Ergon Energy Queensland Pty Ltd Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

ABN 11 121 177 802

ERGON ENERGY

RETAIL

Part of Energy Queensland

Ergon Energy Queensland Pty Ltd
ABN 11 121 177 802

Annual Financial Statements
FOR THE YEAR ENDED 30 JUNE 2020

Ergon Energy Queensland Pty Ltd

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Director's Report
For the year ended 30 June 2020

The Directors present their report together with the financial report of Ergon Energy Queensland Pty Ltd ("the Company") for the year ended 30 June 2020 and the auditor's report thereon.

Directors
The names of Directors in office at any time during or since the end of the last financial year end are:

	Date Appointed	Date Ceased
• Peter Scott (Chairman)	3 October 2017	n/a
• Rod Duke	1 April 2020	n/a
• Belinda Watton	26 June 2018	n/a
• Jane Nant	26 June 2018	n/a

Principal activities
The principal activity of the Company during the financial year was non-contestable electricity retailing in regional Queensland.

Dividends
A liability for dividends payable is recognised in the financial year in which the dividend is declared. The Board declared a final dividend equal to 100% of the Company's profit after income tax equivalent expense, adjusted for material non-cash items and up to the amount of net assets in the Company. As a result, a dividend of $13.269 million has been recognised in the financial statements. This dividend is payable on 30 November 2020. A final dividend of $220.456 million was declared during the 2019 financial year and paid on 29 November 2019.

Operating and financial review
The Company's profit after income tax equivalent expense was $104.739 million for the year (2019: $220.456 million). Energy consumption was lower with churn in the commercial customer sector, 2020 average retail tariff rates were lower and average wholesale purchasing costs were higher.

An additional provision for impaired receivables of $24.538 million has been recognised due to COVID-19. This provision takes into account the extension of the credit path as directed by the Australian Energy Regulator to cease disconnections and debt referrals, as well as other financial hardships in the community.

Fair value losses on financial instruments were recognised during the year predominantly driven by the decline in forward electricity contract prices, with movements recognised in the Cash Flow Hedging Reserve and the Statement of Profit and Loss. Also contributing is the unwinding of mark to market gains recognised in prior years for trades that have matured during the year with these movements flowing through the Cash Flow Hedging Reserve.

Significant changes in the state of affairs
There were no significant changes to the state of affairs of the Company during the year.

Significant events after the end of the reporting period
No matters or circumstances have occurred since the end of the financial year which significantly affected or may significantly affect the operations of the Company, or the state of affairs in future financial years.

Likely developments and future results
The Company continues to sell electricity at the Queensland Government's notified prices in regional Queensland.

Community Service Obligations

The Company is legally required to charge its retail customers in regional Queensland at notified prices set by the Queensland Competition Authority. As a consequence, the tariff revenue collected is below the cost of supplying electricity. The Community Service Obligation (CSO) payments are made in return for compliance with the commitment to state-wide uniform tariffs for franchise customers. From 1 January 2018, the Company's parent, Energy Queensland Limited, entered a fixed CSO agreement with the Queensland Government (the State). The compensation is a fixed payment based on forecast revenue and matching costs from electricity sales to franchise customers of the Company on the basis that Energy Queensland Limited is assuming the risk, and any benefits, inherent in a fixed payment based on forecast. The CSO is recognised on an actual consumed basis in the accounts of Ergon Energy Queensland, with an intercompany receivable from Energy Queensland for that amount. A new one year fixed CSO agreement has been executed in June 2020 effective from 1 July 2020.

Environmental regulation and performance

The Company's environmental obligations are regulated under Federal, State and Local government laws. All environmental performance obligations are reported monthly, and are from time to time, subject to government agency audits, as well as internal and external audits undertaken as part of fulfilling environmental management requirements which ensures compliance. No environmental breaches occurred during the financial period.

Indemnification and insurance of directors and officers

A policy was held throughout the year to insure all Directors and officers of the Company against liabilities incurred in their capacity as Director and Officer.

Energy Queensland Limited (the parent entity) indemnifies the Directors and Officers of the Company for all liabilities and expenses incurred by the Directors and Officers, arising out of or in connection with their role as a Director or Officer, other than: any liability or expense arising from conduct that was deliberately dishonest, deliberately fraudulent or not in good faith, a liability owed to the Company, or any criminal or pecuniary penalty.

During or since the end of the financial year, the Company has not, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such by an officer or auditor.

Auditor's independence declaration

The Auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the period ended 30 June 2020.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the instrument applies.

Ergon Energy Queensland Pty Ltd

Director's Report
For the year ended 30 June 2020

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

P Scott
Chairman
Brisbane
17th August 2020

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Ergon Energy Queensland Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001.*

Independence Declaration

As lead auditor for the audit of Ergon Energy Queensland Pty Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Damon Olive
as delegate of the Auditor-General

17 August 2020
Queensland Audit Office
Brisbane

Ergon Energy Queensland Pty Ltd

Statement of profit or loss

For the year ended 30 June 2020

In thousands of dollars	Note	2020	2019
Revenue	2	**2,038,219**	2,166,013
Other income	2	**-**	14,253
Network charges / electricity purchases	3	**(1,469,328)**	(1,499,416)
Solar photovoltaic feed in tariff		**(127,384)**	(124,302)
Materials and services		**(48,334)**	(64,683)
Depreciation, amortisation and impairments		**(13,490)**	(10,265)
Net impairment losses on financial assets	6	**(44,270)**	(20,842)
Finance costs		**(822)**	(685)
Environmental certificate compliance expenses		**(124,648)**	(125,322)
Fair value losses	3	**(28,092)**	-
Other expenses		**(32,408)**	(20,014)
Profit before income tax equivalent expense		**149,443**	314,737
Income tax equivalent expense	4	**(44,704)**	(94,281)
Profit after income tax equivalent expense		**104,739**	220,456

The statement of profit or loss is to be read in conjunction with the notes to the financial statements.

Ergon Energy Queensland Pty Ltd

Statement of comprehensive income

For the year ended 30 June 2020

In thousands of dollars	Note	2020	2019
Profit after income tax equivalent expense		**104,739**	220,456
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Movement in cash flow hedge reserve	13	**(285,371)**	155,471
Deferred income tax relating to cash flow hedge reserve movement		**85,611**	(46,641)
Items that will not be reclassified to the profit or loss			
Revaluation of property, plant and equipment		**(772)**	-
Deferred income tax relating to revaluation of property, plant and equipment		**232**	-
Other comprehensive income/(loss) for the financial year, net of tax		**(200,300)**	108,830
Total comprehensive income/(loss)		**(95,561)**	329,286
Profit attributable to:			
Shareholders of the Company		**104,739**	220,456
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		**(95,561)**	329,286

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Ergon Energy Queensland Pty Ltd

Statement of financial position
For the year ended 30 June 2020

In thousands of dollars	Note	2020	2019
CURRENT ASSETS			
Cash and cash equivalents	5	**14,306**	25,320
Trade and other receivables	6	**944,972**	881,364
Derivative financial assets	7	**2,216**	80,192
Other current assets	14	**45,288**	33,445
Total current assets		**1,006,782**	1,020,321
NON-CURRENT ASSETS			
Property, plant and equipment		**5,767**	5,096
Intangible assets	15	**39,520**	34,207
Net deferred tax equivalent asset	16	**98,880**	-
Derivative financial assets	7	**343**	19,577
Total non-current assets		**144,510**	58,880
TOTAL ASSETS		**1,151,292**	1,079,201
CURRENT LIABILITIES			
Trade and other payables	8	**857,872**	898,172
Interest bearing liabilities	9	**12,364**	13,675
Provisions		**180**	133
Derivative financial liabilities	10	**180,762**	1,637
Other current liabilities	17	**51,847**	47,685
Total current liabilities		**1,103,025**	961,302
NON-CURRENT LIABILITIES			
Derivative financial liabilities	10	**46,055**	543
Provisions		**2,212**	2,677
Net deferred tax equivalent liability	16	**-**	5,849
Total non-current liabilities		**48,267**	9,069
TOTAL LIABILITIES		**1,151,292**	970,371
NET ASSETS		**-**	108,830
EQUITY			
Share capital	18	**-**	-
Asset revaluation reserve		**1,447**	1,987
Hedging reserve		**(134,981)**	64,779
Retained earnings		**133,534**	42,064
TOTAL EQUITY		**-**	108,830

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Ergon Energy Queensland Pty Ltd

Statement of changes in equity

For the year ended 30 June 2020

In thousands of dollars	Share capital (Note 18)	Hedging reserve	Asset revaluation reserve	Retained earnings	Total equity
Changes in equity for 2019					
Balance at 1 July 2018	-	(44,051)	1,987	42,064	-
Dividends	-	-	-	(220,456)	(220,456)
Total comprehensive income for the financial year	-	108,830	-	220,456	329,286
Balance at 30 June 2019	-	64,779	1,987	42,064	108,830
Changes in equity for 2020					
Dividends	**-**	**-**	**-**	**(13,269)**	**(13,269)**
Total comprehensive income for the financial year	**-**	**(199,760)**	**(540)**	**104,739**	**(95,561)**
Balance at 30 June 2020	**-**	**(134,981)**	**1,447**	**133,534**	**-**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Ergon Energy Queensland Pty Ltd

Statement of cash flows

For the year ended 30 June 2020

In thousands of dollars	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		**2,211,365**	2,491,749
Receipts for community service obligations		**484,227**	507,993
Payments to suppliers		**(2,385,181)**	(2,709,417)
Interest received		**674**	1,420
Interest paid		**(822)**	(685)
Income tax equivalent payments		**(81,108)**	(95,846)
Net cash inflow from operating activities	5	**229,155**	195,214
Cash flows from investing activities			
Payments for intangibles and property, plant and equipment		**(18,402)**	(8,616)
Net cash outflow from investing activities		**(18,402)**	(8,616)
Cash flows from financing activities			
Repayment of repayable deposits		**(1,311)**	(1,740)
Dividends paid		**(220,456)**	(176,653)
Net cash outflow from financing activities		**(221,767)**	(178,393)
Net increase/(decrease) in cash and cash equivalents		**(11,014)**	8,205
Cash and cash equivalents at beginning of the financial year		**25,320**	17,115
Cash and cash equivalents at the end of the financial year	5	**14,306**	25,320

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

SECTION 1: Basis of Preparation

Note 1: Basis of preparation

Ergon Energy Queensland Pty Ltd (the Company) is a proprietary company limited by shares and is a company domiciled in Australia.

The Company's registered office and its principal place of business are:

420 Flinders St
Townsville Queensland 4810

The Company is a for-profit entity.

The principal activity of the Company during the financial period was non-contestable electricity retailing in regional Queensland.

The financial statements were authorised for issue by the Directors on 17th August 2020.

Energy Queensland Limited is the parent entity of the Company.

(a) Statement of compliance

The financial statements are a general purpose financial report that have been prepared in accordance with Australian Accounting Standards and Interpretations, requirements of the *Corporations Act 2001*, provisions of the *Government Owned Corporations Act 1993* (the Act), and provisions of the *Corporations Regulations 2001*, and other relevant legislation issued pursuant to the Act.

(b) Basis of accounting

The financial statements are presented in Australian dollars. The amounts contained in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Historical cost convention

The financial statements are prepared on the historical cost basis, except for the valuation of the generation asset and certain financial assets and liabilities at fair value.

(c) Changes in accounting policies

The Company has initially applied AASB 16 *Leases* (AASB 16) from 1 July 2019.

Until 30 June 2019, leases of property, plant and equipment, for which a significant portion of the risks and rewards of ownership was not transferred to the Company as lessee, were classified as operating leases. The Company did not have any such leases.

From 1 July 2019, at inception of a contract, the Company must assess whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

The Company does not have any leasing arrangements in place and the new leasing standard will have no impact to the Company.

A number of other new standards and amendments are also effective from 1 July 2019 but they do not have a material impact on the Company's financial Statements.

(d) Application of new accounting standards and interpretations not yet adopted

The AASB has published new or amended accounting standards and interpretations that are not mandatory for the 30 June 2020 reporting period and none of these have been early adopted by the Company. The Company's assessment of the impact of these Standards and Interpretations on its financial report is outlined below.

(i) *Amendments to References to Conceptual Framework for Financial Reporting (Framework) are effective for financial years commencing on or after 1 January 2020.*

The AASB issued a revised, more comprehensive Framework in May 2019 which incorporates the Framework issued by the International Accounting Standards Board in March 2018. The revised Framework covers all aspects of standard setting from the objective of financial reporting to presentation and disclosures, and is used to assist with developing, understanding and interpreting standards and accounting policies.

The changes to the Framework's principles have been assessed as not having a material impact on the Company.

No other standards or interpretations that are not yet effective are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

SECTION 2: Profit or Loss Information

Note 2: Revenue and other income

In thousands of dollars	2020	2019
(a) Revenue from contracts with customers		
Sales revenue		
Sales revenue – related party	**2,218**	2,111
Sales revenue	**1,993,719**	2,124,843
Other revenue	**42,282**	39,059
Total revenue from contracts with customers	**2,038,219**	2,166,013
(b) Other income		
Fair value gains on financial instruments at fair value through profit or loss	**-**	10,954
Gain on unwinding of inception value of designated hedges (Note 13(iii))	**-**	2,184
Cash flow hedge ineffectiveness gains (Note 13(iii))	**-**	1,017
Fair value gains on energy certificates at fair value through profit or loss	**-**	98
Total other income	**-**	14,253

Performance obligations and revenue recognition policies

Revenue is measured at the fair value of the consideration received or receivable. Revenue recognised for electricity sales is the aggregate of invoices raised, together with the estimated used but not yet invoiced energy consumption.

As the energy is simultaneously delivered and consumed by customers, the revenue is recognised over time in accordance with the Company's performance obligations under the contract. Payment terms on invoices to customers are usually 10 business days and the recovery of these receivables is assessed through the impairment review of financial assets which applies the expected credit loss model as described in Note 6.

Critical accounting estimates and judgements

Unbilled energy sales

Sales revenue accrual estimates are made to account for the unbilled period between the customers last billed meter read and the end of the reporting period. Unbilled energy sales are accrued monthly using historical billing data adjusted for seasonality.

Note 3: Expenses

In thousands of dollars	2020	2019
Profit before income tax equivalent expense includes the following specific expenses:		
Network charges / electricity purchases		
Cost of sales	**560,803**	607,436
Cost of sales – related party	**1,348,732**	1,330,819
less Community service obligation	**(440,207)**	(438,839)
	1,469,328	1,499,416
Fair value losses		
Fair value losses on financial instruments at fair value through profit or loss	**5,920**	-
Loss on unwinding of inception value of designated hedges	**5,984**	-
Cash flow hedge ineffectiveness loss	**16,142**	-
Fair value losses on energy certificates at fair value through profit or loss	**46**	-
	28,092	-

Accounting policies

Expenses

Network charges / electricity purchases

Transmission use of system (TUOS) expenses, electricity purchases and other costs associated with the sale of electricity are recognised as they are incurred.

Network charges are recognised on an accrual basis with the unbilled charges being based on an estimate of the usage of the distribution network.

Electricity purchases are calculated on an accrual basis, recognising the amount of electricity consumed from the National Electricity Market (NEM) multiplied by the relevant pool prices.

Community service obligations offset

Community service obligation (CSO) receipts are recognised as a contra expense against the transmission charges and electricity purchases as part of the cost of sales. The Group is legally required to charge its retail customers in regional Queensland at notified prices. As a consequence, the tariff revenue collected is below the cost of supplying electricity. A Deed between the Group and the State of Queensland provides for CSO payments to be made by the State of Queensland to the Group.

Critical accounting estimates and judgements

Unbilled network charges

Unbilled network charges are accrued monthly. The calculation uses purchases and billing volumes for the last four months, as well as the calculated opening balance from four months prior to estimate the unbilled network charges.

Community Service Obligation

The CSO payments are made in return for compliance with commitment to state-wide uniform tariffs for franchise customers. From 1 January 2018, the Company's parent, Energy Queensland Limited, entered a fixed CSO agreement with the Queensland Government (the State). The compensation is a fixed payment based on forecast revenue and matching costs from electricity sales to franchise customers of the Company on the basis that Energy Queensland Limited is assuming the risk, and any benefits, inherent in a fixed payment based on forecast. The CSO is recognised on an actual consumed basis in the accounts of Ergon Energy Queensland, with an intercompany receivable from Energy Queensland Limited for that amount. A new one year fixed CSO agreement has been executed in June 2020 effective from 1 July 2020.

Note 4: Taxation

In thousands of dollars	2020	2019
(a) Income tax equivalent expense		
Current tax expense	**63,747**	81,266
Deferred tax expense	**(19,053)**	13,045
Under/(over) provision in prior year	**10**	(30)
Income tax equivalent expense	**44,704**	94,281
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(21,078)**	6,427
Increase/(decrease) in deferred tax liabilities	**2,025**	6,618
Income tax expense attributable to profit from continuing operations	**(19,053)**	13,045
(b) Numerical reconciliation of income tax equivalent expense to prima facie notional tax equivalents payable		
Net profit before income tax equivalent expense	**149,443**	314,737
Prima facie income tax equivalent expense on operating profit at 30% (2019: 30%)	**44,833**	94,421
Increase in income tax equivalent expense		
Other	**-**	46
Decrease in income tax equivalent expense		
Other	**(139)**	(156)
	44,694	94,311
Under/(over) provision in prior years	**10**	(30)
Income tax equivalent expense	**44,704**	94,281
(c) Deferred tax recognised directly in equity		
Revaluation of property, plant and equipment	**(232)**	-
Hedge accounting of derivatives	**(85,611)**	46,641
Deferred tax recognised directly in equity	**(85,843)**	46,641

Accounting policies for taxation are included at Note 16.

SECTION 3: Financial Assets and Liabilities

Financial Assets

Note 5: Cash and cash equivalents

In thousands of dollars	2020	2019
Cash at bank and on hand	**14,306**	25,320
Total cash and cash equivalents	**14,306**	25,320

Reconciliation of profit/(loss) after income tax equivalent expense/(benefit) to the net cash flows provided by operating activities		
Profit/(loss) after income tax equivalent expense	**104,739**	220,456
Non-cash flows in profit from ordinary activities		
Depreciation, amortisation and impairments	**57,760**	31,107
Movement in provisions	**(418)**	(8)
Loss/(gain) on revaluation of financial instruments at fair value through profit or loss	**28,046**	(14,155)
Loss/(gain) on revaluation of energy certificates at fair value through profit or loss	**46**	(98)
Income tax equivalent expense	**44,704**	94,281
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(19,338)**	154,509
(Increase)/decrease in other assets	**(3,461)**	(1,884)
(Decrease)/increase in trade and other payables	**31,801**	(285,844)
(Decrease)/increase in other liabilities	**4,162**	(15,956)
(Decrease)/increase in deferred tax liability	**(18,886)**	12,806
Net cash flow provided by operating activities	**229,155**	195,214

Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Carrying value approximates fair value. They are highly liquid and have a maturity of three months or less at date of acquisition.

Note 6: Trade and other receivables

In thousands of dollars	2020	2019
Current		
Trade receivables	**178,770**	137,564
Trade receivables – related parties[1]	**654,441**	579,406
Accrual for unread meters	**155,464**	174,223
Provision for impaired receivables	**(53,195)**	(23,465)
	935,480	867,728
Hedge and other receivables	**9,491**	13,636
Total current trade and other receivables	**944,972**	881,364

[1] Refer to Note 11(e) for funding arrangements with the parent entity which assist with the Company's short-term cash management and working capital requirements.

The fair value of all receivables amounts is consistent with the carrying value.

(a) Impaired receivables

In thousands of dollars	2020	2020	2019	2019
Ageing of impaired receivables	**Gross**	**Impaired**	**Gross**	**Impaired**
Unbilled revenues	**155,464**	**3,887**	-	-
Current receivables not overdue	**30,566**	**768**	-	-
Less than one month overdue	**31,151**	**7,296**	44,677	1,860
One to two months overdue	**10,352**	**4,825**	11,884	1,784
Two to three months overdue	**6,573**	**6,089**	6,618	1,907
Over three months overdue	**30,330**	**30,330**	23,565	17,914
	264,436	**53,195**	86,744	23,465

In thousands of dollars	2020	2019
Movements in the provision for impaired receivables are as follows:		
Carrying amount at the beginning of the financial year	**23,465**	23,129
Provision for impairment recognised during the financial year	**44,270**	20,842
Receivables written off during the financial year as uncollectible	**(14,540)**	(20,506)
Carrying amount at the end of the financial year	**53,195**	23,465

The recognition and reversal of the provision for impaired receivables are included in "Net impairment losses on financial assets" in the statement of profit or loss. Amounts charged to the provision are generally written off when there is no expectation of recovery.

(b) Past due but not impaired

As at 30 June 2020, no aged groupings of trade receivables were past due but not impaired (2019: nil).

Note 6: Trade and other receivables (continued)

Accounting policies

Trade and other receivables

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Under the Queensland Government's COVID-19 economic relief package, Queensland households received a $200 rebate to help offset household electricity and water costs. Small businesses received a $500 rebate. In order to provide this assistance to households as quickly as possible, the utility assistance payment was credited to customers' electricity bills. In applying, these credits to customers' bills, the Company allocated the rebate received against the oldest outstanding debt for each customer. Where no debt was outstanding at the time of allocation, the credit is applied to the next bill issued to that customer.

The impairment model prescribed by AASB 9 *Financial Instruments* applies to the Company's trade receivables and contract assets as these are measured at amortised cost. The impairment provision is based on expected credit losses resulting from all possible default events over the expected life of the financial instrument, with consideration of the credit risk of a financial asset and the impact of changing economic factors.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The recoverable amount is discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of the discounting is immaterial.

The impairment percentages applied have been determined based on historical experience, then re-assessed with regard to current conditions and reasonable forecasts of future events and economic conditions. The additional analysis to consider future events and economic conditions which impact retail customers includes unemployment levels in Queensland, tariff changes and regulatory intervention.

An increase to the provision for impaired receivables of $24.538 million has been recognised due to COVID-19. This provision takes into account the extension of the credit path as directed by the Australian Energy Regulator to cease disconnection and debt referral until further notice, as well as other financial hardships in the community.

Further disclosures in relation to credit risk are provided in note 11(a).

Unread meters

Unbilled energy sales are accrued monthly using historical billing data to create a seasonally adjusted daily profile for each customer. This is then used to calculate the estimated energy usage to the end of the accrual month. Unbilled electricity revenue is not collectible until such time as customers' meters are read and bills rendered.

Note 7: Derivative financial assets

In thousands of dollars	2020	2019
Current		
At fair value through profit or loss		
Derivative financial instruments – electricity hedges	**2,182**	2,105
Designated as cash flow hedges		
Derivative financial instruments – electricity hedges	**34**	78,087
Total current financial assets	**2,216**	80,192
Non-Current		
At fair value through profit or loss		
Derivative financial instruments – electricity hedges	**343**	-
Designated as cash flow hedges		
Derivative financial instruments – electricity hedges	**-**	19,577
Total non-current financial assets	**343**	19,577

Changes in the fair values of financial instruments at fair value through profit or loss are recorded in other income or fair value losses in the statement of profit or loss. Accounting policies and critical accounting estimates and assumptions for financial instruments and hedge accounting are disclosed in notes 12 and 13.

Financial Liabilities

Note 8: Trade and other payables

In thousands of dollars	2020	2019
Current		
Trade payables	**19,076**	40,636
Trade payables – related party	**690,935**	550,480
Dividends payable	**13,269**	220,456
Hedge and other payables	**134,592**	86,600
Total current payables	**857,872**	898,172

Accounting policies

Trade and other payables

Trade and other payables are recognised initially at fair value of the legal obligation to pay cash and subsequently at amortised cost. Trade payables include an amount payable to Ergon Energy Corporation Limited for monthly network charges. The network charges are settled by the Company approximately on the 21st day of the following month. No interest is charged on outstanding invoices for network charges. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

A liability for dividends payable is recognised in the financial year in which the dividend is declared. The Board declared a final dividend equal to 100% of the Company's profit after income tax equivalent expense, adjusted for material non-cash items, up to the amount of net assets in the Company. As a result, a dividend of $13.269 million has been recognised in the financial statements. This dividend is payable on 30 November 2020. A final dividend of $220.456 million was declared during the 2019 financial year and paid on 29 November 2019.

Note 9: Interest bearing liabilities

In thousands of dollars	2020	2019
Current		
Unsecured liabilities		
Customer security deposits	**12,364**	13,675
Total current interest bearing liabilities	**12,364**	13,675

Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of dollars	2020	Financing cash flows(1)	Non cash changes	2019
Customer security deposits	**12,364**	(1,311)	-	13,675
In thousands of dollars	**2019**			**2018**
Customer security deposits	**13,675**	(1,740)	-	15,415

(1) The cash flows make up the repayment of repayable deposits in the statement of cash flows.

Accounting policies

Customer security deposits

Customer security deposits are recognised initially at fair value of the legal obligation to pay cash and subsequently at amortised cost. Customer security deposits include security deposits received by the Company in relation to electricity supply to certain customers. Interest is calculated daily on the deposits and is credited to the customers' accounts every 90 days. Security deposits plus capitalised interest are refunded to customers after qualifying conditions are met or when the account is finalised.

Note 10: Derivative financial liabilities

In thousands of dollars	2020	2019
Current		
At fair value through profit or loss		
Derivative Financial Instruments - electricity hedges	**5,316**	1,301
Designated as cash flow hedges		
Derivative Financial Instruments - electricity hedges	**175,446**	336
Total current financial liabilities	**180,762**	1,637
Non-Current		
At fair value through profit or loss		
Derivative Financial Instruments - electricity hedges	**5,427**	-
Designated as cash flow hedges		
Derivative Financial Instruments - electricity hedges	**40,628**	543
Total non-current financial liabilities	**46,055**	543

Changes in fair values of financial liabilities at fair value through profit or loss are recorded in other income or fair value losses in the statement of profit or loss. Accounting policies and critical estimates and judgements for financial instruments and hedge accounting are disclosed in notes 12 and 13.

Financial Risk Factors Additional Disclosures

Note 11: Financial risk management

The Company has policies and procedures in place to manage the financial risks associated with its operating activities. Exposure to credit, interest rate, price, liquidity and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to manage exposure to fluctuations in electricity prices.

The financial risks faced by the Company are managed in accordance with the Energy Queensland Treasury Policy.

(a) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at or before maturity.

The Company manages its credit risks by maintaining appropriate credit review processes. The concentration of credit risk to retail customers is minimised due to transactions being with a large number of retail customers and limiting credit to any individual customer.

Where it’s appropriate, collateral in the form of a cash deposit is obtained from customers as a means of mitigating the risk of financial loss from defaults. At the end of the financial year, the Company held collateral of $12.364 million (2019: $13.675 million). Refer note 9.

The Company manages its credit settlement risk associated with electricity market hedging by following the credit risk management guidelines in the Energy Commodity Risk Management Policy and Manual. Credit settlement risk is managed by maintaining approved counterparty credit limits. The values of counterparty credit limits are determined by reference to each counterparty’s credit rating, as determined by a recognised credit rating agency or, if the counterparty does not have a credit rating, by reference to the results of a detailed credit analysis. Where considered appropriate, the Company requires counterparties to provide appropriate letters of credit or bank guarantees. Bank guarantees of $1.512 million were held as at 30 June 2020 (30 June 2019: $1.598 million).

Note 11: Financial risk management (continued)

The Company trades with wholesale counterparties, principally large banks and other electricity corporations. In order to meet its liabilities under the Renewable Energy Target Scheme and the Small Scale Renewable Energy Scheme, the Company also trades with non-wholesale market entities. A bank guarantee of $1.000 million from a wholesale OTC (Over-The-Counter) counterparty was held as at 30 June 2020 (30 June 2019: nil).

At the balance date, there were no significant concentrations of credit risk other than those disclosed below. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

Concentrations of credit risk that arise from derivative instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk on electricity derivatives are indicated in the following table by percentage of the total estimated – worst case future loss from counterparties in the specified categories:

Counterparty classification	2020	2019
Queensland Government-owned electricity entities	**92%**	86%
Entities with a credit rating AA*	**2%**	11%
Entities with a credit rating A*	**0%**	0%
Entities with a credit rating BBB*	**1%**	0%
Other entities	**5%**	3%

*Standard & Poor's or equivalent

The above credit risk exposure does not take into account the value of any collateral or security. Receivables due from major counterparties are monitored regularly.

(b) Interest rate risk

Floating interest rate borrowings expose the Company to interest rate cash flow risk.

The Company has access to same day funds through short term borrowings from the parent company via the EQL Group's Treasury Management Agreement.

In accordance with the EQL Group Treasury Policy no interest is charged on monies shared between the EQL Group entities that are captured by the Treasury Management Agreement. Refer to note 11(e) for more on the Treasury Management Agreement.

All inter-company cash management arrangements are governed by the Treasury Management Agreement.

Other liabilities exposing the Company to interest rate risk include the repayable deposits (floating interest rate exposure).

Sensitivity Analysis

At 30 June 2020, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's net profit and equity would increase or decrease by $0.019 million (2019: $0.116 million).

The following table indicates the effective interest rates on the Company's financial assets and liabilities at the end of the reporting period:

Note 11: Financial risk management (continued)

	Note	Floating interest rate $ 000	Weighted average interest rate %
2020			
Financial assets			
Cash and cash equivalents	5	**14,306**	**1.18**
Financial liabilities			
Customer security deposits	9	**12,364**	**2.31**
2019			
Financial assets			
Cash and cash equivalents	5	**25,320**	**1.98**
Financial liabilities			
Customer security deposits	9	**13,675**	**2.31**

(c) Price risk

Electricity

Electricity price risk is the risk of an adverse financial outcome resulting from a change in the price of electricity in the NEM. This can be a change in the electricity pool price or a change in the forward price of electricity. Exposures mainly arise from positions in wholesale contracts (electricity derivatives), franchise load or power purchase agreements (PPAs). Wholesale contracts relating to franchise load are generally dealt over a period of less than three years. PPAs are measured up to the end of the contract.

To manage retail price risk, the Company has established an Energy Commodity Risk Management Policy which is implemented through the Energy Commodity Risk Management Manual. The policy provides a framework for managing risks arising from the energy purchasing activities of the Company. The manual includes a market price risk exposure limit framework, monitoring and reporting requirements and review requirements.

The Company uses derivative financial instruments to manage its electricity price risk, consumer variable volume risk and cash flow risk as well as hedge exposure to pool price fluctuations and against anticipated electricity purchases. The hedge contracts are designated against the forecast mass-market electricity load. The electricity derivative portfolio consists predominantly of swaps, caps and option contract types. Caps and option contracts are valued at fair value through profit or loss. Hedge accounting is employed for swaps with unrealised gains and losses recognised in other comprehensive income and hedge ineffectiveness recognised in the profit or loss. Refer to note 13 for further information regarding the application of hedge accounting.

Sensitivity Analysis

The following table details the Company's sensitivity to a 20% (2019: 20%) increase and decrease in the electricity forward price with all other variables held constant. Analysis of underlying forward price volatility is used as an indicator of potential forward price movement. Under the assumption that there will be no events causing significant step changes in the market such as the announcement of major plant closures, management have determined that 20% is considered a reasonably possible price movement.

In thousands of dollars	2020	2019	2020	2019
Electricity forward prices:	**+ 20%**	+ 20%	**- 20%**	- 20%
Profit / (loss) before tax	**11,566**	10,008	**(11,368)**	(11,607)
Hedging reserve	**78,759**	157,642	**(78,957)**	(156,043)
Equity	**90,325**	167,650	**(90,325)**	(167,650)

Note 11: Financial risk management (continued)

(c) Price risk (continued)

Large-scale generation certificates (LGC)

LGC price risk is the risk of an adverse outcome resulting from a change in the current or forward price of LGCs.

The company holds LGCs to meet its annual compliance obligations under the *Renewable Energy (Electricity) Act 2000* and National Green Power Accreditation Program. A separate portfolio of LGCs is held for trading purposes.

LGCs held for compliance purposes are carried at lower of cost or net realisable value whilst LGCs held for trading are carried at fair value. The LGC compliance obligation liability is carried at lower of cost or net realisable value with shortfalls recognised at market price as a proxy for cost.

LGC entitlements under PPAs entered into for trading purposes are carried at fair value. All other LGC entitlements under PPAs are held in the compliance portfolio and carried at cost or net realisable value.

Price and volume risk is managed under the Energy Commodity Risk Management Policy and Manual referred to above.

Small-scale technology certificates (STC)

STC price risk is the risk of an adverse outcome resulting from a change in the current or forward price of STCs.

The company holds STCs to meet its annual compliance obligations under the Renewable Energy (Electricity) Act 2000. All STCs are held in a trading portfolio and can be used for compliance or trading purposes. STCs held for compliance or for trading are carried at fair value. The STC compliance obligation liability is carried at fair value.

Price and volume risk is managed under the Energy Commodity Risk Management Policy and Manual referred to above.

Sensitivity Analysis

The following table details the Company's sensitivity to a 7% increase and a 20% decrease (2019: 7% increase and a 20% decrease) in price of STCs with all other variables held constant.

In thousands of dollars	2020	2019	2020	2019
STCs	**+ 7%***	+ 7%*	**- 20%**	- 20%
Profit / (loss) before tax	**212**	508	**(3,044)**	(1,231)
Equity	**212**	508	**(3,044)**	(1,231)

* The sensitivity increase of 7% (2019: 7%) for the upper limit aligns to the Government cap on STCs of $40 (2019: $40).

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. A Treasury Management Agreement is in place with the parent entity which enables the sharing of monies between EQL Group entities and access to a $700.000 million (2019: $700.000 million) Working Capital Facility held with QTC.

Note 11: Financial risk management (continued)

(d) Liquidity risk (continued)

The Queensland Treasury Corporation (QTC) is the approved Eligible Provider for the purposes of the Company's Australian Financial Services Licence and required to provide funding on written demand when requested by the Company pursuant to an approved Eligible Undertaking. The QTC has provided an eligible undertaking for $300.000 million.

Where the Company enters into contracts external to the regulated market, such contracts are transacted within the terms of the Energy Commodity Risk Management Policy and Manual which provides a framework for monitoring and limiting exposures.

Liquidity risk may potentially arise in the advent of unexpected high market volatility and may result in a large margin call being required for settlement.

The tables below disclose the Company's financial liabilities, including derivative financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual, undiscounted cash flows. For options contracts, the undiscounted cash flow represents the future premium payable. The maturities of derivative financial instruments are calculated on the basis that derivatives will be settled on a gross basis.

In thousands of dollars	Less than 1 year	1 to 5 years	Over 5 years	Total contractual cashflows	Carrying amount
At 30 June 2020					
Financial liabilities					
Electricity hedges	**156,806**	**70,872**	**-**	**227,678**	**226,817**
Trade and Other Payables	**857,872**	**-**	**-**	**857,872**	**857,872**
Customer security deposits	**12,364**	**-**	**-**	**12,364**	**12,364**
Total financial liabilities	**1,027,042**	**70,872**	**-**	**1,097,914**	**1,097,053**
At 30 June 2019					
Financial liabilities					
Electricity hedges	3,734	599	-	4,333	2,180
Trade and Other Payables	898,172	-	-	898,172	898,172
Customer security deposits	13,675	-	-	13,675	13,675
Total financial liabilities	915,581	599	-	916,180	914,027

(e) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Company consists of equity, comprising issued capital and retained earnings. The Company has access to same day funds through short term borrowings from the parent company via the Group's Treasury Management Agreement.

Note 11: Financial risk management (continued)

(e) Capital management (continued)

Pursuant to the Treasury Management Agreement, the parent company is responsible for providing central treasury management services for the EQL Group, including the administration of the debt and cash management facilities with the Queensland Treasury Corporation. This agreement enables the sharing of monies between EQL Group entities.

The parent entity has a working capital facility in place for $700.000 million (2019: $700.000 million) with QTC plus access to additional short and long term borrowings with QTC via the State Borrowing Program operated by the Queensland Government.

Operating cash flows are used to make the routine outflows of operating expenditure and dividends. Funding via the Treasury Management Agreement is available from the parent entity to meet the Company's short-term cash management and working capital requirements.

Note 12: Fair values of financial assets and liabilities

The fair value of a financial asset or a financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

a) *Fair value measurements*

The Company requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value.

In thousands of dollars	Level 1	Level 2	Level 3	Total
2020				
Assets				
Electricity hedges	**-**	**2,559**	**-**	**2,559**
Large-scale generation certificates held for trading	**-**	**-**	**-**	**-**
Small-scale technology certificates held for trading	**-**	**32,184**	**-**	**32,184**
	-	**34,743**	**-**	**34,743**
Liabilities				
Electricity hedges	**46,467**	**180,350**	**-**	**226,817**
	46,467	**180,350**	**-**	**226,817**
2019				
Assets				
Electricity hedges	24,146	75,622	-	99,768
Large-scale generation certificates held for trading	-	8,734	-	8,734
Small-scale technology certificates held for trading	-	20,527	-	20,527
	24,146	104,883	-	129,029
Liabilities				
Electricity hedges	1,100	1,080	-	2,180
	1,100	1,080	-	2,180

Note 12: Fair values of financial assets and liabilities (continued)

b) Transfers between level 2 and 3 and changes in valuation techniques

Transfers between hierarchy levels are expected to occur when there is a change in the observability of a pricing input, or a change in valuation technique. During FY2020 there were no transfers of electricity derivatives between Level 2 and Level 3 (2019: nil transfers).

c) Valuation policies and procedures

The Company has an established control framework with respect to the measurement of fair values. The Retail Commercial Services team has the overall responsibility for overseeing all financial asset and liability fair value measurements, including level 3 fair values, and reports directly to the Executive General Manager Retail. Contracts are valued using a combination of data sources including current trades executed by the Company, the Sydney Futures Exchange (SFE), ICAP Plc (ICAP), TFS Australia Pty Ltd (TFS) and other market intelligence. The Company trades frequently in these instruments and has sufficient market information to reliably measure the values of these contracts in accordance with the requirements of Australian Accounting Standards.

Note 12: Fair values of financial assets and liabilities (continued)

(i) Methods and assumptions used in determining fair value of financial assets and liabilities

The Company currently has four different classes of financial instruments that are measured at fair value these being: swaps, options, LGCs and STCs.

Type	Methods and assumptions
Swaps	Over-The-Counter swaps are valued using broker quoted forward curves. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer note 12(d)ii). Exchange traded swaps are valued using the Exchange quoted prices.
Caps	$300 Exchange traded caps are valued using the Exchange quoted prices. Over-The-Counter $300 caps are valued using a mean reversion jump diffusion model incorporating historical pool price outcomes and broker provided cap curves. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer note 12(d)ii).
Swaptions	Over-The-Counter swaptions are valued applying a Black Scholes 76 methodology incorporating broker quoted forward curves. Volatility is calculated based on market implied volatility. Exchange traded swaptions are valued applying the fair value on the exchange.
Large-scale generation certificates (LGCs)	LGC positions which are held for trading are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.
Small-scale technology certificates (STCs)	STC positions which are held for trading are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.

(ii) Fair value valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Electricity hedges	The curve is sourced through broker quoted forward curves. The curve is extended for the periods beyond the observable quoted pricing period by using CPI escalation.	CPI escalation of forward curves beyond observable quoted pricing period.	The higher the CPI adjustment the higher the fair value of the instrument.

(iii) Master netting or similar agreements

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Company does not have an enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

Note 12: Fair values of financial assets and liabilities (continued)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

In thousands of dollars	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
2020			
Financial assets			
Electricity Hedges	**1,561**	**(1,561)**	**-**
Financial liabilities			
Electricity Hedges	**(227,004)**	**2,561**	**(224,443)**
2019			
Financial assets			
Electricity Hedges	99,769	(2,180)	97,589
Financial liabilities			
Electricity Hedges	(2,180)	2,180	-

Accounting policies

Financial instruments

Financial instruments held or issued for hedging franchise load are classified as derivative financial instruments and are recognised at fair value at the date that a derivative contract is entered into (trade date) and is subsequently measured at fair value at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount is reported as a liability. The resulting gain or loss is recognised in the statement of profit or loss immediately, with the exception of cash flow hedges designated for hedge accounting where unrealised gains and losses are deferred in the cash flow hedge reserve. Any ineffective portion of hedge accounted instruments is recognised directly in the statement of profit or loss. Refer to note 13 for further information on hedge accounting disclosures and accounting policies.

Critical accounting estimates and judgements

Electricity financial instruments measured at fair value.

The Company enters into electricity financial instruments and determines the fair value of these instruments, which includes swaps and options (including caps and swaptions) using market based valuation methods. It takes into account the conditions existing at balance date and has used its judgement in the following areas:

- future price and volume estimation using in-house and off-the-shelf valuation models;
- discounting to the present value for the time value of money; and
- option volatility.

Note 13: Hedge accounting

Cash flow hedges

Cash flow hedges are used by the Company to hedge the energy commodity risk arising through its retail operations.

The Company undertakes derivative transactions to hedge the price of electricity it purchases over a three-year period within a set of Gross Margin at Risk limits. The Company principally uses energy swaps, options (including caps and swaptions) to protect against price and volume fluctuations. Hedge accounting is employed only for swap contracts. These derivative instruments may meet the requirements for hedge accounting. The eligible hedge contracts are valued at fair value and the resultant gains or losses that effectively hedge the designated risk exposures are deferred to the cash flow hedge reserve. Any hedge ineffectiveness on designated contracts or fair value movements on hedge contracts not designated for hedge accounting are recognised in the statement of profit or loss. Changes in hedge effectiveness are predominantly driven by changes in energy load forecasts.

The inherent variability in the volume of electricity purchased by customers and dispatched from generators means that actual purchase requirements and sales volume can vary from the forecasts. The forecasts are updated for significant changes in underlying conditions and where this leads to a reduction in the forecast below the aggregate notional volume of hedge instruments in the relevant periods impacted, the affected hedging instruments are de-designated and the accumulated gain or loss which has been recognised in the hedge reserve is recognised directly in the statement of profit or loss as the underlying forecast purchase or sale transactions are no longer expected to occur.

During the year ended 30 June 2020, $8.001 million hedge losses (2019: $0.130 million gains) were reclassified to the statement of profit or loss due to the hedges no longer being designated as hedging instruments and the underlying forecast transaction no longer being highly probable to occur as originally forecast.

Where an effective hedging instrument is closed out and the underlying forecast transaction remains highly probable to occur as originally forecasted, the hedge contract is de-designated and any accumulated gain or loss which has been recognised in the hedge reserve is deferred to the reserve. As at year ended 30 June 2020, $0.069 million gains (2019: $5.732 million losses) remain in cash flow hedge reserve due to de-designation and all underlying forecast transactions remain highly probable to occur.

Note 13: Hedge accounting (continued)

Gains and losses recognised in the hedge reserve in the statement of comprehensive income on electricity derivatives at the end of the reporting period will be released to the profit or loss in the period in which the underlying purchase or sale transactions are recognised.

(i) *Nominal amount of electricity hedges outstanding*

As at 30 June 2020, the average notional amount of electricity hedges outstanding over the next 3 years from FY 2021 to FY 2023 is approximately 5 TWh (Terawatt hours) at contracted prices ranging between $35 and $97 per MWh (2019: average notional amount outstanding over 3 years from FY 2020 to FY 2022 of 3 TWh at contracted prices ranging between $48 and $94 per MWh).

(ii) *Fair value of financial instruments designated as hedging instruments*

The following table sets out the fair value of electricity hedges which meet the criteria for hedge accounting. The accounting policies applied to the valuation of electricity derivatives is outlined below:

In thousands of dollars	Note	2020	2019
Financial Assets: Cash flow hedges - electricity derivatives	7	**34**	97,664
Financial Liabilities: Cash flow hedges – electricity derivatives	10	**(216,074)**	(879)

(iii) *The impact of hedging instruments designated in hedge relationships is as follows:*

In thousands of dollars	2020	2019
Statement of profit or loss:		
Gains/(losses) on unwinding of inception value of designated hedges	**(5,984)**	2,184
Cash flow hedge ineffectiveness gains/(losses) recognised in other income	**(16,142)**	1,017
Statement of comprehensive income:		
Cash flow hedge reserve (CFHR)		
Opening balance	**92,540**	(62,931)
The effective portion recognised in CFHR (pre-tax)	**(216,795)**	158,604
Transfer from CFHR to electricity purchases	**(68,576)**	(3,133)
Closing balance (pre-tax)	**(192,831)**	92,540

(iv) *The table below outlines the impact of applying hedge accounting for the electricity hedges:*

In thousands of dollars	2020	2019
Electricity Price Risk:		
Changes in value of hedge instrument	**(207,801)**	99,513
Changes in value of hedge item	**(193,006)**	98,445
Cash flow hedge reserve	**(192,831)**	92,540

Note 13: Hedge accounting (continued)

Accounting policies

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 12. Movements of the hedging reserve in shareholders' equity are shown in the statement of other comprehensive income. The fair values of hedging derivatives are classified as current or non-current based on timing except for exchange traded derivatives which are classified as current.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are transferred to the statement of profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the eligibility criteria for hedge accounting, hedge accounting is discontinued and any changes in the instrument's fair value which have been deferred to the cash flow hedge reserve (CFHR) is immediately transferred to the statement of profit or loss if the underlying forecast transaction is not expected to occur. In the event that a hedging position is closed out or sold and the underlying forecast transaction is still expected to occur, any fair value movement deferred to the CFHR will remain in the reserve and will be transferred to the statement of profit and loss when the forecast transaction ultimately occurs.

An ineligible hedge may arise where the derivative financial instrument is hedging more than the forecast load. As such there is no relationship between the hedging instrument and the hedged item for hedge accounting purposes. In this instance, the movement in the derivative instrument relating to the excess portion of forecast load is fair valued through profit and loss. If the forecast for load subsequently increases such that the derivative instrument becomes hedged against the forecast load, then the instrument will be designated as an eligible hedge for hedge accounting purposes from that point and any subsequent movement in the fair value will be taken to the CFHR. Any fair value movement that has been recognised in the statement of profit or loss up to the date of designation (referred to as the inception value) remains in the profit and loss and will unwind from the statement of profit and loss as the instrument matures.

Certain derivative financial instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risk. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

Refer to note 12 for additional information in relation to accounting policies for financial instruments.

SECTION 4: Operating Assets and Liabilities

Other Operating Assets

Note 14: Other assets

In thousands of dollars	2020	2019
Current		
Energy certificates – at cost	**18,146**	10,891
Energy certificates – at fair value	**27,142**	22,554
Total current other assets	**45,288**	33,445

Accounting policies

Energy certificates

Renewable energy certificates are classified into two certificate types, LGCs and STCs.

LGCs held for trading purposes are measured at fair value at the end of the financial year, adjusted for known market forces with changes in fair value recognised in the statement of profit or loss. LGCs are valued using a combination of data sources including trades executed by the Company, ICAP, TFS and other market intelligence. The Company has sufficient market information to reliably measure the value of these certificates in accordance with the requirements of Australian Accounting Standards.

LGCs used solely to satisfy retail sales commitments and surrender obligations are measured at lower of cost or realisable value.

STCs are measured at fair value at the end of the financial year, with changes in fair value recognised in the statement of profit or loss. STCs are valued at the market price on the measurement date.

Critical accounting estimates and assumptions

Energy certificates

Like financial instruments measured at fair value, energy certificates held for trading are measured at fair value. The Company determines the fair value of these certificates using market based valuation methods as outlined in note 12. The Company takes into account the conditions existing at balance date and uses its judgement in determining the fair value.

Note 15: Intangible assets

In thousands of dollars	2020	2019
Software - at cost	**38,584**	31,415
Less: accumulated amortisation and impairment	**(17,068)**	(9,639)
	21,516	21,776
Other Intangibles - at cost	**21,482**	21,482
Less: accumulated amortisation and impairment	**(17,787)**	(14,081)
	3,695	7,401
Work in progress – at cost	**14,309**	5,030
Total intangible assets	**39,520**	34,207

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Year ended 30 June 2020	Software $000	Other Intangibles $000	Work in progress $000	Totals $000
Gross carrying amount at start of financial year	31,415	21,482	5,030	**57,927**
Accumulated amortisation at start of financial year	(9,639)	(14,081)	-	**(23,720)**
Carrying amount at start of financial year	**21,776**	**7,401**	**5,030**	**34,207**
Additions	-	-	16,448	**16,448**
Transfer from work in progress	7,169	-	(7,169)	**-**
Amortisation expense	(7,429)	(3,706)	-	**(11,135)**
Carrying amount at end of financial year	**21,516**	**3,695**	**14,309**	**39,520**

Year ended 30 June 2019	Software $000	Other Intangibles $000	Work in progress $000	Totals $000
Gross carrying amount at start of financial year	27,025	21,482	3,420	**51,927**
Accumulated amortisation at start of financial year	(3,592)	(10,385)	-	**(13,977)**
Carrying amount at start of financial year	**23,433**	**11,097**	**3,420**	**37,950**
Additions	-	-	5,999	**5,999**
Transfer from work in progress	4,389	-	(4,389)	**-**
Amortisation expense	(6,046)	(3,696)	-	**(9,742)**
Carrying amount at end of financial year	**21,776**	**7,401**	**5,030**	**34,207**

Accounting policies

Intangible assets

Internally generated assets including software, expenditure on research and development

Internally generated intangible assets are measured at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge or understanding, is recognised in the statement of profit or loss when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new or substantially improved product and process, is capitalised if the product or process is technically and commercially feasible, the Company has sufficient resources to complete development and it can measure reliably the expenditure attributable to the intangible asset during its development.

Note 15: Intangible assets (continued)

Accounting policies (continued)

Amortisation

The cost of an intangible asset is amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives vary from 3 to 5 years (2019: 3 to 5 years).

Impairment of assets

All assets which are depreciated or amortised are reviewed for events or changes in circumstances that may indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

No impairment losses were recognised during the financial year.

Note 16: Net deferred tax equivalent assets/(liabilities)

In thousands of dollars	2020	2019
Deferred tax equivalent assets:		
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss:		
Provisions/accruals	**31,607**	22,294
Derivatives	**9,935**	(2,096)
Other	**27**	57
	41,569	20,255
Amounts recognised directly in equity:		
Hedge accounting of derivatives	**57,992**	2,434
	57,992	2,434
Deferred tax equivalent assets	**99,561**	22,689
Deferred tax equivalent liabilities:		
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss:		
Property, plant and equipment	**(807)**	(1,091)
Derivatives	**624**	(590)
Other	**101**	(829)
	(82)	(2,510)
Amounts recognised directly in equity:		
Revaluation of property, plant and equipment	**620**	852
Hedge accounting of derivatives	**143**	30,196
	763	31,048
Deferred tax equivalent liabilities	**681**	28,538
Net deferred tax equivalent asset/(liability):		
Deferred tax equivalent assets	**99,561**	22,689
Deferred tax equivalent liabilities	**(681)**	(28,538)
Net deferred tax equivalent asset/(liability)	**98,880**	(5,849)

Note 16: Net deferred tax equivalent assets/(liabilities) (continued)

Accounting policies

Income tax

(i) *Tax equivalents*

The Company is part of a tax consolidated group that is subject to the National Tax Equivalents Regime (NTER). The NTER broadly utilises the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and associated legislation, the NTER Manual as well as Rulings and other pronouncements by the Australian Tax Office (ATO), in order to determine the tax payable by the head entity of the tax consolidated group.

(ii) *Current tax equivalents payable/receivable*

Consistent with the requirements of Australian Accounting Standards Board (AASB) Interpretation 1052 *Disaggregated Disclosures*, as the Company is a member of a tax consolidated group, the current tax equivalents payable/(receivable) is recognised in the accounts of the head entity, Energy Queensland Limited. The balance assumed by the head entity is recognised as an amount payable/(receivable) to the Company in conjunction with the tax funding arrangement (refer below).

Notional current tax equivalents payable is recognised as current tax expense.

(iii) *Deferred tax equivalent assets and liabilities*

Deferred tax equivalent assets (DTAs) and liabilities (DTLs) are deductible or taxable temporary differences and unused tax losses and tax credits recognised using tax rates enacted or substantively enacted as at the reporting date. Temporary differences are differences between the carrying amount of an asset and liability for financial reporting purposes and their tax bases. Tax bases are determined based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

DTAs are recognised only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised.

Movements in DTA and DTL balances are recognised as deferred tax equivalent expenses, except to the extent they relate to:

- Items recognised directly in equity, in which case that portion is recognised in equity; and
- DTAs and DTLs are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority.

(iv) *Income tax equivalent expense*

Income tax equivalent expense for the reporting period consists of current tax expense and deferred tax expense.

(v) *Tax consolidation*

The Company is a wholly-owned subsidiary within a tax consolidated group with Energy Queensland Limited, which is the head entity.

Current tax expense/benefit, DTAs and DTLs arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial accounts of the members of the tax consolidated group using the group allocation approach based on the allocation specified in the tax funding agreement.

The tax funding agreement requires a notional current and deferred tax equivalents calculation for each entity as if it were a taxpayer in its own right, except that distributions made and received arising within the tax consolidated group are treated as having no tax consequences.

The head entity recognises DTAs arising from unused tax losses and tax credits of the members of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. The recognised tax losses are available indefinitely for offsetting against the future taxable profits subject to the satisfaction of certain loss recoupment rules.

(vi) *Nature of tax funding arrangement and tax sharing agreements*

All members of the tax consolidated group have entered into a tax funding arrangement which sets out the tax funding obligations for each member. The tax funding arrangements require payments to/from the head entity equal to the notional current tax equivalents liability/(asset) assumed by the head entity and any notional tax loss or tax credit deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable/(receivable) equal in amount to the notional tax equivalents liability/(asset) assumed.

Contributions to fund the notional current tax equivalents liabilities are payable as per the tax funding arrangement.

Note 16: Net deferred tax equivalent assets/(liabilities) (continued)

All members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax equivalents liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

(vii) *Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position for the Company.

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

Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Other Operating Liabilities

Note 17: Other liabilities

In thousands of dollars	2020	2019
Current		
Environmental certificate acquittal	**51,589**	47,450
Unclaimed monies	**258**	235
Total current other liabilities	**51,847**	47,685

Accounting policies

Environmental certificate acquittal

The Company is subject to legislation requiring the surrender of energy certificates to the relevant Government body as outlined below. These are recognised as an Other liability and valued at amortised cost.

Large-scale generation certificates

Certificates created by the *Renewable Energy (Electricity) Act 2000* which must be surrendered each year to the Clean Energy Regulator (CER). Each year, the Company must surrender a certain number of LGCs to the CER dependent on the amount of electricity it sells.

Small-scale technology certificates

Certificates established under the Small-scale *Renewable Energy Scheme* (SRES) which creates a financial incentive for owners to install eligible systems which are entitled to a certain number of STCs based on the amount of renewable electricity the system produces or displaces. STCs can be exchanged on the open STC Market or through the STC Clearing House. The SRES places a legal liability on electricity retailers to purchase a certain amount of STCs each year. STCs must be surrendered on a quarterly basis.

SECTION 5: Capital Structure

Note 18: Share capital

100 fully paid ordinary shares totalling $100 (2019: $100) carry one vote per share and carry the rights to dividends. The shares have no par value. There were no changes in share capital during the period.

Accounting policies

Share capital

Ordinary shares are classified as equity.

SECTION 6: Other Notes

Note 19: Contingent assets and liabilities

(a) Guarantees issued

In order to participate in the electricity market, the Company is required to deliver acceptable security as collateral to the Australian Energy Market Operator for their obligations to counterparties in the Electricity Market arising as a consequence of normal trading. Security, in the form of payment guarantees totalling $100.000 million (2019: $100.000 million) has been issued by QTC to AEMO. EQL provides QTC with a Counter Indemnity up to the value of $150 million in respect of this guarantee.

In order to participate in the Electricity Market, EEQ is required to hold an Australian Financial Services Licence for which QTC provides the required Eligible Undertaking to the value of $300.000 million. EQL provides QTC with a Counter Indemnity up to the value of $300.000 million in respect of the eligible undertaking.

(b) Guarantees held

The Company holds bank guarantees from customers totalling $1.512 million (2019: $1.598 million) as security to cover their obligations arising from purchase of electricity. There is $1.000 million in guarantees held with trading counterparties (2019: nil).

Accounting policies

Contingent assets and liabilities

Except for contingent liabilities required on an acquisition of a business, contingent assets and liabilities are not recognised in the financial statements. They are however, disclosed in the notes to the financial statements, where appropriate.

Note 20: Key management personnel disclosures

(a) Names, positions and terms held of Directors

Directors of the Company as at 30 June 2020:		Appointment start date	Appointment expiry date
Rod Duke	Executive Director	1 April 2020	Ongoing
Peter Scott	Chairman and Executive Director	3 October 2017	Ongoing
Belinda Watton	Executive Director	26 June 2018	Ongoing
Jane Nant	Executive Director	26 June 2018	Ongoing

(b) Compensation - Directors

Directors' remuneration is set by State Government regulation, with other fees and allowances determined on the basis of meetings attended and expenditure incurred in performing their roles as Directors of the Company.

There are no non-executive Directors of the Company. As the executive Directors are all Officers of the Company's parent entity, Energy Queensland Limited, they were not remunerated by the Company for their role as Directors.

(c) Compensation – Executives

The key management personnel of the Company are employed in the parent entity and no extra compensation is received.

(d) Transactions with related parties of key management personnel

Key management personnel of the Company and its related parties, or their related parties, conduct transactions with the Company on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

All other transactions with key management personnel or related parties that occurred during the period are trivial or domestic in nature.

Note 21: Related party transactions

(a) Transactions with the parent entity and wholly owned group

A related party provided business management, financial and corporate services and customer care administration services (including retail products and services administration) to the Company. The total value of these services during the year was $61,603,176 (2019: $58,966,487). All services were undertaken on normal commercial terms and conditions.

Transactions with and amounts due and receivable from related parties in the wholly owned group are as set out in the respective notes to the financial statements.

(b) Controlling entities

The Australian parent entity is Energy Queensland Limited, which is a Government Owned Corporation.

(c) Transactions with State of Queensland controlled entities

The Company transacts with other State of Queensland controlled entities. All transactions are negotiated on terms equivalent to those that prevail in arm's length transactions.

The value of these related party transactions and balances, as reported in the statement of financial position and statement of profit or loss, are disclosed below:

In dollars	2020	2019
Revenue		
Pensioner rebate and grant revenue from Department of Communities, Disability Services and Seniors	**226,504,959**	105,344,580
Revenue from State of Queensland controlled entities	**96,584,707**	113,937,180
Expenses		
Community service obligations offset received from Department of Natural Resources, Mines and Energy	**(440,206,701)**	(438,838,884)
Electricity trading with State of Queensland controlled entities	**83,742,033**	(27,225,980)
Interest on QTC borrowings (includes administration fees)	**125,918**	126,438
Environmental certificate transactions with State of Queensland controlled entity counterparties	**3,917,058**	6,956,903
Assets		
Trade receivables with State of Queensland controlled entities	**1,671,639**	1,770,501
Liabilities		
Electricity trading with State of Queensland controlled entities	**14,765,250**	(6,087,815)

No security has been obtained or provided for the above assets and liabilities. Settlement is in Australian dollars.

Note 22: Auditor's remuneration

In dollars	2020	2019
Remuneration for audit of the financial reports of the Company:		
Auditor-General of Queensland		
Audit services		
Audit of the financial report	**304,600**	297,000
	304,600	297,000

Note 23: Events after reporting date

No events of a material nature have occurred since the end of the financial year that significantly affected or may significantly affect the operations of the Company.

Ergon Energy Queensland Pty Ltd

Director's declaration

In the Directors' opinion;

1. The financial statements and associated notes, set out on pages 6 to 42
   (i) Comply with Australian Accounting Standards and Interpretations;
   (ii) Are in accordance with the *Corporations Act 2001*; and
   (iii) Give a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

Made in accordance with a resolution by the Directors.

P Scott

Chairman

Brisbane

17th August 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ergon Energy Queensland Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Ergon Energy Queensland Pty Ltd.

In my opinion, the financial report:

a) gives a true and fair view of the company's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001,* the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards,* which incorporate the 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 company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards.* I am also independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Measurement of derivative financial instruments and designation of hedging instruments (Note 7, 10, 12 and 13)

Key audit matter	How my audit procedures addressed this key audit matter
Ergon Energy Queensland (EEQ) measures its derivative contracts and power purchase agreements at fair value, some of which use complex valuation models. The models involved significant judgements for the key inputs used to calculate the fair value of derivative financial instruments, including for: • Future electricity prices • Discount rates • Credit risk factors and • Option volatility.	I engaged an auditor's expert to assist me in: • Obtaining an understanding of the valuation models, and assess their design, integrity and appropriateness with reference to common industry practices. • Agreeing key model inputs to supporting documents. • Assessing the reasonableness of inputs with reference to relevant external market data and verification against contracts. In reviewing the work of the auditor's expert, I: • Evaluated their qualifications, competence, capabilities, and objectivity. • Assessed the nature, scope and objectives of the work completed for appropriateness. • Evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.
The accounting standard for hedge accounting is complex, and its application involves the use of a financial model and significant judgements about future energy demand to determine whether each derivative financial instrument fulfilled the conditions for classification as an effective hedge. Hedge accounting involves recording the effective portion of unrealised gains or losses on designated derivatives in equity if the derivatives, or otherwise in profit or loss.	With the assistance of a specialist, my procedures included, but were not limited to: • Assessing the hedge accounting process for compliance with accounting standards. This included testing the operation of the financial model and the methodology for calculating hedge ineffectiveness. • Verifying the accurate classification of unrealised gains or losses on derivatives between equity and profit or loss. In reviewing the specialist's work, I: • Evaluated their qualifications, competence, capabilities, and objectivity. • Assessed the nature, scope and objectives of the work completed for appropriateness. • Evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

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Measurement of unbilled revenue ($155m and forms part of $944.9m) (Note 6)

Key audit matter	How my audit procedures addressed this key audit matter
The complex unbilled revenue and accrual for network charges calculation involved significant judgements for estimating the unread meter usage at balance date. In making this estimate, EEQ based the calculation on a model that used historical billing data and purchase load to create a seasonally adjusted daily profile for each customer.	I have: • Obtained an understanding of the modelling approach and assessed the appropriateness of its design. • Validated the inputs used, including historical retail billing, purchase load and tariff rates, to relevant source data. • Verified the mathematical accuracy of key sections of the unbilled revenue model. • Developed an audit calculation estimate of the unbilled sales revenue at year-end and compared our estimate to EEQ management's estimated amount. • Back tested the unbilled revenue and network model's historical output to subsequent actual transactions.

Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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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 the 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 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 the 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 expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company'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. I base my conclusions 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.

I communicate with the company's directors regarding, 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 my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters.

18 August 2020

Damon Olive
as delegate of the Auditor-General

Queensland Audit Office
Brisbane