Energy Queensland Limited
Annual Financial Statements

For the year ended 30 June 2021

ABN 96 612 235 583

Contents

Contents

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The Board of Directors of Energy Queensland Limited (the Company or Energy Queensland) is pleased to present their report together with the financial report of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2021 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
• Philip Garling (Chairman)	30 June 2016	n/a
• Mark Algie	1 October 2016	n/a
• Teresa Dyson	1 October 2016	n/a
• Hugh Gleeson	1 October 2016	n/a
• Helen Stanton	1 October 2016	n/a
• Vaughan Busby	12 October 2017	n/a
• Kerryn Newton	30 June 2016	30 September 2020
• Karen Lay-Brew	17 June 2021	n/a
• The Honourable Paul Lucas	17 June 2021	n/a

Please refer to the 'Board profiles' section of the Company's annual report 2020/21 for details of Directors' qualifications, experience and special responsibilities.

COMPANY SECRETARY

Jane Nant BA (Hons), LLB (Hons), LLM, Grad Dip ACG, GAICD, FGIA

Jane was appointed to the role of Company Secretary in May 2017. Jane has over 13 years senior leadership experience in the utilities industry including over 11 years as Company Secretary. Jane started her career as a property, planning and environmental lawyer.

REGISTERED OFFICE

420 Flinders Street
Townsville Queensland 4810

PRINCIPAL ACTIVITIES

The principal activities of the Group are the:

- Design, construction and maintenance of the Queensland Electricity Distribution Networks;
- Distribution of electricity within Queensland;
- Non-competitive electricity retailing in Queensland; and
- Provision of electricity related services.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

OPERATING AND FINANCIAL REVIEW

The Group's consolidated profit after income tax equivalent expense was $302 million for the year (2020: $483 million). Although, this result was impacted by falling revenue, we continue to review our operating and capital programs and activities, identifying savings through increased efficiencies and initiatives.

Revenue

Energy Queensland's total revenue for the year was $4,906 million (2020: $5,361 million) consisting of electricity Retail sales ($1,796 million) and Network Use of System revenue ($2,020 million).

Network Use of Systems revenue was comparable to 2020, however Retail sales revenue continues to decline due to a reduction in Energy consumption, churn in the commercial and small business enterprise customer sectors, and lower notified prices as published by the Queensland Competition Authority.

The Queensland Government's Community Service Obligation subsidy was $454 million (2020: $498 million).

Expenditure

Our total expenses for the year of $4,604 million (2020: $4,878 million) were lower as a result of increased efficiencies and prudent spending.

Total transmission charges and electricity purchases of $1,210 million fell in line with electricity sales (2020: $$1,256 million), whilst employee benefits, materials and services also saw reductions.

Depreciation, amortisation and impairments to 30 June of $1,013 million (2020: $1,017 million) continues to be a substantial expense due to the considerable capital employed in the provision of electricity distribution services.

Our finance costs to 30 June of $681 million (2020: $714 million) correlates with the average debt balance and lower interest rates over the last 12 months.

The Queensland Government's Solar Bonus Scheme continued to decline as the number of eligible customers gradually reduces. Payments made to 30 June, were $262 million (2020: $277 million) in feed-in-tariffs.

Financial Position

The primary asset of the Group's total asset base consists of the distribution assets (collectively the supply system) which are carried at fair value, determined by using an income approach based on a discounted cash flow methodology.

The Group delivered a $1,513 million capital works program, which focused on undertaking network augmentation and connection, asset replacement, reliability improvements and customer initiated capital works. This investment contributes to maintaining safe reliable power in future years whilst continuing to reinforce our commitment to meeting the requirements of our customers and communities.

DIVIDENDS

The Board declared a final dividend of $220 million for the 2021 financial year, payable on 30 November 2021, subject to solvency tests being satisfied at that date. A final dividend of $443 million was declared during the 2020 financial year and paid on 30 November 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no matters, transactions or events which have occurred since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of operations or the state of affairs in future financial years.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Our Statement of Corporate Intent and Corporate Plan sets out information on Energy Queensland's business strategies for future financial periods including likely developments in our operations and expected results in future years. The Group expects to continue its operations including the design, construction and maintenance of the Queensland distribution networks, the distribution of electricity, non-competitive electricity retailing and provision of electricity related services.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated under Federal, State and Local government laws. Based on enquiries made, there was one significant environmental incident (2020: 2) that was reported to a government agency in the financial year. This incident relates to an oil leak at Hartley Street Cairns Depot. The Department of Environment and Science (DES) issued Ergon Energy Corporation Limited (a subsidiary of Energy Queensland) a clean-up notice pursuant to section 363H of the *Environmental Protection Act 1994*. Ergon Energy has removed the contaminated material from the site and is working closely with the DES in relation to the monitoring of the site and any future actions. No fines or infringement notices were received.

During the reporting period all environmental performance obligations of the Group were overseen by the Energy Queensland Board, People and Safety Committee and Energy Queensland Executive Committee. Detailed strategic and operational direction is provided through Health, Safety and Environment Committee meetings.

Environmental obligations 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. The Group's certifications to International Standard AS/ISO 14001 have been maintained.

The *National Greenhouse and Energy Reporting Act 2007* (NGER Act) requires the entities within the Group to report annual greenhouse gas emissions and energy use. Reports are submitted to the Greenhouse and Energy Data Officer and based on data gathered from the Group's systems.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Policies were held throughout the period to insure all Directors and Officers of the Group against liabilities incurred in their capacity as Director or Officer. Insurance premiums paid or agreed to be paid totalled $624,965 comprising of Directors and Officers Liability, Statutory Liability and Workplace Health and Safety Liability policies covering EQL and its subsidiaries (2020: $500,996).

Energy Queensland indemnifies the Directors and Officers of the Company and its subsidiaries 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 an Energy Queensland Group Company, or any criminal or pecuniary penalty (this is consistent with the requirements of the *Corporations Act 2001*).

During or since the end of the 2020/21 financial year, the Group has not otherwise, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Group or any related body corporate against a liability incurred as such by an Officer or auditor.

DIRECTORS' SHAREHOLDING

No Directors held any beneficial interest in the shares of the Group. All issued shares are held by the shareholding Ministers on behalf of the State of Queensland.

There are no share options in existence at this time.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of the Board) and the number of meetings attended by each Director during the year ended 30 June 2021 are:

Energy Queensland Meetings[5]	Board[1]		Audit Committee		Regulatory and Policy Committee		Risk and Compliance Committee		People, Safety and Environment Committee	
	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]
Philip Garling (Chairman)	11	11	n/a	n/a	2	2	n/a	n/a	n/a	n/a
Mark Algie	11	11	5	5	n/a	n/a	n/a	n/a	4	4
Vaughan Busby	11	11	n/a	n/a	2	2	5	5	n/a	n/a
Teresa Dyson[4]	11	11	5	5	1	1	1	1	4	4
Hugh Gleeson	11	11	n/a	n/a	2	2	5	5	n/a	n/a
Kerryn Newton[3]	3	3	2	2	n/a	n/a	2	2	n/a	n/a
Helen Stanton	11	11	5	5	n/a	n/a	n/a	n/a	4	4

(1) Location of Board meetings included: Townsville (2 meetings), Brisbane (2 meetings), Stafford (1 meeting) and 6 held via videoconference including 1 to discuss EQL's response to COVID-19.

(2) Number of meetings held during the time the Director held office during the financial year.

(3) Kerryn Newton's term of appointment as Director of Energy Queensland Limited ceased 30 September 2020.

(4) Following cessation of Kerryn Newton's term of appointment, Teresa Dyson was appointed as member of the Risk and Compliance Committee. At the same time, Teresa Dyson ceased as a member of the Regulatory and Policy Committee.

(5) Karen Lay-Brew and The Honourable Paul Lucas were appointed as Directors of Energy Queensland Limited on 17 June 2021 and as such did not attend any meetings.

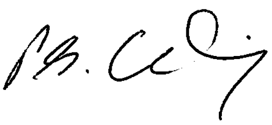
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 64 and forms part of the Directors' report for the year ended 30 June 2021.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the Company under the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

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



Philip Garling Chairman

Dated this 19th day of August 2021

Queensland
Audit Office
Better public services

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Energy Queensland Limited

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 Energy Queensland Limited and its controlled entities for the financial year ended 30 June 2021, 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.

B.P. Worrall

19 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
Revenue	2	**4,854**	5,360
Other income	2	**52**	1
Expenses			
Transmission charges and electricity purchases	3	**1,210**	1,256
Solar photovoltaic feed in tariff		**262**	277
Employee expenses	3	**689**	716
Materials and services		**419**	443
Depreciation, amortisation and impairments		**1,013**	1,017
Net impairment losses on financial assets	6	**8**	48
Finance costs	3	**681**	714
Fair value losses	3	**-**	28
Other expenses		**194**	171
Profit before income tax equivalent expense		**430**	691
Income tax equivalent expense	4	**128**	208
Profit after income tax equivalent expense		**302**	483

The Consolidated Statement of Profit or Loss is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
Profit after income tax equivalent expense		**302**	483
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	15	**(94)**	(89)
Deferred income tax relating to the revaluation of property, plant and equipment		**28**	27
Actuarial gains/(losses) on defined benefit plans recognised directly in equity	17	**121**	(78)
Deferred income tax relating to actuarial gains/(losses) on defined benefit plans		**(36)**	23
Items that may be reclassified to profit or loss:			
Movement in cash flow hedge reserve - gains/(losses)	14	**254**	(286)
Deferred income tax relating to movement in cash flow hedge reserve – (gains)/losses		**(76)**	86
Other comprehensive income for the financial year, net of tax		**197**	(317)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**499**	166

All profit and comprehensive income is attributable to the owners of the company.

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

In millions of dollars	Note	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	5	**77**	22
Trade and other receivables	6	**804**	702
Inventories	7	**192**	185
Derivative financial assets	8	**96**	2
Other assets		**47**	62
Total current assets		**1,216**	973
NON-CURRENT ASSETS			
Property, plant and equipment	15	**24,440**	24,154
Right-of-use assets	23	**273**	304
Intangible assets	16	**577**	477
Employee retirement benefits	17	**214**	113
Derivative financial assets	8	**19**	-
Other assets		**15**	21
Total non-current assets		**25,538**	25,069
TOTAL ASSETS		**26,754**	26,042
CURRENT LIABILITIES			
Trade and other payables	9	**734**	937
Interest bearing liabilities	10	**12**	12
Lease liabilities	23	**32**	31
Employee benefits	19	**396**	383
Provisions		**8**	8
Current tax liabilities		**-**	6
Derivative financial liabilities	11	**1**	181
Unearned revenue and contract liabilities	20	**87**	90
Other liabilities		**47**	52
Total current liabilities		**1,317**	1,700
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	**18,152**	17,343
Lease liabilities	23	**253**	286
Employee benefits	19	**15**	17
Provisions		**5**	5
Derivative financial liabilities	11	**-**	46
Net deferred tax equivalent liability	18	**3,380**	3,291
Unearned revenue and contract liabilities	20	**-**	1
Other liabilities		**3**	3
Total non-current liabilities		**21,808**	20,992
TOTAL LIABILITIES		**23,125**	22,692
NET ASSETS		**3,629**	3,350
EQUITY			
Share capital	21	**19,643**	19,643
Other transactions with owners	22	**(18,634)**	(18,634)
Reserves	22	**2,286**	2,177
Retained earnings	22	**334**	164
TOTAL EQUITY		**3,629**	3,350

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Share capital (Note 21)	Other transactions with owners (Note 22)	Asset revaluation reserve (Note 22)	Retained earnings (Note 22)	Hedging reserve (Note 22)	Total equity
Changes in equity for 2020						
Balance at 1 July 2019	19,643	(18,634)	2,377	176	65	3,627
Dividends	-	-	-	(443)	-	(443)
Transfer from reserves (refer to Note 22)	-	-	(3)	3	-	-
Total comprehensive income for the financial year	-	-	(62)	428	(200)	166
Balance at 30 June 2020	19,643	(18,634)	2,312	164	(135)	3,350
Changes in equity for 2021						
Dividends	**-**	**-**	**-**	**(220)**	**-**	**(220)**
Transfer from reserves (refer to Note 22)	**-**	**-**	**(3)**	**3**	**-**	**-**
Total comprehensive income for the financial year	**-**	**-**	**(66)**	**387**	**178**	**499**
Balance at 30 June 2021	**19,643**	**(18,634)**	**2,243**	**334**	**43**	**3,629**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,525**	4,716
Receipts for community service obligations		**499**	548
Payments to suppliers and employees		**(2,968)**	(3,055)
Interest paid		**(705)**	(734)
Income tax equivalent payments		**(216)**	(257)
Net cash from operating activities	5	**1,135**	1,218
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**33**	11
Cash advances from other parties		**9**	309
Interest received		**1**	4
Payment for investments - other		**-**	(8)
Payment for capitalised interest		**(19)**	(17)
Payments for property, plant and equipment and intangible assets		**(1,439)**	(1,472)
Net cash used in investing activities		**(1,415)**	(1,173)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**809**	633
Payment of lease liabilities		**(31)**	(28)
Repayable deposits paid		**-**	(2)
Dividends paid		**(443)**	(657)
Net cash from/(used in) financing activities		**335**	(54)
Net increase/(decrease) in cash and cash equivalents		**55**	(9)
Cash and cash equivalents at the beginning of the financial year		**22**	31
Cash and cash equivalents at the end of the financial year	5	**77**	22

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

SECTION 1: Basis of Preparation

NOTE 1: BASIS OF PREPARATION

(A) General information

Energy Queensland Limited (the Company or Energy Queensland) is a public company limited by shares and is domiciled in Australia.

The consolidated financial statements of the Company for the year ended 30 June 2021 (including comparatives) comprises the Company and its subsidiaries (collectively referred to as the Group).

The Company's registered office and its principal place of business are:
420 Flinders Street
Townsville Queensland 4810

The Group was formed on 30 June 2016. The Group Parent, Energy Queensland Limited was incorporated on 20 May 2016. On 30 June 2016, the Company was decreed a Government Owned Corporation and the shares in Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy) were transferred to Energy Queensland by Regulation, effective 30 June 2016. All shares are held by shareholding Ministers on behalf of the State of Queensland. The Group is a for-profit entity.

The principal activities of the entities within the Group during the financial year consisted of:

- Design, construction and maintenance of the Queensland Electricity Distribution Networks;
- Distribution of electricity within Queensland;
- Non-competitive electricity retailing in Queensland; and
- Provision of electricity related services.

The financial statements were authorised for issue by the Directors on 19th August 2021. The Board members have the power to amend and reissue the financial statements after issue.

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

(B) Basis of preparation

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

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Notwithstanding that the Group is in a net current liabilities position at year end, the Group has access to a working capital facility of $700m (refer note 10B) and recognises that in accordance with accounting standards the employee benefits position is treated as a current liability whilst practically we would not expect this to be settled in the next 12 months. Furthermore, there are no material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This includes COVID-19 related events which have had limited impact on the operations of the Group.

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(i) Historical cost convention

The financial statements are prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities at fair value and certain classes of property, plant and equipment at fair value.

(ii) Basis of consolidation

The financial statements of the Group have been prepared using consistent accounting policies. Where material differences were identified between subsidiaries, adjustments have been made on consolidation.

(C) Changes in accounting policies

There are no new or revised standards effective for the year ended 30 June 2021 which have a significant impact on the Group's financial statements. Amendments to references to *Conceptual Framework for Financial Reporting (Framework)*, effective from this financial year, have been assessed as not having a material impact on the Group.

(D) Application of new Accounting Standards and Interpretations not yet adopted

The Australian Accounting Standards Board (AASB) has published new or amended accounting standards and interpretations that are not mandatory for the 30 June 2021 reporting period and none of these have been early adopted by the Group. The standards or interpretations that are not yet effective are not expected to have a material impact on the Group 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 millions of dollars	2021	2020
REVENUE		
Revenue from contracts with customers		
Network use of system revenue	**2,020**	2,022
Retail sales revenue	**1,796**	1,993
Service charges	**431**	395
Non-refundable capital contributions	**77**	155
Revenue from sale of goods	**48**	39
Total revenue from contracts with customers	**4,372**	4,604
Government grant revenue		
Community service obligation[1]	**454**	498
Other government grants[2]	**-**	241
Total government grant revenue	**454**	739
Other revenue		
Interest received	**1**	4
Gain on disposal of property, plant and equipment	**5**	1
Other operating revenue	**22**	12
Total other revenue	**28**	17
Total revenue	**4,854**	5,360

OTHER INCOME		
Fair value gains on financial instruments at fair value	**41**	-
Gain on unwinding of inception value of designated hedges	**8**	-
Cash flow hedge ineffectiveness gains	**15**	-
Realised gain/(loss) on ineffective hedges	**(12)**	-
Other income	**-**	1
Total other income	**52**	1

(1) Comparatives have been restated as a result of reclassifying Community service obligation ($498 million) from Transmission charges and electricity purchases to government grant revenue.

(2) On 30 May 2017, the Queensland State Government announced a government grant that would fund the Solar Bonus Scheme over a three year period to provide pricing relief to electricity consumers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax (GST). Revenue is recognised when the Group transfers control over a good or service to a customer.

The following information provides details about the nature and timing of the satisfaction of performance obligations in contracts with customers and related revenue recognition policies.

(i) Network use of system (NUOS)

The Group is subject to a revenue cap that is earned on its regulated assets in the provision of Standard Control Services (SCS). SCS includes network supply services, small customer connections and services associated with unmetered connection points.

NUOS revenue is determined based on the allowed revenue cap for Distribution Use of System (DUOS) plus Transmission Use of System (TUOS) charges, also referred to as designated pricing proposal charges. The revenue received from the TUOS charges is passed through to the providers of transmission services.

NUOS is billed to retailers, to be passed on to customers, based on a combination of customers' energy consumption, demand, capacity and fixed charges at the Australian Energy Regulator (AER) approved prices. The approved prices are calculated to recover the annual NUOS charges, plus other annual allowances approved by the AER (for example, Service Target Performance Incentive Scheme rewards or penalties).

The performance obligation is to provide customers with access to the network and revenue is recognised, based on consumption, but this may vary from the regulated revenue cap due to differences in demand. Any current period under or over recovery of the revenue cap is recovered from or returned to customers in future periods through an adjustment to prices.

Where over recoveries occur, they are deducted from revenue in the period in which they are returned to customers. Under recoveries are recognised as revenue in the period in which they are billed to customers.

The customer simultaneously receives and consumes energy delivered to their premises as the Group performs under the contract. Therefore, the revenue is recognised over time.

Payment terms for network billings to the majority of customers are 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.

(ii) Retail sales revenue

Electricity sales revenue to franchise customers (electricity consumers) is recognised as the aggregate of invoices raised, together with the estimated used but not yet invoiced energy consumption.

Retail sales revenue is recognised over time as energy is simultaneously delivered and consumed by customers.

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.

(iii) Service charges – construction contracts

Revenue is earned for a variety of construction services for works undertaken at the customers' request. These include relocation of network assets, upgrades to or replacement of street lighting assets, metering upgrades and design and construction of non-regulated electricity assets. Revenue is recognised over time with reference to the performance obligations satisfied under a contract and applying the input cost method to measure the progress towards complete satisfaction of the performance obligations.

Billings are usually upfront prior to work commencement or at milestones throughout the works. Due to timing of billing and satisfaction of performance obligations, contract assets and contract liabilities may arise.

(iv) Service charges – maintenance and service contracts

Revenue is earned for the provision of electricity-related operation and maintenance services for street lighting, metering services and ancillary network services. These are known as Alternative Control Services (ACS) and are subject to a regulated price determined by the AER (known as a price cap). The price charged for some of these services, such as disconnection, reconnection, meter reading and temporary connections, is limited under section 226 (2) of *Queensland's Electricity Regulation 2006* which overrides the AER price caps.

There are also a number of non-regulated services provided such as maintenance of the transmission network, energy generation services, contestable metering services and telecommunication services. Revenue is recognised at a point in time, when the service is provided or, for on-going services, over time as the customer receives and consumes the benefits from the underlying services. Billing usually occurs at the time the service is provided for fee for service contracts and on a monthly basis for on-going service contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(v) Non-refundable capital contributions

The Group finances part of its capital works program through non-refundable contributions from customers which are applied to the cost of these works. Contributions of cash towards assets constructed by the Group are recognised as revenue upon completion of the project in accordance with the performance obligations of the connection contract. The non-refundable contributions received upfront or at milestones throughout construction are initially recognised as a contract liability and subsequently recognised as revenue when the associated assets are brought into commercial operation.

The Group also receives non-refundable contributions of assets which are constructed by a third party and gifted to the Group for on-going operation and maintenance. These are recognised as revenue when the performance obligation of connecting that asset to the network is satisfied and control of that asset passes to the Group. The revenue is measured at the fair value of the contribution, which is an approximation of the cost to construct the asset based on an approved AER pricing formula.

(vi) Revenue from sale of goods

Revenue for the sale of goods is recognised at a point in time, on delivery of the goods to the customer and transfer of control. This typically involves the sale of inventory such as transformers, cables, poles, electrical supplies and meters, and scrap.

Major customers are property developers and payment terms are usually 30 days from date of invoice, with few exceptions.

(vii) Government grants

Where there is reasonable assurance the Group will comply with all conditions attached to government grants and thus the grants will be earned, they are recognised in the Statement of Financial Position as unearned revenue or as a reduction to the carrying amount of the asset they relate to. Grants that compensate the Group for expenses incurred are recognised as revenue in the Statement of Profit or Loss on a systematic basis as the conditions of the grant are fulfilled. Grants that compensate the Group for the purchase or construction of property, plant and equipment are recognised in the Statement of Profit or Loss on a straight-line basis over the expected life of the related asset as a reduced depreciation expense.

(viii) Community service obligation (CSO)

Community service obligation (CSO) receipts are recognised as government grant revenue. 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.

In addition, Direction notices issued by the shareholding Ministers which result in the non-recovery of AER approved revenue from customers may qualify as a CSO. Where a Direction notice qualifies as a CSO, the Group has an entitlement to recover any such revenue shortfalls from the State of Queensland.

CSO revenue is recognised when the Group becomes entitled to a claim from the State Government for forgone revenue in accordance with section 112 of the GOC Act.

(ix) Interest received

Interest income is recognised in the Statement of Profit or Loss as it accrues, using the effective interest rate method.

Refer to Notes 6 and 20 for information about contract assets and contract liabilities arising from contracts with customers.

The amount of $48 million included in contract liabilities at 30 June 2020 has been recognised as revenue in this financial year (2020: $73 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Unbilled energy sales

Retail 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.

(ii) Unbilled network charges

Unbilled network charges are accrued monthly. The calculation uses historic volumes as well as considering seasonality to estimate the unbilled network charges.

(iii) Construction contracts

Contract assets or contract liabilities are recognised with reference to the progress towards completion for construction contracts which span over financial years. Input costs incurred and construction contract estimates are used to calculate the amount of revenue to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(iv) 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, Energy Queensland 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 Energy Queensland on the basis that EQL is assuming the risk, and any benefits, inherent in a fixed payment based on forecast. The parties are aiming for increased simplification and administrative ease in CSO compensation claims, payments and reporting. A new one year fixed CSO agreement has been executed in June 2021 effective from 1 July 2021.

NOTE 3: EXPENSES

In millions of dollars	2021	2020
Profit before income tax equivalent expense includes the following significant expenses:		
Transmission charges and electricity purchases[1]		
Transmission use of system charges	**580**	571
Electricity purchases	**630**	685
Total transmission charges and electricity purchases	**1,210**	1,256

(1) Comparatives have been restated as a result of reclassifying Community service obligation offset ($498 million) from Transmission charges and electricity purchases to government grant revenue.

In millions of dollars	2021	2020
Finance costs		
Interest expense	**624**	670
Competitive neutrality fees	**72**	50
less capitalised financing costs	**(19)**	(17)
Other finance costs	**4**	11
Total finance costs	**681**	714
Employee benefits expense		
Wages and salaries	**455**	475
Employer contributions to defined contribution plans	**72**	68
Expenses related to post-employment defined benefit plans	**22**	21
Expenses related to annual and long-service leave	**88**	101
Termination benefits	**23**	15
Other	**29**	36
Total employee benefits expense	**689**	716
Fair value losses		
Fair value losses on financial instruments at fair value	**-**	6
Loss on unwinding of inception value of designated hedges	**-**	6
Cash flow hedge ineffectiveness	**-**	16
Total fair value losses	**-**	28

NOTE 3: EXPENSES (CONTINUED)

ACCOUNTING POLICIES

Expenses

(i) Transmission charges and electricity purchases

TUOS expenses, electricity purchases and other costs associated with the sale of electricity are recognised as they are incurred.

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.

(ii) Finance Costs

Finance costs charged by the State's central financing authority, Queensland Treasury Corporation (QTC), include administration fees, capital market fees and interest on the outstanding principal. Where applicable, a competitive neutrality fee is also paid to remove any competitive advantage that may be obtained from borrowing at a lower interest rate than the private sector by virtue of the Group's government ownership.

Finance costs directly attributable to the construction of assets that take more than 12 months to prepare for their intended use are added to the cost of those assets. Finance costs not directly attributable to qualifying assets are expensed in the period in which they are incurred.

(iii) Employee Benefits Expense

Wages and salaries due but unpaid at reporting date are recognised in the Consolidated Statement of Profit or Loss at the current salary rates. As the Group expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: TAXATION

In millions of dollars	2021	2020
(A) INCOME TAX EQUIVALENT EXPENSE		
Current tax expense	**126**	298
Deferred tax expense/(benefit)	**2**	(90)
Income tax equivalent expense	**128**	208
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**25**	(23)
Increase/(decrease) in deferred tax liabilities	**(23)**	(67)
Deferred income tax expense attributable to profit from continuing operations	**2**	(90)

(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE TO PRIMA FACIE TAX PAYABLE		
Net profit before income tax equivalent expense	**430**	691
Prima facie income tax equivalent expense on operating profit at 30% (2020: 30%)	**129**	207
Increase/(decrease) in income tax equivalent expense:		
Other	**(1)**	1
Income tax equivalent expense	**128**	208

In millions of dollars	2021	2020
(C) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Revaluation property, plant and equipment	**(28)**	(27)
Recognition of defined benefit increment/(decrement)	**36**	(23)
Hedge accounting of derivatives	**76**	(86)
Deferred tax recognised directly in equity	**84**	(136)

Refer to Note 18 for accounting policies related to taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

SECTION 3: Financial assets and financial liabilities

NOTE 5: CASH AND CASH EQUIVALENTS

In millions of dollars	2021	2020
Cash at bank	**77**	22
Total cash and cash equivalents	**77**	22

In millions of dollars	2021	2020
RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENT EXPENSES TO THE NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Profit after income tax equivalent expense	**302**	483
NON-CASH FLOWS AND OTHER INCOME AND EXPENSE ITEMS IN PROFIT:		
Depreciation, amortisation and impairment	**1,021**	1,065
Net gain/(loss) on disposal of property, plant and equipment	**5**	1
Interest income classified as investing activities	**(1)**	(4)
Proceeds on sale of assets classified as investing activities	**(33)**	(11)
Provision for inventory obsolescence	**2**	1
Fair value (gain)/loss on financial instruments	**(53)**	28
CHANGES IN ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	**(70)**	(47)
(Increase)/decrease in inventory	**(9)**	(7)
(Increase)/decrease in other assets	**8**	6
(Decrease)/increase in trade and other payables	**52**	14
(Decrease)/increase in other liabilities	**(13)**	(297)
(Decrease)/increase in provisions and employee benefits	**11**	34
(Decrease)/increase in income tax payable	**(92)**	41
(Decrease)/increase in deferred income tax liability	**5**	(89)
Net cash flow provided by operating activities	**1,135**	1,218

ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments in money market instruments. They are highly liquid, subject to an insignificant risk of change in value and have a maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: TRADE AND OTHER RECEIVABLES

In millions of dollars	2021	2020
CURRENT		
Trade receivables	**559**	647
Less provision for impairment of receivables	**(41)**	(59)
Total net trade receivables	**518**	588
Advances facility[1]	**-**	9
Contract assets	**8**	16
Community service obligations receivable	**38**	41
Tax receivable	**86**	-
Hedge receivable	**98**	1
Other receivables and prepayments	**56**	47
Total current trade and other receivables	**804**	702

(1) In 2017, an Advances Facility was established with Queensland Treasury which accrues interest on daily balances. Refer to cash advances from other parties in the Consolidated Statement of Cash Flows on page 69.

(A) IMPAIRED TRADE RECEIVABLES

In millions of dollars	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
AGEING OF IMPAIRED TRADE RECEIVABLES				
Unbilled revenue and current receivables	**154**	**2**	186	5
Less than one month overdue	**32**	**3**	32	7
One to two months overdue	**11**	**4**	10	5
Two to three months overdue	**8**	**5**	8	7
Over three months overdue	**30**	**27**	38	35
	235	**41**	274	59

In millions of dollars	2021	2020
MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:		
Carrying amount at the beginning of the financial year	**59**	27
Provision for impairment recognised during the financial year	**8**	48
Receivables written off during the financial year as uncollectible	**(26)**	(16)
Carrying amount at the end of the financial year	**41**	59

The recognition and reversal of the provision for impaired trade receivables is included in 'net impairment losses on financial assets' in the Consolidated Statement of Profit or Loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: TRADE AND OTHER RECEIVABLES (CONTINUED)

(B) PAST DUE BUT NOT IMPAIRED

As at 30 June 2021, there were $1 million of trade receivables which were past due but not impaired (2020: $1 million).

ACCOUNTING POLICIES

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. The recoverability of trade and other receivables is reviewed on an ongoing basis.

The impairment model prescribed by AASB 9 *Financial Instruments* applies to the Group'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.

Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on customer requested construction work such as relocation of network assets and other recoverable maintenance and construction jobs. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Impairment of receivables

A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is based on evidence of significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency.

In some cases, due to the high volume, low value of such trade receivables, management has exercised judgement in determining the provision for impaired trade receivables. The Group considers evidence of the trends of bad debts experienced within certain levels of aged receivables.

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 and commercial customers includes unemployment levels in Queensland, tariff changes and regulatory intervention.

In 2020 an increase to the provision for impaired receivables of $24 million was recognised due to COVID-19, which took into account the extension of the credit path as directed by the Australian Energy Regulator to cease disconnections and debt referrals at that time. As a result of de-energisations recommencing in 2021 and a further review of payments since then, this provision has subsequently been revised to $13 million.

Further disclosures in relation to credit risk are provided in Note 12(A).

NOTE 7: INVENTORIES

In millions of dollars	2021	2020
CURRENT		
Maintenance and construction stocks	**192**	185
Total inventories	**192**	185

Maintenance and construction stocks include a provision for inventory obsolescence of $10 million (2020: $11 million) as a result of ongoing reviews to assess the net realisable value of inventory and identification of items that are subject to factors such as technological obsolescence or loss of service potential. The creation and release of this provision is included in other expenses. Inventories are measured at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: DERIVATIVE FINANCIAL ASSETS

In millions of dollars	2021	2020
CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	**33**	2
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**63**	-
Total current financial assets	**96**	2

In millions of dollars	2021	2020
NON-CURRENT		
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**19**	-
Total non-current financial assets	**19**	-

Relevant accounting policies and critical accounting estimates and assumptions are outlined in Note 13 Fair value of financial assets and liabilities and Note 14 Hedge accounting.

NOTE 9: TRADE AND OTHER PAYABLES

In millions of dollars	2021	2020
CURRENT		
Trade payables	**365**	300
Accrued interest	**47**	52
Dividends payable	**220**	443
Electricity hedges payable	**1**	17
Other payables and accruals	**101**	125
Total current payables	**734**	937

ACCOUNTING POLICIES

Trade and other payables

Trade and other payables are recognised as a liability when the Group has a legal obligation to pay cash. Such liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Where a dividend is declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period, a dividend payable is recognised for such an amount.

The Board declared a final dividend of $220 million for the 2021 financial year, payable by 30 November 2021, subject to solvency tests being satisfied at that date. A final dividend of $443 million was declared during the 2020 financial year and paid on 30 November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: INTEREST BEARING LIABILITIES

In millions of dollars	2021	2020
CURRENT		
Unsecured liabilities		
Customer and other repayable deposits	**12**	12
Total current interest bearing liabilities	**12**	12
NON-CURRENT		
Unsecured liabilities		
Queensland Treasury Corporation loans	**18,152**	17,343
Total non-current interest bearing liabilities	**18,152**	17,343

(A) QUEENSLAND TREASURY CORPORATION LOANS

The fair value of Queensland Treasury Corporation (QTC) loans at 30 June 2021 was $19,999 million (2020: $19,798 million).

The fair value of QTC loans is the price that the notional underlying bonds and instruments funding the loan could be bought for at balance date as advised by the QTC. This is classified as level 2 in the fair value measurements hierarchy.

The Group does not anticipate it will make loan repayments in the next 12 months (2020: nil). There is no obligation to make repayments under current loan arrangements with the QTC.

In millions of dollars	2021	2020
(B) FINANCING ARRANGEMENTS		
The Group has access to the following short-term lines of credit:		
Working capital and credit facilities		
Facilities used at the end of the reporting period - unsecured loans	**3**	2
Facilities not utilised at the end of the financial year - unsecured loans	**742**	743
Total facilities available	**745**	745

These working capital and credit facilities are short-term in nature with the outstanding balance paid down regularly.

The Group has access to debt and cash management facilities from the QTC and access to further borrowings from the QTC subject to approval of an annual State Borrowing Program limit.

As at 30 June 2021 the Group had approved borrowings of $18,152 million (2020: $17,343 million) with access to a further $700 million (2020: $700 million) in QTC facilities.

In millions of dollars	2021			2020
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows (1)	Non-cash changes	
Queensland Treasury Corporation loans	**18,152**	809	-	17,343
Customer and other repayable deposits	**12**	-	-	12
In millions of dollars	**2020**			**2019**
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows (1)	Non-cash changes	
Queensland Treasury Corporation loans	**17,343**	633	-	16,710
Customer and other repayable deposits	**12**	(2)	-	14

(1) The cash flows make up the net amount of proceeds from borrowings and payment of repayable deposits in the Consolidated Statement of Cash Flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: INTEREST BEARING LIABILITIES (CONTINUED)

ACCOUNTING POLICIES

Interest Bearing Liabilities

Interest bearing borrowings are initially recognised at fair value net of transaction costs incurred. They are subsequently measured on an amortised cost basis.

NOTE 11: DERIVATIVE FINANCIAL LIABILITIES

In millions of dollars	2021	2020
CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	-	6
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	1	175
Total current financial liabilities	1	181
NON-CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	-	5
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	-	41
Total non-current financial liabilities	-	46

Relevant accounting policies and critical accounting estimates and assumptions are outlined in Note 13 Fair value of financial assets and liabilities and Note 14 Hedge accounting.

NOTE 12: FINANCIAL RISK MANAGEMENT

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

The financial risks faced by the Group 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 payment obligations under the respective contracts at or before maturity.

The Group manages credit risk 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.

The concentration of credit risk related to distribution network customers is the risk of a retailer defaulting on their obligations. The Group operates in accordance with the Credit Support Guidelines issued by the Queensland Competition Authority, which align with the National Energy Customer Framework credit support arrangements. Under these guidelines, the ability to seek credit support is based on an assessment of the retailer's network charge liability compared to their credit allowance and payment history. In the event of significant retailer failure, an application to recoup such losses under general pass through provisions available through the AER would be considered. As at 30 June 2021 the Group had trade receivables of $165 million (2020: $165 million) from retailers. Four distribution network customers represented 86% of these trade receivables (2020: four distribution network customers represented 86% of these trade receivables).

Where appropriate, collateral in the form of a cash deposit or pre-payments are obtained from retail customers (other than limited by provisions outlined above) as a means of mitigating the risk of financial loss from defaults. At the end of the financial year, the Group held collateral of $20 million (2020: $18 million) from retail customers. The $20 million included $11 million from retail customer security deposits, and $9 million from Energex repayable deposits. Bank guarantees of $1 million were also held on behalf of retail customers at 30 June 2021 (2020: $2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Credit risk (Continued)

Note 25 provides details of bank guarantees from wholesale Over-The-Counter (OTC) counterparties held by the Group. The Group 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 Group requires wholesale counterparties to provide appropriate letters of credit or bank guarantees. A total of $4 million bank guarantees from wholesale OTC counterparties was held at 30 June 2021 (2020: $1 million).

The Group trades with wholesale counterparties, principally large banks and other electricity corporations. In order to meet its liability under the Renewable Energy Target Scheme and the Small Scale Renewable Energy Scheme, the Group also trades with non-wholesale market entities.

The maximum exposure for the Group 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 OTC 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 OTC electricity derivatives are indicated in the following table by percentage of the total balance receivable from counterparties in the specified categories:

Counterparty classification	2021	2020
Queensland Government-owned electricity entities	96%	92%
Entities with a credit rating AA[1]	0%	2%
Entities with a credit rating BBB[1]	1%	1%
Other entities	3%	5%

(1) 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.

Movements in the allowance for impairment in respect of trade receivables and contract assets are provided in Note 6.

(B) Interest rate risk

Floating interest rate borrowings expose the Group to interest rate cash flow risk while fixed interest borrowings expose the Group to fair value risk.

The Group's income and operating cash flows are substantially independent of changes in short-term market interest rates.

Other assets and liabilities exposing the Group to interest rate cash flow risk include cash and cash equivalents and advances facility (floating rate interest exposure) and interest bearing repayable deposits (both fixed and floating interest rate exposure).

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) Interest rate risk (Continued)

The effective interest rates on the Group's interest bearing financial assets and liabilities as at balance date are detailed below.

In millions of dollars	Floating Interest Rate $	Fixed Interest Rate $	Weighted Average Interest Rate %
2021			
Financial assets			
Cash and cash equivalents	**77**	**-**	**0.66%**
Advances facility	**-**	**-**	**0.00%**
Total financial assets	**77**	**-**	
Financial liabilities			
Repayable deposits	**12**	**-**	**0.50%**
Lease liabilities	**-**	**285**	**1.79%**
Loans	**-**	**18,152**	**3.50%**
Total financial liabilities	**12**	**18,437**	
2020			
Financial assets			
Cash and cash equivalents	22	-	1.18%
Advances facility	9	-	0.86%
Total financial assets	31	-	
Financial liabilities			
Repayable deposits	12	-	2.31%
Lease liabilities	-	317	1.79%
Loans	-	17,343	3.91%
Total financial liabilities	12	17,660	

Sensitivity analysis

At 30 June 2021, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit and equity would decrease by $13 million (2020: $10 million). If interest rates had been 100 basis points lower and all other variables held constant, the Group's net profit and equity would increase by $14 million (2020: $12 million).

The Group's borrowings from QTC have been classified as loans with a fixed interest rate in the table above.

(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 National Electricity Market. 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) associated with the Ergon Energy retail business (Ergon Energy Queensland Pty Ltd trading as Ergon Energy Retail). Wholesale contracts relating to franchise load are generally dealt over a period of less than three years.

There is limited price risk for the network distribution businesses, due to the AER revenue cap framework and the mechanism for over or under recoveries through the adjustment of prices in future periods.

To manage retail price risk the Group 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 entity. The manual includes a market price risk exposure limit framework, monitoring and reporting requirements and review requirements.

The Group uses derivative financial instruments to manage its retail electricity price risk, consumer variable volume risk and associated cash flow risk as well as to hedge exposure to pool price fluctuations and against the committed and anticipated electricity purchases. The hedge 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 14 for further information regarding the application of hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) Price risk (Continued)

The following table details the Group's sensitivity to a 20% (2020: 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 electricity generation plant closures, Management have determined that 20% is considered a reasonably possible price movement.

	Electricity Forward Price			
	+20%	**+20%**	**-20%**	**-20%**
In millions of dollars	**2021**	**2020**	**2021**	**2020**
Profit/(loss) before tax	**23**	12	**(21)**	(11)
Hedging reserve	**85**	79	**(87)**	(79)
Equity	**108**	91	**(108)**	(90)

(D) Liquidity risk

Liquidity risk is the risk that the Group 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. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Available lines of funding are disclosed in Note 10.

QTC is the approved Eligible Provider for the purposes of the Australian Financial Services Licence of an entity in the Group and is required to provide funding on written demand when requested by the Group pursuant to an approved Eligible Undertaking. QTC has provided an eligible undertaking for $400 million (2020: 300 million).

Where entities within the Group enter 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 Group'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. The Group's long-term borrowings from QTC have an interest only in perpetuity repayment profile. The principal component of QTC borrowings are included in the over five years' time band with no interest included in respect of this facility for the period over five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Liquidity risk (Continued)

In millions of dollars	Less than 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
CONSOLIDATED					
2021					
Electricity hedges	**-**	**1**	**-**	**1**	**1**
Financial guarantees	**160**	**-**	**-**	**160**	**-**
Non-interest bearing liabilities	**599**	**2**	**-**	**601**	**601**
Repayable deposits	**12**	**-**	**-**	**12**	**12**
Lease liabilities	**36**	**144**	**128**	**308**	**285**
Loans	**583**	**2,329**	**18,152**	**21,063**	**18,152**
Total	**1,390**	**2,476**	**18,280**	**22,146**	**19,052**
2020					
Electricity hedges	157	71	-	228	227
Financial guarantees	100	-	-	100	-
Non-interest bearing liabilities	980	1	-	981	981
Repayable deposits	12	-	-	12	12
Lease liabilities	37	181	127	345	317
Loans	639	2,555	17,343	20,537	17,343
Total	1,925	2,808	17,470	22,203	18,880

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. For further information regarding guarantees refer to Note 25(C).

(E) Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of borrowings disclosed in Note 10 and equity comprising share capital, other transactions with owners, reserves and retained earnings.

The Group borrows exclusively from QTC. The long-term borrowing facilities provided by QTC have an interest only in perpetuity repayment profile. The cost of debt is derived from debt instruments issued by QTC and a competitive neutrality fee designed to remove any competitive advantage obtained from borrowing at a lower interest rate than the private sector by virtue of the Group's Government ownership.

QTC manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the Group in accordance with agreed benchmarks. QTC borrows in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with refinancing maturing loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) Capital management (Continued)

The Group monitors capital on the basis of key financial ratios for Debt to Standard Control Services Regulated Asset Base (RAB) and Return on Capital Employed (ROCE). At 30 June 2021 and 30 June 2020 these key financial ratios were as follows:

	2021	2020
Debt to RAB ratio	**73%**	71%
ROCE	**4.4%**	5.8%

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument 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.

1) Fair value measurements

The Group uses the following fair value measurement hierarchy:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) 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

c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

In millions of dollars	Level 1	Level 2	Level 3	Total
2021				
Assets				
Electricity hedges	**17**	**98**	**-**	**115**
Large-scale generation certificates held for trading	**-**	**3**	**-**	**3**
Small-scale technology certificates held for trading	**-**	**32**	**-**	**32**
	17	**133**	**-**	**150**
Liabilities				
Electricity hedges	**1**	**1**	**-**	**1**
	1	**1**	**-**	**1**
2020				
Assets				
Electricity hedges	-	2	-	2
Small-scale technology certificates held for trading	-	32	-	32
	-	34	-	34
Liabilities				
Electricity hedges	46	181	-	227
	46	181	-	227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2) Level 3 fair value measurements

There have been no movements of the Group's assets and liabilities in level 3 of its fair value measurements hierarchy.

3) 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. The Group recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer has occurred. During 2021 there were no transfers of electricity derivatives between level 2 and level 3 (2020: nil).

4) Valuation policies and procedures

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

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

The Group currently has the following classes of financial instruments that are measured at fair value through profit or loss. These are: electricity hedges (which include swaps, caps and swaptions), large-scale generation certificates (LGCs) and small- scale technology certificates (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 13(6)). 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 to Note 13(6)).
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)	LGCs 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)	STCs 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.

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

6) Fair value valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 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.

Master netting or similar agreements

The Group 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 Group 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.

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

In millions of dollars	Note	Gross amounts of financial instruments in the Statement of Financial Position	Related financial instruments that are not offset	Net amount
2021				
Financial assets				
Electricity hedges	8	**115**	**(1)**	**114**
Financial liabilities				
Electricity hedges	11	**(1)**	**1**	**-**
2020				
Financial assets				
Electricity hedges	8	2	(2)	-
Financial liabilities				
Electricity hedges	11	(227)	3	(224)

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 14 for hedge accounting disclosures and accounting policies.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Electricity financial instruments measured at fair value

The Group enters into electricity related 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 14: HEDGE ACCOUNTING

Cash flow hedges

Cash flow hedges are used by the Group to hedge the energy commodity price risk arising through the operations of Ergon Energy Retail.

The Group 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 Group 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 within 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 2021 $6 million hedge gains (2020: $8 million hedge losses) 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 forecast, 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 2021, $19 million losses (2020: nil) remain in the cash flow hedge reserve due to de-designation and all underlying forecast transactions remain highly probable to occur.

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

Gains and losses recognised in the hedge reserve in the Statement of Comprehensive Income for 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 2021, the average notional amount of electricity hedges outstanding over the next 3 years from FY 2022 to FY 2024 is approximately 2 TWh (Terawatt hours) at contracted prices ranging between $32 and $97 per MWh (2020: average notional amount outstanding over 3 years from FY 2021 to FY 2023 of 5 TWh at contracted prices ranging between $35 and $97 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 millions of dollars	2021	2020
Financial Assets: Cash flow hedges - electricity derivatives	**82**	-
Financial Liabilities: Cash flow hedges - electricity derivatives	**(1)**	(216)

(iii) The impact of hedging instruments designated in hedge relationships as at 30 June 2021 is as follows:

In millions of dollars	2021	2020
Statement of profit or loss		
Gains/(losses) on unwinding of inception value of designated hedges	**8**	(6)
Cash flow hedge ineffectiveness gains/(losses) recognised in other income	**15**	(16)

In millions of dollars	2021	2020
Statement of comprehensive income Cash flow hedge reserve (CFHR)		
Opening balance	**(194)**	92
The effective portion recognised in CFHR (pre-tax)	**272**	(217)
Transfer from CFHR to electricity purchases	**(17)**	(69)
Closing balance (pre-tax)	**61**	(194)

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

In millions of dollars	2021	2020
Electricity Price Risk		
Changes in value of hedge instrument	**252**	(208)
Changes in value of hedged item	**273**	(193)
Cash flow hedge reserve	**61**	(194)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: 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 Group designates certain derivatives as hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction.

The Group 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 Group 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 13. 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 eligible 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 13 for additional information in relation to accounting policies for financial instruments.

SECTION 4: Operating assets and liabilities

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

In millions of dollars	2021	2020
SUPPLY SYSTEMS[1]		
Gross carrying amount	**37,282**	36,534
Less accumulated depreciation	**(14,472)**	(14,090)
Net carrying amount	**22,810**	22,444
POWER STATIONS		
Gross carrying amount	**419**	456
Less accumulated depreciation	**(221)**	(226)
Net carrying amount	**198**	230
LAND – NON-REGULATED		
Net carrying amount	**19**	17
OTHER PLANT AND EQUIPMENT		
At cost	**1,434**	1,443
Less accumulated depreciation	**(871)**	(918)
Less accumulated impairment losses	**(31)**	(31)
Net carrying amount	**532**	494
WORK IN PROGRESS		
Work in progress	**881**	969
TOTAL PROPERTY, PLANT AND EQUIPMENT	**24,440**	24,154

(1) Supply systems include land and building assets which are utilised for warehousing and logistics purposes, training and pole depot facilities and field response activities. These land and building assets are integral to supporting the operation of the electricity network and form a part of the regulated asset portfolio.

In millions of dollars	2021	2020
If property, plant and equipment were stated on a historical basis, the carrying amount would have been:		
Supply systems	**18,839**	18,328
Power stations	**222**	222
Land	**18**	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Year ended 30 June 2021	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	36,534	456	17	1,443	969	**39,419**
Accumulated depreciation and impairment at start of financial year	(14,090)	(226)	-	(949)	-	**(15,265)**
Carrying amount at start of financial year	**22,444**	**230**	**17**	**494**	**969**	**24,154**
Additions	-	-	-	-	1,267	**1,267**
Capitalised interest	-	-	-	-	19	**19**
Transfer from work in progress	1,210	22	2	165	(1,399)	**-**
Transfers to intangible assets	-	-	-	3	25	**28**
Transfer to non-current assets held for sale	(4)	-	-	-	-	**(4)**
Disposals	(5)	-	-	(9)	-	**(14)**
Revaluation increment/(decrement)	(64)	(30)	-	-	-	**(94)**
Depreciation expense	(765)	(22)	-	(121)	-	**(908)**
Net impairment losses	(6)	(2)	-	-	-	**(8)**
Carrying amount at end of financial year	**22,810**	**198**	**19**	**532**	**881**	**24,440**

Year ended 30 June 2020	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	35,869	522	17	1,379	694	**38,481**
Accumulated depreciation and impairment at start of financial year	(13,534)	(264)	-	(885)	-	**(14,683)**
Carrying amount at start of financial year	**22,335**	**258**	**17**	**494**	**694**	**23,798**
Additions	-	-	-	-	1,369	**1,369**
Capitalised interest	-	-	-	-	17	**17**
Transfer from work in progress	936	19	-	156	(1,104)	**7**
Transfers to intangible assets	-	-	-	-	(7)	**(7)**
Transfer to non-current assets held for sale	-	-	-	(4)	-	**(4)**
Disposals	(6)	-	-	(4)	-	**(10)**
Revaluation increment/(decrement)	(69)	(20)	-	-	-	**(89)**
Depreciation expense	(750)	(27)	-	(124)	-	**(901)**
Net impairment losses	(2)	-	-	(24)	-	**(26)**
Carrying amount at end of financial year	**22,444**	**230**	**17**	**494**	**969**	**24,154**

Valuation of the Group's regulated supply system assets

The majority of the Group's property, plant and equipment are employed in the distribution of electricity and subject to regulation via a revenue allowance (revenue cap). The fair value valuation of the Group's property, plant and equipment is determined via Directors' valuations using an income based approach.

The nature of the Group's property, plant and equipment is assessed on the key assumption that it will continue to operate in perpetuity.

In completing the valuation of property, plant and equipment of the Group as a going concern, future cash flows are captured beyond the explicit five year forecast period using a terminal value. The terminal value was derived with reference to a forecast regulated asset base (RAB) based on the current regulatory model.

The RAB multiple is the relationship between market and regulatory values as it describes the ratio between the value that the market places on the expected cash flows that will accrue to it for the Group and the value the regulator intends returning to the Group over the life of the property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table outlines the key inputs and assumptions and their relationships to fair value considered in the discounted cash flow methodology for the valuation of the Group's regulated supply system assets:

Fair value at 30 June 2021 $M	Unobservable inputs	Nature and range of inputs	Relationship of unobservable inputs to fair value
22,879	Revenue cash flows	Revenue cash flows have been determined per the Australian Energy Regulator (AER) Final Decision (2020-2025) and projected revenue cash flows for the years beyond the regulatory period.	A higher allowed rate of return increases the fair value.
	Operating expenditure	Operating expenditures for the distribution network have been determined per the AER's Final Decision (2020-2025) and management forecasts for the years beyond the regulatory period.	A lower operating expenditure increases the fair value.
	Capital expenditure	Future capital expenditure required to ensure the security and reliability of the distribution network have been based on the most recent management forecasts available at the time of the valuation.	A higher future capital expenditure decreases the fair value.
	Terminal value	Terminal value at 30 June 2025 has been determined with reference to a forecast RAB using management forecasts of future cash flows and a terminal value multiple of 1.00 has been applied.	A higher terminal value and multiple increases the fair value.
	Weighted Average Cost of Capital (WACC) discount rate	A nominal WACC of 5.72% (2020:5.85%) has been employed in the valuation. The WACC discount rate has been determined in consultation with independent experts based on a long-term view of the market cost of capital.	The higher the nominal WACC, the lower the fair value.

The discount rate used by the Group to discount future cash flows is higher than the allowed rate of return as established by the regulator in its Final Decision for the regulatory control period 2020-2025 (which is the rate applied to the RAB to determine future cash flows). The use of a discount rate higher than the regulated rate of return leads to an estimated fair value below the value of the current year's RAB as determined by the regulator. It has been noted in assessing the fair value of property, plant and equipment that possible future regulatory changes may also impact the Group. When future capital expenditure is subject to a capital expenditure sharing scheme, then this higher expenditure can result in a lower valuation. As part of the assumptions used in the asset valuation process, Energy Queensland has included additional capex expenditure in determining the fair value of the Ergon Energy Network resulting in a lower valuation for 2021.

Valuation policies and procedures

The Group has established control frameworks with respect to the measurement of fair values. The fair value of the Group's regulated assets was determined using the income based approach, which reflects the present value of an investment's future cash flows in order to arrive at a current fair value estimate for an investment. As this valuation uses inputs not based on observable market data (i.e. unobservable inputs) this resulted in a level 3 fair value. There has been no change to the valuation technique or fair value hierarchy during the year.

The fair value measurement for the supply system, land and building assets of $23,008 million (2020: $22,674 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique applied.

The reconciliation from opening balances to closing balances for the level 3 fair value for the supply system assets is included on the previous page.

Impairment review of property, plant and equipment

The annual impairment review across the Group's cash generating units (CGUs) resulted in $8 million (2020: $26 million) of property, plant and equipment impairment. There were no reversals of prior year impairment losses in the current year (2020: nil).

Fully written down assets still in use

The Group has property, plant and equipment with a gross carrying amount of $3,039 million (2020: $2,909 million) and a written down value of nil that is still in the asset register. These assets have been confirmed to be still in use at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

Property, plant and equipment

(i) Recognition and measurement

The cost of property, plant and equipment constructed by the Group includes the cost of materials, direct labour and other associated costs and, where appropriate, borrowing costs.

Supply system and power station assets are measured at fair value less any subsequent depreciation. The fair value of these assets was determined as at 30 June 2021 using an income based approach as there was no market based evidence of fair value due to the specialised nature of the assets, and the items are rarely sold, except as part of a continuing business.

Other property, plant and equipment, and work in progress are carried at cost less accumulated depreciation where applicable. The carrying amount for these assets does not differ materially from their fair value.

Revaluation increments are recognised in other comprehensive income and accumulated in the asset revaluation reserve, except for amounts reversing a decrement previously recognised as an expense.

Revaluation decrements are only offset against revaluation increments applying to the same asset and any excess is recognised as an expense.

(ii) Depreciation

Depreciation is calculated on a straight line basis by reference to the estimated useful life and residual value of each item of property, plant and equipment, with the exception of freehold land, easements and WIP which are not depreciated.

The supply system is treated as a complex asset. A complex asset is a physical asset capable of disaggregation into identifiable components that are subject to regular replacement. These components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

An assessment of useful lives is performed annually. The useful life estimate is determined with consideration of expected usage based on the asset's capacity, expected physical wear and tear, and expected technical or commercial obsolescence.

Items of property, plant and equipment which relate to the supply of electricity to a specific mine or facility may be depreciated over the operational life of the mine or facility.

Major depreciation periods are:

	Measurement basis	Depreciation period
Supply systems	Fair value	5 to 70 years
Power stations	Fair value	5 to 60 years
Buildings	Fair value	40 years
Other plant and equipment	Cost	3 to 40 years

(iii) Disposal of items of property, plant and equipment

The gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds of disposals with the carrying amounts of the items. The net gains and losses on disposals are included in the Statement of Profit or Loss.

(iv) Maintenance and repairs

Maintenance costs are charged as an expense as incurred. Other routine repair and minor renewal costs are also charged as expenses as incurred.

(v) Contributed assets

Contributed assets are those that are funded by customers and either constructed by the Group or constructed by an external party and then gifted to the Group. Contributed assets are recognised at fair value at the time control passes to the Group and the assets are ready for use.

(vi) Finance and related costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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).

Dismantled supply system assets and assets held for sale are removed from the relevant cash generating unit and impaired once the decision is made to dismantle or sell. The resulting impairment loss is treated as a revaluation decrement and recorded directly in equity to the extent of any credit balance existing in the revaluation reserve, with the remainder recognised in the Statement of Profit or Loss.

NOTE 16: INTANGIBLE ASSETS

In millions of dollars	2021	2020
COMPUTER SOFTWARE		
At cost	**904**	842
Less accumulated amortisation	**(703)**	(634)
Net carrying value	**201**	208
OTHER INTANGIBLES		
At cost	**42**	42
Less accumulated amortisation	**(37)**	(32)
Net carrying value	**5**	10
WORK IN PROGRESS		
Work In Progress	**371**	259
TOTAL INTANGIBLES	**577**	**477**

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

Year ended 30 June 2021	**Computer Software $M**	**Other Intangibles $M**	**Software work in progress $M**	**Total $M**
Gross carrying amount at start of financial year	842	42	259	**1,143**
Accumulated amortisation at start of financial year	(634)	(32)	-	**(666)**
Carrying amount at start of financial year	**208**	**10**	**259**	**477**
Additions	-	-	226	**226**
Transfer from work in progress	89	-	(89)	**-**
Transfers from property, plant and equipment	(3)	-	(25)	**(28)**
Amortisation expense	(93)	(5)	-	**(98)**
Carrying amount at end of financial year	**201**	**5**	**371**	**577**

Year ended 30 June 2020	**Computer Software $M**	**Other Intangibles $M**	**Software work in progress $M**	**Total $M**
Gross carrying amount at start of financial year	769	42	167	**978**
Accumulated amortisation at start of financial year	(597)	(27)	-	**(624)**
Carrying amount at start of financial year	**172**	**15**	**167**	**354**
Additions	-	-	211	**211**
Transfer from work in progress	112	-	(119)	**(7)**
Transfers from property, plant and equipment	7	-	-	**7**
Amortisation expense	(83)	(5)	-	**(88)**
Carrying amount at end of financial year	**208**	**10**	**259**	**477**

ACCOUNTING POLICIES
Intangible assets

(i) Recognition and measurement

Internally generated intangible assets, including software, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: INTANGIBLE ASSETS (CONTINUED)

(ii) Amortisation

The cost of an intangible asset is amortised on a straight-line basis over the estimated useful life of the asset unless such assets have an indefinite useful life. The estimated useful lives vary from 3 to 32 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 17: EMPLOYEE RETIREMENT BENEFITS

RECONCILIATION OF MOVEMENTS IN THE NET DEFINED BENEFIT ASSET/(LIABILITY)

In millions of dollars	Defined benefit obligation	Fair value of plan assets	Net defined benefit asset/ (liability)
Year ended 30 June 2021 Carrying amount at start of year	(796)	909	113
Included in profit or loss Current service cost	(24)	-	(24)
Interest income/(cost)	(15)	17	2
	(39)	17	(22)
Included in other comprehensive income Remeasurement gain/(loss): Actuarial gain/(loss) arising from:	9	-	9
Changes in financial assumptions	13	99	112
Experience adjustments[1]	22	99	121
Other Contributions by the employer	-	2	2
Contributions by Fund participants	(9)	9	-
Benefit payments and tax	59	(59)	-
	50	(48)	2
Carrying amount as at 30 June 2021	**(763)**	**977**	**214**
Year ended 30 June 2020 Carrying amount at start of year	(753)	963	210
Included in profit or loss	(25)	-	(25)
Current service cost	(18)	22	4
Interest income/(cost)	(43)	22	(21)
Included in other comprehensive income Remeasurement gain/(loss): Actuarial gain/(loss) arising from:			
Changes in financial assumptions	(20)	-	(20)
Experience adjustments[1]	(25)	(36)	(61)
	(45)	(36)	(81)
Other Contributions by the employer	-	5	5
Contributions by Fund participants	(8)	8	-
Benefits payments and tax	53	(53)	-
	45	(40)	5
Carrying amount as at 30 June 2020	**(796)**	**909**	**113**

(1) Experience adjustments are the effects of differences between previous actuarial assumptions and what has actually ocurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

DEFINED BENEFIT OBLIGATION

The Group contributes to an industry multiple employer superannuation fund, Energy Super (the Fund). After serving a qualifying period, members are entitled to benefits from this fund on retirement, resignation, retrenchment, disability or death.

The defined benefit account of this fund provides defined lump sum benefits based upon years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

As at 30 June 2021, Energy Super was managed by a trustee company, Electricity Supply Industry Superannuation (Qld) Ltd. The Trustee was responsible for managing Energy Super for the benefit of all members, in accordance with the Trust Deed and relevant legislation. At 30 June 2021, the Trustee Board consisted of four member representative directors, four employer representative directors, of which two were nominated by the Group, and one independent director. Refer to Note 29(H) for the disclosure of related party transactions. On 01 July 2021, Energy Super and LGIAsuper merged, creating one fund which is managed by LGIAsuper Trustee.

Energy Super is regulated by the Australian Prudential Regulation Authority under Superannuation Industry (Supervision) Act 1993 (SIS Act) and Superannuation Industry (Supervision) Regulation 1994 (SIS Regulations).

The Trust Deed of the Fund states that, if the Fund winds up, after the payment of all costs and the payment of all member benefits in respect of the period up to the date of termination, any remaining Defined Benefit assets may be distributed by the Trustee of the Fund to the participating employees, acting on the advice of an actuary, unless directed otherwise by the employer in accordance with the Trust Deed.

The Group may at any time, by notice to the Trustee, terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund. The Group voluntarily makes additional contributions in relation to the Defined Benefit Fund.

The Group may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund's actuary.

The major categories of plan assets are as follows:

In millions of dollars	2021	2020
Cash	**59**	37
Fixed interest	**156**	118
Australian shares	**205**	209
International shares	**196**	236
Alternatives	**283**	236
Property and infrastructure	**78**	73
Total fair value of plan assets	**977**	909

This portfolio exposes the Fund to market risk. All shares and fixed interest plan assets have quoted prices in active markets. The actual return on plan assets for 2021 was a gain of $116 million (2020: a loss of $15 million).

The defined benefit assets are invested in a balanced investment portfolio, to match the weighted average duration of the defined benefit obligation of 8 years (2020: 8 years).

Key actuarial assumptions used at the reporting date are as follows:

	2021 %	2020 %
Expected rate of return on plan assets for one year	**2.2**	2.1
Pre-tax discount rate	**2.2**	2.1
Future salary increases	**3.0**	3.0

The expected maturity of undiscounted defined benefit obligations is as follows:

In millions of dollars	2021	2020
Not later than one year	**78**	73
Later than one year and not later than five years	**290**	285
Later than five years	**318**	323
Total undiscounted defined benefit obligations	**686**	681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the significant assumptions, holding other assumptions constant were as follows:

		2021 %	2020 %
Discount rate			
	0.5% increase	(4.06)	(4.15)
	0.5% decrease	4.32	4.44
Future salary increases			
	0.5% increase	4.27	4.37
	0.5% decrease	(4.05)	(4.13)

Net financial position of plan

The superannuation plan computes its obligations in accordance with AASB 1056 *Superannuation Entities* (AASB 1056) which prescribes a different measurement basis to that applied in this financial report pursuant to AASB 119 *Employee Benefits*. In accordance with the SIS Act and Regulations, the Energy Super Fund is required to undertake actuarial investigations at least every three years. The last reporting period for the Energy Super Fund Actuarial Report for the Group was 30 June 2019. The next Actuarial Report as at 30 June 2022 will be completed in the 2022/23 financial year.

The following is a summary of the most recent financial position of the Energy Super Fund (with respect to both defined benefit and accumulation members for the Group's participation in the Fund) calculated in accordance with AASB 1056 *Superannuation Entities* from the 30 June 2019 actuarial investigation of the fund:

In millions of dollars	Last reporting period	
Accrued benefits	30/06/2019	(685)
Net market value of plan assets	30/06/2019	954
Net surplus		269

Employer contributions

The Group contributes to both defined contribution and defined benefit superannuation plans.

For the financial year ended 30 June 2021, the Group contributed 2% (2020: 2%) of defined benefit members' salaries. The Group expects to retain its contribution rate of 2% during the next financial year. Accordingly, the Group expects to contribute $2 million (2020/21: $2 million) to its defined benefit plan in 2021/22. Funding recommendations are made by the actuary based on their forecast of various matters including future plan asset performance, interest rates and salary increases.

The Group will continue to assess the contribution rate in the future to ensure it remains appropriate.

ACCOUNTING POLICIES

Employee retirement benefits

A defined contribution plan is a superannuation plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions and are typically limited to prior contributions.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a superannuation plan that defines the amount of the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and final average salary. The asset or liability recognised in the Statement of Financial Position in respect of defined benefit superannuation plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of the plan assets, together with adjustments for past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, being Australian dollars and that have terms to maturity that approximate the terms of the related superannuation liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: NET DEFERRED TAX EQUIVALENT LIABILITY

In millions of dollars	2021	2020
(A) DEFERRED TAX EQUIVALENT ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Provisions/accruals	**142**	151
Tax losses	**-**	2
Derivatives	**(6)**	10
Unearned revenue	**20**	18
Other	**5**	7
	161	188
Amounts recognised directly in equity		
Hedge accounting of derivatives	**7**	58
	7	58
Deferred tax equivalent asset	**168**	246

(B) DEFERRED TAX EQUIVALENT LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Property, plant and equipment	**1,839**	1,863
Derivatives	**3**	1
Other	**52**	53
	1,894	1,917
Amounts recognised directly in equity		
Recognition of defined benefit surplus	**45**	8
Revaluation of property, plant and equipment	**1,584**	1,612
Hedge accounting of derivatives	**25**	-
	1,654	1,620
Deferred tax equivalent liabilities	**3,548**	3,537

(C) TOTAL NET DEFERRED TAX EQUIVALENT LIABILITY		
Deferred tax equivalent asset	**168**	246
Deferred tax equivalent liabilities	**(3,548)**	(3,537)
Net deferred tax equivalent liability	**(3,380)**	(3,291)

The Group has a closing current tax receivable of $86 million at 30 June 2021 (2020: $6 million tax payable).

ACCOUNTING POLICIES

Income taxes

(i) Tax equivalents

The Group is liable to make tax equivalent payments on its taxable income to the Queensland Government. Any taxation payments that it is required to make will be made pursuant to Section 129(4) of the GOC Act.

The National Tax Equivalents Regime (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 Taxation Office (ATO), in order to determine the tax payable by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: NET DEFERRED TAX EQUIVALENT LIABILITY (CONTINUED)

ACCOUNTING POLICIES (CONTINUED)

(ii) Current tax equivalents payable/receivable

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the financial year and any adjustment to tax payable in respect of previous years.

Current tax payable/receivable is recognised as current tax expense/benefit.

(iii) Deferred tax equivalent assets and liabilities

Deferred tax equivalent assets (DTA) and liabilities (DTL) are recognised on deductible or taxable temporary differences and unused tax losses and tax credits, which are recognised using the tax rates enacted or substantively enacted 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.

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.

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.

EQL has made a choice to opt out of the temporary full expensing Federal Budget measure.

(iv) Income tax equivalent expense

Income tax equivalent expense for the reporting period consists of current tax expense and deferred tax expense. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity.

(v) Tax consolidation

Energy Queensland and its wholly-owned subsidiaries formed a tax consolidated group effective from 30 June 2016 and are therefore taxed as a single entity. The head entity within the tax consolidated group is Energy Queensland Limited.

DTAs and DTLs arising from temporary differences of the members of a tax consolidated group are recognised in the separate financial accounts of the members of the tax consolidated group using the standalone basis as specified in the tax funding deed.

The tax funding deed requires a notional current and deferred tax equivalents calculation for each entity as if it were a taxpayer in its own right, with the exception of distributions made and received within the tax consolidated group (e.g. intra-group dividends) which 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 deed and tax sharing agreements

The members of the Energy Queensland tax consolidated group have entered into a tax funding deed which sets out the tax funding obligations for each member. The tax funding deed allows for an intercompany payable/receivable between the head entity and subsidiary equal to the current tax liability or asset assumed by the head entity. Any tax loss or deferred tax equivalent asset assumed by the head entity, results in the recognition of an inter-entity receivable/payable in the separate financial accounts of the members of the tax consolidated group equal in amount to the tax liability/asset assumed.

The head entity recognises the assumed current tax amounts as current tax liabilities/assets, adding to its own current tax amounts (if any), since they are also due to or from the same taxation authority. The current tax liabilities/assets are equivalent to the tax balances generated by external transactions entered into by the tax consolidated group.

Contributions to fund the current tax liabilities are payable as per the tax funding deed.

The 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 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

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 19: EMPLOYEE BENEFITS

In millions of dollars	2021	2020
CURRENT LIABILITIES		
Employee benefits	**385**	377
Termination benefits	**11**	6
Total current employee benefits liability	**396**	383
NON-CURRENT LIABILITIES		
Employee benefits	**15**	17
Total non-current employee benefits liability	**15**	17

ACCOUNTING POLICIES

Employee benefits

Wages and salaries, annual leave, long service leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled more than 12 months after the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

For long service leave, consideration is also given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments relating to such liabilities are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Annual leave, vested long service leave and on-cost entitlements accrued but not expected to be taken within 12 months have been included as part of current liabilities as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Termination benefits

Liabilities for termination benefits are recognised for the obligation to provide termination payments to employees where there is a valid expectation in those affected that the Group will progress with a restructuring and associated terminations.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Employee benefits

Management has applied judgement in determining the following key assumptions used in calculating long service leave at balance date:

- Future increases in wages and salaries;
- Employee departures; and
- Periods of service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: UNEARNED REVENUE AND CONTRACT LIABILITIES

In millions of dollars	2021	2020
CURRENT LIABILITIES		
Unearned revenue – government grant	**2**	4
Contract liabilities	**83**	84
Unearned revenue – other	**2**	2
Total current unearned revenue and contract liabilities	**87**	90

NON-CURRENT LIABILITIES		
Unearned revenue – government grant	**-**	1
Total non-current unearned revenue	**-**	1

ACCOUNTING POLICIES

Unearned revenue – government grant

When there is reasonable assurance that the Group will comply with all conditions attached to the government grant and those grants are received, then they are recognised in the Statement of Financial Position initially as unearned revenue. Grants that compensate the Group for expenses incurred are recognised as revenue in the Statement of Profit or Loss on a systematic basis as the conditions of the grants are fulfilled.

Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for customer requested design and construction work such as relocation of network assets and other recoverable maintenance and construction jobs for which revenue is recognised over time, and for cash contributions received for connection contracts for which revenue is recognised on completion of those works when the customer is connected to the network.

SECTION 5: Capital structure

NOTE 21: SHARE CAPITAL

	2021	2021	2020	2020
SHARE CAPITAL	**Shares**	**$M**	**Shares**	**$M**
Fully paid ordinary shares	**100**	**19,643**	100	19,643
Total share capital	**100**	**19,643**	100	19,643

Fully paid ordinary shares 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.

NOTE 22: OTHER TRANSACTIONS WITH OWNERS, RESERVES AND RETAINED EARNINGS

In millions of dollars	2021	2020
Other transactions with owners	**(18,634)**	(18,634)
Asset revaluation reserve	**2,243**	2,312
Hedging reserve	**43**	(135)
Retained earnings	**334**	164

ACCOUNTING POLICIES

Other transactions with owners

Where assets and liabilities are transferred between entities of the wholly-owned group or State of Queensland controlled entities, under the directive of the owner (being the State of Queensland) and the consideration paid is not equal to the value recognised on the transferred assets, the difference is recognised as other owners' contributions.

NATURE AND PURPOSE OF RESERVES

Asset revaluation reserve

The asset revaluation reserve relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards. Refer to Note 15 for further details of revaluation of property, plant and equipment.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on hedging instruments in cash flow hedges that have not settled. Amounts are recognised in profit or loss when the associated hedged transactions affect the profit or loss statement or as part of the cost of an asset if non-monetary.

SECTION 6: Other notes

NOTE 23: LEASES

LEASES AS LESSEE

The Group leases various office, workshop and storage space under non-cancellable operating leases expiring within one to nine years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are re-negotiated.

The Group has six significant leasing arrangements, four in the greater Brisbane area and two in regional Queensland (Townsville and Cairns). The remaining lease terms range from one to nine years and there are lease extension options on some of these leases as discussed below. The escalation applicable to each lease is a fixed annual rate or the greater of CPI and a fixed rate.

Right-of-use assets

Right-of-use assets related to property leases that do not meet the definition of investment property are presented below:

In millions of dollars	2021	2020
Opening balance at start of financial year	**304**	330
Depreciation charge for the year	**(37)**	(36)
Additions to right-of-use assets	**11**	10
Derecognition of right-of-use assets	**(5)**	-
Total right-of-use assets at end of financial year	**273**	304

Lease Liabilities

In millions of dollars	2021	2020
Current lease liabilities	**32**	31
Non-current lease liabilities	**253**	286
Total lease liabilities	**285**	317

Amounts recognised in profit or loss

In millions of dollars	2021	2020
Interest on lease liabilities	**5**	6
Expenses relating to short-term leases	**1**	1
Expenses relating to low-value assets, excluding short-term leases of low-value assets	**7**	6

Amounts recognised in Statement of Cash Flows

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS		Financing cash flows (1)	Operating cash flows (1)	Non-cash changes	
In millions of dollars	**2021**				**2020**
Lease liabilities	**285**	(31)	(5)	4	317
In millions of dollars	**2020**				**2019**
Lease liabilities	**317**	(28)	(6)	351	-

(1) The cash flows make up the net amount of lease payments in the Consolidated Statement of Cash Flows. These are disclosed as a reduction to the principal lease liability in financing activities and the interest component in operating activities.

NOTE 23: LEASES (CONTINUED)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period in order to provide operational flexibility to the Group. The extension options held are exercisable only by the Group and not by the lessors.

On transition date, an extension option of five years was considered reasonably certain on two of the Brisbane property leases and this was included in the calculation of the lease liability at that time, however one of these extension options has since been removed after a reassessment of the property strategy. The Group reassess whether it is reasonably certain to exercise these options if there are any changes to the property strategy or other circumstances within its control.

LEASES AS LESSOR

The Group sub-leases a portion of the corporate premises at Nundah to tenants. This has been classified as a finance sub- lease by the Group and that portion of the right-of-use asset under the head lease has been derecognised and presented as a net investment in sub-lease included in "Other Assets" in the Statement of Financial Position. During the financial year, the term of the sub-lease was reduced, and the tenant will vacate in 2021/22.

The following table sets out maturity analysis of lease receivables under the sub-lease, showing undiscounted lease payments to be received after the reporting date.

In millions of dollars	2021	2020
Less than one year	1	3
One to two years	-	2
Two to three years	-	2
Three to four years	-	1
Total undiscounted lease receivable	**1**	**8**
Unearned finance income	-	1
Net investment in sub-lease	**1**	**7**

ACCOUNTING POLICIES

At inception of a contract, the Group assesses 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.

Leases as a lessee

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for the majority of commercial property leases, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liablity is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate which is the loan rate provided by the Queensland Treasury Corporation that corresponds to the commencement date and term of the lease. The lease liability is remeasured when there is a change in future lease payments and a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

NOTE 23: LEASES (CONTINUED)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost on initial recognition and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use assets continue to be measured at cost but may be reduced for impairment losses where applicable and adjusted for remeasurements of the lease liability.

The Group has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases. These lease payments are recognised as expenses on a straight-line basis over the lease term.

Leases as a lessor
The Group sub-leases part of one of its commercial properties. Under AASB 16, that portion of the right-of-use asset under the head lease has been derecognised and a separate investment in sub-lease has been recognised. The Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes aware of a significant event or a significant change in circumstances, which affects this assessment, and that is within its control.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options and a reduction in floor space for one of the Brisbane properties was a decrease in recognised lease liabilities of $0.3 million (2020: $11 million decrease), a decrease in net investment in sublease of $5 million (2020: $10 million decrease) and an increase in right-of-use assets of $4 million (2020: $1 million decrease).

NOTE 24: COMMITMENTS

In millions of dollars	2021	2020
CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at the end of the financial year but not recognised as liabilities[1]	**261**	236

(1) These commitments consist of executed contracts and/or open purchase orders and are valued at price levels and foreign currency exchange rates as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: CONTINGENCIES

(A) Legal claims
A number of common law claims are pending against the Group and liability is not admitted. The amount of claims due to litigation and associated legal fees is $3 million (2020: $3 million). These claims are disclosed on a gross basis and exclude possible reimbursement through insurance recoveries.

(B) Other possible claims
From time to time the Group receives formal notifications from third parties which might indicate intention to lodge formal claims against the Group. The Group investigates these matters and responds appropriately to such communications in order to minimise potential future claims.

There are no significant claims that are expected to have an impact on the Group's future financial position.

(C) Guarantees

(i) Third Parties
In order to participate in the electricity market, entities within the Group are required to deliver acceptable security as collateral to the Australian Energy Market Operator (AEMO) for their obligations to counter parties in the Electricity Market arising as a consequence of normal trading. Security, in the form of payment guarantees totalling $160 million (2020: $100 million), has been issued by QTC to the 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, entities within the Group are required to hold an Australian Financial Services Licence for which QTC provides the required Eligible Undertaking to the value of $400 million. Energy Queensland provides QTC with a Counter Indemnity up to the value of $400 million in respect of the eligible undertaking. The Group has in place a Bank Guarantee facility with Commonwealth Bank to the value of $50 million (2020: $10 million).

(ii) Subsidiaries – Wholly-owned
Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Energy Queensland has guaranteed to pay any deficiency in the event of winding up of Energex, Ergon Energy, SPARQ Solutions, Yurika and Metering Dynamics. These controlled entities have also given a similar guarantee in the event that Energy Queensland or any of the entities are wound up or does not meet their obligations. Refer to Note 26.

(D) Guarantees held
The Group holds bank guarantees from customers totalling $83 million (2020: $90 million) with the majority relating to the construction of capital assets.

There is $3 million in guarantees held with trading counterparties (2020: $1 million), as security to cover obligations arising from the trading of electricity.

(E) Environmental remediation
The Group provides for all known environmental liabilities. The Group estimates that current provisions for environmental remediation are adequate based on current information. However, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

ACCOUNTING POLICIES

Contingent assets and liabilities
Contingent assets are not recognised in the financial statements. Other than when required on acquisition of a business, contingent liabilities are not recognised in the financial statements. They are, however, disclosed in the notes to the financial statements, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES

Consolidated entities

Energy Queensland Limited had 100% (2020: 100%) interest in the following subsidiaries. All entities were incorporated in Australia.

- Energex Limited
- Ergon Energy Corporation Limited
- Ergon Energy Queensland Pty Ltd
- SPARQ Solutions Pty Ltd
- Varnsdorf Pty Ltd
- VH Operations Pty Ltd
- Yurika Pty Ltd
- Metering Dynamics Pty Ltd
- Ergon Energy Telecommunications Pty Ltd

Pursuant to the *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to Energex, Ergon Energy, Yurika Pty Ltd (Yurika), Metering Dynamics Pty Ltd (Metering Dynamics) and SPARQ Solutions Pty Ltd (SPARQ Solutions) from the requirements under the *Corporations Act 2001* for the preparation, audit and lodgement of their financial reports. Ergon Energy Queensland Pty Ltd (Ergon Energy Retail), a subsidiary of Energy Queensland, still prepares its own financial statements. The remaining Energy Queensland subsidiaries are small proprietary companies and are therefore relieved from the requirement for preparation, audit and lodgement of annual financial statements.

Investment in associates

On 14 October 2019, Energy Queensland subscribed to Series B Preference shares (22% in total shares issued) in Redback Technologies Holdings Pty Ltd (Redback), a clean-tech company that manufactures smart solar storage and network management solutions.

Energy Queensland also holds an investment in Queensland Capacity Network Pty Ltd (QCN)(49% of voting shares), a communications company setup for the purpose of enabling faster and more reliable internet services in regional Queensland. Energy Queensland is deemed to have significant influence over both Redback and QCN, and accounts for its investments in these associates using the equity method.

ACCOUNTING POLICIES

Basis of consolidation

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the parent of the Group.

Investments in controlled entities are carried in the financial statements of the Company at the lower of cost and recoverable amount.

Where an acquisition has commercial substance, the cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of exchange. Where such transactions result from the restructuring of entities wholly-owned by the State of Queensland and are designated as transactions with owners, assets acquired and liabilities assumed are recognised at the current carrying amounts recorded by the transferor with any difference between consideration and the carrying amount at the date of exchange recorded in equity.

Where Energy Queensland has significant influence over an investment, it is deemed an associate and equity accounted.

CLOSED GROUP LEGISLATIVE INSTRUMENT

As a condition of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Energy Queensland entered into a Deed of Cross Guarantee with the following controlled entitles:

- Energex Limited
- Ergon Energy Corporation Limited
- SPARQ Solutions Pty Ltd
- Yurika Pty Ltd
- Metering Dynamics Pty Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES (CONTINUED)

The effect of the Deed is that Energy Queensland, the Parent, has guaranteed to pay any deficiency in the event of winding up of the above controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. These controlled entities have also given a similar guarantee in the event that any other entity in the Closed Group is wound up or if it does not meet its obligations under the terms of the overdrafts, loans, leases or other liabilities under the guarantee.

The existing Deed of Cross Guarantee continues to provide reporting relief to the above controlled entities.

The Consolidated Profit or Loss and Statements of Financial Position of the entities that are members of the Closed Group are provided in Note 28.

Further information regarding guarantees is provided in Note 25.

NOTE 27: ENERGY QUEENSLAND LIMITED (THE PARENT)

In millions of dollars	2021	2020
Current assets	**1,179**	1,573
Non-current assets	**20,554**	19,978
Total assets	**21,733**	21,551
Current liabilities	**202**	911
Non-current liabilities	**18,166**	17,360
Total liabilities	**18,368**	18,271
Net assets	**3,365**	3,280
Issued capital	**19,643**	19,643
Other transactions with owners	**(16,267)**	(16,267)
Retained earnings	**(11)**	(96)
Total equity	**3,365**	3,280
Profit of the Parent entity	**220**	443
Total comprehensive income of the Parent entity	**220**	443

Parent entity contingencies

There are no common law claims pending against the Company (2020: nil).

Parent entity capital commitments for acquisition of property, plant and equipment

During the year the Company entered into contracts to purchase plant and equipment for $2 million (2020: $9 million).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 28: CLOSED GROUP

As discussed in Note 26, pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to wholly-owned entities of the Group from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

The Consolidated Statement of Profit or Loss and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

Consolidated Closed Group Profit or Loss

In millions of dollars	2021	2020
Profit or loss before income tax	**217**	537
Income tax expense	**(64)**	(162)
Profit after tax	**153**	375
Retained earnings at the beginning of the year	**31**	133
Dividends provided for or paid	**(220)**	(443)
Transfers to reserves	**191**	(34)
Retained earnings at the end of the year	**155**	31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 28: CLOSED GROUP (CONTINUED)

Consolidated Closed Group Statement of Financial Position

In millions of dollars	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	**28**	7
Trade and other receivables	**634**	1,172
Inventories	**192**	186
Other assets	**4**	17
Total current assets	**858**	1,382
NON-CURRENT ASSETS		
Property, plant and equipment	**24,422**	24,140
Right-of-use assets	**273**	304
Intangible assets	**552**	438
Investments in subsidiaries	**119**	119
Employee retirement benefits	**214**	113
Other assets	**15**	21
Total non-current assets	**25,595**	25,135
TOTAL ASSETS	**26,453**	26,517
CURRENT LIABILITIES		
Trade and other payables (including dividends payable)	**609**	1,490
Lease liabilities	**32**	31
Employee benefits	**396**	383
Provisions	**7**	8
Current tax liabilities	**-**	6
Unearned revenue and contract liabilities	**81**	83
Other liabilities	**1**	1
Total current liabilities	**1,126**	2,002
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**18,152**	17,343
Lease liabilities	**253**	286
Employee benefits	**15**	17
Provisions	**3**	3
Net deferred tax equivalent liability	**3,374**	3,392
Unearned revenue and contract liabilities	**-**	1
Other liabilities	**3**	3
Total non-current liabilities	**21,800**	21,045
TOTAL LIABILITIES	**22,926**	23,047
NET ASSETS	**3,527**	3,470
EQUITY		
Share capital	**19,643**	19,643
Other transactions with owners	**(18,514)**	(18,514)
Reserves	**2,243**	2,310
Retained earnings	**155**	31
TOTAL EQUITY	**3,527**	3,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) Details of Shareholding Ministers

The Group's responsible shareholding Ministers are identified as part of the Group's Key Management Personnel (KMP). The Ministers responsible during the financial year are, or were the:

- Treasurer and Minister for Infrastructure and Planning (until 11 November 2020),
- Minister for Natural Resources, Mines and Energy (until 11 November 2020),
- Treasurer and Minister for Investment, and the
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

(B) Compensation – Shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

(C) Details of Directors

Directors of Energy Queensland as at 30 June 2021:		Term of appointment	Appointment expiry date
Philip Garling	Chairman	3 years 3 months	30 September 2022
Mark Algie	Non-Executive Director	3 years	30 September 2022
Teresa Dyson	Non-Executive Director	4 years	30 September 2023
Hugh Gleeson	Non-Executive Director	3 years	30 September 2022
Helen Stanton	Non-Executive Director	4 years	30 September 2023
Vaughan Busby	Non-Executive Director	3 years	30 September 2023
Karen Lay-Brew	Non-Executive Director	3 years	31 May 2024
Paul Lucas	Non-Executive Director	3 years	31 May 2024

(D) Compensation – Directors

Directors' remuneration is set in accordance with the *Remuneration Procedures for Part-time Chairs and Members of Queensland Government Bodies.*

The non-executive Directors of the Company do not participate in any variable reward or 'at-risk' incentive scheme.

Amounts disclosed for remuneration of key management personnel exclude insurance premiums paid by the Company in respect of Directors' and Officers' liability insurance contracts.

In accordance with Ministerial Guidelines, details of compensation provided to Directors in office during the financial period ended 30 June 2021 by the Group are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(D) Compensation – Directors (Continued)

DIRECTORS' REMUNERATION[2]	SHORT TERM BENEFITS Directors' Fees		POST EMPLOYMENT BENEFITS Superannuation		TOTAL	
In thousands of dollars	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Energy Queensland						
Philip Garling	207	207	20	20	**227**	**227**
Mark Algie	85	85	8	8	**93**	**93**
Vaughan Busby	87	85	8	8	**95**	**93**
Teresa Dyson	95	95	9	9	**104**	**104**
Hugh Gleeson	88	88	8	8	**96**	**96**
Helen Stanton	88	89	8	8	**96**	**97**
Kerryn Newton[1]	21	88	3	8	**24**	**96**
Total	**671**	**737**	**64**	**69**	**735**	**806**

(1) Kerryn Newton resigned as a Director of Energy Queensland Limited effective 30 September 2020

(2) Karen Lay-Brew and The Honourable Paul Lucas did not receive remuneration for the period from their appointment as Directors to 30 June.

No further fees were paid to Directors, other than the amounts disclosed in the table above.

(E) Compensation – Executives

Senior executive employment contracts

Remuneration and other terms of employment of executives are formalised in senior executive employment contracts. Each of these employment contracts makes a provision for fixed remuneration and an 'at risk' performance incentive.

A Total Fixed Remuneration (TFR) concept for the structure of executive remuneration is utilised. While the total cost of a senior executive's remuneration package is capped, the executive then has the flexibility to decide the composition of the total fixed remuneration, which could include cash salary or salary sacrificed arrangements including motor vehicle, car park and additional superannuation, plus any fringe benefits tax incurred.

No other non-cash benefits are provided to executives as the TFR concept captures various benefits structured within a total cost rather than a base salary plus benefits approach.

Senior executive staff members are eligible for an 'at risk' or variable performance pay component that is directly linked to both the overall performance of their respective employer Group and their individual efforts against a range of key indicators and targets as contained in the annual Statement of Corporate Intent and the senior executives' performance agreement. Any 'at risk' payment is contingent upon the Board's assessment of the company's overall performance and shareholder expectations.

Performance payments may not exceed a maximum of 15% of the individual's TFR figure.

All senior executives are engaged on tenured contractual arrangements in accordance with *The Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements* (Policy).

Separation entitlements for all senior executives are subject to the normal terms and conditions of their contracts with the Group.

Application to Chief Executive Officer (CEO) and other Senior Executives

Upon termination the executive is entitled to pay in lieu of the executive's entitlements to annual leave and long service leave, calculated with reference to the executive's total fixed remuneration up to the date on which the termination takes effect. If the employment of the executive is terminated by Energy Queensland, except in the event of serious misconduct or incapacity, the executive is entitled to:

i. salary for the balance of the notice period; and
ii. a termination payment of six months (for CEO) and three months (for other Senior Executives) superannuable salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment benefits[3]	Other long-term benefits[4]	Termination benefits	Total
2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke – Chief Executive Officer	859	-	22	92	-	**973**
Peter Scott – Executive General Manager Finance	502	-	22	57	-	**581**
Belinda Watton – Executive General Manager Services	422	-	22	49	-	**493**
Peter Price - Executive General Manager Engineering	458	-	48	55	-	**561**
Paul Jordon – Executive General Manager Operations	444	-	49	55	-	**548**
Michael Dart – Executive General Manager Customer	311	-	22	37	-	**370**
Ayesha Razzaq – Executive General Manager Retail[5]	351	-	22	41	-	**414**
Carly Irving – Executive General Manager Yurika[6]	354	-	22	41	-	**417**
Marianne Vosloo – Executive General Manager Digital	364	-	22	41	-	**427**
Total	**4,065**	**-**	**251**	**468**	**-**	**4,784**

(1) Short-term benefits include all payments made to the Officer during the year excluding at-risk performance payments (disclosed separately), less payments for annual leave and long-service leave taken.

(2) At risk performance payments are physically paid in the current financial year for performance for the prior financial year.

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (which range from 9.5% of the maximum contribution base to 10% as part of the fixed remuneration base). Some executives are members of the defined benefit superannuation fund. Refer to Note 17 for further information regarding the defined benefit obligations of the Group.

(4) Other long-term benefits represent annual and long service leave benefits accrued during the year.

(5) Ayesha Razzaq was acting in the role of Executive General Manager Retail from 23 March 2020 and formally appointed on 17 December 2020. The amounts disclosed are for the full financial year.

(6) Carly Irving was acting in the role of Executive General Manager Yurika from 27 February 2020 and formally appointed on 17 December 2020. The amounts disclosed are for the full financial year.

Effective from 27 July 2020, a number of Executive Committee member titles were renamed to better reflect their overall divisional function, as shown in the table below:

EQL Executive Committee	
2021 New Title	**2020 Former Title**
Chief Executive Officer	Chief Executive Officer
Executive General Manager Finance	Chief Financial Officer
Executive General Manager Operations	Executive General Manager Distribution
Executive General Manager Services	Chief Transformation Officer
Executive General Manager Engineering	Executive General Manager Asset Safety and Performance and Head of Corporate Strategy
Executive General Manager Customer	Executive General Manager Community, Customer and Corporate Affairs
Executive General Manager Digital	Chief Information Officer
Executive General Manager Retail	Executive General Manager Retail
Executive General Manager Yurika	Executive General Manager Yurika

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment benefits[3]	Other long-term benefits[4]	Termination benefits	Total
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke - Chief Executive Officer[5]	198	-	5	23	-	**226**
Peter Scott - Chief Financial Officer[6]	700	68	21	57	-	**846**
Michael Hutchens – Acting Chief Financial Officer[7]	344	-	16	23	-	**383**
Belinda Watton – Chief Transformation Officer	440	57	21	49	-	**567**
Peter Price - Executive General Manager Asset Safety and Performance and Head of Corporate Strategy	474	63	49	54	-	**640**
Paul Jordon – Executive General Manager Distribution	462	62	49	55	-	**628**
Michael Dart – Executive General Manager Community, Customer and Corporate Affiairs[8]	323	-	21	37	-	**381**
Ayesha Razzaq – Acting Executive General Manager Retai[9]	106	-	6	9	-	**121**
Cheryl Hopkins - Executive General Manager Retail and Chief Risk Officer[10]	342	58	18	40	-	**458**
Carly Irving – Acting Executive General Manager Yurika[11]	131	-	7	12	-	**150**
Charles Rattray - Executive General Manager Energy Services[12]	305	33	16	35	-	**389**
Marianne Vosloo – Chief Information Officer[13]	7	-	-	2	-	**9**
Total	**3,832**	**341**	**229**	**396**	**-**	**4,798**

(1) Short-term benefits include all payments made to the Officer during the year excluding at-risk performance payments (disclosed separately), less payments for annual leave and long-service leave taken.

(2) At risk performance payments are physically paid in the current financial year for performance for the prior financial year.

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (which range from 9.5% of the maximum contribution base to 10% as part of the fixed remuneration base). Some executives are members of the defined benefit superannuation fund. Refer to Note 17 for further information regarding the defined benefit obligations of the Group.

(4) Other long-term benefits represent annual and long service leave benefits accrued during the year.

(5) Rod Duke was appointed to the position of Chief Executive Officer effective 1 April 2020.

(6) Peter Scott was acting in the role of Chief Executive Officer from 1 July 2019 until 31 March 2020, when he returned to the role of Chief Financial Officer. The amounts disclosed are for the full financial year.

(7) Michael Hutchens was acting in the role of Chief Financial Officer from 1 July 2019 until 31 March 2020. The amounts disclosed are only those earned by the individual during the period acting in that role.

(8) Michael Dart was acting in the position of Interim Executive General Manager Community, Customer and Corporate Affairs from 1 July 2019 and formally appointed to the position effective 1 January 2020.

(9) Ayesha Razzaq was acting in the role of Executive General Manager Retail from 23 March 2020. The amounts disclosed include those earned by the individual since acting in that role.

(10) Cheryl Hopkins resigned from the role of Executive General Manager Retail and Chief Risk Officer effective 17 April 2020.

(11) Carly Irving was acting in the role of Executive General Manager Yurika from 27 February 2020. The amounts disclosed include those earned by the individual since acting in that role.

(12) Charles Rattray resigned from the role of Executive General Manager Energy Services effective 20 March 2020.

(13) Marianne Vosloo was appointed to the role of Chief Information Officer on 15 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(F) Fixed Remuneration Packages – Executives

Total Fixed Remuneration Package[1]	2021	2020
Energy Queensland		
Chief Executive Officer	**910**	910
Executive General Manager Finance	**562**	562
Executive General Manager Operations	**541**	541
Executive General Manager Services	**483**	483
Executive General Manager Engineering	**536**	536
Executive General Manager Customer	**364**	364
Executive General Manager Digital	**400**	400
Executive General Manager Retail	**404**	493
Executive General Manager Yurika	**404**	475
Total	**4,604**	4,763

(1) The TFR package differs from the executive remuneration disclosures on the previous page, as the executive remuneration disclosures reflect the cost to the Group. Adjustments include leave and superannuation accruals and pro-rata payments for part-year entitlements. The fixed remuneration note has been adjusted to reflect the current organisational structure.

(G) Compensation disclosures by category:

	2021	2020
	$'000	**$'000**
Short-term benefits	**4,736**	4,910
Post-employment benefits	**314**	298
Other long-term benefits	**469**	396
Termination benefits	**-**	-
Total	**5,519**	5,604

This table includes Directors and Executives remuneration.

(H) Transactions with related parties of key management personnel

Key management personnel and their closely related parties conduct transactions with the Group on an arm's length basis and on terms and conditions no more favourable than those available to non-related parties.

All transactions with key management personnel or related parties that occurred during the financial year are trivial or domestic in nature, apart from those noted below.

The following executives of the Group are or were Directors of controlled entities or associates. They did not receive any remuneration for their positions as Directors of these legal entities.

- Rod Duke
- Peter Scott
- Jane Nant
- Belinda Watton
- Peter Price

Teresa Dyson was a Director of Energy Super during the 2020/21 financial year. The Group made contributions to the Energy Super Fund during the year of $104 million (2020: $104 million).

(I) Loans to key management personnel

The Group has not made any loans to key management personnel in either the current or the prior financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: RELATED PARTY TRANSACTIONS

Entities subject to common control
The Company is a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland. All State of Queensland controlled entities meet the definition of other related parties of the Group.

Transactions with State of Queensland controlled entities
The Group and the Company transact with other State of Queensland controlled entities. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions.

	2021 $'000	2020 $'000
REVENUE		
Revenue from State of Queensland controlled entities	**395,653**	632,986
Pensioner rebate and Qld utility bill relief revenue from Department of Communities, Disability Services and Seniors	**90,280**	226,505
Electricity trading with State of Queensland controlled entities	**36,291**	(83,742)
Interest received from QTC	**458**	4,026
Community service obligation revenue received from Department of Energy and Public Works	**454,001**	498,146
EXPENSES		
Expenses incurred to State of Queensland controlled entities	**604,116**	590,601
Interest on QTC borrowings (includes administration fees)	**623,798**	670,072
Competitive neutrality fee paid to Queensland Treasury	**71,659**	49,926
Environmental certificate transactions with State of Queensland controlled entity counterparties	**7,881**	3,917
NTER, Payroll Tax and Land Tax paid to Queensland Treasury	**177,659**	349,027
ASSETS		
Advances facility held with Queensland Treasury	**-**	9,419
Community service obligations amounts receivable	**37,781**	40,891
Current tax receivable	**86,383**	-
Electricity trading with State of Queensland controlled entities	**94,732**	(14,765)
Trade and other receivables from State of Queensland controlled entities	**5,690**	4,825
LIABILITIES		
Accrued interest and fees payable to QTC	**47,316**	51,563
Trade payables to State of Queensland controlled entities	**46,709**	90,872
Dividends payable to Queensland Treasury	**219,714**	443,446
Borrowings from QTC	**18,151,800**	17,343,300
Accrued competitive neutrality fee payable to Queensland Treasury	**18,196**	12,707
Unearned grant revenue	**900**	1,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: RELATED PARTY TRANSACTIONS (CONTINUED)

No provision for impairment of receivables was raised for any outstanding balances and no expense was recognised for bad or impaired debts due from State owned entities.

Transactions with State-owned electricity entities were made in accordance with the National Electricity Rules for transmission use of system charges. Other transactions are based on normal commercial terms and conditions and at market rates.

Transactions with other related parties

Disclosures relating to key management personnel are set out in Note 29.

Ultimate parent entity

The ultimate parent entity within the Group is Energy Queensland Limited.

Ownership interests in related parties

Interests in consolidated entities and associates are set out in Note 26.

NOTE 31: AUDITOR'S REMUNERATION

	2021	2020
	$'000	$'000
Remuneration for audit and review of the financial reports of the Group and the Company: Auditor-General of Queensland		
Audit services Audit and review of financial reports	**1,728**	1,778
Audit and review of regulatory reports	**557**	706
Other Non-financial review of regulatory reports	**107**	99
	2,392	2,583

NOTE 32: 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 Group or the Company.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and associated notes set out on pages 65-121;
   - (i) Comply with the 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 Group as at 30 June 2021 and of its performance for the year ended on that date.
2. As at the date of this declaration there are reasonable grounds to believe:
   - (i) That the Company will be able to pay its debts as and when they become due and payable; and
   - (ii) The members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become,subject by virtue of the Deed of Cross Guarantee.

Made in accordance with a resolution by the Directors.

Philip Garling
Chairman
19th August 2021

Queensland Audit Office

Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Energy Queensland Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Energy Queensland Limited and its controlled entities (the Group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2021, and their 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 consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated 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 group 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 group 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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Valuation of supply system assets ($22,810 million) (Note 15)

Key audit matter	How my audit procedures addressed this key audit matter
The fair value of the supply system assets has been determined using the discounted cash flow (DCF) technique (Income Approach). The fair value estimation involved significant assumptions and judgements for: • Aggregating supply assets to units of account for valuation purposes. • Estimating future cash inflows and outflows based on: - Revenue forecasts - Estimations of efficient and prudent operating and capital cash outflow amounts occurring beyond the current regulatory period - Tax cash flow - Additional capital expenditure spends - Deriving a terminal value in Energy Queensland Limited's regulated environment - Setting the rate used to discount the forecast cash inflows, cash outflows and terminal value to present value.	I engaged an auditor's expert to assist me in: • Evaluating the appropriateness, with reference to common industry practice, of Energy Queensland Limited's identification of units of account and use of the income approach (having consideration for highest and best use and the principal market). • Verifying the mathematical accuracy of the discounted cash flow models. • Assessing the reasonableness of forecast revenue, operating expenditure, capital expenditure, and tax cash flows, by corroborating the key market related assumptions to relevant internal forecasts and historical external data. • Evaluating the methodology used to derive terminal values with reference to common industry practice. • Performing sensitivity analysis for the revenue cash flow growth rate, expenditure cash flow growth rate, discount rate and terminal value to assess how management addressed estimation uncertainty. • Agreeing the discount rate calculation methodology to industry range standards and available market information; and • Assessing the reasonableness of the income approach valuation by performing valuation cross checks to comparable organisations and recent sales of similar entities. In assessing the work of the auditor's expert, I: • Evaluated their qualifications, competence, capabilities, and objectivity. • Considered 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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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 group'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 group or to cease operations, or has no realistic alternative but to do so.

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.

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- 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group'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 group'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 group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B.P. Worrall

20 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

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