

Transmission Lessor Corporation

Financial report
for the year ended
30 June 2018



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To the Chair Transmission 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 Transmission Lessor Corporation for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Transmission Lessor Corporation as at 30 June 2018, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, section 13(3) 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- 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 Transmission 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 Conduct 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 Transmission 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 promulgated 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
- 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

23 August 2018

Transmission Lessor Corporation

Financial Report

For the year ended 30 June 2018

Transmission Lessor Corporation

Statement of Comprehensive Income For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Interest revenues	2	31	30
Total income		<u>31</u>	<u>30</u>
Expenses			
Supplies and services	4	116	47
Other expenses	5	11	12
Total expenses		<u>127</u>	<u>59</u>
Revenues from SA Government			
Revenues from SA Government	3	150	150
Net result		<u>54</u>	<u>121</u>
Profit		54	121
Total comprehensive result		<u>54</u>	<u>121</u>

The net result and total comprehensive result are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

Transmission Lessor Corporation

Statement of Financial Position As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	6	1,629	1,495
Receivables	7	8	88
Total current assets		<u>1,637</u>	<u>1,583</u>
Total assets		<u>1,637</u>	<u>1,583</u>
Current liabilities			
Payables	8	11	11
Total current liabilities		<u>11</u>	<u>11</u>
Total liabilities		<u>11</u>	<u>11</u>
Net assets		<u><u>1,626</u></u>	<u><u>1,572</u></u>
Equity			
Retained earnings		<u>1,626</u>	<u>1,572</u>
Total equity		<u><u>1,626</u></u>	<u><u>1,572</u></u>
Contingent assets	11		
Contingent liabilities	12		

The total equity is attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

Transmission Lessor Corporation

Statement Of Changes In Equity For the year ended 30 June 2018

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2016	1,451	1,451
Net Result for 2016-17	121	121
Total comprehensive result for 2016-17	121	121
Balance at 30 June 2017	1,572	1,572
Net Result for 2017-18	54	54
Total comprehensive result for 2017-18	54	54
Balance at 30 June 2018	1,626	1,626

All changes in equity are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

Transmission Lessor Corporation

Statement of Cash Flows For the year ended 30 June 2018

		2018	2017
	Note	Inflows/ (Outflows) \$'000	Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Cash Outflows			
Payments for supplies and services		(52)	(151)
Cash used in operations		(52)	(151)
Cash Inflows			
Interest received		31	30
GST recovered from the ATO		5	13
Cash generated from operations		36	43
Cash flows from SA Government			
Receipts from SA Government		150	150
Cash generated from SA Government		150	150
Net cash provided by operating activities		134	42
Net increase in cash		134	42
Cash at the beginning of the period		1,495	1,453
Cash at the end of the period	6	1,629	1,495

The above statement should be read in conjunction with the accompanying notes

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

1 Basis of Financial Statements

Reporting Entity

Transmission Lessor Corporation (Corporation) was established on 1 July 1995 as a subsidiary of the then ETSA Corporation under Regulations made pursuant to the *Public Corporations Act 1993*.

Pursuant to Ministerial Transfer Orders, dated 31 October 2000 prescribed electricity assets consisting of the transmission network and transmission network land were transferred to the Corporation at book value.

On 1 July 2010, the Public Corporations (Transmission Lessor Corporation) Regulations 2010 came into operation to replace the expiring Public Corporations (Transmission Lessor Corporation) Regulations 1995.

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

The principal activity of the Corporation is as lessor of the prescribed electricity assets consisting of the transmission network and the land on which it is located.

Statement of Compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Corporation has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Corporation is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2018.

Basis of Preparation

The financial statements have been prepared based on a 12 month 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 on a different basis.

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

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

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

The net amount of GST recoverable from, or payable to, the ATO 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 ATO is classified as operating cash flows.

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.

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
2 Interest revenues		
- Interest from entities within the SA Government	30	30
- Interest from entities external to the SA Government	1	-
Total interest revenues	31	30

3 Revenues from SA Government

Appropriations from Consolidated Account Pursuant to the Appropriations Act

- Administration	150	150
Total revenues from SA Government	150	150

Total revenues from Government consists of \$150,000 for operational funding. For further details on the expenditure associated with the operational funding refer to notes 4 and 5.

4 Supplies and services

Supplies and services provided by entities within the SA Government

- Insurance	16	17
- Management fees	100	30
Total Supplies and services - SA Government	116	47

Total Supplies and services	116	47
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5 Other expenses

Other expenses paid/payable to entities within the SA Government

- Audit fees	10	11
- Other expenses paid/payable to entities external to the SA Government	1	1
Total other expenses	11	12

6 Cash and cash equivalents

- Cash (non SA Government)	9	23
- Short-term deposits with SAFA	1,620	1,472
Total cash and cash equivalents	1,629	1,495

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

7 Receivables

Current

- GST receivable	5	6
- Interest receivable	3	2
- Receivable from SAFA	-	80
Total current receivables	8	88

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
8 Payables		
Current		
- Accrued expenses	11	11
Total current payables	<u>11</u>	<u>11</u>

9 Directors remuneration

Members during the 2018 financial year were:

Terry Evans - Chairman

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

* Andrew Charles Blaskett - Non Executive Director and Deputy Chair (Resigned 4 May 2018)

Number of directors of the Corporation whose total income falls within the following bands:	2018 (Number)	2017 (Number)
\$1 - \$9,999	1	1
Total number of members	<u>1</u>	<u>1</u>

The total remuneration received by directors was \$1,000

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

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

10 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 9.

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.

11 Contingent asset

On 31 October 2000 the Corporation leased its transmission network prescribed assets under a 200 year finance lease. The lease agreement makes a 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 network assets will be returned to the Corporation or its nominee at the end of the lease term.

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 Transmission Network Land Lease and Transmission Network Lease certain costs of the Corporation that are associated with the operation, or the Corporation's ownership, of the Transmission Network Land and Transmission Network are able to be reimbursed from the lessee or on charged directly to the lessee.

Transmission Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2018

12 Contingent liability

The former business operations of the Corporation created potential exposure to environmental matters, including the potential for oil spills, which the Corporation may have been required to remedy in the future. As a result of the sale and lease of the business, all environmental obligations in respect of the former business operations were transferred to the purchaser/lessee.

In the unlikely event that the Corporation defaults under the transmission network lease or the transmission network land lease 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.

Under the terms of the transmission network leases, where the lessee effects a discrete improvement which is outside the ordinary course of maintenance, modification, alteration or renewal, do not form part of the transmission network under a clause of the lease and is not necessary for the lessee to comply with its obligations under the lease, then that improvement will be owned by the lessee and will not form part of the assets leased under the transmission network lease.

These improvements are known as non-transmission assets.

At the expiry of the lease, the Corporation may elect to own a non-transmission asset. If the Corporation elects to own a non-transmission asset, it will be transferred to the Corporation at its market value.

The lessee will be requested to provide the Corporation with a current list of non-transmission assets that it has made to the network since the commencement date of the lease.

13 Segment information

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

14 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.

15 Events after balance due

No event has arisen since 30 June 2018 that would be likely to materially affect the operations or the state of affairs of the Corporation.

Transmission Lessor Corporation

CERTIFICATION OF THE FINANCIAL REPORT

I certify that:

- the attached General Purpose Financial Report for Transmission 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 22nd day of Aug 2018.