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

### Opinion

I have audited the financial report of the State Owned Generators Leasing Co Pty Ltd for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the State Owned Generators Leasing Co Pty Ltd's financial position as at 30 June 2022 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- Notes, comprising material accounting policies and other explanatory information
- a Directors' Declaration from the Chair, State Owned Generators Leasing Co Pty Ltd.

### 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)* 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 directors for the financial report**

The directors of the State Owned Generators Leasing Co Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine 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 State Owned Generators Leasing Co Pty Ltd'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 2022.

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 State Owned Generators Leasing Co Pty Ltd'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 State Owned Generators Leasing Co Pty Ltd'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 company'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 my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company 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 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  
**Assistant Auditor-General (Financial Audit)**

28 October 2022

# State Owned Generators Leasing Company Pty Ltd

## Financial Report - for the year ended 30 June 2022

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## State Owned Generators Leasing Company Pty Ltd

### Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	4	7,650	4,206
<b>Total revenue</b>		<b>7,650</b>	<b>4,206</b>
<b>Expenses</b>			
Depreciation	8	(6,345)	(6,345)
Site remediation	10	(445)	(1,980)
Generator connection and operation charges		(312)	(9,407)
Other expenses	5	(538)	(689)
Loss on revaluation	8	(62,228)	-
<b>Total expenses</b>		<b>(69,868)</b>	<b>(18,421)</b>
<b>Operating profit/(loss)</b>		<b>(62,218)</b>	<b>(14,215)</b>
<b>Profit/(loss) before tax</b>		<b>(62,218)</b>	<b>(14,215)</b>
Income Tax Equivalent Expense		-	-
<b>Profit/(loss) for the period</b>		<b>(62,218)</b>	<b>(14,215)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<b>(62,218)</b>	<b>(14,215)</b>

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 2022

	Notes	2022 \$'000	2021 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	8,833	4,160
Receivables	7	35	16
<b>Total current assets</b>		<b>8,868</b>	<b>4,176</b>
<b>Non-current Assets</b>			
Receivables	7	1,018	-
Plant and equipment	8	142,282	210,855
<b>Total Non-current assets</b>		<b>143,300</b>	<b>210,855</b>
<b>Total Assets</b>		<b>152,168</b>	<b>215,031</b>
<b>Current Liabilities</b>			
Payables and other liabilities	9	1,004	1,079
Remediation provision	10	1,410	1,980
<b>Total liabilities</b>		<b>2,414</b>	<b>3,059</b>
<b>Net Assets</b>		<b>149,754</b>	<b>211,972</b>
<b>Equity</b>			
Contributed equity	11	226,200	226,200
Accumulated losses		(76,446)	(14,228)
<b>Total equity</b>		<b>149,754</b>	<b>211,972</b>

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 2022

	Note	Issued Share Capital \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance 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		-	(14,215)	(14,215)
Shares issued	11	9,000	-	9,000
<b>Balance as at 30 June 2021</b>		<b>226,200</b>	<b>(14,228)</b>	<b>211,972</b>
Loss for the period 2021-22		-	(62,218)	(62,218)
Total comprehensive result for 2021-22		-	(62,218)	(62,218)
<b>Balance as at 30 June 2022</b>		<b>226,200</b>	<b>(76,446)</b>	<b>149,754</b>

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 Cash Flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Lease rent receipts		6,130	3,681
Other receipts		745	2,474
Interest received		20	22
GST paid to ATO		(528)	(446)
Payments to suppliers		(1,694)	(10,571)
<b>Net Cashflow from operating activities</b>	14	<b>4,673</b>	<b>(4,840)</b>
<b>Cashflows from financing activities</b>			
Proceeds from issues of shares	11	-	9,000
<b>Net Cashflow from financing activities</b>		<b>-</b>	<b>9,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,673</b>	<b>4,160</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,160</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	6	<b>8,833</b>	<b>4,160</b>

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

### For the year ending 30 June 2022

#### 1 Objectives

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

As per its constitution, the objectives of SOGLC are:

- (a) To be the lessor under a lease granted in respect of the generators by a lease agreement.
- (b) To be a party to an instrument related to a lease referred to in paragraph (a) above or related to the subject matter of such a lease.
- (c) To be the operator of the generators on expiration or sooner termination of such a lease.
- (d) To hold the generators as owner or lessor for the purposes of a function referred to above.
- (e) To carry out other functions conferred on the company by the Treasurer.
- (f) To do anything necessary or expedient to be done for the purposes of a function referred to above.
- (g) To do anything necessary or expedient to be done to ensure that the generators are appropriately operated and maintained and are available for use in the National Electricity Market.

#### 2 Significant accounting policies

##### (a) Basis of preparation

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

- a. Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*;
- b. Relevant Australian Accounting Standards; and
- c. *Corporations Act 2001 (Cth)*

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.

# State Owned Generators Leasing Company Pty Ltd

## Notes to the Financial Statements - (continued)

### (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.

### (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

SOGLC acquired 9 generator sets and ancillary equipment from the Department of Energy and Mining (DEM) for consideration of \$217,200,000. This acquisition was treated as a capital purchase of Property, plant and equipment and recorded at the DEM carrying amount.

These assets were initially recorded at cost plus any incidental costs involved with the acquisition.

#### Measurement after recognition

Property, plant and equipment is subsequently measured at fair value.

The fair value of Property, plant and equipment is determined using the most appropriate valuation technique in the circumstances and for which sufficient data is available to measure fair value.

A change in valuation technique is appropriate if the change results in a measurement that is more representative of fair value in the circumstances. Such changes are considered to be a change in accounting estimate.

Revaluations are to be undertaken, as a minimum, every 6 years. If at any time management considers that the carrying amount of the asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Depreciated replacement cost has been applied for those assets leased to Iberdrola Australia and Nexif Energy under long term lease agreements.

As a consequence of the decision to lease assets to these 3rd parties and to relocate those assets to permanent locations operated by the lessees, a number of assets located at the temporary sites have become surplus to requirements. The surplus assets at the Elizabeth site were disposed of during the year and the surplus assets at the Lonsdale site are expected to be disposed of during the year ended 30 June 2023. Due to the change in circumstances, the market approach is considered the most appropriate valuation technique for these surplus assets

An independent valuation of Property, plant and equipment owned by the Company was performed at 30 June 2022 by GHD Pty Ltd, an independent engineering and consulting firm based in Adelaide, with experience in providing asset valuations in the power, oil and has gas industry. The revaluation resulted in a decrement of \$62,228,130. This has been recognised as a loss on revaluation in the Statement of Comprehensive Income.

Of the \$62,228,130 loss on revaluation of the generator sets and associated plant and equipment during the financial year, an estimated \$19.8 million relates to the write down of surplus assets from their depreciated replacement cost to market value.

## State Owned Generators Leasing Company Pty Ltd

### Notes to the Financial Statements - (continued)

#### Depreciation of property, plant and equipment

The generators are depreciated using the component method based on two major components of the generators. The 'Hot Zone' (that section of the turbine engine that operates at high temperatures) is depreciated over 25 years and the 'Casing' (the outer housing around all moving parts) 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.

#### (e) Leases

SOGLC retains a substantial amount of the risk and rewards incidental to ownership of the leased assets. Accordingly, the Iberdrola Australia and Nexif Energy leases have 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 (Cth)*.

Income, expenses, assets and liabilities are recognised net of the amount of GST except:

- a. 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
- b. 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 Lessees. Refer to Note 2(e) - Leases for further information regarding the recognition of the income.

# State Owned Generators Leasing Company Pty Ltd

## Notes to the Financial Statements - (continued)

### (h) Receivables

Current - 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 to 90 days and are therefore all classified as current.

Non-current - as lease income is recognised on a straight-line basis over the period of the lease, the amount of lease receivables due in future financial years is shown as non-current assets.

Receivables are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

### (i) 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.

## 3 Critical estimates and judgements

### Property, plant and equipment

During the year an external revaluation of the generator sets and associated plant and equipment was undertaken. As a consequence, the carrying value of Property plant and equipment, was reduced at 30 June 2022, by a loss on revaluation of \$62,228,130.

Refer to Note 2(d) for further information.

## 4 Income

The main source of income for the company is derived from the Rent income by leasing out the Generators to the Lessees. Lease rental income is recognised on a straight-line basis over the period of the lease. Lease rentals are adjusted by CPI periodically in accordance with the terms and conditions of the respective leases.

	2022	2021
	\$'000	\$'000
<b>Revenue</b>		
Lease rent income	7,315	3,347
Fee income	-	710
Interest income	27	22
Other	308	127
<b>Total revenue</b>	<b>7,650</b>	<b>4,206</b>

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

	Year 1 22/23 \$'000	Years 2-5 23/24-26/27 \$'000	Years > 5 27/28 + \$'000
<b>Total lease Receipts</b>	<b>7,220</b>	<b>34,392</b>	<b>245,225</b>

## State Owned Generators Leasing Company Pty Ltd

### Notes to the Financial Statements - (continued)

#### Risk Management

Both Lease Agreements contain mitigation of risk provisions for SOGLC, in the event of default by the lessor. These include, but not limited to:

- a. Financial compensation,
- b. The right to take possession of all plant and equipment, including modifications made.

In addition, on finalisation of the lease, where the lessor does not seek an agreed extension, to take possession of all plant and equipment, including modifications made.

#### 5 Other expenses

	2022	2021
	\$'000	\$'000
Fee waiver	-	355
Diesel	-	131
Advisory fees	180	100
Consultants	39	45
Insurance	47	40
Audit fees	13	13
Other	259	5
<b>Total other expenses</b>	<b>538</b>	<b>689</b>

#### 6 Cash and cash equivalents

	2022	2021
	\$'000	\$'000
<b>Current Assets</b>		
Cash at bank	8,833	4,160
<b>Total current assets</b>	<b>8,833</b>	<b>4,160</b>

# State Owned Generators Leasing Company Pty Ltd

## Notes to the Financial Statements - (continued)

### 7 Receivables

	2022	2021
	\$'000	\$'000
<b>Current assets</b>		
Other	35	16
<b>Total current receivables</b>	<b>35</b>	<b>16</b>
<b>Non-current assets</b>		
Lease receivables	1,018	-
<b>Total non-current receivables</b>	<b>1,018</b>	<b>-</b>

### 8 Property, plant and equipment

	2022	2021
	\$'000	\$'000
Property, plant and equipment at fair value	142,282	217,200
Accumulated depreciation at end of the period	-	(6,345)
<b>Total property, plant and equipment</b>	<b>142,282</b>	<b>210,855</b>
<b>Reconciliation</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amount at the beginning of the period 1 July 2021</b>	<b>210,855</b>	<b>217,200</b>
Loss on revaluation	(62,228)	-
Depreciation expense for the period	(6,345)	(6,345)
<b>Carrying amount at the end of the period 30 June 2022</b>	<b>142,282</b>	<b>210,855</b>

### 9 Payables and other liabilities

	2022	2021
	\$'000	\$'000
<b>Current Liabilities</b>		
Lease rental in advance	445	937
Other payables	559	142
<b>Total payables and other liabilities</b>	<b>1,004</b>	<b>1,079</b>

## State Owned Generators Leasing Company Pty Ltd

### Notes to the Financial Statements - (continued)

#### 10 Remediation provision

	2022 \$'000	2021 \$'000
<b>Opening balance at the beginning of the year</b>	1,980	-
Expense for the year	445	1,980
Expenditure on remediation during the year	(1,015)	-
<b>Closing balance at the end of the year</b>	<b>1,410</b>	<b>1,980</b>

SOGLC is obligated to remediate the sites at which the generators have been temporarily located. The remediation works are completed following relocation of the generators to their permanent sites. During the year remediation work was completed at the temporary Elizabeth site. Remediation work at the temporary Lonsdale site will commence in 2022-23 when Iberdrola Australia relocates the generator sets to Bolivar.

#### 11 Equity

	Number of shares	Total \$'000
<i>30-Jun-21</i>		
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	<b>113,100,001</b>	<b>226,200</b>
Accumulated losses		(14,228)
<b>Total equity</b>		<b>211,972</b>
<i>30-Jun-22</i>		
Balance as at 1 July 2021	113,100,001	226,200
Balance as at 30 June 2022	<b>113,100,001</b>	<b>226,200</b>
Accumulated losses		(76,446)
<b>Total equity</b>		<b>149,754</b>

The Treasurer is the sole shareholder of the Company.

## State Owned Generators Leasing Company Pty Ltd

### Notes to the Financial Statements - (continued)

#### 12 Related party transactions

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

The intercompany transactions with public authorities comprises audit fees payable to the Auditor-General (\$13,300), amounts paid/payable to Department of Energy and Mining (\$1,406,720) and the South Australian Government Financing Authority (\$100,000).

##### (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	Chair (ceased 19/11/21)
Ms JA Burgess	Chair (commenced 20/11/21)
Mr T Burfield	
Mr P Heithersay	

All directors of SOGLC are Government employees. In accordance with the Department of 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.

#### 13 Events subsequent to balance date

No events have arisen since 30 June 2022 that would be likely to materially affect the operations or the state of affairs of the Company.

## State Owned Generators Leasing Company Pty Ltd

### Notes to the Financial Statements - (continued)

#### 14 Reconciliation of loss for the year with net cash inflow/(outflow) from operating activities

	2022	2021
	\$'000	\$'000
Loss for the year	(62,218)	(14,215)
Depreciation	6,345	6,345
Loss on revaluation	62,228	-
Change in trade and other receivable	(1,037)	(16)
Change in trade and other payable	(75)	1,066
Change in Remediation provision	(570)	1,980
<b>Net cash inflows/(outflow) from operating activities</b>	<b>4,673</b>	<b>(4,840)</b>

#### 15 Contingent liability

- (a) Under its lease agreement with Iberdrola Australia, SOGLC is required to fund certain essential upgrade works to the generators in the event that any modification, upgrades or additional equipment is required in order for the lessee to achieve unconditional registration of the generators under the National Electricity Rules, and/or for the lessee to obtain a generation licence from Essential Services Commission of South Australia. The maximum amount SOGLC could be liable for is \$8,000,000. SOGLC will own any part installed on the generators by the lessee as part of an essential upgrade and those parts will become subject to the lease.
- (b) SOGLC has leased 5 generator sets and associated assets to Port Adelaide Energy Pty Ltd (PAE). PAE has entered into gas connection and electricity transmission connection agreements in relation to the operation of its Snapper Point power station. In circumstances where PAE defaults under its connection agreements and that default is not rectified within the appropriate cure periods, SOGLC has the option of either paying termination amounts under those agreements or taking a novation of those agreements from PAE.

#### 16 Impact of COVID-19 pandemic on the corporation

The COVID-19 pandemic has not impacted the operations of the Corporation in 2021-22 or 2020-21.

## State Owned Generators Leasing Company Pty Ltd

For the year ended - 30 June 2022

### 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 (Cth)* 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 2022 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:



JA Burgess  
Chair

Date: 27.10.2022