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To the Chair Generation Lessor Corporation

Opinion

I have audited the financial report of the Generation Lessor Corporation for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, the *Public Corporations Act 1993* and Australian Accounting Standards – Simplified Reporting Requirements.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information 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 (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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, the *Public Corporations Act 1993* and the Australian Accounting Standards – Simplified Reporting Requirements, 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 entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* 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 2023.

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
- conclude on the appropriateness of the Director'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 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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

22 September 2023

Generation Lessor Corporation

Financial Report

For the year ended 30 June 2023

Generation Lessor Corporation

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Generation Lessor Corporation

Statement of Comprehensive Income for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Revenues from SA Government	3	200	200
Fees and charges	4	163	108
Interest	5	91	5
Other income	6	28	23
Total Income		482	336
Expenses			
Supplies and services	7	279	222
Other expenses	8	55	16
Total Expenses		334	238
Net result		148	98
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		1,080	320
Total Other Comprehensive income		1,080	320
Total Comprehensive result		1,228	418

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 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	9	2,807	3,805
Receivables	10	14	5
Total current assets		2,821	3,810
Non-current assets			
Property, plant and equipment	12	4,115	3,035
Total non-current assets		4,115	3,035
Total assets		6,936	6,845
Current liabilities			
Payables	11	14	14
Funds held in trust	11	1,096	2,233
Other current Liabilities	13	5	5
Total current liabilities		1,115	2,252
Total liabilities		1,115	2,252
Net assets		5,821	4,593
Equity			
Contributed equity		24,539	24,539
Retained earnings		(21,593)	(21,741)
Asset revaluation surplus		2,875	1,795
Total equity		5,821	4,593

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 2023

Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2021	24,539	1,475	(21,839)	4,175
Net result for 2021-22	-	-	98	98
Gain on revaluation of land during 2021-22	-	320	-	320
Total comprehensive result for 2021-22	-	320	98	418
Balance at 30 June 2022	24,539	1,795	(21,741)	4,593
Net result for 2022-23	-	-	148	148
Gain on revaluation of land during 2022-23	-	1,080	-	1,080
Total comprehensive result for 2022-23	-	1,080	148	1,228
Balance at 30 June 2023	24,539	2,875	(21,593)	5,821

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 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Cash Outflows			
Payment for supplies and services		(290)	(234)
Net GST received / (paid) to the ATO		(9)	2
Flinders Power Partnership drawdowns		(1,180)	(1,278)
Other payments		(15)	(14)
Cash used in operations		(1,494)	(1,524)
Cash Inflows			
Revenues from SA Government		200	200
Interest received		85	3
Recoveries and Other Income		211	148
Cash generated from operations		496	351
Net cash provided by operating activities		(998)	(1,173)
Net decrease in cash		(998)	(1,173)
Cash at the beginning of the period		3,805	4,978
Cash at the end of the period	9	2,807	3,805

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 2023

1 Basis of Financial Statements

Reporting Entity

Generation Lessor Corporation (the 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, applying simplified disclosure.

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.

The Corporation is classified as a not-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).

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 2023

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 cost then subsequently revalued to Fair Value.

Revaluations

The Directors consider the value of property plant & equipment 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 2023

2 Leases

The Corporation has leased the State's prescribed electricity assets, infrastructure and other assets on various terms as follows:

<i>Asset</i>	<i>Lessee</i>	<i>Term</i>	<i>Expiry</i>	<i>Type</i>
Land on Grand Trunkway, Torrens Island	AGL Energy Limited	26 years	6 September 2026	Operating
Torrens Island Power Station and land	AGL Energy Limited	100 years	6 June 2100	Finance
Generating Unit and land located at Dry Creek	Engie	100 years	6 June 2100	Finance
Generating Unit and land located at Mintaro	Engie	100 years	6 June 2100	Finance
Generating Unit and land located at Snuggery	Engie	100 years	6 June 2100	Finance
Generating Unit and land located at Port Lincoln	Engie	100 years	6 June 2100	Finance

Operating Lease

The lease agreement was extended for 5 years from 7 September 2021 to 6 September 2026 for \$27,000 plus CPI per annum. AGL has pre paid to 6 September 2023. The annual lease income for 2022-23 was \$28,433.

	2023	2022
	\$'000	\$'000
Operating Lease Receipts:		
Not later than one year	29	28
Later than one year but not later than five years	60	89
Later than five years	-	-
Total Non-Cancellable Operating Lease Receivables	89	117

AGL has an option to renew the lease for one further term of 5 years commencing 7 September 2026.

If the Corporation proposes to sell any portion of the land during the lease term, AGL has the right of first refusal per the lease agreement.

Finance Leases

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 leaving no residual payments. Prepaid lease rentals received in excess of the book value of the prescribed electricity assets were recognised as profit on the finance lease.

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.

Generation Lessor Corporation

Notes to and forming part of the Financial Statements For the year ended 30 June 2023

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.

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.

AGL will commence dismantling of the Torrens Island Power Station A generating plant in 2024 – this will take 18-24 months to complete. Once the plant has been dismantled and the underlying land is remediated, the lease will be surrendered by AGL. The lease won't be surrendered by AGL until it has completed the dismantling of the plant and remediated the underlying land. At this time the land ownership will be transferred to AGL. There is no financial consequence of the lease surrender to the Corporation as the lease proceeds were received upfront at the lease commencement.

Generation Lessor Corporation

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

	2023	2022
3 Revenues from SA Government	\$'000	\$'000
- Administration	200	200
	200	200
Total revenues from SA Government		

Total revenues from Government consists of \$200,000 for operational funding. Income from the SA Government is recognised upon receipt. For further details on the expenditure associated with the operational funding refer to notes 7 and 8.

4 Revenues from fees and charges	\$'000	\$'000
- Recovery of Land Tax	163	108
Total Recoveries	163	108

5 Interest revenues		
- Interest	47	4
- Interest Flinders Power Partnership	44	1
Total interest revenues	91	5

6 Other income		
Rental Income	28	23
Total other income	28	23

7 Supplies and services		
- Insurance	16	14
- Management fees (SAFA)	100	100
- Land Tax	163	108
Total supplies and services	279	222

8 Other expenses		
- Audit fees	11	13
- Interest Flinders Power Partnership	44	1
- Other	-	2
Total other expenses	55	16

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act 1987 were \$10,700 (\$13,300). No other services were provided by the Auditor-General's Department.

9 Cash and cash equivalents		
- Cash	30	32
- Short-term deposit with SAFA	1,681	1,540
- Short-term deposit with SAFA (Flinders Power Partnership)	1,096	2,233
Total cash and cash equivalents	2,807	3,805

Movement in Flinders Power Partnership funds held in Trust accounts

	\$'000		\$'000
Balance 1 July 2022	2,233	Balance 1 July 2021	3,510
Deposits	-	Deposits	-
Payments	(1,180)	Payments	(1,278)
Interest earned	43	Interest earned	1
Balance 30 June 2023	1,096	Balance 30 June 2022	2,233

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

Generation Lessor Corporation

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

	2023 \$'000	2022 \$'000
10 Receivables		
Current		
- GST receivable	5	2
- Interest receivable	9	3
Total current receivables	14	5
11 Payables		
Current		
- Accrued expenses	14	14
Total current payables	14	14
Funds held in trust - Flinders Power Partnership		
- Cash deposit - Flinders Power Partnership	1,096	2,233
Total funds held in trust	1,096	2,233

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.

During September 2019, funds were deposited into an account held by the Corporation on behalf of Flinders Power Partnership Regional Development Fund (FPP-RDF). The funds held in trust can only be used by FPP-RDF to fund projects or other activities for the benefit of the Upper Spencer Gulf region, with monies being withdrawn as FPP-RDF identifies suitable projects or other activities to fund. The account will be closed once the balance of the account has reduced to less than \$20,000 or it is agreed with FPP that it is no longer economic to continue to manage the remaining balance of funds.

12 Property, plant and equipment

<i>Torrens Island</i>		
<i>Network land and easements</i>		
- At Fair Value	3,050	2,250
<i>Non generation land and easements</i>		
- At Fair Value	1,065	785
	4,115	3,035
Total property, plant and equipment	4,115	3,035

Reconciliations

Torrens Island

Network Land and Easements

- Carrying amount at beginning of year	2,250	2,000
- Revaluation increment / (decrement)	800	250
- Carrying amount at end of year	3,050	2,250

Non-generation land and infrastructure not leased

- Carrying amount at beginning of year	785	715
- Revaluation increment / (decrement)	280	70
- Carrying amount at end of year	1,065	785

Valuation of Land

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 finance 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 are held at the market value set by the Valuer General as at 1 January 2023. This resulted in a net revaluation increase of \$1,080,000.

Generation Lessor Corporation

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
13 Other Current liabilities		
Current		
Contract liabilities	5	5
Total Current other liabilities	5	5

Contract liabilities represent the fully prepaid lease rentals to 6 September 2023 received on the lease to AGL for the land on Grand Trunkway, Torrens Island.

14 Directors' remuneration

Members during the 2023 financial year were:

- * Timothy Paul Burfield - Chair and Non Executive Director
- * Rebecca Wigglesworth - Non Executive Director
- * Heather Elaine Watts - Non Executive Director

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

	2023	2022
	Number	Number
\$1 - \$19,999	-	1
Total number of members	-	1

The total remuneration received by members was nil in 2023 and \$250 in 2022. Remuneration of previous members included 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 2023

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.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 the *Parliamentary Remuneration Act 1990*.

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.

Controlling entity

The Corporation is a subsidiary of the Treasurer of South Australia; the Government of South Australia is the ultimate controlling party.

16 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.

A distribution from the Treasurer of South Australia will be available during the 2023-24 financial year, to ensure that the Corporation will be able to meet its liabilities as and when they fall due.

17 Events after balance date

No event has arisen since 30 June 2023 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.



Timothy Burfield
CHAIR

Dated at Adelaide this 8 day of SEPTEMBER 2023.