

**Office of Hydrogen Power South Australia
(OHPSA)**

Financial Statements

For the year ended 30 June 2023

Office of Hydrogen Power South Australia
Certification of the Financial Statements
for the year ended 30 June 2023

We certify that the:

- financial statements for the Office of Hydrogen Power South Australia:
 - are in accordance with the accounts and records of the office;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the office at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by the Office of Hydrogen Power South Australia for the financial year over its financial reporting and its preparation of financial statements have been effective.



Sam Crafter
Chief Executive
Office of Hydrogen Power South Australia

26 September 2023



Natalie Johnston
Chief Financial Officer
Department for Energy and Mining

26 September 2023

Office of Hydrogen Power South Australia
Statement of Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<u>Income</u>			
SA Government grants, subsidies and transfers	2.1	12 024	113
Recoveries	2.2	894	-
Total income		12 918	113
<u>Expenses</u>			
Employee benefits expenses	3.3	2 668	75
Supplies and services	4.1	10 235	43
Total expenses		12 903	118
Net result		15	(5)
Total comprehensive result		15	(5)

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

Office of Hydrogen Power South Australia
Statement of Financial Position
as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<u>Current assets</u>			
Cash and cash equivalents	5.1	4 860	-
Receivables	5.2	658	31
Total current assets		5 518	31
Total assets		5 518	31
<u>Current liabilities</u>			
Payables	6.1	5 005	31
Employee benefits liability	3.4	405	5
Provisions	6.2	3	-
Total current liabilities		5 413	36
<u>Non-current liabilities</u>			
Payables	6.1	48	-
Employee benefits liability	3.4	489	-
Provisions	6.2	39	-
Total non-current liabilities		576	-
Total liabilities		5 989	36
Net assets		(471)	(5)
<u>Equity</u>			
Retained earnings		(471)	(5)
Total equity		(471)	(5)

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

Office of Hydrogen Power South Australia
Statement of Changes in Equity
for the year ended 30 June 2023

	Note	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2021		-	-
<u>Net result for 2021-22</u>		(5)	(5)
Total comprehensive result 2021-22		(5)	(5)
Balance as at 30 June 2022		(5)	(5)
<u>Net result for 2022-23</u>		15	15
Total comprehensive result 2022-23		15	15
Net assets transferred by proclamation	1.2	(481)	(481)
Balance as at 30 June 2023		(471)	(471)

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

Office of Hydrogen Power South Australia
Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<u>Cash flows from operating activities</u>			
<u>Cash inflows</u>			
SA Government grants, subsidies and transfers		12 024	113
Net GST recovered from DEM		392	-
Other recoveries		313	-
Cash generated from operations		12 729	113
<u>Cash outflows</u>			
Employee benefits payments		(2 115)	(70)
Payments for supplies and services		(5 754)	(43)
Cash used in operations		(7 869)	(113)
Net cash provided by operating activities		4 860	-
Net increase in cash and cash equivalents		4 860	-
Cash at the beginning of the period		-	-
Cash at the end of the period	5.1	4 860	-

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

1. About the Office of Hydrogen Power South Australia

The Office of Hydrogen Power South Australia (the office) was established as an attached office of the Department for Energy and Mining on 19 May 2022 by the *Public Sector (Establishment of Attached Office) Proclamation 2022*.

The Office of Hydrogen Power South Australia oversees the Hydrogen Jobs Plan to deliver significant hydrogen infrastructure in Whyalla by the end of 2025 and facilitate the Port Bonython Hydrogen Hub development to accelerate the growth of a hydrogen industry in South Australia.

Hydrogen Power South Australia, a new government enterprise, will be established to own and operate the hydrogen facilities.

The office does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the office.

1.1 Basis of preparation

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 disclosures.

No Australian Accounting Standards have been early adopted other than AASB 2021-1 which was adopted from 1 July 2021.

For the purposes of preparing the financial statements, the office is a not-for-profit entity. 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 identified in the notes to the financial statements.

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.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities are recoverable from, or payable to, the ATO are classified as operating cash flows.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

1.2. Changes to the office

Transferred in 2022-23

The *Public Sector (Reorganisation of Public Sector Operations – Department for Energy and Mining) Notice 2023* (dated 2 March 2023) proclaimed that effective from 1 March 2023 three employees will be transferred from the Department for Energy and Mining to the Office of Hydrogen Power South Australia in relation to the Hydrogen Program Industry Development team.

Total income and expenses attributable to the Hydrogen Program Industry Development team for 2022-23:

	Department for Energy and Mining July 2022 to February 2023 \$'000	Office of Hydrogen Power South Australia March 2023 to June 2023 \$'000	Total \$'000
<u>Expenses</u>			
Employee benefits expenses	253	161	414
Supplies and services	48	30	78
Total expenses	301	191	492
Total net result transferred	301	191	492

On transfer of the Hydrogen Program Industry Development team, the Office of Hydrogen Power South Australia recognised the following assets and liabilities:

	\$'000
<u>Current liabilities</u>	
Payables	16
Employee benefits liability	98
Total current liabilities	114
<u>Non-current liabilities</u>	
Payables	15
Employee benefits liability	96
Total non-current liabilities	111
Total liabilities	225
Total net assets transferred	(225)

Net assets assumed by the office as a result of administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

1.2. Changes to the office (continued)

Transferred in 2022-23

The *Public Sector (Reorganisation of Public Sector Operations – Department of Treasury and Finance) Notice 2023* (dated 2 March 2023) proclaimed that effective from 1 March 2023 six employees will be transferred from the Department of Treasury and Finance to the Office of Hydrogen Power South Australia in relation to the Port Bonython Hydrogen Hub.

Total income and expenses attributable to the Port Bonython Hydrogen Hub for 2022-23 were:

	Department of Treasury and Finance July 2022 to February 2023 \$'000	Office of Hydrogen Power South Australia March 2023 to June 2023 \$'000	Total \$'000
<u>Expenses</u>			
Employee benefits expenses	749	337	1 086
Supplies and services	1 212	2 388	3 600
Total expenses	1 961	2 725	4 686
Total net result transferred	1 961	2 725	4 686

On transfer of the Port Bonython Hydrogen Hub, the Office of Hydrogen Power South Australia recognised the following liabilities:

	\$'000
<u>Current liabilities</u>	
Payables	14
Employee benefits liability	94
Total current liabilities	108
<u>Non-current liabilities</u>	
Payables	13
Employee benefits liability	135
Total non-current liabilities	148
Total liabilities	256
Total net assets transferred	(256)

Net assets assumed by the office as a result of administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

2. Income

2.1. SA Government grants, subsidies and transfers

	2023	2022
	\$'000	\$'000
Other intra-government transfers	12 024	113
Total SA Government grants, subsidies and transfers	12 024	113

Relates to transfers for operational funding received via the Department for Energy and Mining. Intra-government transfers are recognised as income on receipt.

2.2. Recoveries

	2023	2022
	\$'000	\$'000
Other	894	-
Total recoveries	894	-

Recoveries are revenue recognised from contracts with customers. Revenue is recognised at the time of receipt or upon recognition of a receivable.

Recoveries in 2023 relate to the sharing of costs between the office, the Department of Treasury and Finance and Infrastructure SA for the Port Bonython Hydrogen Hub and Northern Water project expenses.

3. Committees and employees

3.1. Key management personnel

Key management personnel of the office include the Minister and the Chief Executive and five members of the leadership team.

	2023	2022
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	1 110	48
Post-employment benefits	150	5
Total compensation	1 260	53

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 (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Total compensation for the office's key management personnel in 2023 was \$1.3 million (2022: \$53 000). The increase in compensation is due to the office being established from 19 May 2022.

Transactions with key management personnel and other related parties

The office did not enter into any transaction with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

3.2. Committee members

Members during the 2023 financial year were:

Audit and Risk Committee

K Presser (Chair – appointed May 2023)

T Brumfield* (appointed May 2023)

J Chapman (appointed May 2023)

J Cirson* (appointed May 2023)

S Moules* (appointed May 2023)

* In accordance with Premier and Cabinet Circular 016, government employees did not receive any remuneration for board/committee duties during the financial year.

The Audit and Risk Committee is shared with the Department for Energy and Mining. The committee is remunerated by the Department for Energy and Mining and costs are recovered through a service level agreement with the Department for Energy and Mining.

3.3. Employee benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	1 697	55
Long service leave	250	3
Employment on-costs – superannuation	211	6
Annual leave	337	8
Employment on-costs – other	116	3
Workers' compensation	42	-
Skills and experience retention leave	15	-
Total employee benefits expenses	2 668	75

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the office's contributions to superannuation plans in respect of current services of current employees.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

3.3. Employee benefits expenses (continued)

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2023 Number	2022 Number
\$160 001 to \$180 000	1	-
\$260 001 to \$280 000	1	-
\$540 001 to \$560 000	1	-
Total	3	-

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and any related fringe benefits tax.

The total remuneration received by those employees for the year was \$1 million (2022: nil).

3.4. Employee benefits liability

	2023 \$'000	2022 \$'000
<u>Current</u>		
Annual leave	300	4
Accrued salaries and wages	62	-
Skills and experience retention leave	22	-
Long service leave	21	1
Total current employee benefits	405	5
<u>Non-current</u>		
Long service leave	489	-
Total non-current employee benefits	489	-
Total employee benefits liability	894	5

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Non-current employee benefits are measured at present value and short-term employee benefits are measured at their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

3.4 Employee benefits liability (continued)

The salary inflation rate for annual leave and skills, experience and retention leave liability has increased from 1.5% (2022) to 2.0% (2023).

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2022 (3.5%) to 2023 (4%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 2.5% for long service leave liability.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

4. Expenses

4.1. Supplies and services

	2023	2022
	\$'000	\$'000
Contractors	4 675	10
Consultants	2 655	6
Legal fees	1 474	-
Service level agreements	550	-
Accommodation	269	-
Travel and related expenses	192	8
Staff related expenses	141	8
Service recoveries	95	-
Marketing	70	-
Office administration expense	68	-
Port Bonython Hub Project land administration cost	20	-
Information technology and communication charges	15	-
Accounting and audit fees ^(a)	11	11
Total supplies and services	10 235	43

(a) 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 (2022: \$10 500). No other services were provided by the Auditor-General's Department.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

5. Financial assets

5.1. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Deposits with the Treasurer	4 860	-
Total cash	4 860	-

Cash is measured at nominal amounts.

The office does not earn interest on its deposits with the Treasurer.

5.2. Receivables

	2023	2022
	\$'000	\$'000
<u>Current</u>		
From government entities	489	-
Accrued revenue	168	31
Prepayments	1	-
Total current receivables	658	31
 Total receivables	 658	 31

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice, or the goods / services have been provided under a contractual arrangement. Receivables are non-interest bearing. Receivables are held with the objective of collecting contractual cash flows and they are measured at amortised cost.

Collectability of receivables is reviewed on an ongoing basis.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

6. Liabilities

6.1. Payables

	2023 \$'000	2022 \$'000
<u>Current</u>		
Creditors and accrued expenses	4 950	31
Employment on-costs	55	-
Total current payables	5 005	31
<u>Non-current</u>		
Employment on-costs	48	-
Total non-current payables	48	-
Total payables	5 053	31

Payables and accruals are recognised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

Employment on-costs

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

The office contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and external schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has increased from the 2022 rate of 42% to 43%. The average factor for the calculation of employer superannuation on-costs has increased from the 2022 rate 10.6% to 11.1%. These rates are used in the employment on-cost calculation. The impact on 2023 is immaterial and cannot be reliably estimated for future years.

Office of Hydrogen Power South Australia
Notes to and forming part of the financial statements
for the year ended 30 June 2023

6.2. Provisions

	2023 \$'000	2022 \$'000
Reconciliation of workers compensation (statutory and non-statutory)		
Carrying amount as at 1 July 2022	-	-
Increase in provisions recognised	42	-
Carrying amount as at 30 June 2023	42	-

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The office is responsible for the payment of workers compensation claims.

7. Outlook

7.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value and inclusive of non-recoverable GST.

	2023 \$'000	2022 \$'000
Within one year	2 967	-
Total expenditure commitments	2 967	-

The office's expenditure commitments are predominantly for agreements for the delivery of the Hydrogen Jobs Plan and Port Bonython Hydrogen Hub projects.

7.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The office is not aware of any contingent assets or liabilities as at 30 June 2023.

7.3. Events after the reporting period

The office is not aware of any event occurring after balance date that would materially affect the financial statements.