nil consideration. The Northern and Playford B land was transferred to Flinders Power on 20 May 2019 for nil consideration in accordance with the terms of the leases.

### Valuation of Land

The proceeds of the lease were all received in advance. Independent advice was sought in June 2006 on the appropriate carrying value of the land and easements. The deprivation of access to the land during the term of the lease has been considered to extinguish any opportunity to derive further value from the underlying land during the term of the lease.

Network and Non-generation land and easements were at the value set by the Valuer General as at 1 January 2019. This led to a revaluation increase of \$665,000.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>13 Dividends</b>		
<b>Dividends during the year</b>		
- Non cash dividend	-	6,993
<b>Total dividends</b>	-	6,993

The non-cash dividend relating to the financial year 2018-19 was \$0.00 (2017-18 \$6,992,842.79) was provided to the Treasurer and was settled against the Treasurer's receivable.

### 14 Directors remuneration

Members during the 2019 financial year were:

Terry Evans - Chairman

\* Heather Elaine Watts - Non Executive Director (Appointed 20 February 2017)

\* Timothy Paul Burfield - Non Executive Director and Deputy Chair (Appointed 22 August 2018)

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

	2019	2018
	(Number)	(Number)
\$1 - \$19,999	1	1
<b>Total number of members</b>	1	1

The total remuneration received by members was \$1,000. Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

\* In accordance with the Premier and Cabinet Circular no. 016, government employees did not receive any remuneration for director duties during the financial year.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements For the year ended 30 June 2019

### 15 Related party transactions

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

#### Key Management Personnel

Key management personnel of the Corporation include the Minister and members of the Board who have responsibility for the strategic direction and management of the Corporation.

Remuneration of Key Management Personnel is all short term as disclosed in note 14.

#### *Transactions of directors and director-related entities*

There were no transactions between the Corporation and director related entities.

#### *Other related entities*

SAFA provides management and insurance services to the Corporation. Additionally, the Corporation has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal trading terms.

#### *Controlling entity*

The Corporation is a subsidiary of the Treasurer of South Australia.

### 16 Contingent asset

The various lease agreements make provision for the potential sale of these assets in the future, to the lessee, if the Corporation obtains lawful right to sell its right, title and interest in the assets. If this right is not obtained or the lessee's option to purchase is not exercised the prescribed assets will be returned to the Corporation or its nominee at the end of the lease term. Although at that time an asset will be recognised, no amount has been recognised in the Statement of Financial Position as the realisation of the benefits of this asset is dependent upon a qualifying event occurring.

In the event that the lessees default under their respective leases, they are obliged to return the asset to the Corporation. Although at that time an asset will be recognised, no amount has been recognised in the Statement of Financial Position as the likelihood of default eventuating is remote.

Under the terms of the Generating Plant and Unit Leases and the Land Leases certain costs of the Corporation that are associated with the operation of the generation plants and units and generation land are able to be reimbursed from the lessees or on charged directly to the lessees.

### 17 Contingent liability

In the unlikely event that the Corporation defaults under the leases with respect to its legal entitlement to grant the leases, the Corporation is obliged to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were discharged by the prepaid rents.

No amount has been recognised as the likelihood of the Corporation defaulting is remote.

# Generation Lessor Corporation

## Notes to and forming part of the Financial Statements For the year ended 30 June 2019

### 18 Segment information

The Corporation operates as lessor of prescribed electricity assets in South Australia.

The Corporation also holds and leases assets ancillary to generation assets in South Australia.

### 19 Economic dependency

The Corporation is an instrumentality of the Crown under the *Crown Proceedings Act 1992*. Accordingly where a final judgement is given against it, a Minister or agency of the Crown may be directed by the Governor to satisfy that judgement. Such a direction constitutes sufficient authority for the appropriation of the money necessary to satisfy the judgement from the General Revenue of the State of South Australia or from the funds of the Corporation. To this extent the Corporation has the benefit of an implicit guarantee from the State.

### 20 Events after balance date

No event has arisen since 30 June 2019 that would be likely to materially affect the operations or the state of affairs of the Corporation.

# Generation Lessor Corporation

## CERTIFICATION OF THE FINANCIAL REPORT

I certify that:

- the attached General Purpose Financial Report for Generation Lessor Corporation:
  - is in accordance with the accounts and records of the Corporation;
  - complies with the relevant Treasurer's instructions;
  - complies with relevant accounting standards; and
  - presents a true and fair view of the financial position of the Corporation at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Corporation over its financial reporting and its preparation of the financial report has been effective throughout the financial year.

Signed in accordance with a resolution of the Directors.



Terry Evans  
CHAIR

Dated at Adelaide this 28<sup>th</sup> day of August 2019.