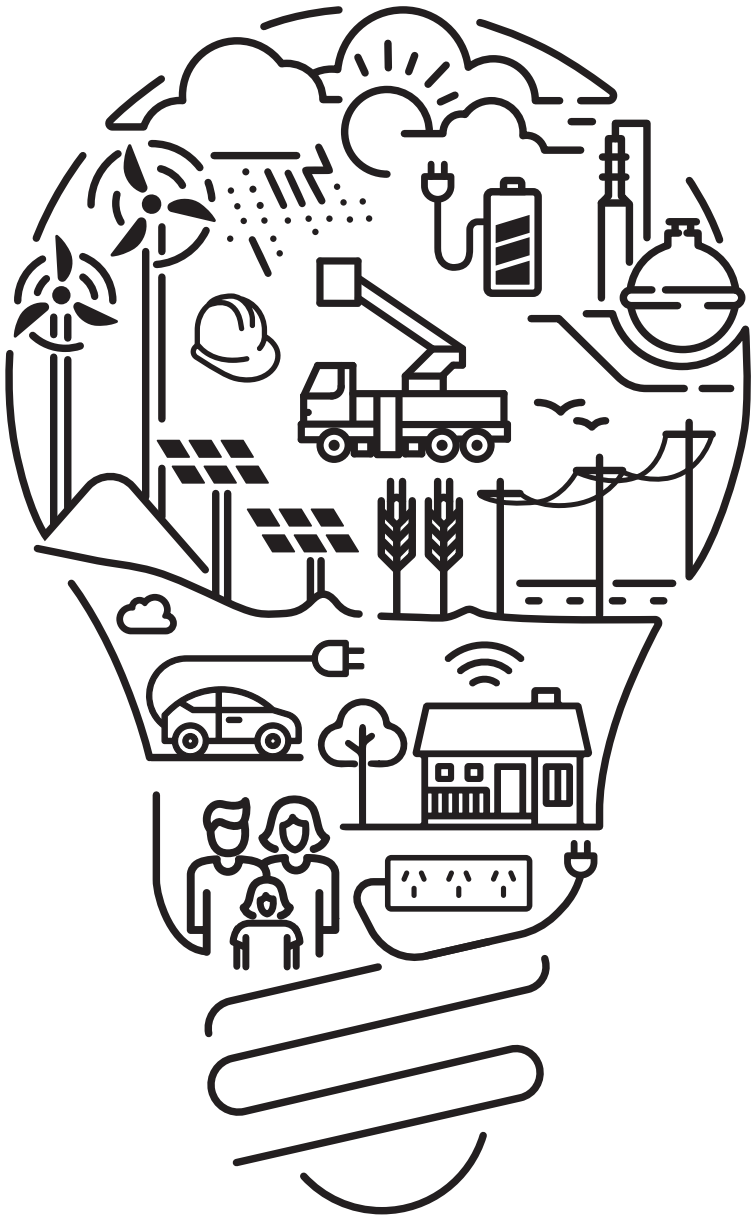


ANNUAL REPORT

2021-22

Energy Queensland

About this report

As our key stakeholder report, Energy Queensland's Annual Report highlights our contribution across our most material economic, social, environmental and governance topics.

The report covers the Energy Queensland Group's (the Group's) overall performance from July 2021 to June 2022. It covers Energex Limited, Ergon Energy Corporation Limited, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail) and Yurika Pty Ltd. Commentary is also provided on the Group's other subsidiary companies.

To meet best practice reporting standards, as well as our legislative requirements, the report has been prepared with guidance from the Global Reporting Initiative and the principles of the International Integrated Reporting Framework. This included a comprehensive assessment of the topics that matter most to our stakeholders.

This and earlier Annual Reports are on our website at www.energyq.com.au/publications.

We welcome feedback to help us improve our reporting. Comments and requests for hard copies can be directed to community@energyq.com.au

Energy Queensland acknowledges the Traditional Custodians of the land on which we live and work, and recognises their continuing connection to land, waters and community. We pay respect to Elders past and present.

We’re working together, towards an Electric Life.

To advance the energy transition towards net zero, we’re working closely, as trusted partners, with our customers and other stakeholders.

We’re partnering to enable double Queensland’s rooftop solar by 2030, and the electrification of the transport sector, while addressing pressing concerns around safety, network resilience and security of supply.

At the same time, we’re empowering our people to find more financially sustainable ways to deliver – and to find solutions fit for tomorrow’s world.

Contents

About us

Energy Queensland is Australia's largest, wholly government-owned electricity company.

Our 'poles and wires' businesses, Ergon Energy Network and Energex deliver electricity across Queensland. We energise the lives of more than five million Queenslanders through more than 200,000 kilometres of electricity networks, and 33 stand-alone microgrids.

Our retailer, Ergon Energy Retail, sells this electricity to its 758,000 customers throughout regional Queensland, with generation, energy trading and retailing capabilities. Our customer numbers make us the fourth largest retailer in the National Electricity Market (NEM).

Yurika provides integrated solutions in energy and infrastructure, energy supplies, metering, telecommunications, and digital services to connect its customers to a sustainable energy future.

We energise Queensland communities from Tweed River to Torres Strait and from Brisbane across to Birdsville, and through Yurika's services, to a growing national footprint.

Our vision

We energise Queensland communities.

Our purpose

To safely deliver secure, affordable and sustainable energy solutions with our communities and customers.

Our values

Safe
We are committed to keeping our people, community and customers safe

Knowledgeable
We openly share our knowledge

Innovative
We strive to make our business better

Leading
We lead and follow each other to success

Listening
We respect and hear each other

Engaged
We work as a team to be the best we can be

Diverse
We are diverse which makes us stronger

Our numbers

7,679
employees

2.3 million
connected customers

graduates and apprentices 486

758,000
retail customers

183,000km
overhead powerlines

1.7 million
power poles

29,000km
underground power cables

3 customer solutions centres

3 network control centres

33
stand-alone power stations

41
large-scale solar renewables connected

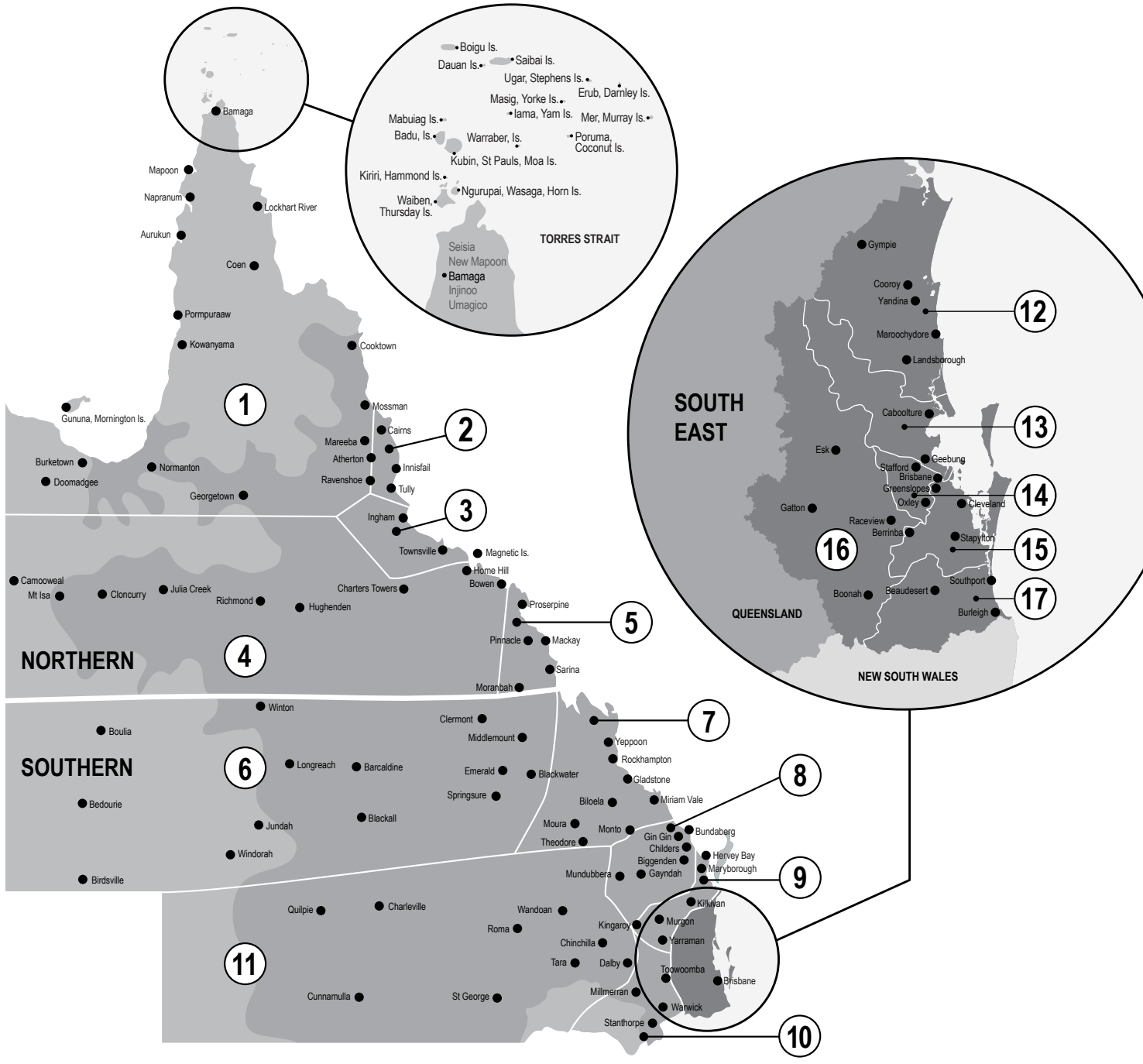
737,500
small-scale solar energy systems connected

Our core service area

Our 17 service areas with 117 depots and offices ensure we are well placed to energise communities across Queensland.

1 Far North
2 Tropical Coast
3 Herbert
4 Flinders
5 Pioneer
6 Central West
7 Capricornia
8 Bundaberg Burnett
9 Fraser Burnett
10 Darling Downs
11 South West
12 Sunshine Coast
13 Brisbane North
14 Brisbane Central
15 Brisbane South
16 Ipswich Lockyer
17 Gold Coast

Regional network - Ergon Energy Network
Isolated supply - Ergon Energy Network
Ergon Energy Retail
South East Network - Energex
Depot locations



The year's highlights

Strong customer demand for new network connections

drove large-scale renewables and storage connection projects underway, as well as significant activity across commercial and industrial connections.

Smart meters bring benefits to our customers

with Queensland's first community-wide roll out in the Indigenous community of Woorabinda.

There for flood devastated Queenslanders

with crews from across the state supporting the 180,000 homes and businesses across southern Queensland who lost power in early 2022.

Field Learning app supports hazard management

through frontline learning, effectively implementing critical controls day-to-day, and data sharing.

Career opportunities for apprentices and graduates

with 131 new recruits. Our training and scholarships are supporting a pipeline of talent to meet the workforce capability needs of the future.

Utility-scale battery trial deployed

to bring renewable energy storage solutions to Queensland. Three of the five batteries are now energised. The remaining two are in the final stages of construction.

Ground-breaking Solar Enablement Initiative

is improving the visibility and integration of solar in real time, allowing more renewable energy to be exported locally.

Yurika advances the Electric Super Highway

west into more regional areas, deploying the latest 75kW fast chargers manufactured here in Queensland.

Chairman and CEO's message

"We've been enabling safety outcomes, keeping the lights on, and addressing the business's financial sustainability, while building our people capability, and evolving to empower an Electric Life."

2021-22 has been a busy year, as we have responded for Queenslanders in their time of need, while simultaneously investing to meet our customers' energy needs into the future.

We've been enabling safety outcomes, keeping the lights on, and addressing the business's financial sustainability, while building our people capability, and evolving to empower an Electric Life.

We see a future where the energy technology industry booms with new and emerging energy services, markets, and widespread availability of digitally-tailored solutions. An Electric Life is about enabling customer choice in this new world and transitioning Queensland to net zero emissions by 2050.

Keeping the lights on for the community

Following the severe storms and major flooding that occurred across southern Queensland in early 2022, people from our network teams worked hard to restore the power to more than 180,000 homes and businesses. The nature of the flooding created challenges as we responded, with the water levels in creeks and rivers continuing to rise and fall with the tides, rainfall, dam releases and storms. Throughout this, we remained focused on safely restoring power to the flood affected communities.

The nine-day restoration timeline, achieved without compromising safety, couldn't have been delivered without the committed efforts of many right across the business, from crews on the ground, to our planning and support teams, and the support of all of the external stakeholders with which we work hand-in-hand .

During the same period, in other parts of the state, we also successfully responded to the increase in air conditioning load due to heatwave conditions with no major outages. The year's response effort did not end there, with rain events continuing well beyond the typical summer storm season.

In addition to the weather, we also responded to the challenges around the Lack of Reserve in the electricity market in June. This involved engaging with our customers, to provide additional flexibility to AEMO to manage supply and demand. Our efforts were part of a suite of measures to help manage demand and avoid emergency load shedding.

The safety of our communities and our people

To ensure our networks remained safe and reliable, Ergon Network and Energex delivered a major asset renewal program this year, as part of a $1.2 billion network investment program. More than 25,000 power poles were replaced, along with other targeted programs. Considering the impacts of COVID-19 on resourcing, the extent of the weather events and current supply chain challenges, the delivery of this year's works program has been a great outcome.

While these refurbishment and replacement works are impacting our networks' outage performance results, they remain absolutely essential to the future safety and reliability of supply to our regional communities. Pleasingly, we are managing to do this work without impacting overall customer satisfaction with supply reliability.

Community safety also remains the focus on our communications campaigns. With the current increase in construction activity across Queensland, we have seen an increase in community electrical safety incidents involving our networks. To combat this, we have engaged with industry stakeholders, and ramped up targeted safety campaigns.

We have also continued our electrical safety education in the wider community, introducing the 'Next Thing you Touch' message to let people know what to do if you experience a shock or tingle. Other campaigns were also launched to help keep our people safe when in the community.

To address workplace safety, we continued to focus on enabling our frontline managers to see the risks and to implement critical safety controls, and also on advancing the frameworks that support continuous improvement. This included empowering our people with new digital capabilities, like the app introduced to help identify and address workplace safety hazards.

Safety is an area where we just cannot rest on past results. We tragically lost one of our own this year in a motor vehicle accident. Our colleague's death while on a worksite in Far North Queensland was a tragic reminder of the diverse risks our people face every day in serving the community. This escalated our focus on road safety, and saw us all reflect deeply on our personal safety commitment.

Towards an Electric Life, and a net zero future

In the future we expect to see double the amount of solar energy generated, and perhaps two million electric vehicles connected to our networks. Our challenge is to stay a step ahead to ensure our network continues to support this major transition.

Our success here has seen us roll out 40MWh of utility-scale batteries in Townsville, Yeppoon, Bundaberg, Hervey Bay and Toowoomba, where rooftop solar penetration is high. It has seen progress on our Future Grid Roadmap with new dynamics connections standards, technology testing in our new Microgrid and Isolated Systems Test facility, stand-alone power systems solutions proven for roll out, a new capability embedded into our operation technology to provide visibility of the solar energy flowing through our networks, and support for the future of electric vehicles, to highlight just a few of our technical initiatives that will result in transforming the network

The energy transition underway is something we know cannot happen without trust and a strong social license. Here we're working closely, as trusted partners, with our customers and other stakeholders.

Ergon Retail was there to welcome back those Queenslanders who saw market offers increase with the volatility in the wholesale energy market, and they continued to provide government rebates to help address the cost of living. They also partnered with stakeholders to roll out digital meters in the Indigenous community of Woorabinda, helping them better manage their electricity accounts.

To help build relationships, we also renewed Energy Queensland's Customer and Community Council and established a Tariff Reform Working group. Both groups are now bringing a broad cross section of voices to the table. We also introduced two new corporate measures, for customer satisfaction and trust, to put customers at the centre of our decision-making.

Our contribution to the Queensland Government's 50% renewable energy by 2030, and net zero emissions by 2050, is in enabling both renewables and new technology, and addressing our own carbon footprint. To support this, we will be retaining this year's dividend, in order to invest it into critical infrastructure and growth initiatives that support continued renewable energy, storage and other strategic investments across Queensland.

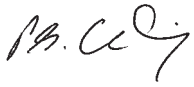
The opportunity to reinvest our retained dividend of $192 million will allow Ergon Network and Energex to accelerate the delivery of a further 12 utility-scale batteries across the state as part of our Local Network Battery Plan. We are also identifying opportunities to invest in decarbonising power supplies in our remote and isolated communities.

Our people are making a difference

Special mention also needs to be made of the commercial success achieved by the Yurika team, whose reputation in the industry has risen over recent years from a relatively unknown name to a trusted force with a strong pipeline of work underway connecting customers to a sustainable energy future.

Across the Group, we are enormously proud of the efforts our people made this year to keep Queensland communities energised, and all the work already progressing around the energy and digital transitions to make a difference into the future.

It's certainly a promising time for advancing our customer offering.



Phil Garling AM
Chairman

Rod Duke
Chief Executive Officer

Performance report

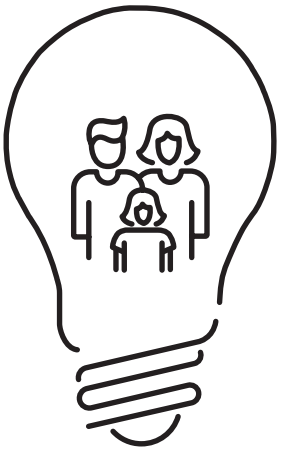
Our customers

Our communities

Our people

Our environment

Our economic value



Customers are at the centre of everything we do.

We're improving the service experience today and evolving our offerings to meet their needs into the future.

We're engaging with our customers to deliver affordable, sustainable energy solutions.

Strong customer demand for new network connections

Strong demand for new network connections in 2021-22 drove significant customer-initiated project activity across both Ergon and Energex networks.

Several large-scale renewable energy projects are well underway including the largest connection to the grid with Ergon Network, the 173MW Renewable Energy Sources Wind Farm at Dulacca, along with other solar farms at Kingaroy and Dalby.

A number of major energy storage projects also started this year, with a mix of battery and hydro technologies. In Far North Queensland, supply is being established for the Genex 250MW Pumped hydro proposal at Kidston. This will enable the construction of penstocks and turbines, which will allow the export of energy directly to Powerlink Queensland's transmission network.

Significant commercial and industrial customer demand is also driving up major network connection activity across Queensland, with large industrial supplies needed for defence, health, mining and manufacturing industries being built or expanded this year. The recent opening of the Rheinmetall Defence manufacturing facility in Maryborough is a great example of Ergon Network's ability to deliver new reliable high voltage network connections that power new regional businesses and create regional employment.

Energex is now in the final design phase for the construction of a large electrical supply for the $330 million investment in Hydroganics' medicinal cannabis project in western Brisbane. The new electrical supply will be ready in early 2023 and will support controlled climate greenhouses and other processing capabilities.

With the support of Australian and Queensland Government economic stimulus, infrastructure projects are also on the increase with extensive works being undertaken around South East Queensland such as the Gold Coast Light Rail, Brisbane Metro Electric bus project and Brisbane's Cross River Rail developments, and with early work underway around Toowoomba on the Inland Rail project. These high-profile projects are delivered through a dedicated team, with up to 200 field staff from Ergon Network and Energex working on renewable generation and large load connections projects at any one time.

Responding to the market environment

During June 2022 Queensland's electricity market experienced several forecast and actual Lack of Reserve (LOR) conditions over a period of nine days from 15 June 2022. These LOR conditions were the result of energy market volatility caused by earlier than anticipated high customer winter energy demand in Queensland and across the NEM with the scheduled maintenance of a number of coal-fired generation units, very high gas fuel prices, and the triggering of a wholesale price cap due to wholesale electricity prices reaching the threshold under the market rules.

In response to consecutive days of LOR forecasts, the Australian Energy Market Operator (AEMO) issued several market directions to generators in all NEM regions to manage the supply shortfall during this period. This ultimately prompted AEMO to suspend the spot market, as it was no longer able to operate effectively with this level of manual intervention.

During this period Ergon Network and Energex responded, engaging customers and utilising controlled loads and our Peak Smart response to reduce the evening peak, to provide additional flexibility to AEMO to manage supply and demand. Our efforts were part of a suite of measures which ensured that Queensland did not have any emergency load shedding that impacted customers.

New connections supporting economic growth

Demand across the economy for commercial and industrial customer connections has increased the complexity of new connection projects state-wide with solutions requiring advanced engineering design and more complex construction plans. There has also been a significant rise in requests to relocate electricity infrastructure to make way for developments.

This complexity is in addition to the significant increase in requests for connections related works, which began in 2020-21 with the Australian and Queensland Government COVID-19 economic stimulus packages. Since July 2020, more than 250,000 applications have been received for load, solar and subdivision connections. Of these, more than 22,000 were negotiated applications, requiring detailed assessments to be completed to enable offers to customers.

In addition to the government stimulus, the competitive housing market has been influenced by low interest rates and southern state migration to Queensland. These combined factors resulted in a bow wave of subdivision developments and other residential connection applications across the state.

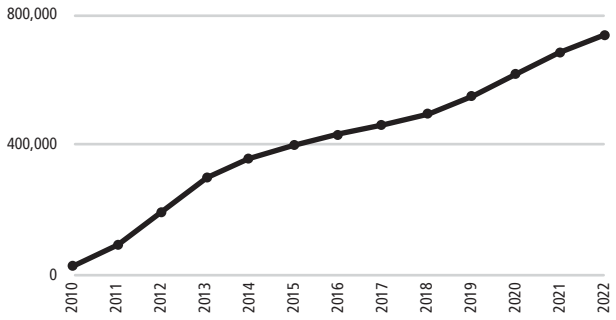
2021-22 also saw more than 54,500 new rooftop solar energy systems connected to the Ergon and Energex networks. With various impacts on the market, we saw the rate of these connections slow for a period, before returning to previous levels towards the end of the year. These systems are now on average 4.8kW in size.

The number of business and government sites connecting solar remained strong. A highlight of these was the delivery of the Queensland Government's three-year Advancing Clean Energy Schools program.

There has been further progress in aligning connections processes and operating models state-wide. Work is also continuing with both design and construction teams to reduce the time taken to complete connections. We continue recruitment drives to meet demand and to build the depth of knowledge required to complete more complex connections. It is essential we take into consideration that it takes time and experience to gain competency to perform these tasks. These efforts aim to improve connection timeframes during the next twelve months.

A collaboration with the Urban Development Institute of Australia (UDIA) helped us to hear directly from developers and their consultants about their experiences in interacting with us. By identifying common operational 'pain points', we gained support for extending the timeframe for the utility-related conditions associated with the Australian Government stimulus for new housing developments. This allowed us to dedicate more skilled resources to subdivision connections and introduce more flexible payment options for developers.

Queensland's roof top solar connections continues to grow



With this year's 54,659 solar connections, there were 744,100 solar energy systems connected to distribution networks across Queensland by June 2022. There were various impacts on the market that slowed the rate of solar connections for a period, before returning to previous levels towards the end of the year.

Demand management capability strengthened

We can now shape the energy use of over one million appliances – those connected to load control tariffs and the response-enabled PeakSmart air conditioners.

Demand management is important to the operation of our distribution networks. It involves using non-network strategies to balance the demand for electricity during different times – reducing the load during peak periods and balancing it across the troughs. Through our Demand Management Plan, we run a number of customer incentive programs as an alternative to costly network investment.

Together, Ergon Network and Energex have a combined demand management portfolio of approximately 882MW that provides network support during system-wide and localised issues. It is made up of:

- 673MW provided by appliances that are connected to control load tariffs, such as hot water systems and pool pumps
- 163MW provided by demand responsive air conditioners in our PeakSmart program
- 46MW provided by customer generation and load shifting contracted through our network support agreements.

Through discounted tariffs, our load control capability ensures high demand appliances (like hot water systems and pool pumps) are not overloading the network during the evening peak. During the year we investigated the opportunity to also use this capability in response to the challenge of minimum demand. We demonstrated that changes to our schedule for the electricity supply to hot water systems on controlled load can provide more load during the middle of the day to 'solar soak' and help address minimum demand.

We also continued to promote our PeakSmart air conditioning program. This program reduces peak demand by dropping the air conditioners of participating households into a lower performance mode when the network is under stress. Across Queensland there are now more than 144,000 PeakSmart air conditioners that can be managed during periods of high demand. There were two PeakSmart events called in February to provide network support during periods of extreme hot weather.

In addition, our targeted demand management program also continued to reward customers undertaking load curtailment, load shifting or embedded generation to reduce demand. Our six network support agreements were used to support the network and defer network investment.

Throughout 2021-22 we have undertaken a number of trials, working with industry and customers, to investigate the demand management capabilities of future technologies, including electric vehicles (EVs), Home Energy Management Systems (HEMS) and behavioural demand response. Findings and insights from our EV and HEMs trials were published and are available online.

Ergon Retail delivering digital customer solutions

Ergon Retail have maximised efforts to deliver for customers by providing diverse solutions for people across regional Queensland.

Driven by our latest e-Billing campaign, we welcomed more than 100,000 customers to our e-Billing platform, which means over half of our customers are now taking advantage of this service. However, the scale of the transition will require innovation at every level. For every customer we convert, we have not only made it easier for them, we also reduced the environmental impact required to generate paper bills.

We have been inviting more customers to register for the benefits of our online self-service portal, My Account. This has resulted in significant growth in new users and increased engagement from existing customers who are taking the time to log into My Account and get to know its features.

Smart meters are seeing digital solutions delivering benefits for our customers. 2021-22 saw Queensland's first community-wide roll out of the digital meters (installed by Yurika and maintained by Ergon Network) in the Indigenous community of Woorabinda. Ergon Retail worked closely with Woorabinda Aboriginal Shire Council to bring the benefits to the community. The new advanced meters give customers the option to better manage their electricity account, and to budget better with bills monthly rather than quarterly.

The transition to the advanced meters saw more than 72,000 Ergon Retail customers connected to digital meters across regional Queensland this year, taking the total number of digital meters to over 269,000. Now more than 238,000, or approximately 31%, of our customer sites have digital metering, allowing them to utilise tools that can help manage energy use and access the benefits of remote meter reading.

We have continued to assist customers on obsolete retail tariffs to transition to their best alternative tariff option. This included engaging directly with business customers, ranging from local Councils to heavy industrial users, to help inform them of their energy use and demand profiles, and the new tariff options available to them. We also worked closely with customer peak bodies and the Queensland Government to assist customers and have presented at a number of customer forums in regional Queensland.

There are a number of customers with solar systems participating in a trial that displays their usage and solar export. This enables them to set alerts on whether their system is working, calculates their best tariff and can help them better manage their solar system. The trial will provide valuable insights to help our solar customers get the best out of their investment.

Helping all Ergon Retail customers financially

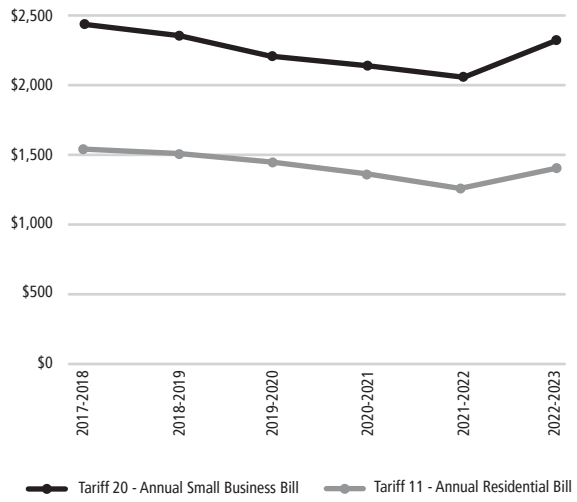
Residential electricity customers received the $50 Queensland Government Asset Ownership Dividend credit on their bills in September 2021. In regional areas, Ergon Retail automatically credited customers – hitting about 630,000 customer accounts. The Queensland Government has also pledged to give householders a $175 Cost of Living Rebate, on their upcoming power bills in the next financial year.

This rebate will help to offset the increase in energy prices announced by the Queensland Competition Authority, the first price rise for residential and small business customers since 2016. From July 2022, the typical residential customer will see an increase of 9.2% ($119 per year), while the typical small business customer will see an increase of 10.2% ($215 per year). This is largely the result of increasing volatility in wholesale electricity costs.

The Queensland Competition Authority announced an increase in the Regional Feed-in-Tariff to 9.3c/kWh.

We also continued to support our customers with the Queensland Government's concessions, rebates and drought relief. We are focused on ensuring our customers are receiving the rebates available to them using a combination of targeted social media, banner adverts within My Account and SMSs. The rebate penetration among this cohort was lifted by 5%.

Power prices impacted by volatility in wholesale electricity costs



As this is the first price rise for residential and small business customers since 2016, bills remain around the same level as they were three years ago for typical customers on Tariff 11 and business customers on Tariff 20.

Responding to retail customer challenges of 2022

While the Australian Energy Regulator's (AER) Statement of Expectations, which provided extra consumer protections during the COVID-19 pandemic, no longer applied, we understood the impacts of COVID-19 through 2021-22 would continue. We have continued to provide specialised payment solutions based on the specific needs of customers both residential and small business. We also engaged with our remote communities to ensure we were best supporting those having to isolate due to COVID-19.

To alleviate some of the stress felt by customers impacted by this year's floods, Ergon Retail paused collection activity for those customers in the Maryborough region. Our specialist credit teams also continued to provide customer specific payment assistance and ensured these customers were not disconnected.

Ergon Retail was also there for thousands of Queenslanders as electricity prices increased for those with market offers, with high costs in the wholesale energy market pushing contestable retailers to no longer be able to provide a competitive service. Ergon Retail have welcomed back these customers in affected areas like Hervey Bay and Bundaberg. Ergon Retail's 'call back' system was effective in helping to manage the spike in calls, as was our online application form, while our teams worked to ensure returning customers were welcomed back as smoothly as possible.

Earlier in the year, Ergon Retail re-launched the 'Your Energy' campaign to assist customers in choosing a retailer with an honest guide on what to do, highlighting the need to understand the different fees potentially incorporated into market offers. The campaign reinforces the value we offer as regional Queensland's energy retailer – with Ergon Retail, what you see is what you get; we get you, because we're owned by you, we're local and always will be; and with our people working across regional Queensland, we support the communities in which we live.

Fostering energy inclusion in our communities

During the year we invested in getting out face-to-face and talking with our customers in their communities. We visited Mt Morgan and Rockhampton to deliver energy awareness sessions, promoting the availability of rebates and concessions, and payment methods available. We also visited 14 Torres Strait outer islands to increase financial inclusion through the redemption of concessions and rebates.

We partnered with the Indigenous Consumer Assistance Network (ICAN) to hold a Yarning Energy Day at Yarrabah, providing access for financial assistance and support, sharing the message that we are 100% Queensland owned and here to talk about any energy concerns.

A new partnership with Uniting Care is providing additional support to customers in financial hardship through the free energy audits that aim to increase energy literacy and link customers with additional support or grants. The partnership builds on the relationships Ergon Retail and Uniting Care have with community service agencies across regional Queensland to ensure customers are getting the assistance necessary to take the stress out of managing their electricity account.

With the recent drought revocation announced for some areas in Queensland, we have been working hard to ensure customers understand their options for accessing suitable retail tariffs and payment assistance, with information provided via a SMS campaign and drought FAQs on the website.

We continued our participation in a trial with the Queensland Government to digitise applications for the Home Energy Emergency Assist Scheme, rather than using a paper form via the post office. Those eligible can apply for a one-off emergency assistance payment of up to $720, available once every two-years.

In regional Queensland we have over 7,800 customers who rely on electricity to support the management of a medical condition. In regional Queensland Ergon Retail and Ergon Network work closely together to ensure these customers do not experience adverse impacts caused by power outages. In the South East, there are more than 29,300 customers reliant on powered medical equipment who are supported by Energex and their local retailer.

Customer experience scorecard

Here when they need to talk to us

Ergon Retail proudly continues to service our customers from our regionally based contact centres in Rockhampton and Townsville. Here, we support customers with energy related enquiries around bill support, consumption advice, connection needs and much more. During 2022, we received elevated numbers of phone enquiries as we transitioned out of the height of the pandemic and as a result of the volatility in the energy market. Despite this, customer satisfaction remained strong with Voice of the Customer survey results showing a satisfaction level of 82%.

This has been achieved in part by the effective use of the customer call-back functionality, a feature of our Contact Centre Technology system, which enables customers to maintain their place in queue whilst not having to remain on hold. Over 143,000 customers took advantage of this option this year, ensuring that even during our busiest times our customers are having a more positive experience.

The emphasis on call quality coaching for our staff very much remains a focus, with the recent introduction of new interactive analytics system tools which assist contact centre leaders to effectively identify coaching and training opportunities. First contact resolution also remains high with 91% having their enquiry dealt with on their first call.

At our Network control centres, flexible work arrangements for our staff supported a fast response time through the storm season. The mobilisation of the workforce throughout the impacts of flooding in South East Queensland in February and March resulted in a slight increase in overall performance in answering loss of supply and emergency calls for the financial year.

At this year's Customer Contact Week's (CCW) Excellence Awards our Customer Operations team for Ergon Network and Energex were the winners of the inaugural 'Best in Crisis and Resilience' award. This was recognition of our response to recent major events from the COVID-19 pandemic, working from home, and the disruption caused by the Callide Power Station fire, and the efforts we put into every call, every transaction, every day.

CALL ANSWERING		TARGET	RESULT	
Unplanned Outage Enquiries	Ergon Network	Loss of supply and emergency calls ≥79.91% answered in 30 secs	88.5%	▲
	Energex Network	Loss of supply and emergency calls ≥88.08% answered in 30 secs	89.7%	▲

Meeting the expectations of our customers

This year we implemented our new corporate Customer Satisfaction (CSAT) metric approach, which involves surveying customers quarterly via an independent panel asking how satisfied they are with the services received by the business. The new corporate CSAT metric measures customer satisfaction across all our brands with an indexed score provided for Energy Queensland. This year our CSAT recorded a score of 72.2, above our target (69) and stretch target (70).

The new corporate CSAT builds on our Voice of the Customer program that continues to measure the customer experience following direct interaction with multiple touchpoints across the business. It provides customer insights to help inform customer experience improvement initiatives at the operational level, with over 2,450 customers providing feedback this year.

Energy Charter supports collaboration

Our commitment to working across the energy supply chain to seek better outcomes for our customers and communities continues through our membership of the Energy Charter.

Complementing our own Customer Strategy and related Customer Advocacy and Customer Experience Management Frameworks, the Energy Charter provides an ongoing additional opportunity to focus on issues of concern to customers and communities. We have been able to collaborate on targeted #BetterTogether improvement initiatives, such as the 'Knock before you disconnect' trial that aims to limit customer disconnections for non-payment of debt through proactive, in person contact with affected customers.

We have reported against our stated Focus Areas for 2021-22 and assessed our progress and maturity against the Energy Charter Principles through our Energy Charter Disclosure Report 2021-22.

Listening and acting on complaints

We see feedback received through our complaints process as key to providing the business with insights that helps us improve. This year, our Complaints Management Policy and approach was audited, and we were commended for the depth of reporting to our Board and Executive, which includes detailed customer case studies and improvement initiatives. The audit findings monitored our staff, policies and procedures adhering to the Standard AS/NZS ISO 10002:2014 Guidelines for Complaint Management in Organisations and its Guiding Principles of Complaints Management. We will use these audit findings to further refine our established complaints management framework to ensure we maintain best practice across the Energy Queensland portfolio.

Ergon Network and Energex received 0.030 complaints per 100 customers on average each month through the year. This improvement can be attributed to both an increased focus on ensuring all complaints are captured, as well as the significant flooding event that occurred in South East Queensland in February-March. Meter reading and planned interruptions continue to be the primary complaints that our network businesses receive. Measures taken to mitigate these complaints include increased awareness of the options available to customers via the online portals.

Ergon Retail received 0.038 complaints per 100 customers on average each month through the year. This improvement can be attributed in part to the introduction of wait time notification and call back option for customers when calling our Customer Solution Centre, making it easier for our customers to connect with us.

Our Energy Charter Disclosure Report provides data on complaints escalated to the Queensland Energy and Water Ombudsman.

Making contact

CALLS
1.14 million

Customer calls answered by our customer solutions service centres

Ergon Retail calls	676, 059
Ergon Network calls	203,520
Energex calls	261,076

WEBSITE
4.3 million

Views of our outage information

SOCIAL MEDIA
246,300

on our platforms, which represents a 5% increase from 2020-21

Yurika leads the charge to a sustainable energy future

Yurika continues to grow its business capabilities, further positioning itself to deliver full turnkey solutions for its customers. Building capacity for change and connecting communities to a sustainable energy future, Yurika continues to power integrated energy, connectivity and sustainability solutions.

Yurika's service offerings now extend across energy and infrastructure, metering, telecommunications, and digital services. Yurika's recently integrated energy supplies team boasts a product range of 27,000+ products and is dedicated to supporting electrical contractors, engineers and property developers across the country to deliver a wide range of projects.

Delivering infrastructure solutions Australia-wide

Yurika's energy and infrastructure business has grown in size consistently year-on-year since its inception. In 2021-22 it reached new heights of revenue, capability breadth and geographic service reach – building assets across Victoria, New South Wales, Northern Territory and Queensland, and assisting with the connection of 1.3GW of large-scale solar to the NEM.

As part of Yurika's ongoing project to install large-scale rooftop solar arrays on top of shopping centres owned by the Queensland Investment Corporation (QIC), the team completed the final rooftop solar array at the Hyperdome Shopping Centre at Logan, south of Brisbane. The 12,400 panel solar array boasts a generation capacity of approximately 6.9GWh – about enough electricity to power 1,000 homes for a year.

Yurika partnered this year with Squadron Energy to commence the electrical work on the Clarke Creek Wind Farm, which will create one of the largest renewable energy precincts in the southern hemisphere, located north-west of Rockhampton. The precinct is also set to integrate solar and battery energy in the future.

The team has also begun early works to support a design and connection study for a 400MW pumped hydro storage facility planned for South West Queensland, and secured electrical balance of plant contracts for two of the largest wind farms in the Southern Hemisphere with a combined capacity of 1.5GW.

Its success with Battery Energy Storage Systems across Queensland, and the Queensland Electric Vehicle Super Highway is covered later in this report.

Yurika continues to scale its metering services

During the year, Yurika also continued to scale up its national footprint as a metering services provider with 85,000 plus meter installations for residential, commercial and industrial customers across the NEM.

We renewed our long-standing partnerships with a number of our major direct customers, including Coles, Wesfarmers, McDonalds, South Australian Government and Boral, while also securing new metering service agreements with a number of energy retailers, including Telstra, Next Business Energy and Iberdrola.

Working with local network providers including Ergon Energy and TasNetworks, Yurika led the way in unlocking the benefits of digital meters envisioned by the Australian Energy Market Commission at the inception of Power of Choice by completing a number of trials whereby asset and engineering data from digital residential meters were used to enable proactive monitoring of network power quality and risks to customer safety.

Working to advance our telecommunications capability

In 2021-22, Yurika has continued to grow its telecommunications business, with several major projects underway and further advances in capability achieved.

Further extension and strengthening of the Yurika fibre network has occurred across the state. We have responded to COVID-19 impacting Queensland Health by assisting to connect services to multiple COVID-19 vaccination clinics in several Queensland regions.

We continued to connect Queensland Government facilities and have now connected over 1,300 sites for multiple departments, all supported by a 24-hour critical response capability. Additional sites are being connected via our fibre networks and the nbn's fibre, plus fixed wireless and satellite services in remote regions.

Yurika has continued to support the resources and renewables industry in Queensland by connecting services to ten mine sites, nine renewables sites and providing internet and monitoring services to five battery sites.

We have also continued to support QCN Fibre through the delivery of an additional 29 fibre builds across Queensland.

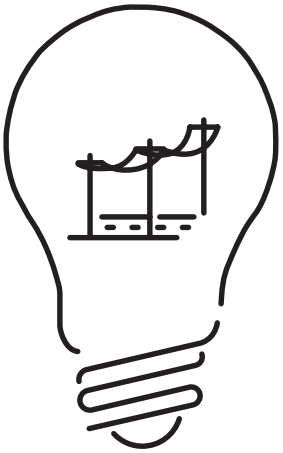
Yurika is now offering digital services to the market

Yurika's digital services offering, launched in 2021, has made significant progress in establishing itself in the marketplace through its new and innovative technology solutions.

Newly introduced solutions include a purpose-built Facilities Access Management platform for the deployment of small cell 5G technology, as well as the highly anticipated Internet of Things (IoT) offering. These services are set to revolutionise the way we live our lives and do business through sophisticated artificial intelligence, machine learning and automation capabilities.

Already attracting significant market attention, the new offering will be ideal for a variety of customers as they navigate complex digital journeys through the energy transition. From professional services that include digital, field and operational support, to a range of new technologies that manage remote devices, the team is able to connect customers through an array of over-the-air connectivity solutions.

Through several successful trials, Yurika's digital services has forged new ground in supporting the automation of asset management, maintenance and integrity practices through alerts and notifications issued through its IoT platform. It's also used to support the management of network and community safety, vegetation management, operational efficiency, as well as conductor clearance to ground and clearance to structure risks, the benefits of its new IoT solutions are endless.



Keeping the lights on

We’re building, maintaining, and responding to enable the safety, resilience, security and, ultimately, the reliability of our networks.

We’re engaging to best deliver real benefits to our communities, and to ensure we deliver on our social licence to operate.

Being there for flood affected Queenslanders

Due to major flooding and associated severe storms that occurred in Brisbane and across southern Queensland in early 2022, more than 180,000 customers lost power. At its peak more than 57,000 customers were without electricity supply at any one time.

In response, Ergon Network and Energex field crews and support teams were mobilised and worked tirelessly to safely restore network supply to all customers who could be safely reconnected.

During the flood event, between 22 February and 8 March 2022, the electricity network and customer premises sustained extensive damage. The widespread nature of this flood event presented unique challenges as water levels in creeks and rivers continued to rise and fall due to tides, continuous rainfall, dam releases and other severe weather impacts. Flood water was our greatest obstacle to accessing network assets and restoring supply. Only after flood waters had subsided could crews drain impacted equipment, clean, and dry it out before repairs could be undertaken.

Based on the expected rate for the flood water to recede and the initial damage assessment of known network impacts, a target was set to restore network supply to all customers who could safely re-connect by the evening of Sunday, 6 March 2022 – subject to access, weather and safety conditions.

To assist with restoration work, Ergon Network crews were mobilised from across regional Queensland to assist Energex field staff.

Ergon Energy also worked hard to keep the communities around Maryborough safe as they were affected twice by severe flooding in early 2022. In March 1,100 properties were without power at the height of the weather system with floodwaters peaking at 10.3 metres (compared to 1,700 in January when floodwaters peaked at 9.95 metres). Crews from Bundaberg, Rockhampton, Yeppoon and Toowoomba assembled to support the restoration efforts for both events.

In total nearly 750 field and substation crews responded across the region, supported by hundreds of other employees involved with numerous vital functions, such as network control, planning and job dispatch, call centre operations, logistical support and communications.

Partnering to keeping the community safe

Community safety was a key focus of public communication activity during the floods. Messages via traditional news media, as well as social media, outlined the network impact, the restoration targets progress and the reconnection process. These channels were also used for key safety messages around the dangers of fallen powerlines in floodwaters, boat safety and powerline clearance, solar and generator safety, the dangers of wet and damaged appliances or wiring, and safe flood cleaning.

During the response, more than 21,000 individual jobs were dispatched to field crews and nearly 6,500 Electricity Defect Reports were issued to flood-impacted premises (where electrical safety inspections were needed to be performed by an electrical contractor due to inundation). More than 3,000 of these re-energisations were completed within days of the network being restored.

Our well-established partnerships with Local Disaster Management Groups and electrical contractors enable us to work efficiently and effectively to support our customers and communities in their time of need. This ensured that electrical safety information and processes for flood inundated properties were communicated in a timely manner and customers reconnected as quickly as possible where it was safe to do so.

The numbers tell the story of the floods

Rainfall exceeded 1974 records

BRISBANE	MT GLORIUS	BRACKEN RIDGE	SPRINGBROOK
795mm	1771mm	1160mm	1121mm

99.7%
RESTORED IN 9 DAYS

633
WIRES DOWN

FIELD STAFF RESOURCES
743

7,159
SINGLE PREMISE INCIDENTS

Customers impacted

57,000
at Peak on 28 February

180,000
IN TOTAL

3,203
RE-ENERGISATIONS REQUESTED

3,737
Made safe awaiting electrical contractor checks

GENERATION
22.5MVA

26,168
calls to Customer Contact Centre

4m
SOCIAL MEDIA REACH

135k
FOLLOWERS

3 million
HITS TO OUTAGE FINDER

50
DAMAGED HIGH VOLTAGE RING MAIN UNITS

150+
Pad mounts damaged

600
Underground pillars damaged

Building trust and our social licence

This year we also introduced a new Net Trust Score (NTS) to track community sentiment towards our public facing brands Energex, Ergon Energy Network, Ergon Retail and Yurika. With in-survey benchmarking we are able to measure how our customers view us compared to other major brands across different industries. Being 'strongly focused on safety', a 'local employer' and regarded as an 'expert adviser' are our strongest three key drivers of trust with an overall rating of 63.9 for 2021-22 (above target of 63).

We also ask our stakeholders how satisfied they are with our engagement efforts, achieving 6.8/10 this year (above target of 6). While these both position us well, we know we will have to continue to work hard to maintain and build trust, as the energy transition progresses.

An important step here has been the renewal of the Energy Queensland Customer Council, now renamed the Customer and Community Council. The Council's new charter and broader membership have been to ensure not only our customers, but the wider community voice is captured in our engagements. To better support these representatives in engaging with the business, we introduced remuneration to the group in recognition of their time commitment and the value of their contribution.

This year, we also established a Tariff Reform Working Group, made up of industry and stakeholder representatives, with the aim of co-designing potential new network tariffs to be trialled with residential customers in 2022-23. The customer insights from this will inform our future reforms for Ergon Network's and Energex's next respective Tariff Structure Statements. Network tariff reform is a complex topic that requires a balance between the needs of customers, the business and the Australian Energy Regulator, so it is vital that we bring our customers on the network tariff reform journey.

We also continued to engage through peak bodies representing different industries. This included participation in branch meetings of the Master Electricians Australia and National Electrical and Communications Association throughout the State, to better inform the customer experience.

Additionally, we have also undertaken a second comprehensive materiality assessment of our Environmental, Social and Governance issues to better identify and prioritise the topics that matter most to our stakeholders. This review was important to maintaining a deep understanding of the contribution we can best make to sustainability, considering our rapidly changing operating environment, and the evolving priorities of stakeholders and issues important to the business. It has guided this Annual Report.

Community campaigns increases electrical safety awareness

We have also continued a significant investment in our safety awareness campaigns. Ergon Network and Energex introduced the 'Next thing you touch' campaign to educate the public on how to respond if they experience an electrical shock or tingle from metal components on their property. It educates on the most likely causes of shocks and tingles, and advises "the next thing you touch should be your phone" to report the incident. It is encouraging to see that this simple message resonated, with 88% of customers surveyed knowing to call us if a shock or tingle incident occurred.

Our successful 'Take Care. Stay Line Aware' campaign also continued to educate the general public, tradespersons and farmers throughout the year on the clear course of action for people who find themselves in potential danger from a powerline emergency.

We strengthened our commitment to keeping our people safe with two new campaigns. Our 'Who's a good doggy?' campaign highlighted that our meter readers cannot tell which dogs are safe and which are not. With dog bite incidents still occurring it is important we educate customers about our Safe Entry Policy and what they can do to help keep their dog and our meter readers safe.

And, with an increase in irresponsible driving through roadside worksites, our new road safety campaign emphasises for the importance of drivers' awareness of our workers on the roadside and urges them to slow down and adhere to road rules to keep everyone safe.

Electricity Safety Week 2021 was held in Queensland primary schools in September, with 1,422 primary schools – 97% of Queensland's primary schools – registering for our Safety Heroes education program. The Safety Heroes teaching resources inform students about electrical safety and are designed for a variety of ages and abilities from prep onwards, including a social stories booklet for students with Autism Spectrum Disorder, and more complex interactive lessons aligned with the Australian Science Curriculum for Year 6.

More than 120 of our employees registered to be a Safety Hero volunteer to give an electricity safety talk during Electricity Safety Week. Our staff and crews visited more than 90 primary schools. This was a 33% increase in volunteers and 13% increase in school presentations on the previous year. This was a fantastic result following the uncertainties of the COVID-19 pandemic.

Increased works highlight increased risks

With the current increased rate of housing, infrastructure and civil building across the state, we have seen a corresponding increase in building and construction, road transport and earthmoving related network safety incidents involving the public.

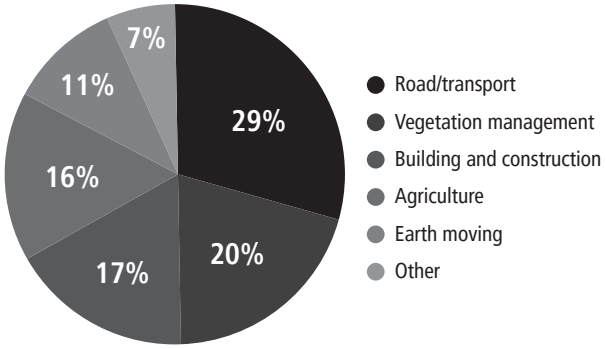
In the past 12 months earthmoving incidents have risen 56% to 82 incidents, road transport incidents have increased 28% to 138 and building and construction incidents have increased 44% to 104. A breakdown from within these industries show that incidents with equipment such as trucks and heavy vehicles have increased 35% to 153 and excavators have increased from 47% to 99.

For our overhead powerlines, contact incidents involving the community have remained relatively consistent for overhead powerlines from previous years. The increase in incidents occurring have primarily been with customer service cables, up 27% to 207, and poles and pillar boxes contacted, up 28% to 40, and 75% to 32 respectfully. Underground cable contacts have also increased from 57% to 56 in the past year, which is directly related to the use of excavators around our assets.

Through proactive engagement with large developers and local governments across the state, it has been identified that a lack of skilled and experienced staff is a key contributing factor to the incidents, along with weather and time constraints.

There have been targeted advertisements, led by Before You Dig Australia, in the South East region to increase awareness and drive the message to engage a Certified Locator once plans have been received. The rota marker incentive scheme has now also been expanded to include the construction industry, alongside agriculture and aviation industries.

Network safety incidents involving the community



During the year there were 488 safety incidents involving community contact with our distribution networks , following an increase in contact with poles and pillar boxes, and underground cables.

Investing proactively in community safety action

A major investment has been made in community safety this year through Ergon Network and Energex's advanced privately-owned property poles/ lines safety inspection trial, and more proactive landholder and broader stakeholder engagement around powerline clearance issues.

The trial inspection program for the privately-owned property poles involves a more comprehensive assessment of the first property pole across different regions. The program aims to better understand the potential electrical safety and bushfire risks. It complements the existing responsibilities of the landowner to inspect and maintain any privately-owned 'poles and wires'. The lessons learnt to date from this trial are already improving our business-as-usual inspection programs.

To ensure safe clearances are maintained between our overhead powerlines and buildings or other structures in the community, we use aerial inspections to engage proactively with landowners with structures under/or too close to our lines. The issues being identified are helping to promote the importance of maintaining safe clearances from electricity infrastructure to councils and the construction industry and the role they can play.

Investing in network safety, security and reliability

Across the state our largest investment area is in the renewal of our networks. We are continuing to invest in asset inspection, maintenance, refurbishment and replacement strategies to address the performance challenges of an ageing network despite challenges ranging from weather to supply chain impacts.

This investment is most notable in the Ergon network, with a $537 million investment in network renewal this year. This escalated level of investment is part of an ongoing, multi-year, safety-driven response to an elevated rate of pole, cross arm and conductor defects.

Across the Ergon Network in 2021-22, 15,000 poles were replaced or reinforced to address the defects being identified across the one million poles throughout our regional network, up from the historical annual replacement of 10,000 poles. Regional Queensland investment also saw an additional 8,500 customer service wires proactively replaced, in addition to the 9,000 replaced or repaired on defect, up from the historical total targeted annual replacement of 4,000 services. It also saw more than 500 kilometres of overhead conductor replaced, inclusive of targeted aged copper conductor across the coastal regions, as well as the replacement of condition-based circuit breakers in a number of major substations.

In the South East, $209 million renewal investment also continued to maintain the safety standards of poles, cross arms and conductors, with 200 kilometres of overhead copper lines replaced.

This year saw us achieve 92.9% for our program of work delivery index, ahead of our target of 90%. This measure includes operational works, as well as the design and commissioning of our capital projects. This result was supported by embedding improvements to the way we forecast, program, schedule and supervise delivery of our works program. This has been an outstanding outcome given the impacts of COVID-19 on resourcing, the extreme weather events and the supply chain challenges being experienced right across Australia and more broadly.

400,000
asset inspections

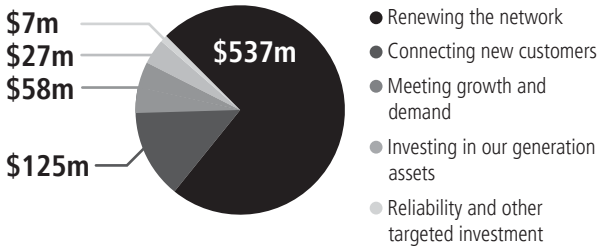
24,000
poles replaced or reinforced

720km
overhead conductor replaced

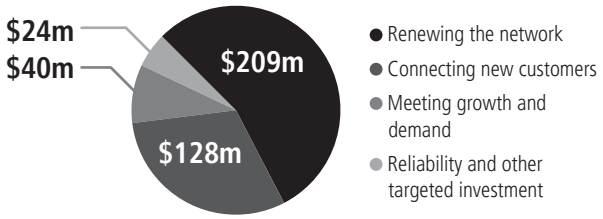
25,500
customer service wires replaced or repaired

700,000
spans of vegetation managed

Ergon network investment



Energex network investment



Major projects delivered

During the year, we commissioned the following large network projects:

- Substation refurbishments, upgrades and rebuilds:
  - Rebuild Tennyson Street, Mackay – $28 million
  - Refurbishment Dysart, Mackay – $14.6 million
  - Refurbishment Yarranlea, Toowoomba – $11.6 million
  - Refurbishment Glenore Grove, Ipswich – $7.7 million
  - Upgrade Redcliffe, Maryborough – $9.7 million
  - Upgrade Richlands, Redlands – $6.6 million
  - Upgrade Charters Towers – $5.4 million
  - Upgrade Broadbeach, Gold Coast – $5.1 million
- Egan's Hill-Gracemere 66kV Powerline Construction, Rockhampton – $9.5 million
- Greenslopes Depot Development – $31.8 million
- Operational Technology Hosting Facility (data centres), Rockhampton and Townsville – $26.2 million
- Mackay to Maryborough P25 Digital Radio Installation – $28.4 million

Network Performance Scorecard

Minimising the outage impact of planned safety works

Our Queensland Household Energy Survey 2022 again showed growing satisfaction with electricity supply reliability. Growing year-on-year, 74% of survey participants agreed they were provided with a 'reliable energy supply'[1].

For 2021-22, however, the networks' performance did not meet three of the 12 outage frequency and duration Minimum Service Standards (MSS). These standards, which include both planned and unplanned outages, are set as part of our Distribution Authorities.

The below target results for Ergon Network's for the Urban, Short Rural and Long Rural System Average Interruption Duration Index (SAIDI) continued to be impacted by the planned outages linked to the scale of the safety-driven works underway on ageing sections of the network. Our priority on planned defect remediation and repair works, over the past two and a half years and ongoing, remains essential for the safety and reliability of supply to our regional communities.

The number or frequency of unplanned outages or emergency outages, which are a major safety risk and inconvenience to our customers, is still trending down across Ergon Network's three network categories, despite this year's asset challenges and the associated emergency maintenance.

ERGON NETWORK	2020-21	2021-22		TARGET (MSS)
Number of outages per customer (System Average Interruption Frequency Index)				
Urban Distribution	1.62	**1.68**	▲	≤1.98
Short Rural Distribution	3.20	**3.30**	▲	≤3.95
Long Rural Distribution	5.98	**6.54**	▲	≤7.40
Average length of outages - minutes (System Average Interruption Duration Index)				
Urban Distribution	236min	**244min**	▲	≤149min
Short Rural Distribution	461min	**523min**	▲	≤424min
Long Rural Distribution	1,048min	**1,344min**	▲	≤964min

ENERGEX	2020-21	2021-22		TARGET (MSS)
Number of outages per customer (System Average Interruption Frequency Index)				
CBD Distribution	0.09	**0.07**	▼	≤0.15
Urban Distribution	0.64	**0.65**	▲	≤1.26
Short Rural Distribution	1.33	**1.44**	▲	≤2.46
Average length of outages - minutes (System Average Interruption Duration Index)				
CBD Distribution	8min	**5min**	▼	≤15min
Urban Distribution	70min	**80min**	▲	≤106min
Short Rural Distribution	181min	**202min**	▲	≤218min

Reporting based on the MSS exclusion criteria outlined in in each network's Distribution Authority.
Ergon Energy Network data includes our regulated main network and excludes our isolated networks.

[1] Queensland Household Energy Survey 2022. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10; Agree 7-10. Note: last year's report included results for Agree: 8-10.

The duration for unplanned outages, on both the Ergon and Energex networks, was impacted by widespread weather and vegetation-related outages, as well as the increase in community contact with our networks.

This led to a below target result under the AER's Service Target Performance Incentive Scheme. This scheme provides a financial incentive to maintain and improve network reliability (based on unplanned outages) and customer service performance over time.

To keep the impact and the duration of outages to a minimum, we have been focusing on improving construction works, expediting return to service, increasing line patrols and, where reasonable and practicable, using live-line techniques and mobile generation, in addition to other initiatives.

Managing a changing demand profile

Growth in the number of rooftop solar energy systems across Queensland is having an increasing impact on electricity flows through the distribution networks.

Solar energy generation is changing the shape of load profiles across the day, and throughout the year, reducing demand on the grid during the middle of the day by creating an alternative source of supply. This is benefitting the owner of the solar system and enabling their neighbours to use any exported energy as a more sustainable electricity supply.

While positive for our customers and for reducing our reliance on fossil fuels, this has significant implications for the management of the grid, with fluctuation between forward and reverse flows challenging quality of supply, the capacity of the network and, in some cases, the broader stability of the entire electricity system. Historically, the key issue for electricity networks was increasing peak demand, with Energex's peak demand growth averaging over 7% every year between 2001 and 2010. However, the continued growth in solar is now dramatically reducing minimum demands. Minimum demand is in the lowest level of demand for electricity on the grid in a given day, week, or year.

Some of the initiatives we are undertaking to respond to the challenge are highlighted in this report, from our demand management activities, to our investment in energy storage, and, to those part of our Future Grid Roadmap. However, the scale of the transition will require innovation at every level.

In South East Queensland, 2021-22 saw records for both minimum and maximum demand, highlighting the complexity in integrating solar into the network. Minimum demand on the Energex network fell dramatically again, down to 593MW in October 2021. Maximum demand then peaked at a

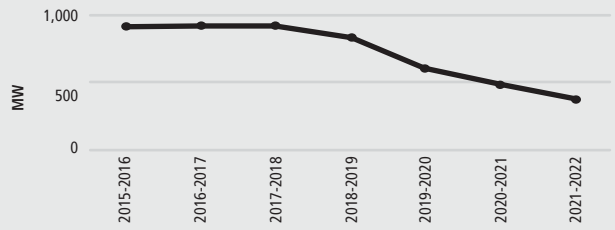
new record high of 5,289MW in February 2022. The peak was created by the hot weather driving up air conditioning load, and widespread afternoon cloud cover reducing the available solar energy generated and increasing the load on grid supplied electricity. This shift in the source of electricity creates a 'ramping' challenge – managing the rapid acceleration in network supplied electricity over the course of just a few hours.

The system-wide diversity still masks the growing impact of solar energy in regional Queensland. Ergon's lowest minimum demand recorded system-wide only fell slightly from 961MW in August 2020 to 959MW in September 2021. Maximum demand peaked at 2,623MW in March 2022, slightly below Ergon Network's pre COVID-19 peak of 2,660MW.

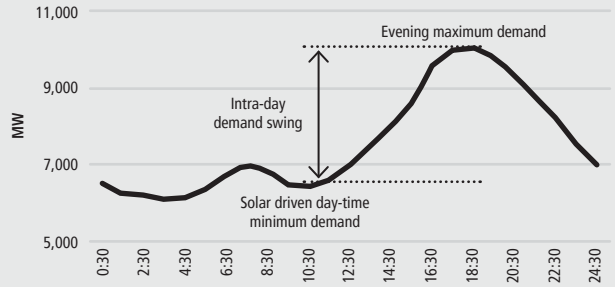
While the actual electricity used state-wide overall continues to grow, the take up in roof top solar, (and the COVID-19 impacts on specific parts of the network, such as Brisbane CBD and the Brisbane Airport), has kept the electricity delivered through our networks relatively stable. It is not expected to increase significantly until electric vehicle charging becomes more commonplace, or industries move to electrify their activities.

We are continuing to improve our modelling and monitoring techniques to streamline our approach and create insightful future demand scenarios.

Reduction in minimum demand on Energex's network



The rapid swing in demand from the 'sunshine hours' to the evening peak



In the South East, over the past four years, with the take up of roof top solar, there has been a dramatic 60% drop in the lowest minimum level of demand for electricity from the grid. Prior to this, daily minimum demand was relatively stable, and fell in the early overnight hours.

In March 2022, state-wide day-time operational electricity demand swung 3,385MW over just nine hours, highlighting the additional challenge around the rapid acceleration in demand, or 'ramping', in any given day from minimum to maximum demand. qed-q1-report.pdf (aemo.com.au)

ENERGEX	2020-21	2021-22	
Number of connected customers	1,528,895	**1,547,154**	▲
Network-wide peak/maximum demand	4,570MW	**5,289MW**	▲
Network-wide minimum demand	768MW	**593MW**	▼
Electricity delivered	21,132GWh	**21,295GWh**	▲

ERGON ENERGY NETWORK	2020-21	2021-22	
Number of connected customers	753,401	**766,315**	▲
Network-wide peak/maximum demand	2,587MW	**2,623MW**	▲
Network-wide minimum demand	961MW	**959MW**	▼
Electricity delivered	13,477GWh	**13,780GWh**	▲

Guaranteed Service Levels

We are committed to making sure the safe and efficient delivery of electricity to your home or business meets industry standards. Where we fail to meet our commitment, we provide a Guaranteed Service Level (GSL) payment to the electricity account holder.

During the year, a number of storm events impacted local reliability across both Ergon network and the Energex network. Other GSLs include appointments, new connections, reconnection timeframes and wrongful disconnections. Over the last 12 months we continued to manage resourcing constraints associated with COVID-19 pandemic and an overall increase in customer service requests across the state.

GUARANTEED SERVICE LEVEL PAYMENTS	ERGON NETWORK		ENERGEX	
	2020-21	2021-22	2020-21	2021-22
Network reliability	4,271	**6,050**	9,710	**3,760**
Notification planned interruptions	568	**637**	625	**276**
Other	108	**129**	1,373	**1,096**
TOTAL PAYMENTS	4,947	**6,816**	11,708	**5,123**

Partnering with our community

We are proud to deliver a community investment program that allows us to deliver shared value and participate in the communities we serve.

Ergon Network and Energex continues to support the Queensland State Emergency Service (SES) and Rural Fire volunteers, with a major investment in vital new equipment for their volunteers, ensuring all Queenslanders are assisted during their time of need. This year, special consideration was given to those communities impacted by the floods and other events.

Other partnerships, Rural Aid and Kookaburra Kids, focused on community resilience building programs for rural communities and families impacted by mental illness respectively .

Ergon Network and Energex also continued to support the arts with our long-standing Queensland Ballet partnership delivering regional Queensland dance workshops from Cairns to Toowoomba, bringing some sparkle to dancers of all ages, and, we hope, inspiring a new generation of dancers for the company.

This year we received more than 600 applications to our Ergon Network and Energex Community Fund. The grants were distributed to more than 30 organisations across Queensland for a wide range of initiatives that are now building resilience for communities and people. These grants, each up to $10,000, recognise the contribution made by the community organisations the fund supports. This investment was on top of numerous other grass-root sponsorships coordinated locally.

Ergon Retail continued its long association with the Royal Flying Doctor Service (RFDS) (Queensland Section). More than 168,000 of our customers and employees currently participate in the partnership's voluntary donation scheme, with every cent going towards vital medical equipment, healthcare initiatives or their aircraft replacement program. The scheme has been in place for twenty-two years, with the donations raised to date totalling more than $17 million.

Ergon Retail also continued to support the RFDS's Local Heroes Awards, now in its seventh year, which recognise those who selflessly give their time and energy to the Flying Doctor Service. The winner receives a $20,000 grant to give back to their community. Support has also continued for Ronald McDonald House Charities North Australia through volunteering and sponsorship of the Family Room.

Yurika rolls up their sleeves

Yurika's Orange Sky partnership entered its third year after commencing in September 2020.

Thanks to our support of the Orange Sky Van in Townsville, they have been able to assist 800 plus people experiencing homelessness in the city with clean clothes and genuine non-judgmental conversation. Yurika also continued to support Orange Sky's Palm Island service which has been operating since September 2018. Unlike their metro and regional services, which are run by volunteers, their remote services are operated by locals who are employed by Orange Sky (or in partnership with a local organisation).

Yurika also committed to increasing the number of high school girls pursuing roles within industries currently under-represented by women, with its support of UNIQ You, a Queensland not-for-profit agency. Already showing a marked uplift in interest, the partnership is showing positive results through its mentoring, coaching and career advice efforts.

Connecting with First Nations communities

Energy Queensland's First Nations Connections Plan incorporates a Reconciliation Action Plan, endorsed by Reconciliation Australia. Now in its third year of implementation, the plan is contributing to closing the gap across a number of socio-economic areas.

Significant strides have been made in increasing the pipeline of First Nations talent to our apprenticeship and graduate programs through a school-based apprenticeship pilot. We also have an ongoing relationship with CareerTrackers, which again hosted three First Nations students over the summer period.

Ergon Energy Network and Energex supported the Queensland Museum Repatriation Fund as a vehicle for healing and justice. This followed their support, as Principal Partners, of the Queensland Museum's Torres Strait 'Island Futures: What lies ahead for Zenadth Kes' exhibit, which lifted the conversation about the Torres Strait Islanders' place in present-day Australia.

In North Queensland, JUTE Theatre Company's Dare to Dream community residency program continued with Ergon Network's support. The program saw First Nations artists travel to ten different remote communities across the region, spending a full week in each school and community. The production showcased the play Back on Track, which evolved as a community safety initiative. It recognises that positive interactions make people feel they matter, and builds pride, and has a healthy impact on how people value their own contributions to community.

We also actively participated in Reconciliation Week and NAIDOC Week, with the roll out Acknowledgement of Country signage across our offices and depots an act of reconciliation, and a show of respect.

In addition, Ergon Retail bills were updated to include an Acknowledgement to First Nations peoples. We are proud to share this recognition for all our retail customers. The artwork, which depicts people talking and having greater understanding of each other's culture, stories and walking together in peace as one, was created by Maurice Mikelo from Cherbourg and a Kabbi Kabbi man.

Supporting local economies

Our state-wide presence provides economic benefits through local procurement, local employment and career opportunities in the communities we serve.

For 2021-22, we spent more than $882.8 million on direct purchases from Queensland suppliers. We continue to incorporate the principles, targets and commitments of the Queensland Procurement Policy into our procurement activities, and work in partnership with our communities to develop industry capability and capacity, and secure broader economic and societal benefits.

People are at the heart of our business

Their safety is our priority.

We're building the capability of our workforce, and supporting them through advances in digital technologies – to deliver for the future.

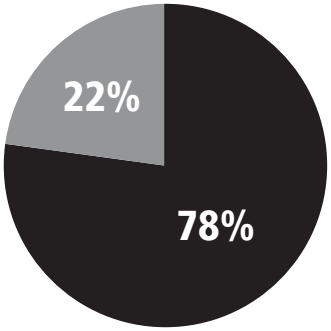
Our people statistics

We have more than 7,670 employees across Queensland, and in the other markets that we're operating in, with around half living and working in regional areas.

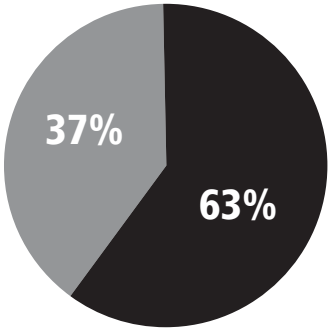
7,679
Employees

7,309
Full Time Equivalent

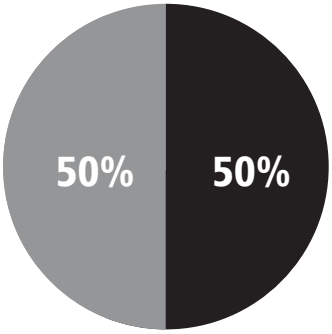
Employees



Senior Leadership



Executive Committee



Female Male

4.8%
Employees from a non-English speaking background

2.8%
First Nations employees

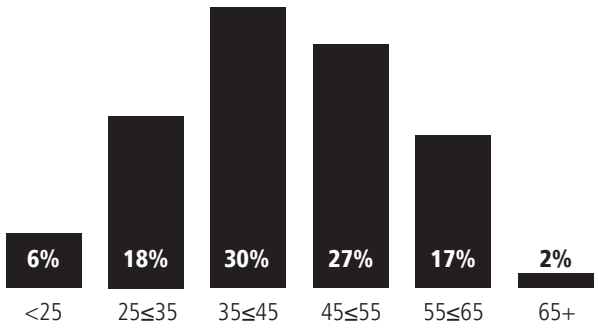
2%
Employees with a disability

Location

Approximately half of our employees reside and work in regional areas.

46% South East
28% Southern
26% Northern
<1% Interstate

Age profile of workforce



New Field Learning app supports hazard management

With a priority on safety, 2021-22 saw us advance our focus on assurance and continuous improvement.

Our Learning and Assurance Framework, a key element of our Health Safety and Environment Management System (HSEMS), has three levels. The first level of the model is designed to ensure frontline managers are able to make a self-assessment of the safety risks, the effectiveness of controls implemented, and of compliance.

In June 2021, to better support the monitoring and evaluation of critical safety controls implemented in the field, a Field Learning Form was rolled out, on a specialised mobile application. The new app is designed to enable more valuable field supervisor conversations around the potentially fatal hazards and the critical controls needed.

The field learning interactions, and data recorded via the app, have enabled systems and processes to be implemented that verify critical control effectiveness for high-risk tasks. This has created a system of learning for frontline field staff, giving them the ability to more effectively manage hazards. The program has been enhanced with the development of critical control dashboards for operational line leaders to monitor the completion of activities and the results, to revise the necessary controls, respond to stop the job triggers and undertake coaching conversations.

Openly sharing to address fatal hazards

This year we strengthened the second level of our assurance framework, which includes evaluation by subject matter experts (independent of the immediate personnel involved) of the design and implementation of system controls and of their effectiveness of managing safety risks.

The focus remained on hazard assurance activities aligned to the fatal hazards; working with electricity, working at heights, transport, and mobile plant. The alignment of the Assurance Framework with the HSE Hazard and Risk Framework enabled the evaluation of the effectiveness of controls to manage HSE risks across our operations.

Our Learning Teams also continued to have success. As a level two assurance activity, they bring together frontline personnel to undertake deep reviews across different processes and hazards to identify learning opportunities and solve complex problems. By openly sharing and learning of how work is done by different teams, in different situations, and identifying improvements, they are directly addressing the risk of significant incidents. Following an employee fatality this year, the Learning Team topics covered traffic control and working on roadways. Since inception, there have now been more than 20 learning teams run across a diverse range of topics and processes.

The third level of assurance activities continued with internal and independent external audits and certification.

Safety is Defence models safety behaviours

Safety is Defence continued as our successful home-grown pillar for modelling positive safety behaviours in the organisation. To provide new leaders with exposure to our SKILLED and Safety is Defence training programs, a new two-day Safety Leadership Program was developed to deliver to new and emerging operational leaders. This program has also been identified as an onboarding tool for leaders in other departments.

The adoption of SMEACS (Situation, Mission, Execution, Administration, Communication & Safety) as a collaborative planning tool for both planned and emergency work has also been further embedded.

Our Area Managers have also supported a fresh approach for onboarding new Work Group Leaders, and the leadership requirements around safety. We continue to empower leaders with more time in the field, and are encouraged by the value Work Group Leaders see in spending time coaching and mentoring staff. We also continue to support continuous learning throughout all levels of operations by facilitating quarterly learning groups.

Safe work methods reflect contemporary practices

Following the alignment of legacy Ergon Network and Energex Safe Work Method Statements (SWMS) in late 2021, our priority has been on maturing the content in the statements to reflect contemporary trade practice. This is being performed through extensive consultation with industry partners and operational representatives from across the state. These statements are being made available as part of our onsite HazChat tool kit.

There have also been several necessary updates to safe work guidance material. Most notably 'safety around vehicles and plant' and 'checking of entity neutrals'. These updates have resulted from incidents and/or regulatory reviews, providing a pragmatic approach to risk mitigation into the future.

A diverse approach to mental health

We have continued to support employees in their health needs with the informative and relevant evidence-based posts on our @Workplace 'Health and Wellness channel', through the promotion of the Energy Queensland Fitness Passport program with new facilities added state-wide and nationally, and focused support and assessment for ergonomic and fitness for work needs.

This year we also increased our focus on a Mental Health First Aid program, alongside a range of other wellbeing programs including:

- reigniting the mental health forum with representatives from across the business
- reviewing the Mental Health Risk Assessment against the government blue print
- Mates in Energy support continued across our depots, and for critical incident support.

The injury management team continues to provide high-level rehabilitation and return to work support for our employees, whether a work or non-work related injury, illness or medical condition. The team continue to achieve a 99% WorkCover Queensland claim return to work rate. The ongoing connection of an employee to employment increases self-worth, reduces recovery timeframes and lost productivity, and increases satisfaction overall.

Workplaces supporting our people and sustainability

We have invested in several new facilities across the state for our staff.

After nearly two years of construction, our new depot at Greenslopes was opened in 2022, bringing more than 200 field, design and support staff from various Energex sites into one central location. Being one of Brisbane's busiest inner southern suburbs means operational field crews can now respond more safely and efficiently to emergencies such as storm-related electricity outages and issues where emergency services need the power cut for safety reasons. The state-of-the-art office building includes storm rooms, warehousing and hardstand areas for heavy vehicles and equipment.

We also completed the refurbishment of a facility in Cairns, which saw the original early 1900's structure transformed into a modern and compliant workspace with a training facilities, an equipment test area and new office space. The centre provides fit for purpose indoor and outdoor training facilities for our employees, and apprentices, at one location.

As we improve our buildings and depots, we have continued to explore energy efficiency opportunities. Recent projects have resulted in significant reductions in energy consumption, with the installation of rooftop solar systems at some of our network depots as part of the Dynamic Operating Envelope trials: Cleveland (30% reduction), Landsborough (33%), Stapylton (38%), Berrinba (36%), and Stafford (33%). Positive sustainability outcomes have been gained through installation of new building management systems and installing energy efficient lighting.

Workplace Safety Scorecard

Our focus on continuous learning, and critical controls, has stabilised the Significant Injury Frequency Rate in line with the gains over the past four years.

However, the targets we set ourselves were not met. Two thirds of the significant incidents this year related to Low Voltage connection issues or to motor vehicle accidents. These will both continue to be major focus areas of improvement for our crews in 2022-23.

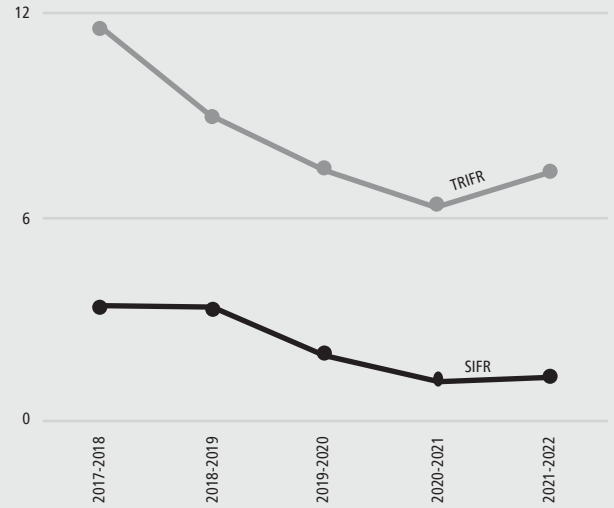
Upward trends in incidents around Multiple Earth Neutral connections and neutral integrity were also identified. This is driving actions around the initial training, the reassessment process (alignment, confirmation of knowledge, application of process) and field verification (trade skills / professionalism).

There was a material increase in the total number of heat related stress injuries as a result of the extreme heat wave conditions in North Queensland during February and March. As a result of this, a heat stress working group was stood up with our industrial partners. The group's focus is around defining the appropriate conditions to bring in additional control measures.

There was also an increase in the number of slip, trip and fall injuries, occurring during accessing and egressing vehicles or generally walking around a job site. Ongoing awareness and discussions on these inherent issues continue with field staff.

WORKPLACE SAFETY	2020-21	2021-22		TARGET
Significant Incident Frequency Rate	1.1	**1.3**	▲	≤1.1
Total Recordable Injury Frequency Rate	6.1	**7.4**	▲	≤6.2
Lost Time Injury Frequency Rate	2.3	**2.5**	▲	≤2.2

Significant and Total Workplace Injuries



While the Total Recordable Injury Frequency Rate (TRIFR) increased, a targeted response to issues and a focus on critical controls generally, kept total injuries below historical highs and stabilised the Significant Injury Frequency Rate (SIFR) in line with the gains over the past four years. 2018-19 SIFR includes data assumptions.

Our People Strategy – the four themes

Creating a great employee experience

Growing our people for a digital future

Transforming the way we work

Leading with purpose

Creating a great employee experience

This year, Energy Queensland's overall employee engagement result has improved and is 64%, which is up 4% from last year. There have been positive uplifts in a number of key areas including our people feeling more connected to and excited about Energy Queensland's future. While this is a solid increase, it is slightly below our target of 65% and below our aspirational goal to achieve Australian and New Zealand top quartile engagement of 70%.

We also continue to assess our level of customer centricity as a key component of Energy Queensland's culture. Our Customer Enablement Index score of 6.6, which tracks how employees think we are delivering on our customers' needs, exceeding our target of 6.0 for the year. While there is room for improvement, the results indicate the majority of employees feel they are empowered to deliver on our customers' and communities' needs.

Reward and recognition for the efforts of our people is critical and continues to be a focus. In May 2022 we celebrated excellence across our organisation with fourteen individuals and one team receiving the annual 'Up in Lights' award out of a field of over 290 nominees. Nominated by their peers, the awards recognised employees' efforts in transformational achievement and outstanding performance aligned to our corporate values and the categories of industry; customer; community; operational excellence; apprentice of the year, and a new category, infield supervisor of the year.

Inclusion supports engagement

Energy Queensland has focused significantly this year on a range of activities to ensure a safe and inclusive workplace for all employees. All employees were issued a Workplace Behaviours online education module with completion rate at 99%. A volunteer network of peer support officers was established as independent contact points for employees who want to discuss workplace concerns. Griffith University's MATE Bystander Program was rolled out to more than 30 teams, extending conversations on inclusion and how to be an effective bystander to problematic behaviour. These activities, alongside strong leadership from the Executive, are designed to maximise inclusion and safety for all employees.

Efforts continue to showcase trade careers as great opportunities for women. More than 500 women registered to learn more about an electrotechnology apprenticeship following an effective social media campaign. A range of female tradespeople and apprentices are engaged in ongoing information sessions to highlight the opportunities available in our industry to other women and girls.

There has been a strong uptake in paid primary parental provisions amongst men after Energy Queensland's policies were updated to apply to all employees last year. More than 100 men have taken up the opportunity to be primary care giver to the newest member of their families, enabling greater shared care amongst parents and improved gender equity outcomes.

Energy Queensland's Pride network of LGBTI+ employees and allies continued to drive inclusion throughout 2021-22. The network has focused on building a greater understanding of how to be an active ally and held celebrations for Wear it Purple Day, coinciding with the network's third birthday. Energy Queensland was again recognised as a bronze tier employer in the Australian Workplace Equality Index, which measures LGBTI+ inclusion in Australian organisations.

The right future skills for a digital world

Our People Strategy continues to foster a learning culture, with the introduction of a new Learning Management System for employees. The creation of learning pathways enables our employees to pivot their skills towards in demand roles such as Business Analyst, Change Analyst or Project Coordinator, among others. Employees are able to curate their own learning by drawing upon specifically designed courses or to add to this with the online learning platform, LinkedIn Learning.

Our strategic workforce capability planning has continued to identify and plan for the skills and knowledge needed into the future. Strategic Future Workforce Capability plans have identified areas in the digital domain where Energy Queensland can enhance digital capability. The formation of a Digital Development Committee will oversee strategies geared towards enabling the organisation to be prepared for our digital future. Additionally, we have introduced digital graduates to our graduate program to inject contemporary skills into this growth area for our business.

Building our pipeline of talent

Our graduate program continues to focus on building the pipeline of talent to meet the future workforce capability needs. We have boosted our number of graduates developing their technical and professional skills to 20 over the past year, with more recruited to join in 2022-23. The graduates' fields of expertise including electrical engineering, mechatronics engineering, computer science, data science, information technology, internet of things, renewables and telecommunications. This program will continue to grow to ensure we can meet our future needs.

Our graduates have been recipients of several scholarships, with two recently recipients of the prestigious University of Queensland E.S Cornwell Memorial Scholarship. The recipients will go abroad to obtain further experience with international energy supply companies to further build their capability and experiences. Another of our graduates will also be travelling abroad as the recipient of the 2022 Young Professional Scholarship to CIGRE Paris Session. Five of our graduate women were awarded the inaugural API POWERFul Women Scholarship, and went to Adelaide to collaborate with representatives of the energy industry from across Australia.

In total this year we recruited 111 apprentices, including communication technicians, mechanical fitters underground cable jointers, Powerline Tradespeople and electricians, taking the number of apprentices completing a qualification with us to 466.

Since 2018 we have been working with the Returned and Services League (RSL) Queensland to run information sessions encouraging veterans to apply for our apprenticeship program. This year we appointed 14 veterans from the RSL Employment Program, bringing our total for this employee cohort to 35.

This year also saw a diverse range of Queenslanders engaging with our career opportunities. We continued to develop a school-based program with nine students commencing a school-based apprenticeship, coordinating over 300 work experience placements, and held several Girl Power sessions in schools, with more than 200 participants.

We also continued to build the pipeline of engineering, data and digital professionals through engaging with universities, partnering with the energy industry and sponsorship programs. We continue to support university students with industry placement opportunities with 32 students joining us. We partner with other organisations to increase female and First Nations participation in science, technology, engineering and mathematics (STEM) programs, like our partnership with DreamBig Australia, to engage and empower women studying in STEM at university, with two of these women joining us for industry placement.

Creating good leaders remains a priority

Developing leaders across the business remains a priority. The Learning Management System is making education available to employees at all levels of leadership. Starting with Emerging Leaders, through Foundational Leaders and Leaders at Mastery Level there are online programs for everyone in the organisation. We continue to seek avenues to develop our leaders in different ways; through availability of leadership opportunities within the business, cross skilling leaders to gain experience across the business, or creating opportunities for more diverse groups to lead.

A cohort of our leader's participated in a McKinsey Young Leaders Program and Executive Leaders program. Our talent program continues to identify those who are our future leaders in the organisation and we will continuously look at ways to develop the right depth and breadth of experiences for these individuals.

Our corporate systems are streamlined

We delivered core finance and accounting solutions to our Digital, Finance and Retail divisions, providing the backbone for these solutions to be deployed across the Group in 2023. Among these accounting tools were accounts receivable, accounts payable, program and project management, labour costing, purchasing and billing.

With a focus on supporting our teams to work where they need to, we rolled out a paperless way of working with mobile devices for: teams conducting supplier audits; for field safety hazard identification and low voltage connections safety; for network control teams to complete network switching activities on iPads; and for technical training attendance.

We extended on our existing e-commerce functionality, replacing our procurement and accounts payable systems, making transactions more efficient and easier for suppliers to our Digital and Retail Divisions and moving us towards a paperless future. We also continued the migration of corporate documents, employee records, substation drawings and other content onto the corporate content management platform, including the integration of this platform with our finance and human capital management (HCM) platforms, to better connect our people, technology and data.

There have been further integrations with Energy Queensland's expense management platform to automate and streamline our cost allocation process and payment system. Extending on our HCM platform, we also implemented a new capability for employees to record their licence details (high risk, marine and drivers), COVID-19 vaccine status, etc in a centralised location.

Our Digital Goals

Deliver simplified, integrated, effective and safe digital solutions

Build partnerships to maximise value and benefit delivery

Future ready our people capability with a learning mindset

Improve our way of working to increase team effectiveness

Delivering simplified, integrated digital solutions

Over the past twelve months we have continued to deliver the integrated digital foundation needed State-wide to enable growth and improved business outcomes. They will support our people to work in an agile and dynamic market, with the ability to rapidly respond and continue to deliver service to our customers and communities.

The Digital Enterprise Building Blocks program we are progressing will provide a consolidated, modern digital environment, reduce system duplication, and enable our people to operate consistently across the state with the information they need, available via multiple device options.

Under this program, we have completed significant technology foundation activities, including server upgrades and data migration, introduced new solutions (supply chain and training, as examples), and expanded our current platforms, as well as introduced new digital tools (like PowerKit) in preparation for deploying our Unified Distribution Management System (UDMS) across Queensland. These support our grid technology objectives, including distribution automation and Safe by Design .

They will allow our three Network Control Centres and field crews across Queensland to use consistent business processes and work instructions supported by one proven, modern platform, as we prepare for the safe management and control of our networks in the future.

As part of the continuing move to unified systems, we also brought our operations together with a single, integrated Geospatial Information System (GIS) platform, including substation and lines design tools and apps. This better equips us to proactively mitigate and respond to network issues and will fundamentally transform our business with shared insights and an aligned focus.

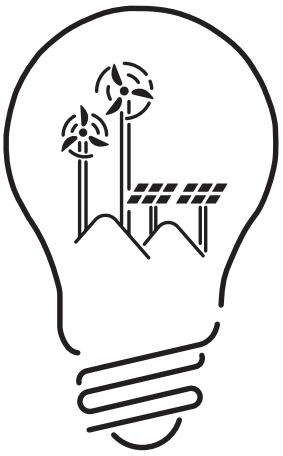
Partnering to maximise technology value and benefit delivery

Through partnerships, we have built emerging technology platforms across data science, virtual and augmented reality, robotics and mobile solutions to aid how we work, serve our customers and explore commercial opportunities.

A big data and data science platform has been established with industry leaders Amazon Web Services and Databricks to pave the way for how we connect data for enhanced business decision making. Data from 700,000 electricity connections across Queensland feeds into the platform for electrical network capacity planning, energy demand management, electric vehicle charging detection and solar insights. The planning and predictive maintenance of our poles and wires has also been enhanced by connecting aerial imagery and grid information on pole health and any safety hazards.

Our partnership with MAXART has created a virtual training aid platform to assist our electrical apprentices in a virtual classroom environment. The platform removes the safety hazard, while maintaining the real-world experience of the tasks. This will expand into a learning platform for anywhere/anytime training across the business and also be offered externally as a service.

We partnered with Apple, the Queensland University of Technology and secondary schools St Augustine's College and Siena Catholic College to build the next wave of Queensland talent as the digital world accelerates, immersing 36 university students and 30 secondary school students with learning experiences for future careers. The digitalisation of the way we work is vital to providing the bridge to the future.



Transitioning to a net zero future

We're investing to support 50% renewable energy in Queensland by 2030, and the growing electrification of transport. We're also ensuring best practice environmental standards across our operations.

Transitioning to net zero by 2050

Energy Queensland is working to support the Queensland Government's target of net zero emissions by 2050. As energy is a major contributor to emissions, our role is largely in supporting the Queensland Government's target to achieve 50% renewable energy generation in Queensland by 2030, and the electrification of transport.

We see a future where the energy technology industry booms with new and emerging energy services markets, and widespread availability of digitally-tailored solutions. It is a future that could see double the amount of solar energy, and at least two million electric vehicles connected to our networks. Our challenge is to stay a step ahead to ensure we can deliver for our customers, and the broader community.

This section highlights how we are enabling more renewable energy onto our networks, supporting the uptake of electric vehicles, purchasing renewable energy for our customers, and proactively reducing our own carbon footprint.

Battery trial delivers a renewable energy storage solution

The year saw our Local Network Battery Plan deployed rapidly to help address the minimum demand challenge and support the Queensland Government's 50% renewable energy target by 2030.

The plan has seen 40MWh of network-connected battery energy storage systems located across five trial sites where rooftop solar penetration is high, in Townsville, Yeppoon, Bundaberg, Hervey Bay and Toowoomba. Three of the five batteries, installed by Yurika and connected by Ergon Network, are now energised, with the remaining in the final stages of construction.

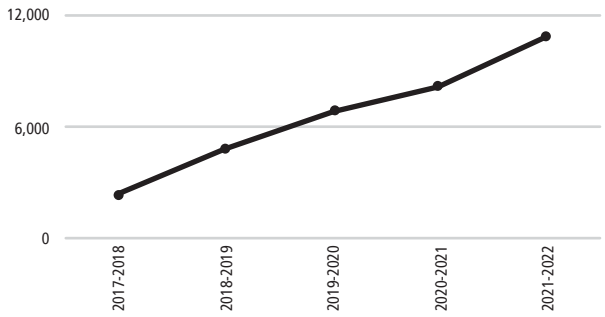
With the success of this trial, Ergon Network and Energex will now move to deliver a further 12 utility-scale batteries across the state, each up to 4MW/8MWh, and to trial up to 30 pole top and five ground mounted 30kW/60kWh batteries on the Low Voltage network in South East Queensland.

The batteries will allow the solar energy made locally, during the day, to be stored locally, for use locally during the evening peak in demand.

The benefits of the battery will be maximised by stacking the value chain; their ability to help manage the local and upstream network and the value in sharing their excess capacity with electricity retailers to help reduce the pressure on the wholesale prices.

To continue the energy transition, batteries are needed throughout the electricity supply chain, at the customer premises, distribution and transmission levels.

Behind the meter battery connections continue to increase



The market for 'behind-the-meter' batteries to store solar energy for use at night is still in its infancy. With the ongoing interest in solar, and climate action, coupled with higher electricity prices and technological advances, we expect the market to grow. Together with demand and time-of-use tariffs, batteries can help customers save and help the grid.

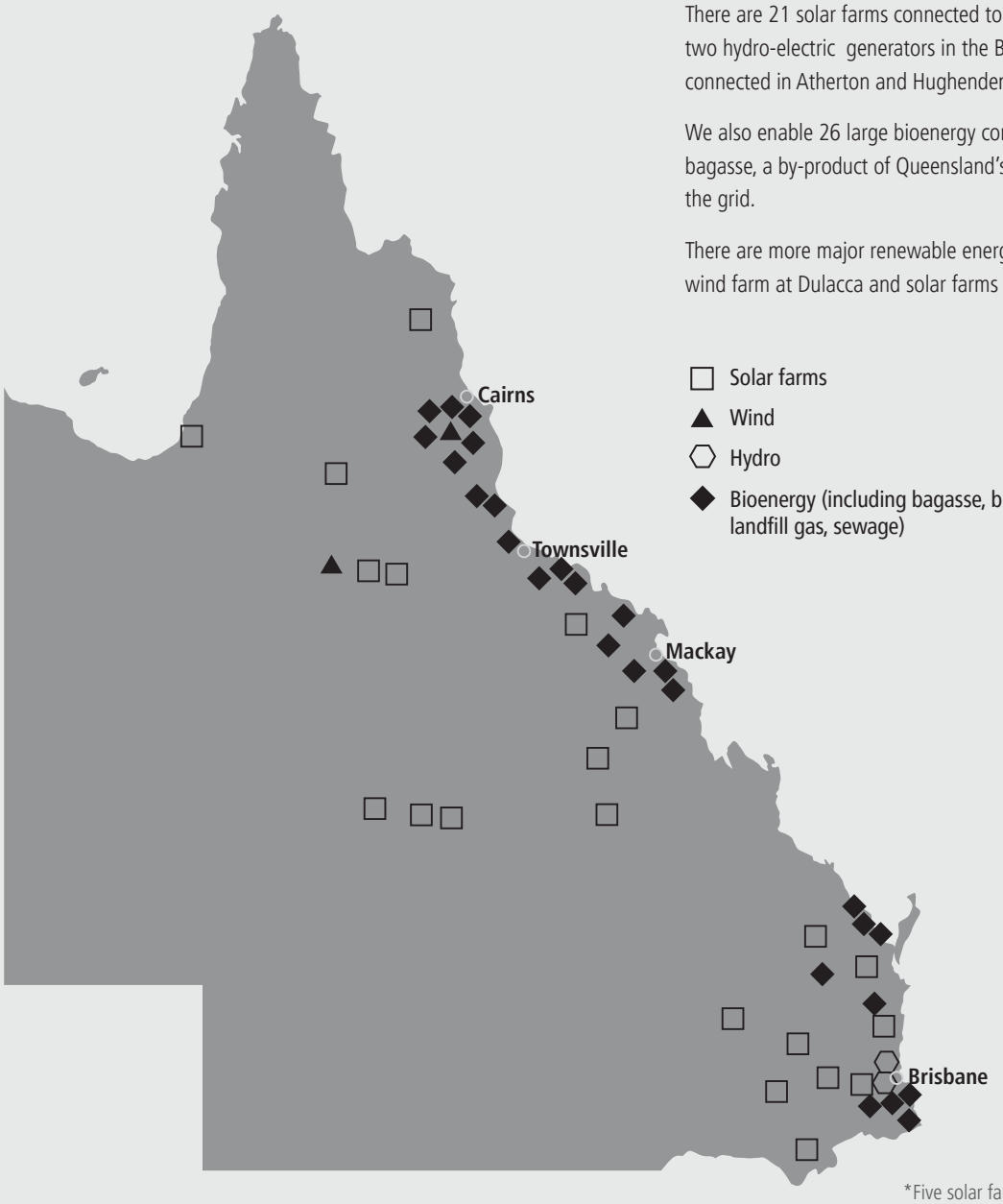
Our support for renewable energy

Our distribution networks support almost 745,000 rooftop and other small-to-medium solar energy systems.

In total, more than 4.9GVA of distributed energy resources (DER) are now connected – making our networks a sharing platform for renewable energy. This is not only supporting renewable energy investors, but the environment, our residential and business customers, and the wider community.

SOLAR ENERGY CONNECTIONS	NUMBER	TOTAL CAPACITY
Small-scale (≤30kW)	737,512	3,648,408kVA
Medium-scale (>30 – 1,500kW)	6,540	444,869kVA
Large-scale (>1,500kW)	41	880,359kVA
TOTAL CONNECTIONS	**744,093**	**4,973,637kVA**

Major renewables on our networks (>3MVA)



There are 21 solar farms connected to our distribution networks, as well as two hydro-electric generators in the Brisbane area, and two wind farms connected in Atherton and Hughenden.

We also enable 26 large bioenergy connections , mostly generating from bagasse, a by-product of Queensland's many sugar mills, to export across the grid.

There are more major renewable energy projects underway, including a wind farm at Dulacca and solar farms at Bundaberg, Kingaroy and Dalby.

- Solar farms
- Wind
- Hydro
- Bioenergy (including bagasse, biogas, wood waste, landfill gas, sewage)

*Five solar farms have two network connections each.
**Locations are indicative only.

Future Grid Roadmap taking us in the right direction

Our Future Grid Roadmap reflects our ongoing journey towards an intelligent state-wide grid and the growing impact of the numbers of DER, like solar energy systems, battery storage and electric vehicles connecting to our networks. Increasingly, our networks are experiencing days where demand for electricity while the sun is shining falls to very low minimum levels, and then experiences high energy loads again in the early evening. This significant daily fluctuation between forward and reverse flows can challenge quality of supply, the capacity of the network and, in some cases, the broader stability of the entire electricity system.

In response, we are progressing well in the development and implementation of advanced energy and digital technology solutions to support our customers in advancing the uptake of solar energy and other DER. One of the critical steps forward has been the publishing of the inaugural Dynamic Standards for Small IES Connections in December 2021. These standards outline what equipment customers need to install to have access to Dynamic Operating Envelopes (DOEs), which provide more export opportunity for customers while ensuring the network remains safe.

In parallel, we have continued to progress the development and implementation of Distributed Energy Resource Management System capability we are exploring ways to better engage with batteries to store solar energy during the day and release it back into the network at peak times when it is needed. These approaches will continue to allow our customers to unlock the benefits of new energy technologies, while maintaining a safe and secure electricity supply at all times for all customers.

Ergon Network and Energex's advanced, real-time digital simulator linked with hardware-in-the-loop, in our MIST (Microgrid and Isolated Systems Test) facility in Cairns, provided pre-launch testing for new Australian Standards in inverter technologies. The MIST facility also continues to extend its application to provide ongoing support and decarbonisation for the communities we serve that are not connected to the national grid, for future microgrids and to enable new, low voltage technologies to support our network. It is also offering commercial services.

Maximising the use of our network to share solar

We have continued our work on the ground-breaking Solar Enablement Initiative, our innovative solution to improve the visibility and integration of solar energy into our networks. The Distribution System State Estimation (DSSE) engine has been successfully embedded into our networks' operational technology environment. This capability, when scaled across the networks, will provide an efficient way to generate a complete and consistent picture of how the network is performing in real-time and to determine the maximum solar export it can accommodate without breaching local network safety or performance limits.

This work supports the future introduction of dynamic export limits for DER, allowing more renewable energy to be exported locally when the network capacity is available, with lower dynamic export limits only applying when needed to avoid overloading the network. This year Ergon Network and Energex secured a successful market tender and deployment of a world first DER communication server with our technology partner. Implementation of a common and secure communication standard, between distribution and customer DER, to communicate active constraints and opportunities is a critical building block in our efforts to enable 'active' connections for the benefit of all customers.

This year also saw scoping and specification activity underway for the next critical component – a Distributed Energy Resource Management System (DERMS). Once operational, this system will assess and allocate network capacity via dynamic operating envelopes, manage controlled loads and issue network support requests. The calculation of dynamic operating envelopes considers network conditions plus forecast system parameters for our connections, including both local solar energy generation and energy demand.

The new dynamic standard for connections prepare the industry for the release of these new connection options. Importantly, this work reduces the need for costly network upgrades. It is about ensuring our customers are able to continue to affordably connect renewables to the network, share more solar energy than ever before through existing and new markets, and benefit from new technologies.

Microgrid trials in fringe of grid communities

Continuing to maximise the value of our MIST facility, Ergon Network have received Australian Government funding from the Regional and Remote Communities Reliability Fund to undertake feasibility studies for community microgrids at two fringe of grid communities, Clairview and Stanage Bay. These studies will investigate if and how the reliability of supply to fringe-of-grid communities can be improved, by creating microgrids when an outage occurs. We are investigating how innovative technology solutions, using solar energy and battery storage integrated with smart communications devices, can improve the reliability of electricity supply to remote and regional communities.

In another initiative to improve supplies at the fringe of the grid, Ergon Network has now trialled three network support stand-alone power systems (SAPS) solutions at the community level – two near Mount Isa and one on the coast near Gladstone. Testing of the SAPS inverters was supported by the MIST facility. The lessons from these trials have supported engagement with the AER and other stakeholders on the development of the regulations around these solutions and the installation of future SAPS. This work is now advancing to a pilot roll out of the solution.

Following the success of the solar water pump trial and engagement with the AER, Ergon Network is also identifying and actively working with other eligible customers who may similarly benefit with a solar pump as an alternative to grid supply for low load connections.

Renewables in our isolated communities supporting sustainability

Through 2021-22, Ergon Network approved an additional 300kVA of distributed renewable energy resources across our isolated networks, with a total of around 5,500kVA now connected.

Ergon Network is progressing feasibility studies to fast track advance the decarbonisation of some of our isolated communities. Also federally funded, these studies will help us to transition to supplying the majority of isolated communities power demand with renewable energy resources during periods of high solar energy generation, optimising renewable generation and minimising diesel usage. The studies' modelling, functionality development and community engagement is underway in Birdsville, Bedourie, Windorah and Jundah, Mapoon and Burketown.

In mid-2021, Ergon Network sought expressions of interest to partner in the delivery of low carbon or renewable generation services on Thursday Island and at Bamaga, as part of its commitment to decarbonising remote communities. The eight proponents have been working with us for over six months to scope the possibilities around a renewable energy supply in communities where diesel use is highest.

Purchasing renewable energy to power Queensland

Ergon Retail is one of the largest purchasers of renewable energy in Queensland with over 1,000GWh of renewable energy bought through power purchase agreements (PPAs) in 2021-22 - enough to power 200,000 homes a year.

We successfully renewed all of our PPAs in 2021-22 with a particular focus on sugar mills. These agreements are a strategic initiative in relation to our energy trading strategy and environmental compliance while providing a major economic contribution to the agriculture industry and local communities.

Ergon Retail also continued to operate the 37MW gas-fired power station in Barcaldine as required to complement our energy market needs (full load operation 35MW).

With one of the highest penetrations of rooftop solar energy systems in Australia, this year Queenslanders shared around 2,933GWh of solar energy generation across our networks, benefitting the owners of the systems and reducing the emissions intensity of grid-supplied power for all consumers.

To support this, Ergon Retail credited thousands of residential and small to medium business customers a total of $45 million during 2021-22 for the solar energy they exported back into the grid through regional Queensland's 6.5c/kWh feed-in tariff (FiT). Ergon Network and Energex also paid $193.6 million state-wide for the energy exported by customers on the Queensland Government's Solar Bonus Scheme's 44c/kWh feed-in tariff.

Ergon Retail customers are also subscribing to our Clean Energy program, and paying us to purchase more from renewable energy generators, and achieve their emissions reduction goals.

Electric Vehicles enter a new phase

Our focus is to make it easier for electric vehicle (EV) owners to understand their charging options and make selections that are both convenient and beneficial to them financially, as well as improving the efficiency of the entire electricity supply system. This includes enhancing the distribution system's capacity to absorb an increasing volume of renewable energy.

The release this year of the Queensland Government's Zero Emission Vehicle Strategy and the associated $3,000 rebate on battery EVs up to $58,000 is a catalyst to a step-change in EV sales volumes in Queensland. We forecast that the number of EVs in Queensland will rise from around 13,000 in mid-2022 to as many as ten times that amount by mid-2025.

Our role in the deployment of that strategy, and in the EV landscape generally, is recognised in the Government's associated Zero Emission Vehicle Action Plan (2022–2024). This includes Phase 3 of the Queensland Electric Super Highway (Yurika), and the planning of public EV charging and network capacity visibility tools (Ergon Network and Energex). Our network businesses are also contributing to areas of building codes, electricity tariffs, research and consumer awareness.

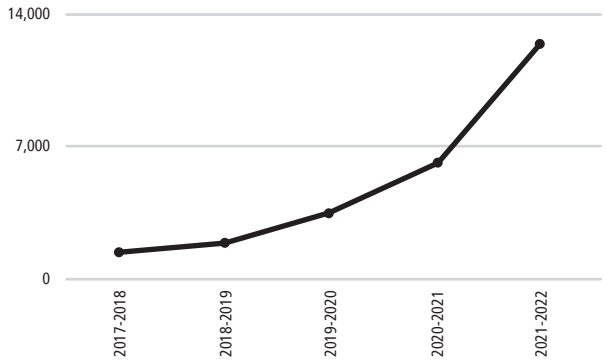
In tandem with this, we have been progressing the implementation of Energy Queensland's EV Strategy, developed in mid-2021. Part of this strategy is the EV Purchasing Tactical Plan, which will guide and accelerate our purchases of EVs for our fleet, which now includes 15 passenger EVs and one Elevated Work Platform electric truck.

A flagship initiative of our 2020 Network EV Tactical Plan is our EV SmartCharge (Queensland) program, monitoring the charging patterns of more than 180 Queensland EV drivers and creating a real-world EV charging data set unique in Australia. This year, we supplemented this insight-filled program with in-depth customer experience journey mapping interviews with 15 EV owners to explore and understand their charging, purchasing and other motivations.

As a key part of our EV stakeholder engagement, we share our unique insights through our network business websites, collaborating with others to gain insights from their trials and research and actively supporting the EV industry and the electricity industry via involvement in EV working groups and other forums.

We are currently revising our Network EV Tactical Plan, reframing the ongoing tactics and adding new tactics around EV data, electrification of fleets, smart charging, tariffs and more.

The take up electric vehicles in Queensland



The number of EVs on Queensland roads almost doubled over the last 12 months, from 6,200 to 11,800. Almost 80% of those EVs are electric-only Battery EVs (BEVs), led by Tesla, and the remainder are Plug-in Hybrid EVs.

Yurika advances the electric super highway with stage three

Yurika continued to partner with the Department of Transport and Main Roads on the Queensland Electric Super Highway (QESH). 2021-22 saw us advance to the third phase of this investment in decarbonising transportation, with an additional 24 fast charging stations being added to the existing 31 charging locations, owned and operated by Yurika.

To be completed over the next 12 months, the new charging sites will expand Queensland's Electric Super Highway west into regional areas like Mt Isa and further south to NSW border towns Stanthorpe and Goondiwindi. During the project Yurika will deploy the latest 75kW fast chargers manufactured here in Queensland.

This will see the Electric Super Highway expand from just under 2,000 kilometres to almost 3,800 kilometres.

Our carbon scorecard

Energy Queensland's Low Carbon Future Statement is our commitment to enabling a low carbon future for Queensland's electricity industry and building greater resilience in our network, communities and across our businesses to mitigate the potential risks of a changing climate. The statement makes a commitment to proactively reduce our greenhouse gas emissions in a range of targeted areas by 17% by 2030.

The Group's overall carbon footprint, including both direct and indirect emissions, equated to 1,768,438 tonnes of carbon dioxide equivalent (tCO_2-e) in 2020-21 (the most up to date data, reported annually to the Clean Energy regulator, at time of writing this report).

In our direct emissions, our targeted areas for carbon reduction are the fossil fuels used to generate electricity in isolated communities and in our transport fleet. These Scope 1 emissions, where we are directly accountable for the combustion of fuels, equate to 8% of our carbon inventory. We are also focused on the indirect, Scope 2 emissions associated with our public lighting and the use of electricity in our buildings and depots.

Transport and electricity use in buildings emissions have dropped while those from generation in isolated communities increased. We are progressing feasibility studies, and scoping other possibilities, to advance the decarbonisation in our isolated communities, with investment planned as part of our Isolated Network Strategy – see page 44. The reduction in renewable generation in the isolated communities this year was associated with the reliability of the aging wind turbines on Thursday Island.

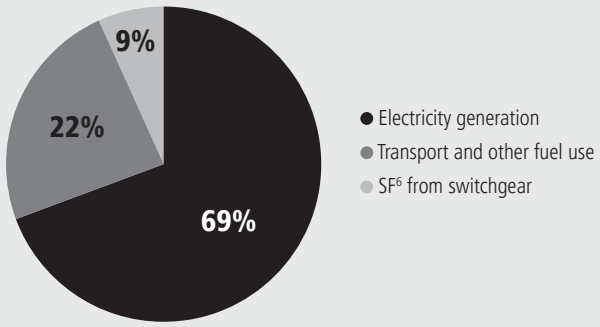
We are in the second year of a five-year program to replace more than 226,000 mercury vapour streetlights with more efficient LED alternatives, with more than 35,500 replacements completed this year, which equates to the delivery of 16% of the program. When finished, the effort to reduce emissions from streetlights is projected to save around 40,000 tCO_2-e.

The Group's overall carbon footprint, however, is largely due to the energy that is lost while distributing electricity across Ergon Energy Network and Energex's networks (an indirect, Scope 2 emission). These line losses are largely unavoidable, as an inevitable part of transporting electricity, with engineering solutions cost prohibitive and of limited value, especially given the energy transition underway.

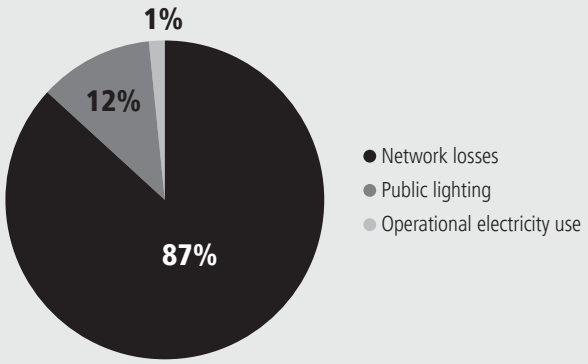
The Queensland Government's target to achieve 50% renewable energy by 2030 will reduce Scope 2 emissions for all Queensland electricity users, including those associated with network losses. Our aim is to keep the proportion of losses at current level as our networks grows and evolves, with the associated emissions reducing as the generation mix becomes less carbon intensive.

ISOLATED GENERATION STATISTICS	2020-21	2021-22	
Diesel generation	121,226MWh	**127,344MWh**	▲
Renewable generation	1,620MWh	**1,128MWh**	▼
Total generation	122,846MWh	**128,472MWh**	▲
Emissions saved by supplying with renewable generation	1,117tCO_2-e	**783tCO_2-e**	▼

Our direct emissions - Scope 1



Our indirect emissions - Scope 2



Asbestos removal plan ahead of schedule

Energy Queensland has now removed more than 68,000sqm of asbestos containing material and 32,710 tonnes of asbestos contaminated soil from more than 600 sites and buildings.

In the past year alone, more than 5,000sqm of asbestos containing material was removed from 37 sites, including 25 substations and communication sites, seven depots and five company owned residences. Our workers and contractors have also removed more than 105 tonnes of asbestos containing material from our customer premises and from the electrical networks.

The aim of our prioritised asbestos removal plan is to safeguard our people and the community from exposure to asbestos by eliminating asbestos from the built environment where it is practicable to do so. In our Asbestos Management Policy we have committed to a proactive program to remove asbestos from all buildings by 2030, where reasonable to do so. Under the current level of activity this goal is likely to be achieved before the end of 2025, at least five years early.

An environmental win with waste recovery improving

As part of our commitment to reducing the environmental impacts from our operations, we have achieved further improvements in waste separation, a 3% reduction in the quantity of general waste and an increase in the quality and types of waste being recycled. Since October 2021, Energy Queensland has added a further 718 tonnes to its recycled waste by entering into new contracts to recycle regulated waste oil and scrap metals that contain regulated waste. This has culminated in the diversion of an average of 35% of our waste.

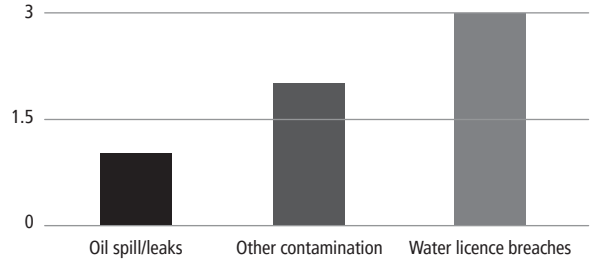
Continuous improvement for No Oil to Ground initiative

We continue to focus on the management and containment of hydrocarbons and chemicals. This year, the following initiatives have contributed to improved practices throughout the state:

- Trials for two new oil/water separator devices have concluded with one being identified as a viable option for retrofitting devices to existing power transformer bunds.
- An app for recording oil top-ups for power transformers has been deployed to field staff. This data will contribute to understanding defects and the need for asset maintenance, repair or replacement.

This year we undertook a review of our unbunded transformers state-wide, to assess the secondary oil containment required around the transformer, and to ensure substations assessed as high priority in terms of risk to the surrounding natural environment and the public were appropriately included in the works program. The majority of these substations were already scheduled for works to be completed by 2025. A separate project was raised for bunding works at six substations.

Notifiable environmental events



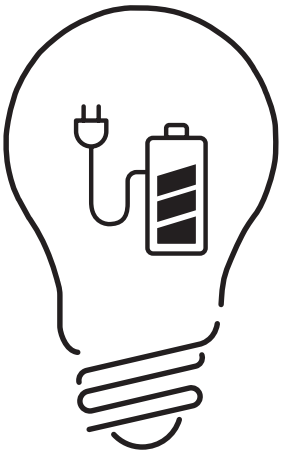
During 2021-22, Energy Queensland notified the Department of Environment and Science of five events. Two events were the result of acts of vandalism on transformers at substations, resulting in oil leaks. One event was the result of equipment failure leading to an oil leak and two notifications related to slight water quality exceedances outside of site license requirements. No Clean-Up Notices or Penalty Infringement Notices (PINs) have been issued.

Recognising and protecting cultural heritage

Energy Queensland recognises the significance of different cultures and maintains its commitment to preserving and managing cultural, historical, and natural heritage. We continue to work alongside First Nations communities and other stakeholders on many projects to understand the important cultural considerations for communities.

As a key stakeholder, we are contributing to the Queensland Government's review of the Cultural Heritage Acts to help ensure the Acts will continue to protect and conserve Queensland's Aboriginal and Torres Strait Islander cultural heritage, while enabling future development and maintenance activities.

This year, a cultural heritage assessment identified the upgrade of the helicopter mountain landing site on Lambs Head in the Dinden National Park, Far North Queensland, as having potential issues for Aboriginal cultural heritage. A survey conducted by the traditional owners for the area, the Buluwai People, then confirmed the identified site had continual significant values. This site and the surrounding landscapes tell the story of the creation of country and shows how the traditional owners contributed to this Dreamtime. Any disturbance to the site through the removal of vegetation, boulders and rocks would compromise the cultural heritage values. Through engagement with the traditional owners, the site has been preserved for future generations.



Our financial contribution to Queenslanders

Investing and operating prudently, within our financial constraints and while growing our revenue streams, remains critical to our longer-term financial sustainability.

Investing prudently for Queensland

From an investment perspective, Energy Queensland is being prudent, and only investing where it is absolutely necessary. At the same time, we do not want to be in a position in the future where the financial burden falls on the next generation of customers because we have not acted today.

Across the state, Ergon Network and Energex delivered a $1.2 billion network program this year, largely to ensure our networks remained safe and reliable, and to provide the electricity infrastructure needed to support the state's economic development.

To address safety, bushfire risk and network requirements in regional Queensland we are currently investing heavily in network refurbishment and replacement. The scale of this investment program exceeds what has been provided for by the Australian Energy Regulator's (AER) revenue determination. Most notable is a $537 million investment in Ergon network renewal.

We are also prioritising investment in the technology required to optimise the use of the electricity networks as the energy transition advances.

Reflecting the need to continue to invest in the interests of Queenslanders, this year's profits will be retained (as agreed with our shareholder) and a dividend will not be declared for 2022. This will allow us to expand investment into critical infrastructure and growth initiatives, supporting continued renewable energy, storage and other strategic investments across Queensland, in preparation for the future.

To keep a sustained focus on costs we are also investing significantly in transitioning to contemporary systems, technology and processes that will not only deliver operating efficiencies, but a competitive advantage in what is an increasingly dynamic operating environment. These, and further efficiencies, will be vital to operating within future revenue constraints and keeping downward pressure on electricity prices.

A positive financial result for our communities

Energy Queensland's consolidated Net Profit After Tax (NPAT) of $378 million is up from $302 million in 2020-21. This result includes significant revaluation gains of our retail business's forward energy contracts. Ergon Retail purchases forward energy contracts to hedge future energy sales.

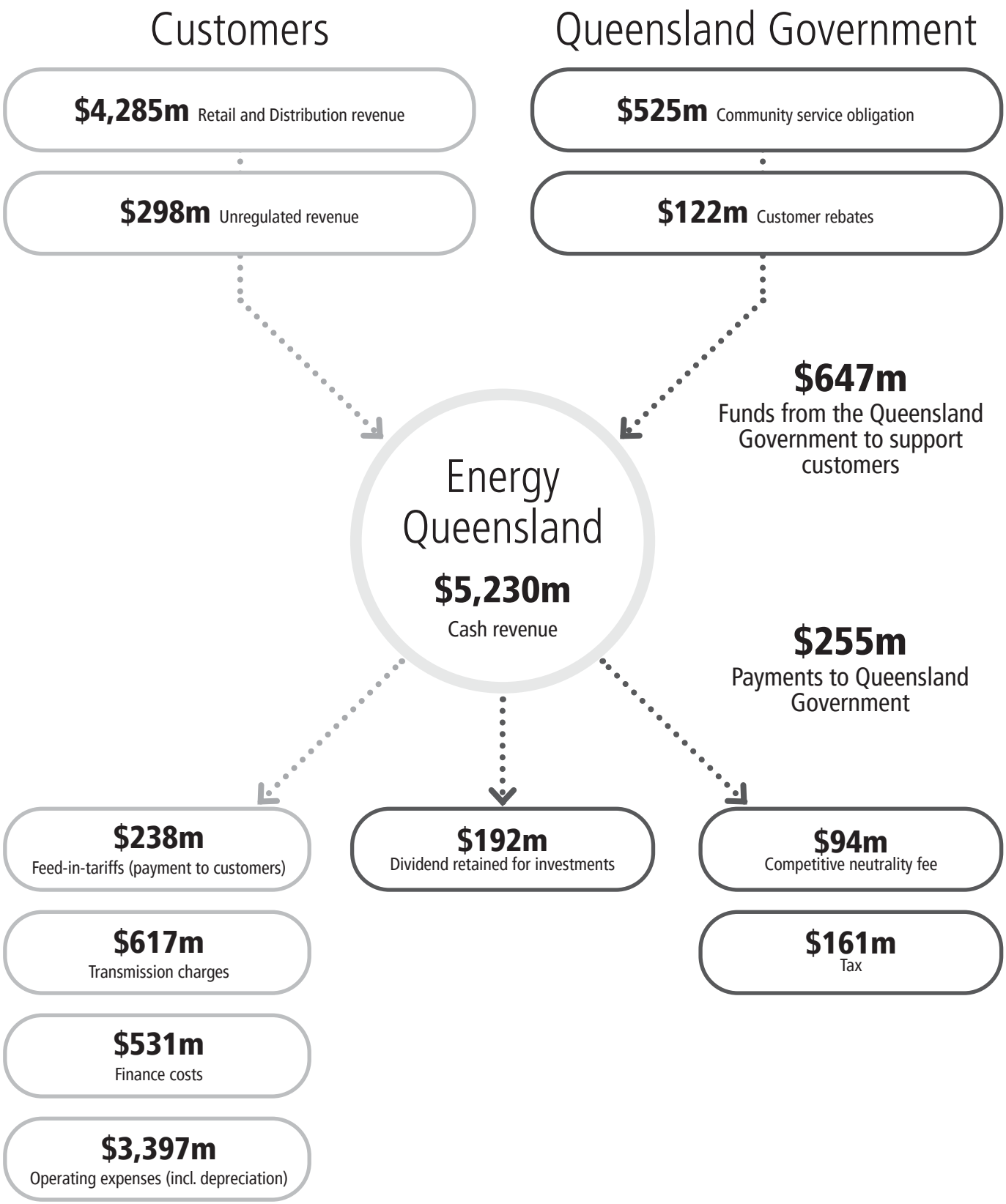
In line with its growing business capabilities, Yurika also contributed to the positive profit result.

This is the second financial year result for the 2020-25 regulatory control period. The Australian Energy Regulator's current five year revenue allowance for our regulated distribution businesses, Ergon Network and Energex (collected through retail electricity bills), is lower than at any time during which we have been regulated under the AER.

Total expenditure for Standard Control Services to is $1,974 million. This expenditure reflects a significant capital investment across our networks, as well as operating and maintenance expenditure to ensure we continue to meet safety and compliance requirements while maintaining reliability.

Through dividends paid to the Queensland Government in November 2021 (from our 2020-21 NPAT), our economic contribution partly supported a range of state-wide energy-related initiatives, such as the $525 million Community Service Obligation (CSO) payment. The CSO is paid to Energy Queensland to provide electricity in regional Queensland at prices based on the costs of supply in South East Queensland, in accordance with the government's Uniform Tariff Policy. This policy ensures that electricity prices in regional Queensland are much lower than would otherwise be the case.

Where the dollars flow



The above numbers show how transactions flow between Energy Queensland, the Queensland Government and our customers. The classifications are different from the revenues and expenses presented on page 73, which are presented as per the Australian Accounting Standards.

Financial summary for Energy Queensland Limited (Consolidated)

This section explains the key financial outcomes for Energy Queensland Limited to 30 June 2022. This commentary is not comprehensive – for full disclosures refer to the Annual Financial Statements for Energy Queensland Limited and its controlled Entities, available online at www.energyq.com.au/annualreport.

Where does our revenue come from?

Energy Queensland's total revenue is $5,415 million consisting predominantly of electricity Retail sales and Distribution revenue ($4,285 million). The Queensland Government's Community Service Obligation subsidy to 30 June is $525 million. Unregulated revenue from other services is $298 million.

What are our main expenses?

Our total expenses are $5,037 million. Our operating and maintenance expenditure was $1,801 million, with increased costs in employee benefits, materials and services. Transmission charges and electricity purchases also increased to $1,575 million.

Depreciation, amortisation and impairments of $1,036 million continues to be a substantial expenditure due to the considerable investment in capital for the provision of electricity distribution services.

Our finance costs of $625 million correlate with the average debt balance and prevailing interest rates.

How has the volatility in the market impacted our profits?

The profit result includes revaluation gains of our retail business's forward energy contracts.

These gains will be realised as energy is delivered in future periods, and partially offset increased energy purchase costs. The unprecedented market movements on forward contract prices have been driven by the spot price market volatility combined with constrained market liquidity. High levels of market volatility is reflected in unpredictability in financial results across periods as forward energy contracts mature.

What assets do we own?

Our total asset base is $28.4 billion. Property, plant and equipment are the major components of our asset base, at $24.7 billion, which consists mostly of regulated electricity network assets. Our network assets are revalued to fair value on an annual basis.

What are our liabilities?

Total liabilities are $23.6 billion. Our largest liability, the interest-bearing loan with Queensland Treasury Corporation, is $18.5 billion with $321 million in loan drawdowns this year to fund business requirements, including capital investment. We remain committed to maintaining a sustainable financial position by managing our long-term debt levels to an appropriate target gearing ratio as considered appropriate by our Board, in consultation with our shareholder. The Debt to Standard Control Services Regulated Asset Base Ratio is 69%.

What was our capital investment?

Energy Queensland has delivered $1,533 million in capital investment, fulfilling our commitment to meeting the current and future requirements of our communities. We continue to maintain our service levels and reliability and make appropriate investment in the growth of the distribution network. Our Standard Control Services-related investment in the network for the year was $1,026 million.

Why are we not returning a dividend from profits to our owners this year?

Energy Queensland typically declares dividends based on 100% of its NPAT adjusted for material non-cash items. This year Energy Queensland will be reinvesting its 2021-22 dividend of $192 million into the business. Retaining the notional dividend recognises the need to undertake strategically important investments in transformational sustainability and growth opportunities.

OUR REVENUE	$MILLION 2020-21	$MILLION 2021-22
Revenue and Other Income	4,906	5,415
OUR EXPENSES		
Transmission Charges and Electricity Purchases	(1,210)	(1,575)
Operating Expenses	(1,692)	(1,801)
Depreciation, Amortisation and Impairment Expense	(1,021)	(1,036)
Finance Charges	(681)	(625)
OUR PROFIT		
Net Profit After Tax	302	378
OUR ASSETS		
Current Assets	1,216	2,451
Non-current Assets	25,538	25,986
Total Assets	**26,754**	**28,437**
OUR LIABILITIES		
Current Liabilities	1,317	1,243
Non-current Liabilities	21,808	22,370
Total Liabilities	**23,125**	**23,613**
Net Assets	**3,629**	**4,824**
OUR INVESTMENT		
Total Capital Investment	1,513	1,533
DIVIDENDS		
Dividends Declared	220	-

Corporate governance statement

Energy Queensland Limited is a Government Owned Corporation reporting to the Queensland Government via shareholding Ministers – the Treasurer and Minister for Trade and Investment and the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement – on behalf of the communities across Queensland.

Energy Queensland Limited is the parent company of operating subsidiary companies, including Ergon Energy Corporation Limited, Energex Limited, Ergon Energy Queensland Pty Ltd, Yurika Pty Ltd, Metering Dynamics Pty Ltd and Ergon Energy Telecommunications Pty Ltd, whose main business is the provision of regulated electricity distribution, retail services to customers and other unregulated business activities.

Energy Queensland Limited is governed by an independent Board of Directors whose primary role is to provide effective governance, oversight and strategic direction of the affairs of the Energy Queensland Group. This ensures the interests of the shareholding Ministers are protected while having regard for the interests of all stakeholders, including customers, community stakeholders, industry partners and employees.

Energy Queensland Limited's corporate governance practices are in line with the Australian Stock Exchange (ASX) Corporate Governance Council Principles and Recommendations (4th edition), where applicable, and the Queensland Government's Corporate Governance Guidelines for Government Owned Corporations. These provide a framework of eight principles that guide our corporate governance arrangements.

Principle 1 – Foundations of Management and Oversight

Energy Queensland Limited's Board Charter outlines the role of the Board and sets the framework for the Energy Queensland Group's long-term success providing effective governance, oversight and strategic direction over Energy Queensland's affairs. The Board Charter supports Directors and Executives in understanding their governance responsibilities. The Charter is reviewed every two years and can be accessed by the public via Energy Queensland's website.

Charters also exist for the Board Committees and the Boards of the subsidiary companies. The Boards of the subsidiary companies are made up solely of executive members.

Energy Queensland Limited's Board has established four committees to assist the Board in fulfilling its oversight, responsibility and performance of its functions in key areas in accordance with Committee Charters which are available on the company's website:

- Audit Committee – Financial Integrity and Financial Reporting, Effectiveness of Fraud and Internal Control Framework, Audit, Policy Framework, and Investigations
- People, Safety and Environment Committee – People, Safety, and Environment
- Regulatory and Policy Committee – Energy Regulatory Issues, Ring-Fencing, and Regulatory Determinations
- Risk and Compliance Committee – Risk Policy and Framework, Risk Appetite, Risk Identification and Management, Risk Culture, Compliance Policy and Framework and Compliance Culture.

In addition, the Governance and Delegations Policy provides the framework for decision making and identifies the matters reserved to the Energy Queensland Board and its subsidiary companies, as well as the Chief Executive Officer and executive management. The reporting relationship and decision-making responsibilities of the Energy Queensland Boards and subsidiaries are documented in the Energy Queensland Group Governance Framework.

All new directors attend a structured induction session to ensure they understand roles and responsibilities, functions of the Board and Committees, and corporate expectations. New directors also receive an overview of Energy Queensland's operations and the Energy Queensland Board Handbook.

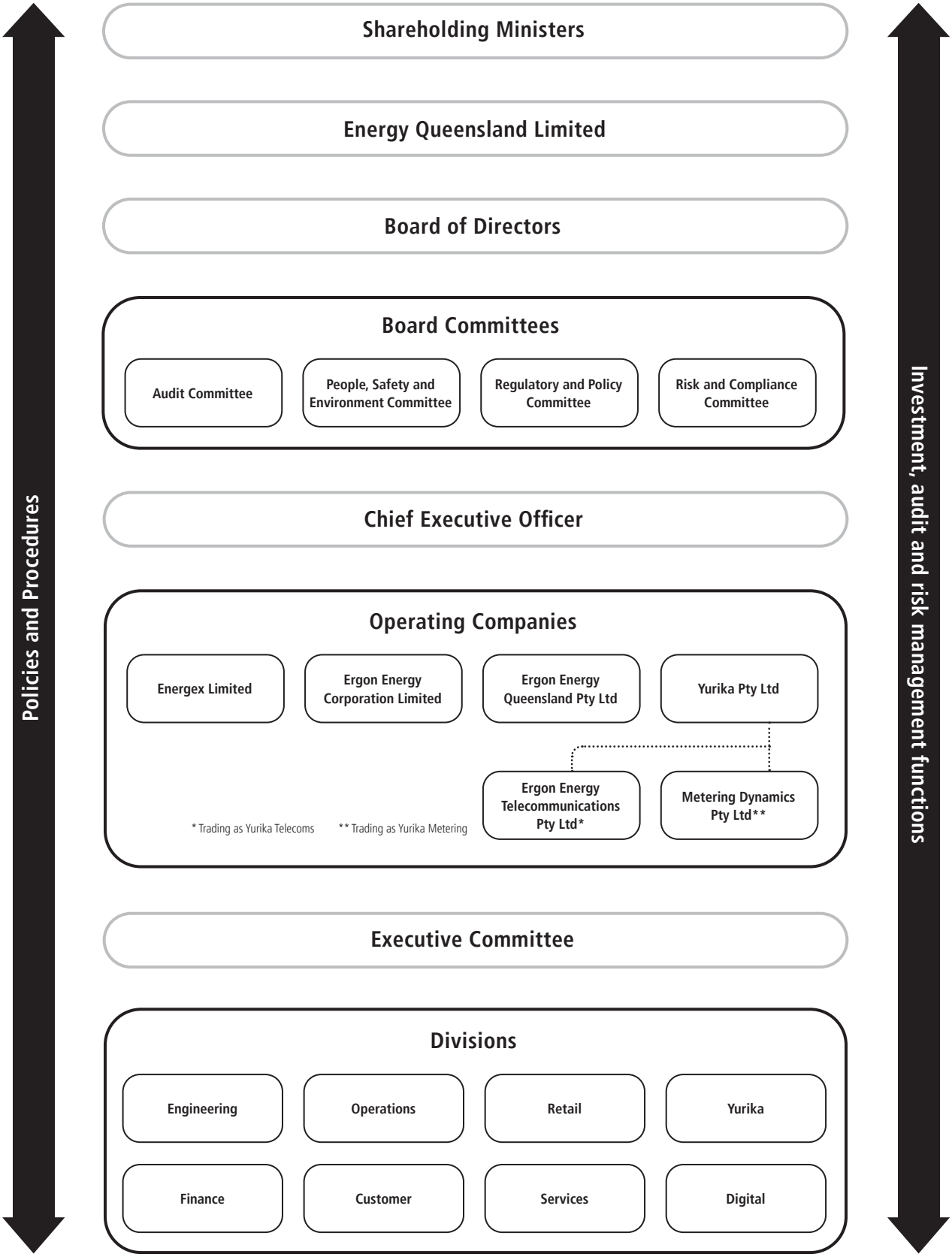
Energy Queensland's Executive Leadership Team comprises the Chief Executive Officer and eight other executives. The team is based across Queensland.

Energy Queensland prides itself in achieving gender diversity in senior executive positions and is a strong proponent of the benefits a diverse workforce brings. Our Diversity and Inclusion Policy is available via Energy Queensland's website. Of the eight executive positions, 50% are held by women. The composition of the Group's workforce is made up of 22% women and 2.8% First Nations employees. Initiatives are in place to increase the number of women and First Nations people working in areas of engineering, field work and apprenticeships.

Other key governance roles within the organisation include the Company Secretary and the General Counsel.

Key Performance Indicators and targets for senior executives are agreed on an annual basis with a performance review conducted during the year. The performance review of the Chief Executive Officer, and the setting of new performance targets, is conducted by the Chairman on an annual basis in accordance with a defined evaluation process. Following on from this, the Chief Executive Officer conducts performance evaluations of the Executive. This is undertaken on an annual basis with a half-yearly check in pursuant to a defined performance review process.

Our governance framework



Board of Directors

Phil Garling AM
Chairman

BBuild FAIB FAICD FIEAust

Phil Garling joined the Board and was appointed Chairman in 2016. He is also member of the Regulatory and Policy Committee.

Phil brings to his role as Chairman 40 years of experience in the Australian energy, construction, infrastructure and investment sectors, gained through an extensive board and executive career.

He has previously been a non-executive director of Network NSW, which was formed when Ausgrid, Endeavour Energy and Essential Energy merged in July 2012, and was the inaugural Chairman of the DUET Group for seven years. He has also completed the AICD Advanced Diploma.

Phil was appointed a Member (AM) of the Order of Australia in 2022 for significant service to the energy, construction and infrastructure sectors. Phil's understanding of the energy sector and his broad corporate experience are a valuable asset in guiding the future direction of Energy Queensland Limited.

Vaughan Busby
Director

B.Pharm MBA GAICD

Vaughan Busby joined the Board in 2017. He is the Chairman of the Risk and Compliance Committee and a member of the Audit Committee.

Vaughan currently serves as the Chairman for ASX listed SciDev and is a non-executive Director for ASX listed EnergyOne, and is the Chairman of Netlogix Australia.

Previously, he was a Director of Ergon Energy Queensland Pty Ltd, and the Managing Director for HRL Morrison & Co Australia, an infrastructure fund manager responsible for managing the NZX listed fund Infratil.

With extensive experience in the energy industry and infrastructure sectors, Vaughan holds an MBA from the IMD Business School in Switzerland.

Mark Algie
Director

BA(Politics) MBA CAHRI GAICD

Mark Algie joined the Board in 2016. He is the Chair of the People, Safety and Environment Committee and a member of the Regulatory and Policy Committee.

Mark is a highly experienced human resources executive with over 15 years' experience across numerous sectors including defence, heavy engineering, construction, utilities, infrastructure and media.

He is currently the Managing Director of Human Outsource which specialises in the provision of human resources and psychology services. Mark is also a Non-Executive Director on the board of AEIOU Foundation where he is the Chair of the People and Culture Committee.

Previously Mark has held appointments as Director with Events and Custom Media for News Corp Australia and Human Resources Director with APN, Australian Regional Media. He also spent four years with Tenix Australia in a number of HR appointments, including as Manager Human Resources Infrastructure, and two years with Ergon Energy Corporation Limited as a Senior Employee Relations Consultant. He began his career as an Army Officer with the Department of Defence.

Teresa Dyson
Director

LLB(Hons) BA MTax MAppFin GAICD

Teresa Dyson joined the Board in 2016. She is the Chair of the Audit Committee.

Teresa is also a non-executive Director of Seven West Media Ltd, Genex Power Ltd, Brighter Super, Shine Justice Ltd, the National Housing Finance and Investment Corporation and the Foundation for Alcohol Research and Education.

She is a member of the Gold Coast Health Board, and the Australian Government's Foreign Investment Review Board and Takeovers Panel.

Teresa has over 20 years legal experience advising the private sector and governments on complex infrastructure, mergers and acquisitions, finance transactions and social infrastructure. She was formerly a partner of Ashurst Lawyers and Deloitte Australia.

In 2011, Teresa was named Woman Lawyer of the Year by the Women Lawyers Association of Queensland.

Hugh Gleeson
Director

BEng(Civil) FAICD FIE Aust

Hugh Gleeson joined the Board in 2016. He is Chair of the Regulatory and Policy Committee and a member of the Risk and Compliance Committee, and the Audit Committee.

Hugh has over 30 years of experience in energy and utilities and was the Chief Executive Officer of the electricity and gas distribution businesses United Energy and Multinet Gas for 12 years. He brings to the directorship significant experience in the areas of energy policy and regulation, together with broad experience in the operations and management of utility businesses.

Hugh is a professional engineer and has served on the boards of the Energy Supply Association of Australia and the Energy Network Association, and has also been involved in the water sector.

He is currently a non-executive Director of gas distributor GDI (EEI) Pty Ltd (Allgas Energy) and Collgar Wind Farm. He has recently retired as a director of Melbourne Water Corporation and electricity distributor Ausgrid.

Karen Lay-Brew
Director

B.AS(Computing), MBA, MAICD

Karen Lay-Brew joined the Board in 2021. She is a member of the Risk and Compliance Committee and the People, Safety and Environment Committee.

Karen brings extensive international experience in Chief Information Officer and Chief Productivity Officer roles in multinational corporations, including BHP, Microsoft and Honeywell Asia Pacific, with responsibility for implementing systems and technologies, culture change and operational excellence.

She currently serves as a non-executive Director for Multicap, a group of leading support organisations for people with physical and mental disabilities, particularly those with high and complex needs.

Karen has served on high-level Australian Government boards for a number of years, and was previously a Director and President of Australian Business Software Industry Association, now renamed DSPANZ.

She is the Managing Director of 3Pillars.Digital, which supports organisations to apply contemporary and digital technologies to deliver sustained business outcomes. The 3Pillars group provides management consulting services to numerous industries including mining, energy, utilities, defence and public sector.

Hon. Paul Lucas
Director

B.Econ, LL.B., MBA, MURP, Prof. Cert. Arb., MPIA, FAICD

The Honourable Paul Lucas joined the Board in 2021. He is a member of the Audit Committee, the People, Safety and Environment Committee, and the Regulatory and Policy Committee.

Paul has extensive experience with utilities in the energy, rail, and aviation sectors. His background provides a deep understanding of regional and remote communities together with governance, risk and strategy expertise. Dual qualified as a Solicitor and Urban Planner, he is a consultant to a major Eastern Seaboard law firm.

He is an independent Director on the Boards of: The Institute for Urban Indigenous Health; Kokatha Aboriginal Corporation; and PKKP Aboriginal Corporation. He is a member of the Advisory Board of regional airline, Skytrans. He is a Director of the Central Highlands Development Corporation and the State Advisory Council of the National Heart Foundation. He is the Queensland President of the Australian Institute of International Affairs.

He has previously served as Chair of the Cross-River Rail Delivery Authority and as a Director of Airservices Australia and Powerlink. A former Deputy Premier of Queensland, he served as a Minister for 11 years in a variety of portfolios including Energy, Infrastructure and Planning, and Local Government.

Helen Stanton
Director

BEng(Minerals Processing) GAICD

Helen Stanton joined the Board in 2016. She is a member of the Audit Committee, the People, Safety and Environment Committee, and the Risk and Compliance Committee.

Helen brings strategy, risk and governance expertise to the Board, with extensive utilities governance experience. Her career includes operational, leadership and commissioning roles in the mining industry. More recently Helen has worked as a consultant supporting organisations to formulate strategies for bottom line, sustainable performance improvements.

She is Deputy Chair of Northern Australia Primary Health Limited and non-executive Director of Hospital in Your Home and was previously a non-executive Director of Ergon Energy Corporation Limited and Northern Territory Power and Water Corporation.

Executive Committee

Rod Duke
Chief Executive Officer

GradDipMgt BEHons (Chemical)

Rod Duke became Chief Executive Officer of Energy Queensland Limited in April 2020. He has brought to the Group extensive leadership and energy industry experience.

Prior to this he was Chief Executive Officer of the Gladstone LNG project for Santos and its partners. He has held other senior roles with the Energy Market Authority of Singapore and Woodside and as an Executive with Singapore LNG Corporation.

He has a strong commercial and safety focus with more than 36 years' professional international experience in operations, commercial, marketing, trading, development, projects, engineering, construction and commissioning areas of the energy industry, as well as leading transformational projects.

Rod holds a Graduate Diploma of Management and a Bachelor of Engineering (Chemical) with Honours. He is a member of the University of Queensland School of Chemical Engineering Industry Advisory Board, and a Board Director of the Clean Marine Fuels Institute and Energy Networks Australia (ENA).

Peter Price
Executive General Manager, Engineering

BEng(Hons) MEng MCIPS FAICD

Peter Price was appointed to the Energy Queensland Executive in November 2016 and is responsible for leading the Group's engineering and asset management strategies, which includes the safe and efficient management of the Group's electricity distribution networks.

Prior to joining Energy Queensland, Peter was a member of Energex's executive management team for ten years. His career with Energex included managing and leading capital planning and program delivery, asset management, procurement, regulatory issues and the growth of new commercial businesses.

Peter holds both a Bachelor degree (with honours) and a Masters degree in engineering from the University of Queensland and is a fellow of the Australian Institute of Company Directors.

Peter is also Chair of Energy Skills Queensland and is a Director of TAFE Queensland.

Paul Jordon
Executive General Manager, Operations

GAICD, INSEAD

Paul Jordon has been a member of the Executive Committee since December 2017. He leads the operations and maintenance of Energy Queensland's distribution network across the state. This covers both Ergon Energy Network and Energex's operational streams, including works programming, field delivery, network operations, system design, substations and emergency planning and response.

Prior to his appointment to Energy Queensland's Executive Committee, Paul gained significant experience leading health and safety, retail and works planning activities at a senior leadership level.

With more than 30 years' experience in electricity distribution and retail fields in Australia and internationally, Paul brings a wealth of knowledge to his role and continues to work proactively with other energy entities in Australia and worldwide sharing knowledge, learnings and innovations, ensuring Energy Queensland remains a global leader in the energy industry.

Paul has a high level of expertise in disaster preparedness and response and is a passionate advocate for the safety of employees and communities.

Ayesha Razzaq
Executive General Manager, Retail
BEng(Hons) GAICD FAMI

Ayesha Razzaq was appointed Executive General Manager, Retail in March 2020.

Ayesha is responsible for leading Energy Queensland's Retail business, Ergon Energy Retail. This includes delivering a positive customer experience, managing wholesale energy procurement, and the ongoing development of products and service choices for customers.

With over 20 years' experience in senior executive roles within the energy industry, Ayesha is committed to customer-centricity, operational and transformational excellence, and driving innovative strategies to deliver profitable growth. Her prior experience in navigating another electricity retail business through significant energy industry change will help continue to move the Ergon Retail forward in its customer-centric approach.

Ayesha holds a Bachelor of Engineering with Honours and has graduated from Harvard Business School where she completed the Advanced Management Program. She was awarded the 2017 ACT Corporate Telstra Business Woman Award.

Peter Scott
Executive General Manager, Finance
DipBus BBus MPA MBA FCPA GAICD

Peter Scott was appointed Executive General Manager, Finance in November 2016 and is responsible for managing Energy Queensland's Finances, Procurement and Supply, and Corporate Shared Services, in addition to the Company Secretariat and General Counsel functions.

Peter is a Director of various subsidiary companies of Energy Queensland Limited including Yurika Pty Ltd, Ergon Energy Queensland Pty Ltd, Energex Limited and Ergon Energy Corporation Limited.

Prior to Energy Queensland, Peter was Energex's Chief Financial Officer for two years. Throughout his career he has gained extensive experience as a senior executive in both local government and government-owned corporations, including holding various Chief Executive and Chief Financial Officer roles. Peter's earlier career included a variety of banking and government/semi government roles across regional Queensland.

Peter holds a Diploma of Business, a Bachelor of Business, a Master of Professional Accounting, and a Master of Business Administration. He is also a Fellow of Certified Practising Accountants and is a Graduate of the Australian Institute of Company Directors.

Belinda Watton
Acting Executive General Manager, Yurika
BCom MAppLaw GradCertAppFin GAICD

As an experienced senior executive, Belinda leads a broad and complex portfolio to deliver critical strategies and services to Energy Queensland enabling the organisation to realise its vision of energising Queensland communities. This is achieved through the strategic direction and leadership most recently of the operation and strategic management of Energy Queensland's commercial arm, Yurika. Prior to this, Belinda's leadership as Executive General Manger, Services included human resources, industrial relations, environment, safety and cultural heritage functions, property and facilities management, fleet assets- including aviation safety management, security and business integration functions.

Belinda also leads Energy Queensland's Registered Training Organisation, which in addition to skilling the broader technical workforce, trains over 450 apprentices. She also holds directorships with Energex Limited and Ergon Energy Corporation Limited, having completed a three-year directorship with Ergon Energy Queensland Pty Ltd (Ergon Retail) during 2022. Belinda is also a Director with Energy Skills Queensland and HELP Enterprises.

She has a Bachelor of Commerce, Masters of Applied Law, qualifications in finance, is a graduate member of the Australian Institute of Company Directors and a member of Chief Executive Women.

Michael Dart
Executive General Manager, Customer
BSc (AusEnvSc) BSc (EnvHlth) Dip(Mgt) GAICD

Michael Dart was appointed to the Energy Queensland Executive Committee in January 2020. He is responsible for leading customer, community, stakeholder engagement, brand, marketing, media, internal communications, digital communications and investor relations strategies for Energy Queensland.

He also has executive responsibility for the largest 24/7 Network Customer Operations centre in Australia, and oversees the market transaction and customer connections functions for the business.

Michael has spent more than a decade as an energy industry leader, and is a Director of Ergon Energy Queensland Pty Ltd.

He has executive management, stakeholder relations, policy development and communications experience reaching more than 20 years. He has worked for state and local governments, and as consultant to the private and public sectors.

Michael is a non-executive Director of Griffith University's Environment and Science Industry Advisory Board, and of Creative Regions in Bundaberg, with earlier director experience in the government, arts and environmental health fields.

Marianne Vosloo

Executive General Manager, Digital

BSc (CompSc & Math) BSc (Hons CompSc)

Marianne joined the Group in June 2020, bringing international expertise in digital strategy, data analytics and cyber security from her prior role as Chief Information Officer at the Australian Federal Police, as well as previous senior leadership positions in the finance, mining, healthcare, manufacturing, and ICT (Information & Communications Technology) consultancy sectors.

She is responsible for leading Energy Queensland's digital strategies, as well as overseeing all major ICT investments, business partnering, innovation and support services.

Marianne has worked in complex ICT environments with large, geographically dispersed teams, with a critical focus on cost-effective digital enablement, as well as IT-OT convergence. These strengths will support Energy Queensland's focus on creating value for customers through smart, secure digital investment and service delivery.

Underpinning her wealth of practical experience and expertise, Marianne holds a Bachelor of Science majoring in Computer Science and Mathematics as well as an Honours degree in Computer Science. Marianne is a member of the Australian Institute of Company Directors and serves as an executive Director for Yurika Pty Ltd.

Karen Stafford

Acting Executive General Manager, Services

LLB (Hons), BCom, FGIA, FCG, GAICD

Karen was appointed Acting Executive General Manger, Services for Energy Queensland in July 2022. This appointment sees Karen take up leadership of human resources, industrial relations, environment, safety and cultural heritage functions, property and facilities management, fleet assets- including aviation safety management, security and business integration functions.

Karen has had 20 years' experience in the energy industry. Her career at Energy Queensland includes General Manager roles in Procurement and Supply, and Legal, Regulation and Pricing. Prior to joining Energy Queensland, Karen was the General Counsel and Company Secretary of Ergon Energy.

Karen holds a Bachelor of Laws with Honours, a Bachelor of Commerce, a Graduate Diploma in Applied Corporate Governance and a Graduate Diploma in Applied Finance and Investment. She is a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Governance Institute, a Graduate of the Australian Institute of Company Directors and is admitted as a solicitor in Queensland.

Principle 2 – Structuring the Board to add value

Energy Queensland's Board of Directors, including the Chairman, are independent, skills-based non-executive Directors appointed for a set term by the Governor-in-Council in accordance with the *Government Owned Corporations Act 1993* (Qld).

Details of the Directors' qualifications, skills and relevant experience are on page 55. The number of Board and Committee meetings held along with Directors' attendances, as well as the term of Directors are set out in the Directors' Report, in the Energy Queensland Limited Annual Financial Statements, on page 68.

The Board ensures that Directors' independence is maintained through the Directors Conflicts of Interest Policy, which is supported by a Conflict of Interest Protocol. Energy Queensland has also adopted a Securities Dealing Policy and an Appointment of EQL Nominees to External Boards Policy to support the maintenance of Directors' independence and effective management of conflicts of interest. In addition, the Board Charter provides that, with the prior approval of the Chairman, each Director has the right to seek access to independent professional advice required to fulfil their role at the company's expense.

Board performance evaluations are conducted at least every two years and are in accordance with the Government Owned Corporations Guidelines. These evaluations include assessment of Director skills and experience, Board culture and meeting dynamics, the quantity, quality and timelines of information and decision making. Opportunities for improvement and development identified during the evaluation performance conducted internally during the 2021-22 reporting period have been progressed and monitored to ensure the continued effectiveness of the roles of the Board and Committees, key relationships and governance processes.

Principle 3 – Promote ethical and responsible decision-making

Energy Queensland is committed to ethical and responsible decision making and has in place an Integrity Framework that supports this via policies and guidelines, as well as internal networks and support. Culture is a key element of the governance framework to promote ethical and responsible decision-making. Energy Queensland has developed tools and measures to assess and monitor the culture of the organisation to provide insight to the Board as to the state of the culture. The Board engages with employees and customers through regular Board visits and site tours.

The Code of Conduct sets the standard for how employees operate in accordance with business ethics, social objectives, and corporate values and associated policies. Advisers, consultants and contractors are expected to comply with high ethical standards aligned with the Code of Conduct. New employees receive induction training on ethical business practices, including the Code of Conduct with regular refresher training and updates provided to all employees. The Board also has a Director Code of Conduct to assist in its decision-making process.

A declaration of Directors' interest is a standing agenda item at the commencement of every ordinary Board meeting.

Decision-making is delegated under the *Corporations Act 2001* (Cth) and formalised in the Governance and Delegations Policy. Decision making is further guided by policies established under the Energy Queensland Group Governance Framework.

Principle 4 – Safeguard integrity in financial reporting

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibility of the Energy Queensland's financial integrity and reporting, effectiveness of the fraud and internal control framework, audit, policy framework and investigations in accordance with the Audit Committee Charter. The Chair of the Audit Committee is not the Board Chairman. Details of the Directors appointed to the Audit Committee are set out in the Directors' Report, in the Energy Queensland Annual Financial Statements, on page #.

The internal and external auditors are invited to attend Committee meetings to present relevant reports and discuss any concerns with the Committee, without management influence. The Queensland Audit Office is Energy Queensland's external auditor.

The Audit Committee defines the internal auditor's scope of work through establishment of an Internal Audit Charter and Internal Audit Plan. Internal Audit is an independent function that assists the Board and Management in the effective discharge of their responsibilities.

Principle 5 – Make timely and balanced disclosures

The Board has reporting and disclosure obligations to the shareholding Ministers under the *Government Owned Corporations Act 1993* (Qld) and *Corporations Act 2001* (Cth).

Energy Queensland provides the shareholding Ministers with a copy of the audited accounts for each financial year, and an annual report in accordance with the requirements of the *Government Owned Corporations Act 1993* (Qld). Energy Queensland also provides Quarterly Shareholder Reports to ensure that the shareholding Ministers have access to material information regarding the company and its subsidiaries including its operations, financial performance, financial position and governance.

Energy Queensland has in place a framework to facilitate the reporting of wrongdoing and the protection of those who disclose wrongdoing and is required to comply with the whistleblower protection requirements under the *Public Interest Disclosure Act 2010* (Qld) (PID Act) and the *Corporations Act 2001* (Cth). The Public Interest Disclosure and Whistleblower Policy encourages the reporting of Public Interest Disclosure matters, under the PID Act (which are considered on their merits based on the nature, extent and scope of conduct that has given rise to the complaint made by employees or contractors of Energy Queensland) and the Whistleblowers Disclosures under the *Corporations Act 2001* (Cth), about Energy Queensland's operations or an activity that could adversely impact the organisation. Public Interest and Whistleblower Disclosures are properly dealt with, assessed and appropriately investigated (where necessary) and managed. Protection is provided to disclosers from reprisal and/or victimisation. A procedure for dealing with Public Interest Disclosure is available on Energy Queensland's website.

Principle 6 – Respect the rights of shareholders

Energy Queensland develops a Statement of Corporate Intent and Corporate Plan setting out the key strategies and performance targets for Energy Queensland annually and on a five-year rolling basis. These documents are publicly available on the Energy Queensland website.

In addition to regular quarterly reporting and this Annual Report, Energy Queensland reports to its shareholding Ministers in a timely manner on all issues likely to have a significant financial, operational, social or environmental impact in accordance with obligations under legislation and government guidelines. Energy Queensland also reports on senior executive appointments and remuneration in accordance with the Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements.

Energy Queensland works cooperatively with the shareholding Ministers on these issues to deliver the best outcomes for customers and the Queensland community. The Board Chairman meets regularly with shareholding Ministers and their representatives, as part of a broader government engagement program, to ensure active dialogue throughout the year.

The Chief Executive Officer, various senior managers and employees liaise with representatives of shareholder departments on a regular basis.

Certain decisions must be approved by Shareholding Ministers under the Investment Reporting Guidelines for Government Owned Corporations. The current thresholds are notified through the Statement of Corporate Intent and are set out in Energy Queensland's Governance and Delegations Policy.

AREA	MEASURE	2020-21	2021-22		TARGET
Safety and People	Significant Incident Frequency Rate	1.1	**1.3**	▲	1.1
	Employee Engagement	60%	**64%**	▲	65%
Financial	Net Profit After Tax	$302m	**$378.0m**	▲	$165.6m
	Standard Control Service Total Expenditure	$1,903m	**$1,974.3m**	▲	$1,896.3m
Customer	Customer Satisfaction	New	**72.2**	—	69
Operations	Operational Delivery	95.7%	**92.9%**	▲	90%
	Service Target Performance Incentive Scheme				
	– Energex	$19.4m	**$3.7m**	▼	$19.1m
	– Ergon	$23.2m	**-$14.2m**	▼	$18.9m

Principle 7 – Recognise and manage risk

The role of the Risk and Compliance Committee is to assist the Board in fulfilling its oversight responsibility of Energy Queensland's approach to risk management, compliance management and organisational resilience and continuity. The Regulatory and Policy Committee also assists the Board in fulfilling its oversight responsibility of the regulatory matters for Energy Queensland Limited. Both Committee Charters are available on the company's website.

Energy Queensland's approach to risk management aligns with the principles of AS/NZS ISO 31000:2018 Risk management – Principles and guidelines for managing risk.

Energy Queensland is committed to embedding a risk management approach across all levels of the business to support the delivery of strategic and operational objectives. The Risk Management Policy sets out the overarching risk management architecture, principles and expectations to enable Energy Queensland to utilise appropriate integrated practices in order to be a resilient, flexible, adaptable, and sustainable business. A review of Energy Queensland's risk management framework and approach is conducted on an annual basis.

The Board retains ultimate responsibility for risk management and for determining the appropriate level of risk that the Board is willing to accept in the conduct of business activities.

The Chief Executive Officer and Executive Committee have ultimate accountability for ensuring that the Group has identified and managed material enterprise risks and has effective risk management strategies. Each Executive is accountable for ensuring enterprise risks are identified and managed within their business unit and for having appropriate crisis, disaster, incident, emergency management and business continuity planning in place. New and emerging risks or issues are considered by the Executive Committee, Risk and Compliance Committee and then the Board in accordance with risk escalation processes.

To ensure appropriate systems and processes to enable delivery of Energy Queensland Limited's corporate strategy are in place, the Risk and Compliance Committee and the Audit Committee also provide oversight in relation to the appropriateness and effectiveness of risk management frameworks, processes and reporting, and the effectiveness of the internal control framework.

Environmental and social risks

Expectations on businesses in relation to environmental, social and governance matters are increasing from stakeholders. The Board and Executive Committee regularly discuss climate change and net zero emissions, disclosure of non-financial risks, the focus on diversity and inclusion in business and legislative changes such as modern slavery legislation, amendments to privacy legislation and protection of consumer data. Risks in these areas are included in the risk reporting to the Risk and Compliance Committee and are elevated to the Board if required. A summary of broader material risks is included in Energy Queensland's Statement of Corporate Intent.

Fraud and corruption prevention

Energy Queensland is committed to promoting and achieving an ethical and transparent culture of integrity and best practice governance. Fraud and Corruption are incompatible with this culture and present a risk to the achievement of strategic objectives. Energy Queensland is committed to preventing, identifying and addressing Fraud and Corruption by raising awareness of Fraud and Corruption risks and implementing controls aimed at reducing the opportunity to commit Fraud or Corruption and increasing the likelihood of Fraud or Corruption being detected.

All allegations of Fraud or Corruption are treated seriously, investigated and appropriate action taken. We notify and refer suspected or actual instances of Fraud or Corruption to the appropriate authorities as required. Energy Queensland does not tolerate victimisation or reprisals against persons who report suspected Fraud or Corruption.

Energy Queensland's Fraud and Corruption Prevention Policy outlines obligations for fraud identification and prevention, as well as the processes for reporting, recording and investigating allegations including compliance with public interest disclosure requirements.

External audit

The Queensland Audit Office (QAO) is appointed as the external auditor for Energy Queensland. The Energy Queensland Group submits to a number of external audits in pursuit of world-class practice to meet certification against International Standards for the management of our electricity transmission, distribution network and ancillary services. Achievement of Certification and Accreditation is a formal attestation to International Standards, demonstrating to customers, community and interested parties our commitment to high standards of management.

Energy Queensland maintains certification for ISO9001 Quality Management System, ISO14001 Environmental Management System, ISO45001 Occupational Health and Safety Management System, together with Accreditation to International standards ISO/IEC 17020 – Inspection and ISO/IEC 17025 – Testing and Calibration to demonstrate competency and authority. Accreditation provides an independent benchmark for technical competence.

Certification and Accreditation is a symbol of assurance. In addition to Certifications and Accreditations, Queensland's electrical safety regulator, the Electrical Safety Office, mandates that prescribed electricity entities have and give effect to a safety management system that is assessed by an accredited auditor, and conducted annually.

Internal audit

Energy Queensland's internal control framework is comprised of policies and procedures, including compliance training and assurance processes, to ensure the affairs of the organisation are being conducted in accordance with relevant legislation, regulations and codes of practice. These procedures enable the Board and the Executive Committee to monitor, in a timely manner, any material matters affecting our operations.

The General Manager Risk and Internal Audit reports administratively to the Company Secretary, and has unrestricted access to the Chief Executive Officer to discuss any matter relating to the finances or operations of the business, and reports independently to the Audit Committee on progress against the Internal Audit Plan and resolution of issues raised in reports. The Internal Audit Charter (available on the company's website) adopted by the Board is reviewed on a regular basis.

Principle 8 – Remunerate fairly and responsibly

The People, Safety and Environment Committee assists the Board with its oversight of employee issues concerning:

- developing and maintaining a skilled workforce that meets Energy Queensland's requirements
- a remuneration policy which leads to remuneration that is fair and to market
- performance management and behaviours which are consistent with the values and goals of Energy Queensland and that value the customer, probity, teamwork and a successful organisation.

Energy Queensland's remuneration strategy and practices are aimed at ensuring attraction and retention of highly competent and capable employees at all levels by providing an appropriate combination of competitive, fixed and variable remuneration components. Remuneration packages for the Executives comply with government guidelines to achieve a balance between public accountability and transparency. Non-executive Directors' fees and Executives' remuneration packages including at-risk payments are reported in the Annual Financial Statements on page #. 'At-risk' payments are contingent upon the Board's assessment of the company's overall performance and shareholder expectations.

A performance management framework linking performance to the strategic objectives of the organisation promotes continual performance and opportunities for professional development for all employees with reviews conducted on an annual basis.

The performance of the Energy Queensland Group, including the performance of the CEO against key performance measures set by the Board each year and the Statement of Corporate Intent, is assessed by the People, Safety and Environment Committee.

The People, Safety and Environment Committee Charter can be accessed by the public via Energy Queensland's website.

Directions and Notifications

No directions or notifications were issued by shareholding Ministers under section 114 of the *Government Owned Corporations Act 1993* (Qld) during 2021-22.

Entertainment and hospitality

To provide the transparency expected of a government-owned organisation, we report on entertainment and hospitality expenses over $5,000 incurred as part of normal business.

DATE	EVENT	INVESTMENT
17 June 2022	Energy Queensland Management Forum – Dinner	$7,297

Glossary

AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
AS	Australian Standard
ASX	Australian Stock Exchange
AWEI	Australian Workplace Equality Index
BEV	Battery EV
CBD	Central Business District
CEI	Customer Enablement Index
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSAT	Customer Satisfaction
CSO	Community Service Obligation
DEBBs	Digital Enterprise Building Blocks
DER	Distributed Energy Resources
DTMR	Department of Transport and Main Roads
DOE	Dynamic Operating Envelope
ENA	Energy Networks Australia
EWOQ	Energy and Water Ombudsman Queensland
ESO	Electrical Safety Office
EV	Electric Vehicle
NTS	Net Trust Score
FiT	Feed-in Tariff
GOC	Government Owned Corporations
GIS	Geospatial Information Systems
GSL	Guaranteed Service Level
HSE	Health, Safety and Environment
HEMS	Home Energy Management Systems
ISO	International Organisation for Standardisation
ICT	Information and Communications Technology
IoT	Internet of Things
LED	Light Emitting Diode lighting
LGBTI+	Lesbian, Gay, Bisexual, Transgender, Intersex and other communities
MSS	Minimum Service Standard
nbn	National Broadband Network
NEM	National Electricity Market
MIST	Micro-grid and Isolated Systems Test facility
PHEV	Plug-in Hybrid EV
QCA	Queensland Competition Authority
QESH	Queensland Electric Super Highway
QHES	Queensland Household Energy Survey
RFDS	Royal Flying Doctor Service
SAPS	Stand-alone power systems
SES	Queensland State Emergency Services
TSS	Tariff Structure Statements

Common measures

Reliability service standards	
SAIDI	System Average interruption Duration Index. Network reliability performance index, indicating the total minutes, on average, that customers are without electricity during the relevant period (minutes).
SAIFI	System Average Interruption Frequency Index. Network reliability performance index, indicating the average number of occasions each customer is interrupted during the relevant period (interruptions).
Customer Minutes	Customer minutes is a measure of the number of customers interrupted multiplied by the duration of a power outage or outages, incorporating any staged restoration.
Workplace safety performance	
TRIFR	Total Recordable Injury Frequency Rate reports a frequency rate of the number of total recordable injuries per million hours worked on a rolling twelve month basis. 'Total Recordable Injuries' is made up of Fatalities (F), Lost Time Injuries (LTIs), Medical Treatment Injuries (MTIs) and Medical Treatment Injuries – Suitable Duties (MTI-SDs) for EQL employees.
LTIFR	Lost Time Injury Frequency Rate reports a frequency rate of the number of Lost Time Injuries per million hours worked on a rolling twelve month basis.
SIFR	Significant Incident Frequency Rate. Significant HSE Incident Frequency rate measure includes the number of significant injuries which include class 1 (actual or potential) incidents, work related SEIs and DEEs, expressed as a rate per million hours worked.
TRI	Total recordable injuries. 'Total Recordable Injuries' is made up of Fatalities (F), Lost Time Injuries (LTIs), Medical Treatment Injuries (MTIs) and Medical Treatment Injuries – Suitable Duties (MTI-SDs) for EQL employees.
Electricity related	
MVA	megavolt ampere: one MVA equals 1,000kVA
kW	kilowatt: one kW equals 1,000 watts
MW	megawatt: one MW equals 1,000 kilowatts
kWh	kilowatt hour: the standard 'unit' of electricity which represents the consumption of electrical energy at the rate of one kilowatt over a period of one hour
MWh	megawatt hour: one MWh equals 1,000 kilowatt hours
GWh	gigawatt hour: one GWh equals 1,000 megawatt hours or one million kilowatt hours

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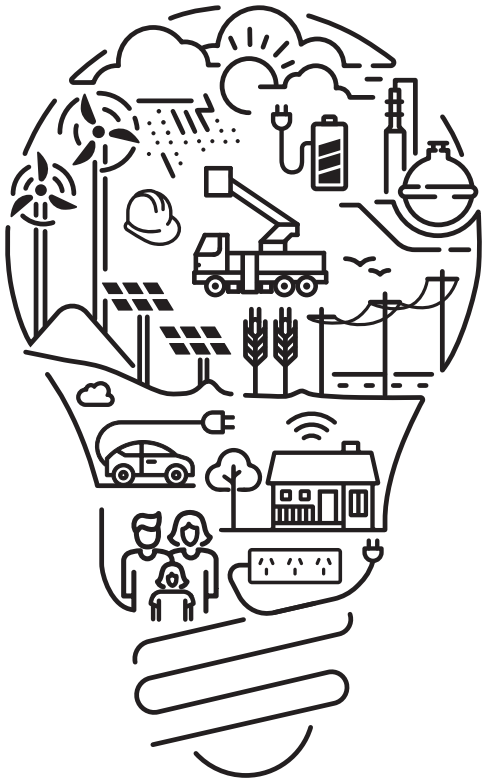

Energy Queensland Limited
Annual Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

ABN 96 612 535 583

Energy Queensland

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The Board of Directors of Energy Queensland Limited (the Company or Energy Queensland) is pleased to present their report together with the financial statements of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2022 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
• Philip Garling AM (Chairman)	30 June 2016
• Mark Algie	1 October 2016
• Teresa Dyson	1 October 2016
• Hugh Gleeson	1 October 2016
• Helen Stanton	1 October 2016
• Vaughan Busby	12 October 2017
• Karen Lay-Brew	17 June 2021
• The Honourable Paul Lucas	17 June 2021

Please refer to the 'Board profiles' section of the Company's annual report 2021/22 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 14 years senior leadership experience in the utilities industry including over 12 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 2022

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 is $378 million for the year (2021: $302 million).

Revenue

Energy Queensland's total revenue for the year is $5,415 million (2021: $4,906 million) consisting predominantly of electricity Retail sales and revenue for the use of the Network of $3,742 million (2021: $3,818 million).

Distribution revenue is marginally higher compared to 2021 as determined by mechanisms established by the Australian Energy Regulator, however Retail sales revenue declined due to lower Queensland Competition Authority published tariff prices for residential, commercial, and small business enterprise customers.

The Queensland Government's Community Service Obligation subsidy is $525 million (2021: $454 million).

Other income of $518 million (2021: $52 million) reflects significant revaluation gains on forward energy contracts of our Retail business as a result of sharp market movements.

Expenditure

Our higher total expenses for the year of $5,037 million (2021: $4,604 million) reflect challenging wholesale electricity market conditions which led to increased electricity purchases of $958 million (2021: $630 million). Increases in operational costs such as employee benefits, materials and services is the result of our ongoing costs in managing our large program of work.

Depreciation, amortisation and impairments to 30 June of $1,033 million (2021: $1,013 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 $625 million (2021: $681 million) correlates with the average debt balance and refinancing at prevailing interest rates.

Payments in respect of the Queensland Government's Solar Bonus Scheme continued to decline as the number of eligible customers gradually reduces. Payments made to 30 June, were $238 million (2021: $262 million) in feed-in-tariffs.

Financial Position

The primary asset included in 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 $1,533 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 a safe, reliable power supply in future years whilst continuing to meet the requirements of our customers and communities.

DIVIDENDS

No dividends were declared in 2022. Energy Queensland will be reinvesting its 2021-22 notional dividend ($192 million) into critical infrastructure and growth initiatives. This recognises the need to undertake strategically important investment in transformational growth and sustainability opportunities. A final dividend of $220 million was declared during the 2021 financial year and paid on 30 November 2021.

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 2022

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.

There were two significant environmental incidents reported to the Department of Environment and Science (DES) in the financial year. The first incident occurred in May 2022 as a result of vandalism to substation plant at Mona Park substation. A member of the public damaged a transformer and conservator tank with a firearm, resulting in approximately 1,500L of mineral oil to be spilled to the ground. Ergon Energy removed the contaminated material and provided validation soil samples to DES to confirm no ongoing risk of causing environmental harm. No fines or infringement notices were received.

The second incident reported to DES was a diesel spill at Bamaga Power Station in June 2022. The spill occurred while transferring fuel from bulk fuel storage to a day use tank. It is estimated that 2,000L of diesel was spilled. Energy Queensland will assess the results of soil sample test results to determine appropriate remedial action.

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 group 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 Clean Energy Regulator and based on data gathered from the Group's information 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 $802,850 comprising of Directors and Officers Liability, Statutory Liability and Workplace Health and Safety Liability policies covering Energy Queensland Limited and its subsidiaries (2021: $624,965).

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 2021/22 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 2022

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 2022 are:

Energy Queensland Meetings	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 AM (Chairman)	11	11	n/a	n/a	3	3	n/a	n/a	n/a	n/a
Mark Algie	11	11	1[3]	5	3	3	n/a	n/a	4	4
Vaughan Busby	11	11	5[3,4]	5	n/a	n/a	4	4	n/a	n/a
Teresa Dyson	11	11	5	5	n/a	n/a	1[3]	4	1[3]	4
Hugh Gleeson	11	11	4[3]	5	3	3	4	4	n/a	n/a
Karen Lay-Brew	11	11	n/a	n/a	n/a	n/a	3[3]	4	3[3,4]	4
Paul Lucas	11	11	4[3,4]	5	3	3	n/a	n/a	3[3,4]	4
Helen Stanton	11	11	5	5	n/a	n/a	3[3]	4	4	4

(1) Location of Board meetings included: Townsville (1 meeting), Brisbane (5 meetings), Cannonvale (1 meeting), Bundaberg (1 meeting) and 3 held via video conference.

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

(3) Composition of Committees changed on 1 September 2021 hence the reason for some Directors not attending all Committee meetings held (i.e., they were no longer a member of that Committee or became a new member).

(4) Director was a guest attendee to one meeting prior to composition of Committees changing.

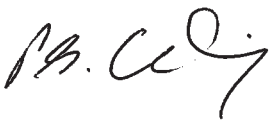
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 72 and forms part of the Directors' report for the year ended 30 June 2022.

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 AM
Chairman
Dated this 18th day of August 2022

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 for the financial year ended 30 June 2022, 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.

This declaration is in respect of Energy Queensland Limited and the entities it controlled during the year.

B.P. Worrall

Brendan Worrall
Auditor-General

18 August 2022
Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2022

In millions of dollars	Note	2022	2021
Revenue	2	**4,897**	4,854
Other income	2	**518**	52
Expenses			
Transmission charges and electricity purchases	3	**1,575**	1,210
Solar photovoltaic feed in tariff		**238**	262
Employee expenses	3	**739**	689
Materials and services		**449**	419
Depreciation, amortisation and impairments		**1,033**	1,013
Net impairment losses on financial assets	6	**3**	8
Finance costs	3	**625**	681
Other expenses		**214**	194
Profit before income tax equivalent expense		**539**	430
Income tax equivalent expense	4	**161**	128
Profit after income tax equivalent expense		**378**	302

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 2022

In millions of dollars	Note	2022	2021
Profit after income tax equivalent expense		**378**	302
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	15	**(162)**	(94)
Deferred income tax relating to the revaluation of property, plant and equipment		**49**	28
Actuarial gains/(losses) on defined benefit plans recognised directly in equity	17	**122**	121
Deferred income tax relating to actuarial gains/(losses) on defined benefit plans		**(36)**	(36)
Items that may be reclassified to profit or loss:			
Movement in cash flow hedge reserve - gains/(losses)	14	**1,206**	254
Deferred income tax relating to movement in cash flow hedge reserve – (gains)/losses		**(362)**	(76)
Other comprehensive income for the financial year, net of tax		**817**	197
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,195**	499

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 2022

In millions of dollars	Note	2022	2021
CURRENT ASSETS			
Cash and cash equivalents	5	**73**	77
Trade and other receivables	6	**947**	804
Inventories	7	**212**	192
Derivative financial instrument assets	8	**1,174**	96
Other assets		**45**	47
Total current assets		**2,451**	1,216
NON-CURRENT ASSETS			
Property, plant and equipment	15	**24,689**	24,440
Right-of-use assets	23	**171**	273
Intangible assets	16	**652**	577
Employee retirement benefits	17	**320**	214
Derivative financial instrument assets	8	**141**	19
Other assets		**13**	15
Total non-current assets		**25,986**	25,538
TOTAL ASSETS		**28,437**	26,754
CURRENT LIABILITIES			
Trade and other payables	9	**645**	734
Interest bearing liabilities	10	**11**	12
Lease liabilities	23	**12**	32
Employee benefits	19	**359**	396
Provisions		**9**	8
Current tax liabilities		**42**	-
Derivative financial instrument liabilities	11	**8**	1
Unearned revenue and contract liabilities	20	**100**	87
Other liabilities		**57**	47
Total current liabilities		**1,243**	1,317
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	**18,473**	18,152
Lease liabilities	23	**185**	253
Employee benefits	19	**18**	15
Provisions		**4**	5
Derivative financial instrument liabilities	11	**15**	-
Net deferred tax equivalent liability	18	**3,671**	3,380
Other liabilities		**4**	3
Total non-current liabilities		**22,370**	21,808
TOTAL LIABILITIES		**23,613**	23,125
NET ASSETS		**4,824**	3,629
EQUITY			
Share capital	21	**19,643**	19,643
Other transactions with owners	22	**(18,634)**	(18,634)
Reserves	22	**3,011**	2,286
Retained earnings	22	**804**	334
TOTAL EQUITY		**4,824**	3,629

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 2022

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 2021						
Balance at 1 July 2020	19,643	(18,634)	2,312	164	(135)	3,350
Dividends	-	-	-	(220)	-	(220)
Transfer from reserves	-	-	(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
Changes in equity for 2022						
Transfer from reserves	**-**	**-**	**(6)**	**6**	**-**	**-**
Total comprehensive income for the financial year	**-**	**-**	**(113)**	**464**	**844**	**1,195**
Balance at 30 June 2022	**19,643**	**(18,634)**	**2,124**	**804**	**887**	**4,824**

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 2022

In millions of dollars	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,692**	4,525
Receipts for community service obligations		**587**	499
Payments to suppliers and employees		**(2,889)**	(2,968)
Interest paid		**(675)**	(705)
Income tax equivalent payments		**(91)**	(216)
Net cash from operating activities	5	**1,624**	1,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**14**	33
Cash advances from/(to) other parties	6	**(239)**	9
Interest received		**2**	1
Payment for capitalised interest		**(19)**	(19)
Payments for property, plant and equipment and intangible assets		**(1,467)**	(1,439)
Net cash used in investing activities		**(1,709)**	(1,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**321**	809
Payment of lease liabilities		**(19)**	(31)
Repayable deposits paid		**(1)**	-
Dividends paid		**(220)**	(443)
Net cash from/(used in) financing activities		**81**	335
Net (decrease)/increase in cash and cash equivalents		**(4)**	55
Cash and cash equivalents at the beginning of the financial year		**77**	22
Cash and cash equivalents at the end of the financial year	5	**73**	77

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 2022

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 Energy Queensland for the year ended 30 June 2022 (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 18 August 2022. The Board members have the power to amend and reissue the financial statements after issue.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations, requirements of the *Corporations Act 2001*, provisions of the *Government Owned Corporations Act 1993* (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 statements have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 which have a significant impact on the Group's financial statements.

(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 2022 reporting period and none of these have been early adopted by the Group. The following assessment includes those amendments which may have some impact on the Group's consolidated financial statements:

(i) *Amendments to AASB 112 Income taxes - Deferred tax related to assets and liabilities arising from a single transaction are effective for financial years commencing on or after 1 January 2023.*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 30 June 2022, the taxable temporary difference in relation to the right-of-use asset is $171 million (Note 23) and the deductible temporary difference in relation to the lease liability is $197 million (Note 23), resulting in a net deferred tax asset of $8 million. Under the amendments, the Group will present a separate deferred tax liability of $51 million and a deferred tax asset of $59 million. There will be no impact on retained earnings on adoption of the amendments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

SECTION 2: Profit or Loss Information

NOTE 2: REVENUE AND OTHER INCOME

In millions of dollars	2022	2021
REVENUE		
Revenue from contracts with customers		
Network use of system revenue	**2,073**	2,020
Retail sales revenue	**1,669**	1,796
Service charges	**461**	441
Non-refundable capital contributions	**87**	77
Revenue from sale of goods	**59**	48
Total revenue from contracts with customers	**4,349**	4,382
Government grant revenue		
Community service obligation	**525**	454
Other government grants	**6**	-
Total government grant revenue	**531**	454
Other revenue		
Interest received	**2**	1
Gain on disposal of property, plant and equipment	**-**	5
Other operating revenue	**15**	12
Total other revenue	**17**	18
Total revenue	**4,897**	4,854

OTHER INCOME		
Fair value gains on financial instruments at fair value	**265**	41
Hedge ineffectiveness gains	**253**	11
Total other income	**518**	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

In millions of dollars	2022	2021
Disaggregation of revenue from contracts with customers – timing of revenue recognition		
Revenue received over time:		
Network use of system revenue	**2,073**	2,020
Retail sales revenue	**1,669**	1,796
Service charges – connection and maintenance contracts	**364**	340
Total revenue received over time	**4,106**	4,156
Revenue received at a point in time:		
Service charges – fee for service contracts	**97**	101
Non-refundable capital contributions	**87**	77
Revenue from sale of goods	**59**	48
Total revenue received at a point in time	**243**	226
Total revenue from contracts with customers	**4,349**	4,382

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). NUOS billed by Ergon Energy Corporation to the retailer Ergon Energy Queensland is eliminated on consolidation and not included in the Group Network use of system revenue as disclosed above. Refer note 26 for the accounting policy applied to the consolidation of subsidiaries.

The performance obligation is to provide customers with access to the network and revenue is recognised, based on actual consumption, but this may vary from the regulated revenue cap due to variances compared to forecast consumption used in the determination of pricing. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(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 14 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 differences between 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 (in the case of a simple fee based service such as de-energisations, re-energisations and metering reading) or, for ongoing 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 ongoing service contracts.

(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 ongoing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(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. An amount of $52 million included in contract liabilities at 30 June 2021 has been recognised as revenue in this financial year (2021: $48 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.

(iv) Community Service Obligation

The CSO payments are received 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3: EXPENSES

In millions of dollars	2022	2021
Profit before income tax equivalent expense includes the following significant expenses:		
Transmission charges and electricity purchases		
Transmission use of system charges	**617**	580
Electricity purchases	**958**	630
Total transmission charges and electricity purchases	**1,575**	1,210
Finance costs		
Interest expense	**577**	624
Competitive neutrality fees	**94**	72
less capitalised financing costs	**(19)**	(19)
Other finance costs	**(27)**	4
Total finance costs	**625**	681
Employee expenses		
Wages and salaries	**494**	455
Employer contributions to defined contribution plans	**77**	72
Expenses related to post-employment defined benefit plans	**18**	22
Expenses related to annual and long-service leave	**98**	88
Termination benefits	**20**	23
Other	**32**	29
Total employee expenses	**739**	689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3: EXPENSES (CONTINUED)

ACCOUNTING POLICIES

Expenses

(i) Transmission charges and electricity purchases

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

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 Expenses

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.

Contributions to 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 2022

NOTE 4: TAXATION

In millions of dollars	2022	2021
(A) INCOME TAX EQUIVALENT EXPENSE		
Current tax expense	**218**	126
Deferred tax (benefit)/expense	**(57)**	2
Income tax equivalent expense	**161**	128
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(10)**	25
Increase/(decrease) in deferred tax liabilities	**(47)**	(23)
Deferred income tax (benefit)/expense attributable to profit from continuing operations	**(57)**	2

(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE TO PRIMA FACIE TAX PAYABLE		
Net profit before income tax equivalent expense	**539**	430
Prima facie income tax equivalent expense on operating profit at 30% (2021: 30%)	**162**	129
Decrease in income tax equivalent expense:		
Other	**(1)**	(1)
Income tax equivalent expense	**161**	128

In millions of dollars	2022	2021
(C) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Revaluation property, plant and equipment	**(49)**	(28)
Recognition of defined benefit increment	**37**	36
Hedge accounting of derivatives	**362**	76
Deferred tax recognised directly in equity	**350**	84

Refer to Note 18 for accounting policies related to taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 5: CASH AND CASH EQUIVALENTS

In millions of dollars	2022	2021
Cash at bank	**73**	77
Total cash and cash equivalents	**73**	77

In millions of dollars	2022	2021
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	**378**	302
NON-CASH FLOWS AND OTHER INCOME AND EXPENSE ITEMS IN PROFIT:		
Depreciation, amortisation and impairment	**1,036**	1,021
Net gain/(loss) on disposal of property, plant and equipment	**(10)**	5
Interest income classified as investing activities	**(2)**	(1)
Proceeds on sale of assets classified as investing activities	**(14)**	(33)
Provision for inventory obsolescence	**1**	2
Fair value (gain)/loss on financial instruments	**(218)**	(53)
CHANGES IN ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	**59**	(70)
(Increase)/decrease in inventory	**(20)**	(9)
(Increase)/decrease in other assets	**268**	8
(Decrease)/increase in trade and other payables	**126**	52
(Decrease)/increase in other liabilities	**24**	(13)
(Decrease)/increase in provisions and employee benefits	**(73)**	11
(Decrease)/increase in income tax payable	**128**	(92)
(Decrease)/increase in deferred income tax liability	**(59)**	5
Net cash flow provided by operating activities	**1,624**	1,135

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 2022

NOTE 6: TRADE AND OTHER RECEIVABLES

In millions of dollars	2022	2021
CURRENT		
Trade receivables	**502**	559
Less provision for impairment of receivables	**(34)**	(41)
Total net trade receivables	**468**	518
Advances facility[1]	**239**	-
Contract assets	**16**	8
Community service obligations receivable	**43**	38
Tax receivable	**-**	86
Hedge receivable	**125**	98
Other receivables and prepayments	**56**	56
Total current trade and other receivables	**947**	804

(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.

IMPAIRED TRADE RECEIVABLES

In millions of dollars	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
AGEING OF IMPAIRED TRADE RECEIVABLES				
Unbilled revenue and current receivables	**103**	**1**	154	2
Less than one month overdue	**32**	**2**	32	3
One to two months overdue	**11**	**4**	11	4
Two to three months overdue	**5**	**2**	8	5
Over three months overdue	**31**	**25**	30	27
	182	**34**	235	41

In millions of dollars	2022	2021
MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:		
Carrying amount at the beginning of the financial year	**41**	59
Provision for impairment released during the financial year	**(13)**	(11)
Provision for impairment recognised during the financial year	**16**	19
Receivables written off during the financial year as uncollectible	**(10)**	(26)
Carrying amount at the end of the financial year	**34**	41

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 2022

NOTE 6: TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

The remaining $13 million of additional provisioning for impaired receivables due to COVID-19, recognised in 2021 financial statements, was released to the Statement of Profit and Loss during the year. Assessment of the general provisioning for impaired receivables has taken expected economic conditions into account. The Group assisted customers experiencing financial hardship, including customers who have had drought status revoked during the year, with payment support options, hardship arrangements and government concessions.

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

NOTE 7: INVENTORIES

In millions of dollars	2022	2021
CURRENT		
Maintenance and construction stocks	**212**	192
Total inventories	**212**	192

Maintenance and construction stocks are valued at the lower of average cost and net realisable value, and include a provision for inventory obsolescence of $9 million (2021: $10 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 of $129 million (2021: $97 million) were recognised as an expense during the year and included in materials and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8: DERIVATIVE FINANCIAL INSTRUMENT ASSETS

In millions of dollars	2022	2021
CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**236**	33
Electricity derivative contracts – Cash Flow Hedges	**938**	63
Total current financial instrument assets	**1,174**	96

In millions of dollars	2022	2021
NON-CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**2**	-
Electricity derivative contracts – Cash Flow Hedges	**139**	19
Total non-current financial instrument assets	**141**	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	2022	2021
CURRENT		
Trade payables	**490**	365
Accrued interest	**46**	47
Dividends payable	**-**	220
Electricity hedges payable	**-**	1
Other payables and accruals	**109**	101
Total current payables	**645**	734

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.

No dividend was declared by the Board for the 2022 financial year. A final dividend of $220 million was declared during the 2021 financial year and paid on 30 November 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10: INTEREST BEARING LIABILITIES

In millions of dollars	2022	2021
CURRENT		
Unsecured liabilities		
Customer and other repayable deposits	**11**	12
Total current interest bearing liabilities	**11**	12

NON-CURRENT		
Unsecured liabilities		
Queensland Treasury Corporation loans	**18,473**	18,152
Total non-current interest bearing liabilities	**18,473**	18,152

(A) QUEENSLAND TREASURY CORPORATION LOANS

The fair value of Queensland Treasury Corporation (QTC) loans at 30 June 2022 was $17,920 million (2021: $19,999 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 (2021: nil). There is no obligation to make repayments under current loan arrangements with the QTC.

In millions of dollars	2022	2021
(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**	3
Facilities not utilised at the end of the financial year - unsecured loans	**732**	742
Total facilities available	**735**	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 2022 the Group had approved borrowings of $18,473 million (2021: $18,152 million) with access to a further $700 million (2021: $700 million) in QTC facilities.

In millions of dollars	2022			2021
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows [1]	Non-cash changes	
Queensland Treasury Corporation loans	**18,473**	321	-	18,152
Customer and other repayable deposits	**11**	(1)	-	12
In millions of dollars	**2021**			**2020**
		Financing cash flows [1]	Non-cash changes	
Queensland Treasury Corporation loans	**18,152**	809	-	17,343
Customer and other repayable deposits	**12**	-	-	12

(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 2022

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 INSTRUMENT LIABILITIES

In millions of dollars	2022	2021
CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**-**	-
Electricity derivative contracts – Cash Flow Hedges	**8**	1
Total current financial instrument liabilities	**8**	1
NON-CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**-**	-
Electricity derivative contracts – Cash Flow Hedges	**15**	-
Total non-current financial instrument liabilities	**15**	-

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. As at 30 June 2022 the Group had trade receivables of $172 million (2021: $165 million) from retailers. Four distribution network customers represented 82% of these trade receivables (2021: 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 $22 million (2021: $20 million) from retail customers. The $22 million included $11 million from Egon Energy Retail customer security deposits, and $11 million from Energex repayable deposits. Bank guarantees of $4 million were also held on behalf of Ergon Energy Retail customers at 30 June 2022 (2021: $1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 $3 million bank guarantees from wholesale OTC counterparties was held at 30 June 2022 (2021: $4 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	2022	2021
Queensland Government-owned electricity entities	85%	96%
Entities with a credit rating A[1]	9%	0%
Entities with a credit rating BBB[1]	0%	1%
Other entities	6%	3%

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 %
2022			
Financial assets			
Cash and cash equivalents	**73**	**-**	**0.61%**
Advances facility	**239**	**-**	**0.47%**
Total financial assets	**312**	**-**	
Financial liabilities			
Repayable deposits	**11**	**-**	**1.85%**
Lease liabilities	**-**	**197**	**1.80%**
Loans	**-**	**18,473**	**3.14%**
Total financial liabilities	**11**	**18,670**	
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	

Sensitivity analysis

At 30 June 2022, 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 $11 million (2021: $13 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 $12 million (2021: $14 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 2022

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) Price risk (Continued)

The following table details the Group's sensitivity to a 20% (2021: 20%) increase and decrease in the electricity forward price at balance date 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	**2022**	**2021**	**2022**	**2021**
Profit/(loss) before tax	**53**	23	**(52)**	(21)
Hedging reserve	**447**	85	**(447)**	(87)
Equity	**500**	108	**(499)**	(108)

The reduction in the hedge reserve that would result from lower forward prices (and therefore lower valuations of forward contracts) would be offset against previous increases in the hedge reserve. Increases to forward prices would increase the hedge reserve and be deferred until the underlying transaction is realised. Changes in electricity forward prices would not have an impact on future profitability or the margin associated with these transactions as the instruments hedge the cash flows of the underlying transactions.

The open derivative financial instruments that gave rise to profit during the year due to increases in electricity forward prices could give rise to losses in future periods if forward prices decrease. A derivative financial instrument could lead to profits and losses across different measurement periods depending on the forward price at measurement date. These instruments remain valid economic hedges and the financial impact on settlement will be partially offset by trading margins associated with electricity sales to customers at the time of settlement.

Refer to note 13 and 14 for additional information in relation to accounting policies for financial instruments and hedge accounting.

(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 (2021: $400 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 event 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 2022

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					
2022					
Electricity hedges	**15**	**17**	**-**	**32**	**24**
Financial guarantees	**300**	**-**	**-**	**300**	**-**
Non-interest bearing liabilities	**600**	**2**	**-**	**602**	**602**
Repayable deposits	**11**	**-**	**-**	**11**	**11**
Lease liabilities	**17**	**126**	**70**	**213**	**197**
Loans	**565**	**2,260**	**18,473**	**21,298**	**18,473**
Total	**1,508**	**2,405**	**18,543**	**22,456**	**19,307**
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

The amounts included as total contractual cash flows 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 for long term debt requirements. 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 2022

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) Capital management (Continued)

The Group monitors capital on the basis of a key financial ratio for Net Debt to Standard Control Services Regulated Asset Base (RAB). At 30 June 2022 and 30 June 2021 this key financial ratio was as follows:

	2022	2021
Net Debt to RAB ratio	**69%**	73%

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
2022				
Assets				
Electricity hedges	**102**	**1,212**	**1**	**1,315**
Large-scale generation certificates held for trading	**-**	**6**	**-**	**6**
Small-scale technology certificates held for trading	**-**	**25**	**-**	**25**
	102	**1,243**	**1**	**1,346**
Liabilities				
Electricity hedges	**3**	**21**	**-**	**24**
	3	**21**	**-**	**24**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

2) Reconciliation of Level 3 fair value measurements

The following table presents the movements reconciliation of the Group's assets and liabilities in Level 3 of its fair value measurements hierarchy:

In millions of dollars	Electricity hedges held for trading	Total
2022		
Assets		
Opening balance	-	-
Settlements	-	-
Unrealised gains/(losses) recognised in statement of profit or loss*	1	1
Closing balance	1	1
Liabilities		
Opening balance	-	-
Settlements	-	-
Unrealised gains/(losses) recognised in statement of profit or loss*	-	-
Closing balance	-	-

* This is recognised in the Other Income line in the Statement of profit or loss

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 2022 there were no transfers of electricity derivatives between level 2 and level 3 (2021: 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.

The Group has implemented a change to the approach used to profile the electricity forward curve across trading intervals to determine the fair value of Over-The-Counter swaps. Previously, the approach adopted relied on the historical electricity pool price profile to derive the trading interval electricity forward curve profile. This approach was replaced by a valuation methodology that combines the historical electricity pool price shape with an electricity pool price forecast to determine the characteristics and shape of the electricity forward curve. The new approach more appropriately recognises the recent wholesale electricity market conditions.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

Type	Methods and assumptions
Swaps[1]	Over- the-counter swaps are valued using broker quoted forward curves. A profiling methodology is applied to derive the Over-The-Counter trading interval level forward curve, using a combination of historical and forecast electricity pool prices. 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.

(1) A separate valuation approach for Fixed Multiplier Floating Rate Swaps has been adopted by the Group. These swaps involve the Group paying a price equal to the average of a financial year flat forward price during a future averaging period multiplied by a fixed rate multiplier (Fixed Multiplier). The separate valuation approach has been adopted as there is no observable market price to assess the fair value of the Fixed Multiplier component of these swap contracts. This valuation approach adjusts the day one electricity forward curve used for valuation purposes by a percent scaler to align the day one value to the market value. The future market value movement of the Fixed Multiplier against the adjusted electricity forward curve will be recognised as an unrealised gain or loss in the statement of profit and loss.

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. A profiling methodology is applied to derive the OTC trading interval level forward curve. A combination of the historical and forecast electricity pool price is used to determine the forward curve profile. The forward curve is extended for the periods beyond the observable quoted pricing period by using CPI escalation.	For Fixed Multiplier Floating Rate Swaps, as there is no observable market price for the multiplier component, the valuation methodology derives an estimate of the multiplier from the current forward curve to adjust fair value. CPI escalation of forward curves beyond observable quoted pricing period.	A change in OTC trading interval level price may lead to higher or lower fair value. The higher the CPI adjustment the higher the fair value of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

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
2022				
Financial assets				
Electricity hedges	8	**1,315**	**(24)**	**1,291**
Financial liabilities				
Electricity hedges	11	**(24)**	**24**	**-**
2021				
Financial assets				
Electricity hedges	8	115	(1)	114
Financial liabilities				
Electricity hedges	11	(1)	1	-

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 and 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 2022 $33 million gains (2021: $6 million hedge gains) were reclassified to the Statement of Profit or Loss due to the hedges no longer being designated as hedging instruments and the underlying forecast transaction no longer being highly probable to occur as originally forecast.

Where an effective hedging instrument is closed out and the underlying forecast transaction remains highly probable to occur as originally 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 2022, $169 million gains (2021: $19 million losses) remain in the cash flow hedge reserve due to de-designation and all underlying forecast transactions remain highly probable to occur.

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 2022, the average notional amount of electricity hedges outstanding over the next 3 years from FY 2023 to FY 2025 is approximately 4 million MWh (Megawatt hours) at an average strike rate of $133 per MWh (2021: average notional amount outstanding over 3 years from FY 2022 to FY 2024 of 2 million MWh at an average strike rate of $51 per MWh).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

(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	2022	2021
Financial Assets: Cash flow hedges - electricity derivatives	**1,077**	82
Financial Liabilities: Cash flow hedges - electricity derivatives	**(23)**	(1)

(iii) The impact of hedging instruments designated in hedge relationships as at 30 June 2022 is as follows:

In millions of dollars	2022	2021
Statement of profit or loss		
Gains/(losses) on unwinding of inception value of designated hedges	**(163)**	8
Cash flow hedge ineffectiveness gains/(losses) recognised in other income	**395**	(15)

In millions of dollars	2022	2021
Statement of comprehensive income		
Cash flow hedge reserve (CFHR)		
Opening balance	**61**	(193)
The effective portion recognised in CFHR (pre-tax)	**1,714**	277
Reclassification from CFHR to other income	**(33)**	(6)
Transfer from CFHR to electricity purchases	**(475)**	(17)
Closing balance (pre-tax)	**1,267**	61

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

In millions of dollars	2022	2021
Electricity Price Risk		
Changes in value of hedge instrument	**1,714**	277
Changes in value of hedged item	**1,319**	262
Cash flow hedge reserve	**1,267**	61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

SECTION 4: Operating assets and liabilities

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

In millions of dollars	2022	2021
SUPPLY SYSTEMS[1]		
Gross carrying amount	**37,943**	37,282
Less accumulated depreciation	**(14,933)**	(14,472)
Net carrying amount	**23,010**	22,810
POWER STATIONS		
Gross carrying amount	**436**	419
Less accumulated depreciation	**(230)**	(221)
Net carrying amount	**206**	198
LAND – NON-REGULATED		
Net carrying amount	**24**	19
OTHER PLANT AND EQUIPMENT		
At cost	**1,483**	1,434
Less accumulated depreciation	**(899)**	(871)
Less accumulated impairment losses	**(31)**	(31)
Net carrying amount	**553**	532
WORK IN PROGRESS		
Work in progress	**896**	881
TOTAL PROPERTY, PLANT AND EQUIPMENT	**24,689**	24,440

(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	2022	2021
If property, plant and equipment were stated on a historical basis, the carrying amount would have been:		
Supply systems	**19,298**	18,839
Power stations	**227**	222
Land	**16**	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 2022	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	37,282	419	19	1,434	881	**40,035**
Accumulated depreciation and impairment at start of financial year	(14,472)	(221)	-	(902)	-	**(15,595)**
Carrying amount at start of financial year	**22,810**	**198**	**19**	**532**	**881**	**24,440**
Additions	-	-	-	-	1,326	**1,326**
Capitalised interest	-	-	-	-	19	**19**
Transfer from work in progress	1,160	29	5	144	(1,338)	**-**
Transfers from intangible assets	-	-	-	-	8	**8**
Disposals	(13)	(2)	-	(3)	-	**(18)**
Revaluation increment/(decrement)	(162)	-	-	-	-	**(162)**
Depreciation expense	(782)	(19)	-	(120)	-	**(921)**
Net impairment losses	(3)	-	-	-	-	**(3)**
Carrying amount at end of financial year	**23,010**	**206**	**24**	**553**	**896**	**24,689**

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 from 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**

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 2022

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 2022 $M	Unobservable inputs	Nature and range of inputs	Relationship of unobservable inputs to fair value
23,091	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 2027 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 5.87% (2021:5.72%) 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 due to penalties imposed on the organisation in the form of reduced revenue allowances. 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 2022.

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 and power stations of $23,216 million (2021: $23,008 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 $3 million (2021: $8 million) of property, plant and equipment impairment. There were no reversals of prior year impairment losses in the current year (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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 work-in-progress 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: INTANGIBLE ASSETS

In millions of dollars	2022	2021
COMPUTER SOFTWARE		
At cost	**1,061**	904
Less accumulated amortisation	**(775)**	(703)
Net carrying value	**286**	201
OTHER INTANGIBLES		
At cost	**43**	42
Less accumulated amortisation	**(39)**	(37)
Net carrying value	**4**	5
WORK IN PROGRESS		
Work In Progress	**362**	371
TOTAL INTANGIBLES	**652**	**577**

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

Year ended 30 June 2022	Computer Software $M	Other Intangibles $M	Software work in progress $M	Total $M
Gross carrying amount at start of financial year	904	42	371	**1,317**
Accumulated amortisation at start of financial year	(703)	(37)	-	**(740)**
Carrying amount at start of financial year	**201**	**5**	**371**	**577**
Additions	-	-	188	**188**
Transfer from work in progress	189	-	(189)	**-**
Transfers to property, plant and equipment	-	-	(8)	**(8)**
Disposals	(1)	-	-	**(1)**
Amortisation expense	(103)	(1)	-	(104)
Carrying amount at end of financial year	**286**	**4**	**362**	**652**

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 to property, plant and equipment	(3)	-	(25)	**(28)**
Amortisation expense	(93)	(5)	-	**(98)**
Carrying amount at end of financial year	**201**	**5**	**371**	**577**

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 2022

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.

Software as a Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets as outlined above in the intangible assets accounting policy note. Licenced software and any configuration and customisation costs of that software, which is placed into a private cloud hosted environment and controlled by the Group is also recognised as an intangible asset with ongoing support agreements recognised as operating expenses when the services are received.

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 2022			
Carrying amount at start of year	(763)	977	214
Included in profit or loss			
Current service cost	(22)	-	(22)
Interest income/(cost)	(16)	20	4
	(38)	20	(18)
Included in other comprehensive income			
Remeasurement gain/(loss):			
Actuarial gain/(loss) arising from:			
Changes in financial assumptions	145	-	145
Experience adjustments[1]	(4)	(19)	(23)
	141	(19)	122
Other			
Contributions by the employer	-	2	2
Contributions by Fund participants	(8)	8	-
Benefit payments and tax	74	(74)	-
	66	(64)	2
Carrying amount as at 30 June 2022	**(594)**	**914**	**320**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

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:			
Changes in financial assumptions	9	-	9
Experience adjustments[1]	13	99	112
	22	99	121
Other			
Contributions by the employer	-	2	2
Contributions by Fund participants	(9)	9	-
Benefits payments and tax	59	(59)	-
	50	(48)	2
Carrying amount as at 30 June 2021	**(763)**	**977**	**214**

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

DEFINED BENEFIT OBLIGATION

The Group contributes to an industry employer superannuation fund, Energy Super (the Fund). The fund provides defined benefit members, lump sum and/or pension benefits on retirement, resignation, retrenchment, disability or death. Lump sum benefits are calculated based upon years of service and final average salary.

Whilst the fund merged with LGIAsuper, Energy Super and LGIAsuper continued to operate under their own brands whilst being managed by LGIAsuper Trustee. The fund will change its name to Brighter Super with effect from 19 September 2022.

On 30 June 2022, the Trustee Board consisted of 15 members comprised of equal numbers of employer and member representatives as well as three independent directors (including an independent Chair).

Teresa Dyson was appointed as an LGIAsuper employer representative director when Energy Super and LGIAsuper merged on 1 July 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The major categories of plan assets are as follows:

In millions of dollars	2022	2021
Cash	**36**	59
Fixed interest	**311**	156
Australian shares	**82**	205
International shares	**165**	196
Alternatives	**174**	283
Property and infrastructure	**146**	78
Total fair value of plan assets	**914**	977

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 2022 was a gain of $1 million (2021: a gain of $116 million).

The defined benefit assets are invested in a balanced investment portfolio, to match the weighted average duration of the defined benefit obligation of 7 years (2021: 8 years).

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

	2022 %	2021 %
Expected rate of return on plan assets for one year	**5.1**	2.2
Pre-tax discount rate	**5.1**	2.2
Future salary increases – year one[1]	**6.0**	3.0
Future salary increases – year two	**3.0**	6.0
Future salary increases – per annum thereafter	**3.0**	3.0

(1) The annual salary increase is set at 3%, however the 2021 salary increase was deferred to September 2022

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

In millions of dollars	2022	2021
Not later than one year	**79**	78
Later than one year and not later than five years	**283**	290
Following five years	**311**	318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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:

In millions of dollars	Discount Rate	Salary increase rate	2022	2021
Base Case	5.1% p.a	6.0% first year 3% thereafter	594	763
Scenario A -0.5% discount rate	4.6% p.a	6.0% first year 3% thereafter	616	796
Scenario B +0.5% discount rate	5.6% p.a	6.0% first year 3% thereafter	574	732
Scenario C -0.5% salary increase rate	5.1% p.a	5.5% first year 2.5% thereafter	574	732
Scenario D +0.5% salary increase rate	5.1% p.a	6.5% first year 3.5% thereafter	616	795

Employer contributions

The Group contributes to both defined contribution and defined benefit superannuation plans. The Group made contributions to LGIAsuper during the year of $120 million (2021: $113 million).

For the financial year ended 30 June 2022, the Group contributed 2% (2021: 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 (2021/22: $2 million) to its defined benefit plan in 2022/23. 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 2022

NOTE 18: NET DEFERRED TAX EQUIVALENT LIABILITY

In millions of dollars	2022	2021
(A) DEFERRED TAX EQUIVALENT ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Provisions/accruals	**137**	142
Derivatives	**2**	(6)
Unearned revenue	**24**	20
Other	**10**	5
	173	161
Amounts recognised directly in equity		
Hedge accounting of derivatives	**5**	7
	5	7
Deferred tax equivalent asset	**178**	168
(B) DEFERRED TAX EQUIVALENT LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Property, plant and equipment	**1,797**	1,839
Derivatives	**(17)**	3
Other	**66**	52
	1,846	1,894
Amounts recognised directly in equity		
Recognition of defined benefit surplus	**81**	45
Revaluation of property, plant and equipment	**1,536**	1,584
Hedge accounting of derivatives	**386**	25
	2,003	1,654
Deferred tax equivalent liabilities	**3,849**	3,548
(C) TOTAL NET DEFERRED TAX EQUIVALENT LIABILITY		
Deferred tax equivalent asset	**178**	168
Deferred tax equivalent liabilities	**(3,849)**	(3,548)
Net deferred tax equivalent liability	**(3,671)**	(3,380)

The Group has a closing current tax payable of $42 million at 30 June 2022 (2021: $86 million tax receivable).

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 2022

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.

The Federal Government enacted instant asset write off provisions whereby the cost of eligible depreciating assets is fully tax deductible in the year the expenditure is incurred. EQL elected to opt out of this temporary 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 2022

NOTE 19: EMPLOYEE BENEFITS

In millions of dollars	2022	2021
CURRENT LIABILITIES		
Employee benefits	**354**	385
Termination benefits	**5**	11
Total current employee benefits liability	**359**	396
NON-CURRENT LIABILITIES		
Employee benefits	**18**	15
Total non-current employee benefits liability	**18**	15

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.

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 2022

NOTE 20: UNEARNED REVENUE AND CONTRACT LIABILITIES

In millions of dollars	2022	2021
CURRENT LIABILITIES		
Unearned revenue – government grant	**1**	2
Contract liabilities	**98**	83
Unearned revenue – other	**1**	2
Total current unearned revenue and contract liabilities	**100**	87

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 work 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

SECTION 5: Capital structure

NOTE 21: SHARE CAPITAL

	2022	2022	2021	2021
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 year.

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

In millions of dollars	2022	2021
Other transactions with owners	**(18,634)**	(18,634)
Asset revaluation reserve	**2,124**	2,243
Hedging reserve	**887**	43
Retained earnings	**804**	334

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 consolidated profit or loss statement or as part of the cost of an asset if non-monetary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 four significant leasing arrangements, two in the greater Brisbane area and two in regional Queensland (Townsville and Cairns). The remaining lease terms range from 6 months to eight 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	2022	2021
Opening balance at start of financial year	**273**	304
Depreciation charge for the year	**(33)**	(37)
Additions to right-of-use assets	**-**	11
Derecognition of right-of-use assets	**(69)**	(5)
Total right-of-use assets at end of financial year	**171**	273

Lease Liabilities

In millions of dollars	2022	2021
Current lease liabilities	**12**	32
Non-current lease liabilities	**185**	253
Total lease liabilities	**197**	285

Amounts recognised in profit or loss

In millions of dollars	2022	2021
Interest on lease liabilities	**4**	5
Expenses relating to short-term leases	**-**	1
Expenses relating to low-value assets, excluding short-term leases of low-value assets	**-**	7

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	**2022**				**2021**
Lease liabilities	**197**	(19)	(4)	(65)	285
In millions of dollars	**2021**				**2020**
Lease liabilities	**285**	(31)	(5)	4	317

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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. 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 23: LEASES (CONTINUED)

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 renegotiating lease terms on one of the Brisbane properties and exiting another Brisbane property lease was a decrease in lease liabilities of $68 million (2021: $0.3 million decrease), a decrease in right-of-use assets of $69 million (2021: $4 million increase), and a net loss on derecognition of $1 million. In the prior financial year, there was also a decrease in net investment in sublease of $5 million.

NOTE 24: COMMITMENTS

In millions of dollars	2022	2021
CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at the end of the financial year but not recognised as liabilities[1]	**328**	261

(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 2022

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 (2021: $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 $300 million (2021: $160 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. EQL 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 $100 million (2021: $50 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 Limited, Ergon Energy Corporation Limited, SPARQ Solutions Pty Ltd, Yurika Pty Ltd and Metering Dynamics Pty Ltd. 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 $88 million (2021: $83 million) with the majority relating to the construction of capital assets.

There is $3 million in guarantees held with trading counterparties (2021: $3 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 2022

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES

Consolidated entities

Energy Queensland Limited had 100% (2021: 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 set up for the purpose of enabling faster and more reliable internet services in regional Queensland. EQL 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 2022

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	2022	2021
Current assets	**1,329**	1,179
Non-current assets	**21,459**	20,554
Total assets	**22,788**	21,733
Current liabilities	**540**	202
Non-current liabilities	**18,605**	18,166
Total liabilities	**19,145**	18,368
Net assets	**3,643**	3,365
Issued capital	**19,643**	19,643
Other transactions with owners	**(16,267)**	(16,267)
Retained earnings	**267**	(11)
Total equity	**3,643**	3,365
Profit of the Parent entity	**192**	220
Total comprehensive income of the Parent entity	**192**	220

Parent entity contingencies

There are no common law claims pending against the Company (2021: 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 $91 million (2021: $69 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 2022

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	2022	2021
Profit or loss before income tax	**250**	217
Income tax expense	**(74)**	(64)
Profit after tax	**176**	153
Retained earnings at the beginning of the year	**155**	31
Dividends provided for or paid	**-**	(220)
Transfers to reserves	**142**	191
Retained earnings at the end of the year	**473**	155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 28: CLOSED GROUP (CONTINUED)

Consolidated Closed Group Statement of Financial Position

In millions of dollars	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	**9**	28
Trade and other receivables	**1,201**	634
Inventories	**212**	192
Other assets	**-**	4
Total current assets	**1,422**	858
NON-CURRENT ASSETS		
Property, plant and equipment	**24,669**	24,422
Right-of-use assets	**171**	273
Intangible assets	**630**	552
Investments in subsidiaries	**119**	119
Employee retirement benefits	**320**	214
Other assets	**14**	15
Total non-current assets	**25,923**	25,595
TOTAL ASSETS	**27,345**	26,453
CURRENT LIABILITIES		
Trade and other payables (including dividends payable)	**1,117**	609
Lease liabilities	**12**	32
Employee benefits	**359**	396
Provisions	**1**	7
Current tax liabilities	**42**	-
Unearned revenue and contract liabilities	**95**	81
Other liabilities	**1**	1
Total current liabilities	**1,627**	1,126
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**18,473**	18,152
Lease liabilities	**185**	253
Employee benefits	**18**	15
Provisions	**2**	3
Net deferred tax equivalent liability	**3,312**	3,374
Unearned revenue and contract liabilities	**-**	-
Other liabilities	**3**	3
Total non-current liabilities	**21,993**	21,800
TOTAL LIABILITIES	**23,620**	22,926
NET ASSETS	**3,725**	3,527
EQUITY		
Share capital	**19,643**	19,643
Other transactions with owners	**(18,514)**	(18,514)
Reserves	**2,123**	2,243
Retained earnings	**473**	155
TOTAL EQUITY	**3,725**	3,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 Trade and 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 2022:		Term of appointment	Appointment expiry date
Philip Garling AM	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 2022 by the Group are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(D) Compensation – Directors (Continued)

DIRECTORS' REMUNERATION	SHORT TERM BENEFITS Directors' Fees		POST EMPLOYMENT BENEFITS Superannuation		TOTAL	
In thousands of dollars	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Energy Queensland						
Philip Garling AM	207	207	21	20	**228**	**227**
Mark Algie	87	85	9	8	**96**	**93**
Karen Lay-Brew	85	-	9	-	**94**	**-**
Vaughan Busby	88	87	9	8	**97**	**95**
Teresa Dyson	83	95	8	9	**91**	**104**
Hugh Gleeson	94	88	9	8	**103**	**96**
Paul Lucas	91	-	9	-	**100**	**-**
Helen Stanton	92	88	9	8	**101**	**96**
Kerryn Newton[1]	-	21	-	3	**-**	**24**
Total	**827**	**671**	**83**	**64**	**910**	**735**

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

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 T*he 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 2022

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
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke – Chief Executive Officer	905	-	24	95	-	**1,024**
Peter Scott – Executive General Manager Finance	564	-	24	61	-	**649**
Belinda Watton – Executive General Manager Services	457	-	24	52	-	**533**
Peter Price - Executive General Manager Engineering	477	-	51	58	-	**586**
Paul Jordon – Executive General Manager Operations	467	-	52	59	-	**578**
Michael Dart – Executive General Manager Customer	339	-	24	41	-	**404**
Ayesha Razzaq – Executive General Manager Retail	394	-	24	45	-	**463**
Carly Irving – Executive General Manager Yurika	382	-	24	45	-	**451**
Marianne Vosloo – Executive General Manager Digital	369	-	24	45	-	**438**
Total	**4,354**	**-**	**271**	**501**	**-**	**5,126**

(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 (in line with the maximum contribution base for defined contribution fund members and 10% as part of the fixed remuneration base for defined benefit fund members). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 (in line with the maximum contribution base for defined contribution fund members and 10% as part of the fixed remuneration base for defined benefit fund members). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(F) Fixed Remuneration Packages – Executives

Total Fixed Remuneration Package[1]	2022	2021
Energy Queensland	**$'000**	**$'000**
Chief Executive Officer	**935**	910
Executive General Manager Finance	**599**	562
Executive General Manager Operations	**577**	541
Executive General Manager Services	**515**	483
Executive General Manager Engineering	**571**	536
Executive General Manager Customer	**400**	364
Executive General Manager Digital	**440**	400
Executive General Manager Retail	**444**	404
Executive General Manager Yurika	**444**	404
Total	**4,925**	4,604

(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.

(G) Compensation disclosures by category:

	2022	2021
	$'000	**$'000**
Short-term benefits	**5,181**	4,736
Post-employment benefits	**354**	314
Other long-term benefits	**501**	469
Total	**6,036**	5,519

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.

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
- Marianne Vosloo
- Michael Dart
- Ayesha Razzaq

(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 2022

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.

	2022 $'000	2021 $'000
REVENUE		
Revenue from State of Queensland controlled entities	**385,501**	395,653
Pensioner rebate and Qld utility bill relief revenue from Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships	**109,826**	90,280
Electricity trading with State of Queensland controlled entities	**651,205**	36,291
Interest received from QTC	**723**	458
Community service obligation revenue received from Department of Energy and Public Works	**524,648**	454,001
EXPENSES		
Expenses incurred to State of Queensland controlled entities	**633,569**	604,116
Interest on QTC borrowings (includes administration fees)	**577,087**	623,798
Competitive neutrality fee paid to Queensland Treasury	**93,751**	71,659
Environmental certificate transactions with State of Queensland controlled entity counterparties	**1,882**	7,881
NTER, Payroll Tax and Land Tax paid to Queensland Treasury	**283,333**	177,659
ASSETS		
Advances facility held with Queensland Treasury	**238,724**	-
Community service obligations amounts receivable	**43,481**	37,781
Current tax receivable	**-**	86,383
Electricity trading with State of Queensland controlled entities	**176,730**	94,732
Trade and other receivables from State of Queensland controlled entities	**6,068**	5,690
LIABILITIES		
Accrued interest and fees payable to QTC	**45,594**	47,316
Trade payables to State of Queensland controlled entities	**49,110**	46,709
Current tax liability	**41,963**	-
Dividends payable to Queensland Treasury	**-**	219,714
Borrowings from QTC	**18,472,800**	18,151,800
Accrued competitive neutrality fee payable to Queensland Treasury	**23,561**	18,196
Unearned grant revenue	**860**	900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

	2022	2021
	$'000	$'000
Remuneration for audit and review of the financial reports of the Group and the Company:		
Audit services – Auditor-General of Queensland		
Audit and review of financial reports	**1,871**	1,728
Audit and review of regulatory reports	**590**	557
Other		
Non-financial review of regulatory reports	**110**	107
	2,571	2,392

NOTE 32: EVENTS AFTER REPORTING DATE

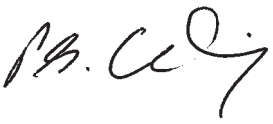
No events of a material nature have occurred since the end of the financial year that significantly affected or may significantly affect the operations of the Group or the Company.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and associated notes set out on pages 73-132;
   (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 2022 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 AM
Chairman
18 August 2022

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 2022, and its financial performance and cash flows for the year then ended

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

The financial report comprises the consolidated statement of financial position as at 30 June 2022, 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.

Queensland Audit Office
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Valuation of supply system assets ($23,010 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 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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Valuation of derivative financial assets and designation of hedging instruments ($1,315 million) and liabilities ($23 million) (Notes 8, 11, 13 and 14)

Key audit matter	How my audit procedures addressed this key audit matter
The fair value measurement of Energy Queensland Limited (EQL) derivative financial instruments is inherently complex. Key factors contributing to this complexity include the use of internal financial models and judgement to estimate key inputs due to the absence of observable market data for some assumptions.	I engaged an auditor's expert to assist me in: • obtaining an understanding of the valuation techniques and financial models used, and assessing their design, integrity and appropriateness with reference to common industry practices and requirements of accounting standards • challenging management assumptions used in the valuation process and assessing the reasonableness of inputs and valuation techniques based on an assessment using knowledge and experience, and an understanding of industry specific factors • for a sample of derivative instruments, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents and counterparty confirmations and, and recalculating the fair values based on an understanding of generally accepted valuation practices. In evaluating the work of the auditor's expert, I: • evaluated the qualifications, competence, capabilities, and objectivity of the auditor's expert • assessed the nature, scope and objectives of the work completed by the auditor's expert • evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.
EQL's application of hedge accounting is complex due to: • the specific requirements of AASB 9 Financial Instruments for an effective hedge relationship and deferral of fair value gains and losses to the cash flow hedge reserve • judgements required in assessing EQL'sforecast oad to support hedge relationships • use of an internally developed system to administer and account for hedge relationships.	With the assistance of a specialist, my procedures included, but were not limited to: • assessing the EQL's hedge accounting process including exercise of management judgement in complying with the specific requirements of AASB 9 and testing the qualifying criteria for an effective hedge relationship and methodology to calculate hedge effectiveness • evaluating the scope, competency and objectivity of the Company's external experts involved in the design, implementation and operation of the hedge accounting system and by examining the work performed, their professional qualifications and experience

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Key audit matter	How my audit procedures addressed this key audit matter
	• for cash flow hedges, assessing the reasonableness of forecast information used to support the highly probable criterion • required for an effective hedge relationship testing the reconciliation of the cash flow hedge reserve, and presentation of gains and losses in the income statement • validating the appropriateness of disclosures in the financial statements. In reviewing the specialist's work, I; • evaluated the qualifications, competence, capablities and objectivity of the auditor's expert • assessed the nature, scope and objectives of the work completed for appropriateness • evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

Measurement of unbilled revenue ($275 million) (Note 6)

Key audit matter	How my audit procedures addressed this key audit matter
The complex unbilled revenue and accrual for network and retail charges calculation involved significant judgements for estimating the unread meter usage at balance date. In making this estimate, EQL based the calculation on a model that used historical consumption data, historical billing data and purchase load to create a seasonally adjusted periodical profile.	I have: • obtained an understanding of the modelling approach and assessed the appropriateness of its design • tested general information technology controls and application controls over relevant information technology systems • validated the inputs used, including historical consumption and billing data, purchase load and tariff rates, to relevant source data. • verified the mathematical accuracy of key sections of the unbilled revenue model • developed an estimate of the unbilled network and retail revenue at year-end and compared our estimate to EQL management's estimated amount • validated the appropriateness of disclosures in the financial statements.

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Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's reportm the available other information in the Energy Queensland Limited's annual report for the year ended 30 June 2022 was the directors' 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 directors 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.

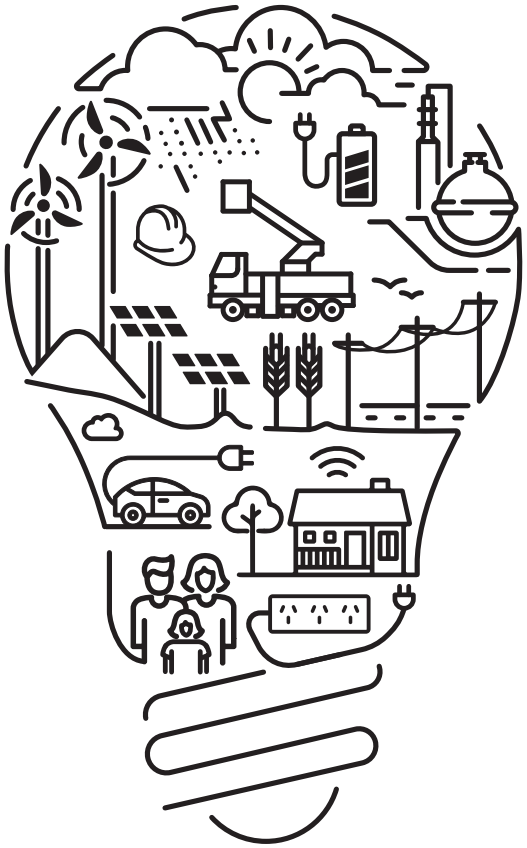
From the matters communicated with the Company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public 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

19 August 2022

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane



Energy Queensland

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