

ANNUAL REPORT

FY 2022

cleanco[®]
queensland

CONTENTS

| | |
|--|----|
| ABOUT THIS REPORT | 3 |
| OUR AMBITION | 3 |
| OUR STORY SO FAR..... | 4 |
| OUR PERFORMANCE HIGHLIGHTS..... | 6 |
| MESSAGE FROM OUR CHAIR..... | 7 |
| MESSAGE FROM OUR CEO | 9 |
| OUR PURPOSE..... | 12 |
| OUR STRATEGIC OBJECTIVES | 13 |
| OUR VALUES | 14 |
| OUR PERFORMANCE IN 2021/22 | 15 |
| OUR CUSTOMERS | 18 |
| OUR PEOPLE..... | 20 |
| HEALTH AND SAFETY | 21 |
| OUR COMMUNITIES..... | 23 |
| ENGAGING WITH AUSTRALIA'S FIRST PEOPLES | 24 |
| COMMERCIAL AND RECREATIONAL RIVER USERS | 25 |
| COMMUNITY SPONSORSHIPS | 26 |
| QUEENSLAND JOBS AND INVESTMENT | 27 |
| OUR ASSETS..... | 28 |
| OUR FIRING ASSETS..... | 29 |
| OUR PROJECTS..... | 31 |
| KOGAN NORTH JOINT VENTURE (WARI DJUNBEN PROJECT) | 31 |
| KARARA WIND FARM | 32 |
| GROWTH OPPORTUNITIES..... | 33 |
| OUR CONTRACTED RENEWABLE ENERGY PROJECTS..... | 34 |
| OUR ENVIRONMENT | 37 |
| OPERATING IN THE WET TROPICS | 38 |
| EMISSIONS AND ENERGY DATA..... | 39 |
| OUR FINANCIAL PERFORMANCE..... | 40 |
| CAPITAL INVESTMENT | 41 |
| CYBER SECURITY..... | 41 |
| CORPORATE GOVERNANCE..... | 42 |
| CORPORATE GOVERNANCE GUIDELINES FOR GOCS | |
| – QUEENSLAND GOVERNMENT | 42 |
| GOVERNMENT OWNED CORPORATIONS ACT REQUIREMENTS..... | 45 |
| FINANCIAL REPORT | 46 |

ABOUT THIS REPORT

At CleanCo Queensland we are committed to providing our shareholders, customers and communities with accurate and transparent reporting on our strategy, performance and challenges.

Since publishing our 2021 (FY21) Annual Report our organisation has continued to evolve as we establish our place in the Australian energy market and pursue opportunities to develop and grow our business.

This report has been prepared based on the principles of the International Integrated Reporting Council's (IIRC) Reporting Framework to reflect the interrelated elements that enable us to create value for our shareholders, customers and communities over time. We are still maturing and our reporting will continue to mature along with us.

This report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993 (Qld)* (GOC Act), incorporating relevant aspects of the *Financial Accountability Act 2009 (Qld)* and the *Corporations Act 2001 (Cth)* and is presented to the Legislative Assembly of Queensland. It contains CleanCo Queensland Limited's Financial Report for FY22 compiled in accordance with Australian Accounting Standards.

Electronic versions of our annual reports are available online at www.cleancoqueensland.com.au

OUR AMBITION

CleanCo Queensland is a state-owned energy generator, developer and retailer. Our ambition is to harness Queensland's abundant natural resources to deliver reliable, globally competitive low-emission energy solutions to help Queensland businesses thrive in a decarbonising world. In doing this we will catalyse a sustainable and prosperous future for all Queenslanders.

We will support Queensland's economic competitiveness and build a bridge between the economy of today and the economy of the future.

OUR STORY SO FAR

We are dedicated to delivering renewable and low-emission energy solutions to support Queensland businesses to thrive in a net zero future.

We work with large commercial and industrial customers in Queensland to deliver tailored renewable and low-emission energy solutions that meet their individual energy requirements. With the unique ability to 'firm' variable renewable generation using a low-emission generation portfolio, we directly incorporate the benefits of large-scale renewable projects into electricity agreements at a competitive price for our customers.

CleanCo delivers energy to our customers and the broader market today from our portfolio of 1,100MW of low-emission energy assets, including Queensland's only operational pumped storage hydroelectric generator at Wivenhoe Dam.

This portfolio is set to grow rapidly over the coming years as CleanCo's committed pipeline of 1,106MW of new renewable energy projects commences commercial operation. CleanCo is focused on identifying further development opportunities to continue to grow our portfolio of clean energy. By delivering projects through a mix of build-own-operate developments and energy off-takes, CleanCo aims to 'punch above its weight' in making a material contribution to achieving Queensland's 50 per cent renewable energy target by 2030.



2018

CleanCo Queensland Limited is incorporated as a company under the *Corporations Act 2001*.

2019

CleanCo takes ownership of five generating assets and commences trading in the National Electricity Market.



2020

CleanCo welcomes the asset operations teams from Barron Gorge, Kareeya, Swanbank E and Wivenhoe power stations.

CleanCo secures 800MW of new renewable energy, announces its intention to build, own and operate the Karara Wind Farm, and signs agreements with BHP and Coles.

2021

April

Karara and MacIntyre wind farms receive Development Approval from the State Assessment and Referral Agency.

August

CleanCo announces a feasibility study to establish the Swanbank Future Energy and Hydrogen Precinct.

September

CleanCo signs Power Purchase Agreement to off-take 126MW of renewable energy from the 180MW Dulacca Wind Farm.

CleanCo agrees to a Capacity Purchase Agreement for the 157MW Kaban Green Power Hub wind farm. This enables CleanCo to control the dispatch of 100 per cent of the project's renewable energy generated and allows integration with CleanCo's portfolio.

November

CleanCo successfully completes the organisation's first major overhaul at Wivenhoe Power Station.

CleanCo signs a deal with Dalrymple Bay Coal Terminal and Dalrymple Bay Infrastructure Management to provide electricity and renewable energy benefits to the Dalrymple Bay Terminal.

2022

March

CleanCo signs deal with Wesfarmers to provide renewable energy for their sites in Queensland including Kmart, Target, Bunnings and Officeworks.

May

CleanCo seeks expressions of interest for a Battery Energy Storage System to be part of the Swanbank Future Energy and Hydrogen Precinct.

CleanCo signs deal with Scentre Group to provide renewable energy for its Westfield Living Centres in Queensland.

OUR PERFORMANCE HIGHLIGHTS



We generated **1318GWh of low-emission energy** between July 2021 and June 2022.



We completed a **\$14 million, 100 day overhaul of Unit 1 at Wivenhoe Power Station** ensuring ongoing efficiency and reliability.



We achieved a **marked improvement in our Total Recordable Injury Frequency Rate and Loss Time Injury Frequency Rate**, sustaining only one recordable injury in FY22.



We achieved a **14 per cent improvement** in our overall employee engagement in 10 months.



We signed agreements with a number of **new customers, including a group of Wesfarmers businesses and Scentre Group**, to supply renewable-backed energy and support them to achieve their sustainability goals.



We commenced work to **establish the Swanbank Future Energy and Hydrogen Precinct**, signalling the transformation of the Swanbank Power Station precinct towards a renewables future.



We **commenced providing retail electricity services to a number of large commercial and industrial customers, including BHP, supporting them** to achieve their sustainability goals.



We increased our pipeline of renewable energy by 173MW, bringing our total commitment to **more than 1,000MW of new renewable energy**.



Jacqui Walters, Chair

MESSAGE FROM OUR CHAIR

I am proud to present CleanCo Queensland's Annual Report for the financial year ended 30 June 2022.

Over the past 12 months we have remained focused on maturing our business and delivering on our purpose to provide energy solutions to Queensland businesses that will help them thrive in a net zero future.

We are incredibly proud of the integrity and hard work our team has demonstrated through what has been a very challenging but productive year for CleanCo with ongoing disruptions from COVID-19, significant and unprecedented turbulence in the energy market, and the unplanned extended outage of our Swanbank E Power Station.

Combined, our wind and solar projects are supporting over 1,000 jobs and more than \$1 billion of investment and we are on track to meet our commitment to bring at least 1,400MW of new renewable energy online by 2025.

In FY22, CleanCo assets generated 1,318GWh and achieved 67.9 per cent availability. Notably, Swanbank E has been out of service since 20 December 2021 as a result of a fault with its automatic voltage regulator (AVR) and is expected to come back online in early September 2022.

Throughout a particularly challenging fourth quarter, CleanCo's assets worked hard to contribute to network stability. Between April and June 2022, Wivenhoe alone generated 118,000MWh, which is double the output from the facility over the same period last year.

The year-end result is a net after tax loss of \$297.8 million. This result is due to a combination of the unplanned outage of Swanbank E reducing our generation earnings, significantly higher spot prices impacting our retail and hedging contracts, and an increase in the electricity price forward curve, which gave rise to a large negative mark-to-market position at financial year end. While we are unable to reflect the positive impact in our financial results, we do expect there to be a corresponding long-term increase in the value of our current operating assets and Power Purchase Agreements.

Events in the second half of FY22 provide insights into critical linkages across the energy market - including the effect of global events on domestic fuel prices, the strong influence of adverse weather patterns on generation profiles, and unplanned generation outages - which impact Queensland's wholesale market. CleanCo has taken a range of actions to mitigate losses and strengthen our future position while we build out our portfolio of new renewable energy generation and storage assets.

Our operations team continues work to ensure our assets match the needs of CleanCo's portfolio by increasing both flexibility and responsiveness. This allows us to offer tailored, competitively-priced products that meet our customers' needs and enables us to generate electricity during peak periods to put downward pressure on wholesale prices.

I would like to thank our shareholding Ministers, their teams and departments for their support through this eventful year.

Finally, I am delighted to welcome Tom Metcalfe as our new Chief Executive Officer. Tom brings over 30 years of industry experience, including as a senior executive responsible for the development of over 5,000MW of new generation during his career. Tom's experience will be invaluable as CleanCo navigates the rapidly changing energy industry and in positioning Queensland as a renewable energy powerhouse.




Tom Metcalfe, Chief Executive Officer

MESSAGE FROM OUR CEO

I am honoured to be appointed Chief Executive Officer of CleanCo Queensland.

I am joining the organisation at an exciting time in the energy sector. Indeed, during my 33 years in the industry in the United Kingdom, Asia, the United States of America and Australia, I don't think there has been a period of greater change. The urgency to address climate change within the public and private sectors has never been greater.



Queensland's abundant sun, wind and water resources, and the Queensland Government's goal to achieve 50 per cent renewable energy generation by 2030 provides CleanCo with a great opportunity to grow our business. Although we are less than four years old, we have a demonstrated track record of delivering on our commitments. Not only are our Power Purchase Agreements underpinning the development of over 1,000MW of new generation, but our retail business is supporting our commercial and industrial customers to meet their sustainability aspirations. This is possible through CleanCo's unique ability to offer firm renewable energy by utilising its current operating assets—our northern hydro plants, our 570MW Wivenhoe pumped storage facility and our highly efficient combined cycle gas plant, Swanbank E.

In FY22, CleanCo was successful in executing agreements with several large corporate energy users, including among others, Wesfarmers and Scentre Group. We are supporting our customers to thrive in a net zero future.

Energy market and risk management

We will learn from recent market events, ensuring we are well placed to weather future changes and challenges. This includes a thorough review of our risk management and trading strategies and the modelling we use to analyse our future market exposure. We are developing tools to better inform our investment decisions, off-take agreements and retail business, and are engaging third party expertise to ensure our approach is reasonable and robust. We will regularly test this approach against future price shocks and fleet performance to ensure our risk management policies and trading strategies are appropriate and responsive.

Our team

I echo Jacqui's comments. I am incredibly proud of our people and their accomplishments. Our future growth will depend on our ability to continue to attract and retain top talent. This starts by building a great place to work. Our focus will be on creating a workplace where our employees can do their best, where they can be creative, where they can collaborate and are empowered to achieve their full potential. Creating a safe work environment where we have the tools needed to be successful is essential. The significant improvement in our safety indicators throughout FY22 is a testament to the commitment of all team members in creating and maintaining a safe workplace. It is also incredibly encouraging as a new CEO to see a significant 14 per cent improvement in our employee engagement score in 2022. We are developing targeted action plans based on feedback received to drive further improvements.

Communities and First Nations People

We are committed to being good neighbours within the communities and are seeking opportunities to support our host communities in meaningful ways. We recognise and respect Australia's First Nations People who have aspirations for their communities and their Country. Our relationships with Australia's First Nations People are in their infancy, but we are committed to listening and maturing these relationships. We will also continue to build cultural confidence and capability within CleanCo and progress work to develop an Indigenous Engagement Strategy.

Growth pipeline

Our current pipeline of renewable energy generation and storage projects continues to progress. We celebrated start of construction on the MacIntyre Wind Farm Precinct in June and made progress developing our Swanbank precinct project. We are preparing for commercial operation of projects under contract including the 400MW Western Downs solar facility where we have a 320MW Power Purchase Agreement. The facility is in start-up and is scheduled to be placed into service in 2023.

Looking forward

As we look to FY23 and beyond, we can see a clear path for CleanCo to pursue an ambitious program of work that supports the Queensland Government's targets for reducing carbon emissions while creating and sustaining jobs in the energy sector.

We will bring more competition and more tailored solutions to support our customers, which will in turn support Queensland in meeting its renewable generation goals.



OUR PURPOSE

Our purpose is to deliver energy solutions to Queensland businesses to help them thrive in a net zero future.

We do this by providing tailored energy products that meet the needs of our customers from a diverse portfolio of renewable and low-emission firming generation assets and off-takes.

We work to deliver on this purpose while also contributing to a prosperous future for all Queenslanders by actively looking for ways to deliver and support:

- Growth in jobs for Queenslanders across our own and our customers' industries
- Safe and rewarding work for people in our operating business and our projects
- Positive community outcomes wherever we operate
- A stable and reliable electricity system
- Competitive regional industry
- A strong and prosperous economy.

OUR STRATEGIC OBJECTIVES

We are delivering reliable, clean energy solutions at a competitive price for customers in Queensland while playing a critical role in supporting new energy developments across the State.

We are focused on growing all aspects of our business in lock step for the benefit of Queensland – our customer reach informing an evolving product strategy which is in turn informing a growth-focused generation and development strategy.

By anticipating the energy needs of our customers in the future we will build a portfolio with the ability to scale and adapt through the change occurring across the energy sector.

Underpinning our work with customers and the broader market is the operation and growth of our portfolio of low-emission electricity generation assets.

We strive to operate these in a way that not only meets the needs of our retail customers, but also generally increases competition in the wholesale electricity market, puts downward pressure on electricity prices and supports overall grid stability.

We pursue these growth objectives while ensuring that:

- We operate our assets safely
- Our operations are commercial and financially viable
- We attract, engage, and develop our people
- We comply to the highest environmental standards.

OUR VALUES

At CleanCo we are:



GENUINE

- We **care** about each other's safety, health and wellbeing
- We are **trustworthy** – we do what we say we will
- We are **trusting** – we believe the best in each other
- We **greet** each other on the floor



COLLABORATIVE

- No one person has all the answers – our first instinct is to **collaborate**
- We actively **share** our knowledge with others
- We are better with **diverse** thinking
- We understand our **customers' needs**



CURIOUS

- In a **changing world**, we get to the bottom of things
- We **respectfully** question inherited wisdom and the status quo
- We always seek to **learn**
- When something goes wrong, we uncover why **without blaming**



COURAGEOUS

- We focus on doing (only) what **makes a difference**
- We are happy to be the **first**
- We ask **“If not us, who? And if not now, when?”**

These values are specifically designed to support CleanCo's objectives and our customer-led strategy. They encourage us to think creatively about bold solutions to highly complex problems and to take interest in the many potential partners, customers and other stakeholders with whom we can solve them.

OUR PERFORMANCE IN 2021/22

CleanCo's Statement of Corporate Intent (SCI) for FY22 outlined six milestones for the year. Our performance against these milestones is provided in Table 1.

Table 1: FY22 Key milestones

| KPI | STATUS | COMMENTS |
|--|-------------|--|
| Begin construction on the 103MW Karara Wind Farm | Some delays | Construction commenced in June 2022. CleanCo is monitoring the impacts of delays to the grid connection process on overall delivery. |
| Deliver the revised Kogan North new Development Program in line with approval by Arrow's Board and shareholders (PetroChina and Shell) | Some delays | Start-up on schedule, but some delays with respect to gas ramp-up volumes. |
| Develop and launch strategic initiatives to support affordability, reliability, sustainability and jobs outcomes, contributing to the Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) process | On track | Initial QREHJF initiatives were unsuccessful. CleanCo is refocusing its strategy on understanding customer needs and developing product and generation strategies that align. |

Table 1: FY22 Key milestones (continued)

| KPI | STATUS | COMMENTS |
|---|----------|--|
| Continue to identify at least another 468MW of new renewable projects to support the achievement of CleanCo's 1,400MW target by 2025 while supporting regional investment and jobs | On track | <p>In FY22 CleanCo secured a 126MW off-take agreement with the Dulacca Wind Farm and a 157MW Capacity Purchase Agreement with the Kaban Wind Farm¹.</p> <p>Combined, CleanCo has committed to over 1,000MW of new renewable energy and these projects will support more than 1,000 construction jobs and more than \$1.5 billion in regional economic activity in Queensland.</p> <p>CleanCo is actively evaluating options to meet and exceed the Queensland Government's target of 1,400MW, including actively seeking further build-own-operate opportunities.</p> |
| Develop and optimise our core business management systems including the physical trading platform, cyber security and the governance, risk and compliance systems | On track | <p>CleanCo successfully transitioned to five-minute settlements, and implemented the CGR system for governance, risk and compliance management.</p> <p>CleanCo has established a Cyber Resilience and Protection Program and has achieved a Security Profile 1 (SP1) rating against the Australian Energy Sector Cyber Security Framework.</p> |
| Deliver \$21 million of cost (and cash) savings against the May 2020 forward estimate over the FY21-FY24 period | On track | <p>CleanCo has delivered \$8.4 million in savings. This brings total delivered savings to \$13.4 million. We have identified a further \$7.6 million in savings to deliver by the end of FY24 and will continue to review and implement savings initiatives to achieve the Queensland Government's \$21 million target.</p> |

¹Power Purchase Agreements and Capacity Purchase Agreements are explained on page 34

Table 2: CleanCo performance against SCI targets

| CORPORATE MEASURES | | | |
|---|---------|------------|--------|
| MEASURE | FY2022 | FY2022 SCI | FY2021 |
| Gross Profit (\$M) | 126.7 | 87.2 | 141.1 |
| EBITDA (\$M) | 34.4 | (6.4) | 52.0 |
| EBIT (\$M) | (5.8) | (31.0) | (25.6) |
| NPAT (\$M) | (297.8) | (21.9) | (15.9) |
| Capital Expenditure Cashflow (\$M) | 42.2 | 222.0 | (37.8) |
| Full-Time Equivalent Staff | 162.0 | 163.0 | 146.0 |

FY22 proved to be a very challenging year for CleanCo's operations. The unexpected outage of Swanbank E Gas-fired Power Station following an incident with the automatic voltage regulator (AVR) resulted in CleanCo operating for the remainder of the financial year with reduced generation capacity. This situation will continue into FY23 with Swanbank E expected to come back online in early September 2022.

The absence of Swanbank E from CleanCo's generating portfolio had a significant impact on CleanCo's ability to respond effectively to market demand in the second half of FY22. However, our hydroelectric power stations maintained good reliability throughout the year, and the Wivenhoe Pumped Storage Hydroelectric Power Station in particular, provided critical energy storage capacity to support peak demand periods.

As a result, the price of hedging contracts also rose significantly during the year, increasing the cost of settling our hedge positions. We accrued a loss for the mark-to-market valuation of outstanding hedging contracts at financial year end.



OUR CUSTOMERS

We are supporting our customers to thrive in a net zero future.

With the ability to 'firm' variable renewable energy generation using a low-emission generation portfolio, we are directly incorporating the benefits of large-scale renewable projects into individually tailored electricity agreements at a competitive price for our customers.

In FY22 CleanCo continued to build its customer base, entering into commercial agreements with several Queensland businesses, including:

- Wesfarmers to provide 100 per cent renewable energy for 147 Kmart, Target, Bunnings and Officeworks sites
- Scentre Group to provide 100 per cent renewable energy for its Westfield Living Centres in Queensland
- Dalrymple Bay Coal Terminal and Dalrymple Bay Infrastructure Management to provide electricity and renewable energy benefits (large-scale generation certificates) covering 100 per cent of the electricity requirements of the Dalrymple Bay Terminal.

We also started providing retail electricity services to a number of large commercial and industrial customers, including BHP.

Each year we undertake a Stakeholder Engagement Survey to determine whether we are meeting the expectations of our customers and other key stakeholders, and identify areas for improvement. This exercise is valuable for ensuring CleanCo continues to grow and mature its product offerings, systems and processes to remain competitive in the rapidly evolving energy market. The FY22 survey results were positive with CleanCo achieving a Net Promotor Score of 73, demonstrating that our customers and key stakeholders hold CleanCo's products, services and level of engagement in high regard.

In FY23 we will continue to engage with large commercial and industrial energy users in Queensland to identify the ways CleanCo can meet their specific energy requirements and support them to achieve their sustainability goals.

WESFARMERS RETAILERS TO BE POWERED BY RENEWABLE ENERGY

Iconic Australian retailers in the Wesfarmers group - Bunnings, Target, Kmart and Officeworks - have signed on to be CleanCo customers.

CleanCo will meet the energy requirements across 147 Queensland sites. CleanCo worked with the Wesfarmers retail divisions to structure a unique arrangement that allows them to contract separately while leveraging their combined energy loads, demand profiles and number of sites.

The participating stores will be onboarded in a staggered approach from July 2022 with agreements to be underpinned by renewable energy by 2025, which will be primarily sourced from the Western Downs Green Power Hub solar farm and the MacIntyre Wind Farm.

RENEWABLE ENERGY BOOST FOR WESTFIELD LIVING CENTRES

In FY22 CleanCo struck a deal with Scentre Group, the company that owns and operates Westfield Living Centres in Australia and New Zealand.

The agreement comes into effect from January 2024 and will use renewable energy sources to power Westfield centres in Queensland from 2025. Scentre Group moved its New Zealand Westfield Living Centres to 100 per cent renewable electricity in January 2022.

The initiative will support the company to achieve its interim emission reduction target of 50 per cent by 2025 and will meet Scentre Group's target of achieving net zero by 2030. CleanCo will source renewable energy generated by the Western Downs Green Power Hub solar farm, the Kaban Green Power Hub wind farm and the Dulacca Wind Farm to meet the contract commitment.



OUR PEOPLE

Our people make us who we are — their safety, wellbeing, fulfilment and inspiration is our priority.

We aim to be known as a purpose-led organisation where every member of our community can bring their authentic selves to work, and is enabled to contribute the best of their skills and creativity to building a prosperous future for all Queenslanders.

We are growing our organisation in line with our strategic objective of delivering a growth-focused generation and development strategy. At CleanCo we recognise that to achieve this, we must ensure our team has the capability, connection to purpose, opportunity to stretch and learn, and motivation to deliver on our organisation's aspirations.

We believe in the value brought to our work by diversity and we are committed to fostering an environment where everyone belongs, everyone is heard and everyone can thrive. At CleanCo we strive to “make work work” for our people, with a range of avenues for team members to maximise flexibility in work and life in ways that genuinely fit for them.

Listening and responding to our people

We are focused on becoming the kind of organisation that draws in and develops people whose talents, aspirations, ideas and actions can help us deliver for our customers and our shareholders — the people of Queensland.

To help achieve this goal, in FY22 we built and began to implement a roadmap of initiatives designed to expand and enhance our people practices, and we look forward to continuing its implementation in FY23. We made improvements to our processes and systems related to recruitment, onboarding and performance, and we facilitated coaching and development for leaders and teams. We continued to work alongside our union colleagues, making progress towards contemporary Enterprise Agreements that provide fair, equitable and secure wages and conditions for CleanCo employees.

We also listened to the lived experience of our people, gathering their feedback and ideas for CleanCo's future in ongoing forums and through our annual *thrive* engagement survey. We developed CleanCo's first People Strategy aligned with our organisational strategic objectives, and saw our overall engagement accelerate by 14 per cent by the end of FY22.

HEALTH AND SAFETY

Our performance

Our Health, Safety and Environment (HSE) Fundamentals define our commitments to creating and maintaining a safe workplace and apply to all CleanCo team members, contractors and visitors to our sites.



We are fit and mentally ready for work



We are part of and protect our environment



We drive and operate safely



We confirm isolations and electrical safety



We control serious incident and fatality hazards

Table 3: HSE leading indicators

| LEADING INDICATORS AS AT 30 JUNE 2022 | |
|--|------|
| Hazards identified | 185 |
| Critical Control Verifications | 352 |
| Total Recordable Injury Frequency Rates (TRIFER)* | 1.92 |
| Lost Time Injury Frequency Rate (LTIFR)^ | 0.00 |

* TRIFER measures the number of injuries (excluding fatalities) requiring medical treatment per million hours worked within an organisation.

^LTIFR measures the number of lost-time injuries per million hours worked during a single financial year.

We are proud of the marked improvement in our TRIFER and LTIFR indicators, recording only one recordable injury where a team member required medical treatment for a hand injury sustained while erecting scaffolding.

At CleanCo we are striving to create a culture that encourages our people to be curious about our surroundings, processes and ways of working, so that we can best identify hazards and risks that could potentially cause adverse outcomes for our people, our environment, our reputation, our business or our communities.

We are committed to gaining a deeper understanding of why incidents occur and how we can collaborate to learn and grow as an organisation and industry to prevent similar occurrences or recurrences.

During FY22 we commenced work on designing a new HSE Hazard and Incident Reporting system and look forward to its implementation in FY23. The transition to a new system will improve efficiency and transparency in recording, investigating, remediating and sharing incidents and hazards across the organisation.

We understand our responsibility to respond to these events by collaborating to solve issues and reduce risk while being courageous enough to learn from our mistakes. In doing this, we can demonstrate a genuine desire to gain a deeper understanding of why an unanticipated event may occur and how we can grow to be better in the future.

In FY22 we also commenced the HSE Refresh One System project, designed to review and, where appropriate, revise our HSE policies, procedures and processes to ensure they are fit-for-CleanCo in 2022 and beyond. This means making sure our health, safety and environmental procedures meet legislative requirements, are contemporary, and match the needs of our organisation, enabling consistency in decision making and managing risks and hazards.

COVID-19 response

As experienced by many workplaces and industries, COVID-19 continued to have an impact on our workforce throughout FY22. Our Operational Response Team worked on a range of initiatives including flexible working arrangements and additional paid leave offered to our team to assist in reducing the overall impact to business activities.

A risk management approach was applied at each site to underpin and guide the response to the changing health requirements associated with the management of COVID-19.



OUR COMMUNITIES

Throughout FY22 the effects of COVID-19 continued to impact the way we live, work and play. And although the latter half of the year saw government-mandated restrictions ease, the economic impacts continue to be felt by industries and communities across Queensland.

CleanCo's generating assets and projects are located in regional communities where economic hardships have been suffered due to droughts, COVID-19 and more recently, floods.

Our commitments to new renewable energy projects are contributing to economic recovery in Queensland's regions.



ENGAGING WITH AUSTRALIA'S FIRST PEOPLES

We recognise that Australia's First Nations People have wide-ranging aspirations for their community and their Country, and we are seeking opportunities to support these in a meaningful way.

We have worked to strengthen our relationship with the Djabugay People, the Traditional Custodians of Din Din Barron Gorge. This has included developing a draft Collaboration Agreement between CleanCo and the Djabugay Aboriginal Corporations that will guide how we work as partners to support the economic development, employment, social and cultural outcomes sought by the Djabugay People.

We have also connected with the Jirrbal People who are the Traditional Custodians of the land and waters of our Kareeya and Koombooloomba assets, as well as the land on which the Kaban Green Power Hub is located. We will continue to develop this relationship and commit to proactively seeking opportunities to achieve this throughout the coming year.

We have established relationships with the Kambuwal People and the Githabul People, the First Nations People with an interest in the land where the MacIntyre Wind Precinct, which includes the Karara Wind Farm, is being built. We continue to work closely with these groups to ensure the protection of cultural heritage, and we are working with the Kambuwal People, the Githabul People, and other First Nations People to develop and implement a community enhancement program that responds to the aspirations and needs of Aboriginal and Torres Strait Islander people.

We have taken the first steps towards establishing a relationship with the Yuggera Ugarapul People, the Traditional Custodians and Native Title Applicants for the land on which our Swanbank precinct sits. Our initial engagements have been positive and we are hopeful that this is the beginning of a long-lasting and meaningful relationship.

Introductions have been made with the Jinibara People, the Traditional Custodians of the land around the Wivenhoe Power Station, and we will seek to establish a relationship in the coming year.

CleanCo recognises that our relationships with Australia's First Nations People remains in its infancy and we are committed to maturing these in FY23 and beyond. We will also continue to build cultural confidence and capability within CleanCo and progress work to develop an Indigenous Engagement Strategy.

COMMERCIAL AND RECREATIONAL RIVER USERS

CleanCo works with commercial operators on the Barron and Tully rivers in Far North Queensland to support ongoing tourism activities like rafting.

We support access for several operators and continue to work with them to enable white water rafting activities in line with hydro operations.

When our hydros are operating, the Barron and Tully rivers offer world-class white water rafting environments and are destinations for domestic and international adventure enthusiasts. In January our operations of the Kareeya Hydro supported the 2022 Australian Rafting Championships. We also work with community organisations, like Paddle Queensland, to provide information about our hydro operations and communicate planned outages.

In FY22 we continued the long-standing relationship between our Kareeya Hydro and the Queensland Fire and Emergency Services (QFES). Through the controlled release of water from Koombooloomba Dam, we can create ideal conditions on the Tully River to support swift water training activities. The water released is captured at the Tully Falls Weir and used for generation at the Kareeya Hydro when required by the market.

COMMUNITY SPONSORSHIPS

We are committed to supporting vibrant, sustainable, resilient communities and having a positive economic impact.

As we continued to build stakeholder relationships and become more established in our host communities throughout FY22, we also increased sponsorship and donations.

In Far North Queensland we sponsored the Northern Wilderness Bike Tour, St Clare's School fete (Tully), The Wet Tropics Waterways Making Waves event, the Australian Rafting Championships, Ecofiesta and Tully Little Athletics.

In South East Queensland we sponsored the Queensland Pioneer Steam Railway's Symphony of Steam event, and made a financial donation to the State Emergency Services (SES) in the Somerset Region following the major flooding event in March 2022.

We also provided financial and in-kind support to UNIQ You, a not-for-profit advisory service that connects high school girls directly with women in under-represented roles designed for pathway inspiration, insight and guidance.

In addition, our individual sites undertake fundraising activities throughout the year to support local causes and initiatives.

Supporting these events and activities enables us to strengthen stakeholder relationships, demonstrate commitment to supporting local communities and promote our values and aspirations to be a good corporate citizen.



QUEENSLAND JOBS AND INVESTMENT

We are creating jobs and supporting investment in regional Queensland communities.

As we seek opportunities to grow our energy supply and meet the needs of our customers, we actively look for ways to deliver and support growth in jobs for Queenslanders across not only the energy industry, but also our customers' industries.

Between 2021 and 2024 the combined activities of the MacIntyre Wind Farm Precinct (including the Karara Wind Farm), Western Downs Green Power Hub, the Kaban Green Power Hub and the Dulacca Wind Farm will support over 1,350 construction-related jobs and create more than \$1.5 billion in economic activity in Queensland through employing local contractors and purchasing from local suppliers. On a broader scale, we aim to supply competitive, low-emission energy to commercial and industrial customers, making their products relevant as the world decarbonises, and protecting or growing the jobs they offer across the state.

CleanCo applies and conforms with the Queensland Procurement Policy, Best Practice Principles and Buy Queensland Principles. The principles are embedded in our procurement processes, meaning that we endeavour to employ local people and procure local goods and services in the regions and host communities we operate in. CleanCo's Power Purchase Agreements require that project owners agree to use reasonable endeavours to comply with the Queensland Procurement Policy, Best Practice Principles and Buy Queensland Principles to the extent possible through construction.

CleanCo is compliant with the Commonwealth *Modern Slavery Act 2018*, and through continuous improvement and collaboration with our internal and external stakeholders we are maturing our processes to address any ongoing risk in our supply chain.

Furthermore, we are actively seeking out and embedding local content opportunities for existing operations. This includes engaging with local industry groups to better understand potential buying opportunities in the regions where our assets are located.

OUR ASSETS

Kaban Green Power Hub

Capacity Agreement (Wind)
157 MW
Jirrbal People

Barron Gorge Hydroelectric Power Station

66 MW
Djabugay People

Kareeya Hydroelectric Power Station

88 MW
Jirrbal People

Koombooloomba Hydroelectric Power Station

7 MW
Jirrbal People

Dulacca Renewable Energy Project

Offtake (Wind)
126 MW
Barunggam People

Kogan North Joint Venture (50%)

4 PJ/year
Barunggam People and Western Wakka Wakka People

Western Downs Green Power Hub Offtake (Solar)

320 MW
Barunggam People

Wivenhoe Pumped Storage Hydroelectric Power Station

570 MW
Jinibara People

Karara Wind Farm

102 MW
MacIntyre Offtake (Wind)
400 MW
Githabul People and Kambuwal People

Swanbank E Power Station

385 MW
Yugara Ugarapul People



CleanCo generation portfolio

OUR FIRING ASSETS

Our portfolio of dispatchable, low-emission assets is our point of difference from other generators and retailers in Queensland. These flexible assets can ramp quickly to ensure our customers continue to receive reliable low-emission energy when solar and wind generators are not producing.

Our current firming assets are:

Run-of-river hydros

- Barron Gorge Hydroelectric Power Station (66MW)
- Kareeya Hydroelectric Power Station (88MW)
- Koombooloomba Hydroelectric Power Station (7MW)

Pumped storage hydro

- Wivenhoe Pumped Storage Hydroelectric Power Station (570MW)

Combined cycle gas

- Swanbank E Combined Cycle Gas-fired Power Station (385MW)

Gas as a key enabler of the energy transformation

Swanbank E remains one of the most efficient gas-fired generators in Australia. It provides reliable, low-emission energy 24/7 even when there is limited sun or wind energy. This firming capability enables us to use our portfolio to help stabilise the network and keep electricity affordable for Queenslanders during periods of high demand.

The flexibility and fast ramping capabilities of Swanbank E enable CleanCo to continue to build a viable portfolio of new renewable energy assets while supplying reliable energy for CleanCo's customers and for Queensland.

CleanCo's Kogan North Joint Venture with Arrow provides approximately 50 per cent of the gas required to operate Swanbank at a predictable price, which is essential to ensure CleanCo can commit to pricing for commercial and industrial customers in long-term supply contracts.

Asset management

CleanCo is continuing to update asset management strategies for our portfolio. The current focus is on ensuring we have critical operating components and resources readily available to support increased asset utilisation and flexible operations, thereby improving the overall availability of our generating assets. This is essential for supporting network reliability.



RESPONDING TO A RAPIDLY CHANGING ENERGY MARKET

The events that played out in the energy market in late FY22 were unprecedented. High spot prices, constrained generating availability and unusually cold and cloudy weather culminated in the market operator invoking an Administered Price Cap.

Throughout the period of increased stress in the market, CleanCo operated to ensure the safety of our team, and the security and reliability of electricity supply to the grid. We endeavoured, where possible, to continue operating throughout the period, including offering Barron Gorge and Kareeya run-of-river hydros to the market at a lower price point and higher volumes.

CleanCo maintained direct, frequent contact with the Australian Energy Market Operator (AEMO) operational team regarding the availability of Wivenhoe for both generation and pumping. This allowed AEMO to use Wivenhoe to best meet the requirements of the market.

Between 1 April 2022 and 30 June 2022, CleanCo assets generated 315,000MWh. Generation from Wivenhoe made up 118,000MWh, which is double the output from Wivenhoe over the same period the previous year.

OUR PROJECTS

KOGAN NORTH JOINT VENTURE (WARI DJUNBEN PROJECT)

The Kogan North Joint Venture (JV) was created in 2003 to provide long-term gas supply for Swanbank E. As part of the JV, CleanCo holds a 50 per cent interest in Petroleum Lease 194. Arrow Energy CSG (Australia) Pty Ltd and Australian CBM Pty Ltd (together Arrow Energy) own the remaining 50 per cent share. Gas sourced from the Kogan North gas field, which is located near Dalby in Queensland's Darling Downs Region, is transported to CleanCo's highly efficient, low-emission Swanbank E combined cycle gas generator via the Roma to Brisbane Pipeline.

In October 2020 CleanCo and Arrow Energy approved a new five-year development plan under the Kogan North JV that will secure a reliable and affordable gas supply for Swanbank E. The development project is called the Wari Djunben Project, which reflects the name given to the black goanna by the First Nations People who are the Traditional Custodians of the land – the Barunggam People call it 'wari' and the Western Wakka Wakka People call it 'djunben.'

First gas is expected in early 2023.



KARARA WIND FARM

Ideally located in the southern Queensland Renewable Energy Zone, the 103MW Karara Wind Farm is proposed to be built in conjunction with the 923MW MacIntyre Wind Farm, which together form the MacIntyre Wind Precinct.

Construction at the precinct commenced in June 2022.

The Karara Wind Farm is proposed to be CleanCo's first new asset and would be delivered through a partnership with ACCIONA Energia. It will generate enough renewable energy to power 70,000 homes annually and will avoid approximately 275,000 tonnes of CO₂ emissions each year – the equivalent to taking around 64,000 cars off the road.

The Karara Wind Farm project is currently in the final stages of development and CleanCo is progressing towards a Final Investment Decision in FY23.

Over \$50 million of labour, materials and professional services contracts for the project will be awarded to businesses and suppliers in regional Queensland. This will include support for First Nations business participation, the use of local First Nations suppliers, and direct employment and training opportunities on the project for First Nations People.

As part of the MacIntyre Wind Precinct, the Karara Wind Farm project will also develop Queenslanders' skills in the renewable energy sector for the longer term, supporting up to 400 jobs over the life of the project plus a further 240 jobs for the new transmission lines, with approximately 15 per cent of total project hours undertaken by apprentices and trainees. Generation from the Karara Wind Farm is expected by 2025.

GROWTH OPPORTUNITIES

As the world strengthens its commitments to decarbonisation, we anticipate more industries and businesses will seek sustainable energy solutions, tailored to meet their individual requirements.

For CleanCo, this means we must look to build not only new renewable energy generators, but also optimise our existing assets and deliver responsive and flexible storage solutions such as batteries and pumped hydro.

We are actively exploring options to further optimise and improve the flexibility of our firming assets, particularly Swanbank E and Wivenhoe. The flexibility and fast-ramping capabilities of these generators allow them to effectively back our customer contracts and other commitments, and preserve or increase responsiveness to increasingly unpredictable market conditions.

Swanbank Future Energy and Hydrogen Precinct

Preliminary investigations are underway to guide the development of a Swanbank Future Energy and Hydrogen Precinct Master Plan. As a first phase of work, CleanCo is engaging with the market to evaluate options for building its first battery on one of the old coal power station sites. This energy storage solution will play an important role in enhancing CleanCo's ability to respond quickly and flexibly to market demand.

In developing the overall Master Plan beyond this first phase, CleanCo will engage with the local community to ensure that future development options balance social, commercial, environmental, cultural and economic outcomes for the region, and in line with the opportunity of the broader energy transformation. This will include exploring options to rehabilitate the legacy ash dam on the site.

Swanbank's location and connectivity mean it sits at a unique nexus of transmission infrastructure, gas intake, water and transport corridors. These critical elements mean it will remain a vital energy precinct for decades to come providing ongoing employment on site and support for local businesses to remain competitive in a decarbonising world.



OUR CONTRACTED RENEWABLE ENERGY PROJECTS

CleanCo is supporting new renewable energy projects across Queensland through Power Purchase Agreements and Capacity Purchase Agreements.

As at 30 June 2022, CleanCo has committed to more than 1,000MW of new renewable energy generation through purchase agreements. We will use these projects, combined with our own assets, to provide our customers with firmed renewable energy solutions.

Power Purchase Agreement vs Capacity Purchase Agreement

Under a Power Purchase Agreement, CleanCo purchases (off-takes) an agreed amount of energy generated by a renewable energy project at a dollar per MWh price. We then on-sell this energy as part of competitive retail agreements to our large commercial and industrial customers to support them in achieving their sustainability objectives.

Under a Capacity Purchase Agreement, CleanCo purchases 100 per cent of the energy generated by a renewable energy project at a fixed annual price and is appointed as the market intermediary. As the market intermediary, CleanCo assumes generation dispatch rights meaning we can integrate the energy generated with our portfolio of assets and dispatch it in line with our trading strategy, providing further opportunities to support competitively priced customer contracts. The asset continues to be operated and maintained by the project owner.

MACINTYRE WIND FARM

Once built, the MacIntyre Wind Farm will be Australia's largest onshore wind farm, with the capacity to generate sufficient energy to supply around 620,000 Queensland homes.

| | |
|----------------------------|--|
| Energy type | Wind |
| Location | Darling Downs |
| Capacity | 923MW |
| Contracted energy | 400MW |
| Expected generation | 2024 |
| Jobs | Up to 640 ² construction jobs; 12 ongoing operational jobs ³ |
| Economic benefit | The MacIntyre Precinct is expected to generate more than \$500 million in economic activity |
| Community benefit | ACCIONA Energia has committed \$140,000 of community sponsorship grants since 2021. In addition, at least \$2.5 million in financial contributions will be provided to local community programs, events and initiatives within the first 10 years of the project. Additional funds will continue to flow into the region for the lifetime of the project |
| Project developer | ACCIONA Energia |

WESTERN DOWNS GREEN POWER HUB

One of Australia's largest solar farms, the Western Downs Green Power Hub will have the capacity to generate enough energy to power around 235,000 Queensland homes.

| | |
|----------------------------|---|
| Energy type | Solar |
| Location | Western Downs |
| Capacity | 400MW |
| Contracted energy | 320MW |
| Expected generation | 2023 |
| Jobs | Over 400 construction jobs; 7-10 ongoing operational jobs |
| Economic benefit | Total project cost is \$600 million and it is expected the construction of the project will generate more than \$200 million in direct economic activity |
| Community benefit | \$100,000 per year over the operational life of the project will be provided through a community grants program to support local community initiatives and projects |
| Project developer | Neoen |

² Includes 240 jobs relating to the transmission network

³ Both jobs figures are for the MacIntyre Wind Precinct which includes the MacIntyre and Karara wind farms

KABAN GREEN POWER HUB

The Kaban Green Power Hub is the cornerstone of the Northern Queensland Renewable Energy Zone and will generate enough electricity to power around 96,000 Queensland homes.

| | |
|----------------------------|--|
| Energy type | Wind |
| Location | Far North Queensland |
| Capacity | 157MW |
| Contracted energy | 157MW |
| Expected generation | 2023 |
| Jobs | Up to 350 ⁴ construction jobs; 5 ongoing operational jobs |
| Economic benefit | The total cost of the project is \$370 million and it is expected that the construction of the project will generate significant economic activity for Queensland |
| Community benefit | \$50,000 per year over the operational life of the project will be provided through a community grants program to support local community initiatives and projects |
| Project developer | Neoen |

DULACCA RENEWABLE ENERGY PROJECT

Ideally located in the Southern Queensland Renewable Energy Zone, the Dulacca Renewable Energy Project will capitalise on Queensland's world-class wind resources to generate enough electricity to power around 124,000 Queensland homes.

| | |
|----------------------------|---|
| Energy type | Wind |
| Location | Western Downs |
| Capacity | 180MW |
| Contracted energy | 126MW |
| Expected generation | 2023 |
| Jobs | Up to 150 construction jobs; 5-10 ongoing operational jobs |
| Economic benefit | Expected to generate more than \$400 million in economic activity |
| Community benefit | A \$1.25 million community fund will be established to provide funding opportunities for local projects, community groups and organisations. The fund will be available upon the completion of the construction and will be established with the input of the local community |
| Project developer | RES |

⁴Includes around 97 jobs relating to the transmission network

OUR ENVIRONMENT

We endeavour to minimise our environmental footprint by conserving the environment within which our assets are located, and where possible improving it.

We manage our operations carefully to ensure compliance with our environmental approvals, while also actively investing in improved outcomes for the environments we operate in. Many initiatives in FY22 have been focussed on waste management and protecting waterways around our generating assets. Initiatives implemented in FY22 include:

- Upgrading bunding at Wivenhoe and Swanbank power stations to ensure any leaks from equipment are appropriately contained and do not enter local waterways.
- Upgrading waste oil storage vessels at Swanbank and Wivenhoe. The new storage vessels are purpose built and can be safely transported using a forklift, minimising manual handling and reducing the risk of oil spills.
- Replacing the floating boom at the end of the inlet channel at Wivenhoe to minimise the potential risk of an oil spill entering Lake Wivenhoe. This is an additional line of defence and a contingency measure in the unlikely event that mitigations at the power station are not completely effective if there is an oil leak.
- Installing a pump at Barron Gorge that is powered by compressed air and improves oil pumping efficiency by allowing oil to be directly injected into the machine and removing the requirement to decant from a bottle.
- Replacing the sewage pump and tank system at Kareeya. This new set up moves the waste material through to the treatment system faster, reducing the chance of waste build up on the equipment. The system sits within a second, larger tank to help prevent spills or leaks entering the waterway.
- Investing in detailed technical assessments to improve our understanding and management of site-specific environmental issues and opportunities.
- Continuing to monitor for potential impacts of our operations through comprehensive water quality monitoring programs, including the Swanbank Receiving Environment Monitoring Program.

OPERATING IN THE WET TROPICS

We are privileged to operate our Barron Gorge, Kareeya and Koombooloomba hydros in Queensland's precious Wet Tropics World Heritage Area and we commit to meeting the strict environmental standards, which allow us to continue to sustainably exist within these protected areas to generate renewable energy.

We manage controlled water flows on the Barron and Tully rivers in line with the requirements of the *Water Act 2000* and ensure strict controls are in place to minimise, and where possible eliminate, disturbance to the natural environment surrounding these assets.

We maintain strong relationships with environmental agencies such as the Wet Tropics Management Authority and non-government organisations including the Cairns and Far North Environment Centre and Terrain Natural Resource Management to ensure a coordinated and considered approach to working in this fragile and precious environment. Our working relationship with the Wet Tropics Management Authority was further strengthened in FY22 through implementing a program of quarterly updates to share information about our operations and seek feedback on our current and future projects.

REMOVING A PEST SPECIES FROM OUR WATERWAYS

The Amazon frogbit is an introduced aquatic plant that has been declared a local pest within the Mareeba Shire Council area due to its potential to detract from the unique natural ecosystems of the Wet Tropics World Heritage Area.

In early FY22, the team at the Barron Gorge Power Station collaborated with local stakeholders to manually remove a large floating raft of Amazon frogbit from the Kuranda Weir, where water is drawn for the Barron Gorge hydro. With assistance from Kuranda Riverboat, Biotropica and Mareeba Shire Council, a floating boom was used to contain the Amazon frogbit and tow it to the riverbank where it was removed from the site with an excavator.

CleanCo has also lent support to a proposal by Biosecurity Queensland to ban the sale of Amazon frogbit as an aquarium plant which is an important first step in reducing the risk of frogbit becoming a pest species in Queensland. CleanCo is actively involved in the Far North Queensland Regional Organisation of Councils Amazon Frogbit Working Group, which aims to coordinate a strategic approach to containing the spread of Amazon frogbit in Far North Queensland waterways.

EMISSIONS AND ENERGY DATA

Actual emissions and energy data for FY21 are outlined in table 5. Data for FY22 will be reported to the Clean Energy Regulator by 31 October 2022.

Table 5: FY21 Emissions data

| CLEANCO SITE | ELECTRICITY PRODUCTION (MWH) | SCOPE 1 EMISSIONS (t CO2-e) | SCOPE 2 EMISSIONS (t CO2-e) | TOTAL EMISSIONS (t CO2-e) |
|---------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|
| Barron Gorge | 188,998 | 299 | 543 | 842 |
| Kareeya | 560,797 | 70 | 846 | 916 |
| Swanbank | 1,081,811 | 440,081 | 1,192 | 441,273 |
| Wivenhoe | 187,938 | 27 | 236,474 | 236,501 |
| Brisbane | 0 | 46 | 206 | 252 |

Wivenhoe Scope 2 emissions account for the electricity required to pump water into the upper reservoir. As much as possible, we seek to pump during the day when there is typically an abundance of cheap, renewable solar energy available, ensuring sufficient water is stored ready to support generation in the evening peak. However, for the purposes of reporting our Scope 2 emissions data, we assume electricity used to pump water at Wivenhoe has the average emissions intensity for the Queensland grid.

CleanCo is also exploring opportunities to further optimise these firming assets, including ways to reduce and/or offset carbon emissions.

Nitrogen oxide emissions from Swanbank remained within an acceptable operating range and complied with regulatory requirements.

OUR FINANCIAL PERFORMANCE

During FY22, the long-term outlook for renewable electricity generation improved markedly, including increased investment across the sector and stronger future prices for energy and Large-scale Generation Certificates (LGCs) for renewable output.

However, in the short-term, the unprecedented events and prices in the energy sector during FY22 contributed to a net after tax loss of \$297.8 million for the business.

This is due to a combination of:

- The unplanned outage of Swanbank E Gas-fired Power Station since 20 December 2021. It is expected to remain offline until September 2022
- The impact of significantly higher spot prices on our retail and hedging contracts during the financial year
- An increase in the electricity price forward curve which resulted in a large negative mark to market valuation of our hedging contracts at year end.

Despite Swanbank E being offline in the second half of FY22, CleanCo's generation earnings were higher than forecast. However, with lower generation output, the cost of acquiring electricity to supply our retail customers was significantly higher than expected. We also incurred costs associated with our forward hedging portfolio. These outcomes are the result of high electricity market prices—predominately in quarter three and quarter four of FY22—and significant instability in the forward curve.

CleanCo has already taken a range of actions to mitigate losses from FY22 and strengthen our future position. This includes changes to our hedge contracts to reduce our exposure to forward market volatility, entering into short-term tolling agreements with other gas-fired power stations, and using gas swaps to improve our fuel position in FY23. The upcoming return of Swanbank E and commencement of our Power Purchase Agreements from 2023 will significantly expand the scale of our portfolio, and provide diversification to protect against the impact of an extended outage at any single asset.

CAPITAL INVESTMENT

Each year, CleanCo's capital program planning and forecasting process involves a review of each of the operational asset life plans and systems infrastructure looking ahead at the next five years' program of work. This informs CleanCo's Statement of Corporate Intent (SCI) and Corporate Plan along with the organisation's operational budget forecasts.

To manage project delivery, CleanCo undertakes monthly portfolio reviews of the asset and ICT projects to identify any risks and mitigating actions required. The mitigations range from additional resources to risk assessing deferment of works to achieve an optimal balance between commercial and asset life risk.

FY22 capital expenditure was \$179.4 million below budget due to changes in the timing of projects. Around 92 per cent (\$165 million) of the underspend is attributable to the Karara Wind Farm and Kogan North projects. The Karara Wind Farm project has experienced delays due to technical issues relating to the grid connection requirements, and changes to environmental approval processes have resulted in delays to the Kogan North project.

CleanCo experienced some delays to capital works that comprise around 8 per cent (\$14 million) of the underspend on our portfolio. A key influencing factor in these delays is the impact COVID-19 has had on the ability to access resources and expertise from across Australia and internationally. CleanCo is exploring and implementing solutions to expedite works.

CYBER SECURITY

In FY22 CleanCo focused its efforts towards achieving Security Profile 1 (SP1) relating to the Australian Energy Sector Cyber Security Framework (AESCSF) and uplifting existing fundamental cyber capabilities to deliver new and enhanced strategies, frameworks, standards, procedures and resilience measures.

CleanCo will work to progress SP2 over the next two to three years, although this is not the only specific target outcome for the organisation. The primary focus will be to reduce cyber risk for CleanCo to an agreed corporate risk appetite.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE GUIDELINES FOR GOCS – QUEENSLAND GOVERNMENT

The CleanCo Board is committed to the highest ethical and governance standards and to act in the best interests of its stakeholders.

CleanCo's corporate governance approach is a critical foundation to success. Our governance arrangements align to Corporate Governance Guidelines for Government Owned Corporations ('the Guidelines'). We are committed to full implementation of the Guidelines and have incorporated recommendations appropriate to our organisational maturity. Our governance arrangements, in reference to the Guidelines, are set out below.

Principle 1: Foundations of management and oversight

The CleanCo Board Charter and Board Handbook define roles and responsibilities of the Board and its Directors, and matters delegated to Management. These are covered under the following policies:

- Compliance Policy – covers business and operational activities and ensures compliance.
- Delegations Policy – covers matters reserved for the Board and those delegated to the CEO and CleanCo Management, including trading delegations and risk limits as set out in the Energy Markets Risk Management Policy.

Remuneration increases for the CEO and senior executives are determined based on market salary movements and individual performance.

At-risk performance payments for the CEO and senior executives are capped at 15 per cent of total fixed remuneration. The Board determines the performance targets for the CEO and senior executives, as well as the overall performance outcome and any performance payments.

The Chair holds annual performance and development conversations with the CEO, and the CEO holds annual performance and development conversations with each senior executive.

The CEO is not present at the Board meeting or People, Health, Safety and Environment Committee meeting when the CEO's remuneration and performance is being discussed.

The process for setting performance targets, determining performance outcomes and any associated payments typically occurs in the first quarter of each financial year. This review has been completed for FY22.

In line with guidance from the Queensland Government, the CEO and senior executives were not awarded incentive payments for FY21. Further, the Board determined that, based on CleanCo's financial results in FY22, neither the CEO nor the senior executives would receive an incentive payment.

Principle 2: Appropriate board structure

Board Directors are appointed by the Governor-in-Council under the GOC Act and all are independent and non-executive. The independence of Directors is regularly assessed, and all actual, potential or perceived conflicts of interest are assessed and managed in accordance with CleanCo's Conflicts of Interest Policy. The Board is required to have an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively. Directors may seek independent professional advice on matters before the Board at CleanCo's expense, with approval from the Chair.

An independent review of the Board effectiveness was conducted in FY21 and the outcomes reported to the shareholding Ministers. In FY22 the Board completed a self-evaluation. An independent review will be conducted in FY23.

Principle 3: Promotion of ethical and responsible decision making

CleanCo embodies the highest standards of conduct and ethical behaviour through our employee culture and through the following policies applying to all Directors, officers, employees and contractors:

- Compliance
- Securities Trading
- Code of Conduct
- Conflicts of Interest
- Whistleblower Protection

Public Interest Disclosure Standards apply to CleanCo.

Principle 4: Integrity in financial reporting

CleanCo has formal and rigorous processes that independently verify and safeguard the integrity of our financial reporting. Appropriate systems and controls as required by the GOC Act, Corporations Act, *Financial Accountability Act 2009* and current best practice are in place. CleanCo's auditor is the Auditor-General of Queensland and we have an Audit and Risk Committee with a minimum of three Directors. CleanCo has also appointed internal auditors and has established an audit framework.

Principle 5: Make timely and balanced disclosures

Section 122 of the GOC Act requires the Board to:

- Keep its shareholding Ministers reasonably informed of operations, financial performance and financial position of CleanCo and its subsidiaries
- Immediately inform shareholding Ministers of the matters and its opinion in relation to them, if matters arise that in the Board's opinion may prevent, or significantly affect, achievement of CleanCo's objectives outlined in its Statement of Corporate Intent or targets under its Corporate Plan.

CleanCo does this through regular briefings to shareholding Ministers, including on any Code of Conduct or Securities Trading Policy breaches.

Principle 6: Respect the rights of shareholders

CleanCo is committed to ensuring effective communication with its shareholding Ministers through a number of forums. These include:

- Statement of Corporate Intent (SCI), Corporate Plan and Quarterly Reports. The SCI and Corporate Plan provide a transparent set of agreed performance criteria and strategic objectives on which CleanCo reports via the Quarterly Report. The SCI (with commercially sensitive information redacted) is tabled in Parliament and published on CleanCo's website
- An Annual Report (containing those matters outlined in section 120 of the Government Owned Corporations Act 1993 (Qld) is prepared and issued to shareholders and interested stakeholders and is published on CleanCo's website
- Briefings to shareholding Ministers and their representatives are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

Principle 7: Recognise and manage risk

CleanCo's risk management system is overseen by the Board's Audit and Risk Committee and includes an Enterprise Risk Management Framework and Risk Appetite Statement, which are reviewed annually. Risk management and internal control systems are implemented by senior management and incorporate planning for business continuity and disaster recovery. Market risk is governed by the Energy Market Risk Management Policy and overseen by the Energy Risk Market Committee.

Principle 8: Remunerate fairly and responsibly

CleanCo meets requirements for public accountability while satisfying the need to attract and retain high quality employees from competitive labour markets. Directors receive set fees as determined by the Governor-in-Council and do not receive performance-based remuneration.

The People, Health, Safety and Environment Committee oversees and provides advice to the Board on employment strategies. The Committee makes recommendations on Enterprise Agreement frameworks as well as remuneration for non-Enterprise Agreement employees and senior executives.

When increasing senior executive remuneration or awarding performance incentive payments, the Board complies with the *Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements Version 2*.

There is no equity-based remuneration for Directors or executives. Further detail on remuneration is provided in the Financial Statements.



GOVERNMENT OWNED CORPORATIONS ACT REQUIREMENTS

Government directions and notifications

Section 120(1) (e) of the GOC Act requires CleanCo to provide the particulars of any directions and notifications given to the CleanCo Board by shareholding Ministers for the financial year being reported.

CleanCo did not receive any directions or notifications from shareholding Ministers in FY22.

Dividend policy

The Board recommends whether CleanCo will pay a dividend for each financial year after considering the funding required for maintenance of CleanCo's approved capital structure and for ensuring the continuing financial viability of the business. This includes consideration of licensing requirements of an Australian Financial Services Licence (AFSL), Australian Securities Exchange (ASX) collateral trading requirements, CleanCo's mandate from the Queensland Government and other requirements as they may arise. The Board will also consider any current dividend policies of the Government.

The CleanCo Board recommended to shareholding Ministers that no dividend be paid for FY22.

It should be noted that for FY22 shareholding Ministers approved a dividend retention policy for any Government Owned Corporations with dividends payable for 2021-22.

Overseas travel

No overseas travel was undertaken on behalf of CleanCo in the 2021-22 financial year.

Corporate entertainment and hospitality (individual events over \$5,000)

CleanCo held no events costing over \$5,000 in the 2021-22 financial year.



FINANCIAL REPORT

| | |
|---|----|
| DIRECTORS' REPORT | 47 |
| DIRECTORS | 47 |
| PRINCIPAL ACTIVITIES..... | 53 |
| DIVIDENDS | 53 |
| REVIEW OF OPERATIONS..... | 54 |
| SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS | 55 |
| MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR | 55 |
| ENVIRONMENTAL REGULATION | 56 |
| MEETINGS OF DIRECTORS..... | 56 |
| DIRECTOR SHAREHOLDING | 57 |
| INDEMNITY AND INSURANCE OF OFFICERS | 57 |
| PROCEEDINGS ON BEHALF OF THE COMPANY | 58 |
| ROUNDING OF AMOUNTS..... | 58 |
| AUDITOR'S INDEPENDENCE DECLARATION | 58 |
| GOING CONCERN | 60 |
| GENERAL INFORMATION | 60 |
| STATEMENT OF COMPREHENSIVE INCOME | 61 |

DIRECTORS' REPORT

The Directors present their report on CleanCo Queensland Limited (hereafter referred to as the “Company” or “CleanCo”) for the year ended 30 June 2022. CleanCo was established to improve competition in the wholesale electricity market by lowering wholesale electricity prices and to support growth of Queensland’s renewable energy industry through the management of a portfolio of low and no emission electricity generation assets.

DIRECTORS

JACQUELINE WALTERS*

BOARD CHAIR

Audit and Risk Committee

People, Health, Safety and Environment Committee

An experienced Senior Executive and non-executive Director with a strategy, growth and innovation focus, Ms Walters has held leadership roles in the transport, infrastructure and professional services sectors. She is a non-executive Director and Chair of the Audit and Risk Committee of Slater & Gordon, a non-executive Director and Chair of the Audit and Risk Committee of Development Victoria, a non-executive Director of SecondBite and of the Relewell Trust. Ms Walters has a Bachelor of Commerce, is an AICD graduate, held a CPA qualification for 12 years, and is a trustee of CEDA. She brings strong international experience in business establishment and performance to her role as CleanCo Queensland Chair.

**Acting CEO from 29th October 2021 to 14th November 2021.*

IVOR FRISCHKNECHT

NON-EXECUTIVE DIRECTOR

People, Health, Safety and Environment Committee

Mr Frischknecht was inaugural CEO of the Australian Renewable Energy Agency (ARENA) overseeing a \$2.1 billion portfolio and more than 350 new clean energy investments. He has international experience in the clean technology sector in Silicon Valley and led cleantech investing at Melbourne venture capital firm Starfish Ventures. Mr Frischknecht is an advisor to X, the Moonshot Factory (formerly Google X), and Kilara Capital, Chair of the Victorian Industry and Consumer Reference Group for the \$1.3 billion Solar Homes Program and is on the Board of RACE for 2030 CRC. He has degrees in Economics and Law, an MBA and Public Management Certificate and is an AICD graduate.

PAUL VENUS**NON-EXECUTIVE DIRECTOR*****Chair, Audit and Risk Committee***

Bringing expertise as a practising lawyer and partner of national law firm Holding Redlich, Mr Venus has over 27 years' experience in governance and risk management, litigation and commercial law advice across different sectors. A former Director of Metro South Hospital and Health Service, Mr Venus has also served as a Director of the PA Hospital Research Foundation and the Chair of the City of Logan Mayor's Charity Trust. He has a Bachelor of Commerce and a Bachelor of Laws, a Masters of Laws, and a Certificate of Arbitration and Mediation. He is also a member of the AICD.

LAURENE HULL**NON-EXECUTIVE DIRECTOR*****Chair, People, Health, Safety and Environment Committee***

With a legal and policy background, Ms Hull holds extensive experience in industrial relations, workplace health and safety and environment, and employment, skills, and training. Ms Hull has notably worked for Telstra and as Executive Director and Electrical Safety Regulator of WorkSafe NT. A long-term resident of North Australia and currently based in Far North Queensland, she brings a particular understanding of regional and remote communities and her commitment to the environment has seen her serve as a lawyer with the Environmental Defender's Office. She has acted on the Boards of Safe Work Australia, the Community and Public Service Union and the Working Women's Centre. Ms Hull has a Bachelor of Laws (Hons), a Diploma in OHS and qualifications in Assessment and Training and Mediation.

TRACY DARE***NON-EXECUTIVE DIRECTOR*****Chair, Audit and Risk Committee***

A Chartered Accountant and former KPMG Partner, Ms Dare was a founding CleanCo Director and a former CS Energy Director. She has senior executive and non-executive Director experience across a range of industries, specialising in energy, health and ageing, retirement and affordable Housing, and the broader capital-intensive property sector. She is a leader in strategy, governance, business growth and performance, risk and financial management, capital/property strategy, development and asset management. Ms Dare is currently a General Manager of Business Strategy and Development with the National Affordable Housing Consortium and a Director of Springfield Community Services Club. She has a Bachelor of Business (Accountancy), a Graduate Diploma in Advanced Accountancy, is an AICD graduate, a Fellow of the Institute of Managers and Leaders, and a Registered Real Estate Agent.

**Completed the term on 17 December 2021*

The following Officers were Officers of the Company during the financial year and up to the date of this report unless stated otherwise:

- Tom Metcalfe Chief Executive Officer from 11 July 2022
- Darry Rowell Interim Chief Executive Officer from 15 November 2021 to 8 July 2022
- Brian Carrick Interim Chief Finance Officer from 17 September 2021
- Rimu Nelson Acting General Manager - Customer and Energy Markets from 30 August 2021
- Sally Frazer General Manager - Legal and Governance and Company Secretary
- Tim Hogan General Manager - Asset Operations
- Julie Whitcombe General Manager - Strategy and Development
- Anna Eves Chief People Officer effective from 16 April 2022
- Maia Schweizer Chief Executive Officer until 5 November 2021
- Graham Yerbury Chief Finance Officer until 25 September 2021
- Tanya Mills General Manager - Customer and Energy Markets until 1 December 2021
- Natasha Patterson General Manager - Reputation until 16 April 2022.


TOM METCALFE**CHIEF EXECUTIVE OFFICER**

Mr Metcalfe has more than 30 years' experience in the global energy sector. As President of both We Energies and Wisconsin Public Service in the United States, Mr Metcalfe oversaw the delivery of gas and electricity to approximately 3 million customers. In his prior role as Executive Vice President at We Energies and Wisconsin Public Service he had responsibility for almost 8000MW of generation. Mr Metcalfe's wide-ranging experience includes renewable and non-renewable generation where he has had responsibility for development, construction, operations and maintenance. He also led essential support organisations, including engineering, planning, training, safety and environmental sustainability. Mr Metcalfe has successfully delivered more than 5000MW of new generation in the United Kingdom, Asia, Australia and the United States. He holds a Bachelor of Engineering degree with honors from De Montfort University.

DARRYL ROWELL**INTERIM CHIEF EXECUTIVE OFFICER**

Bringing broad and extensive experience across the electricity industry in development, renewable generation and networks in both Australia and New Zealand, Mr Rowell joined CleanCo as interim CEO in November 2021 from his role as Chief Financial Officer at Powerlink on secondment. Prior to joining Powerlink, Mr Rowell was Chief Financial Officer at Queensland Urban Utilities with prior roles at Energex and Meridian Energy. He has a Bachelor of Commerce and an MBA from the Victoria University of Wellington New Zealand and is a graduate of the AICD.

BRIAN CARRICK**INTERIM CHIEF FINANCE OFFICER**

Mr Carrick has wide-ranging experience in senior finance roles, most recently as an Executive Director with the Queensland Treasury Corporation (QTC), where he provided advice to the Queensland Government and its Government Owned Corporations on funding, capital structuring, financial performance and structural reform. Prior to QTC, Brian worked in corporate finance and corporate taxation with PwC and KPMG, and he holds qualifications in Business and Law.

ANNA EVES**CHIEF PEOPLE OFFICER**

Ms Eves has more than two decades' experience in human resources and learning. She has broad-ranging experience in enterprise leadership roles across culture, capability and organisational design, from the health sector at Mater Health Services, the tertiary sector at University of Queensland, aged care at Bolton Clarke, and as a professional consultant specialising in human-centred business transformation programs. Ms Eves studied medicine at the University of Queensland before transferring and graduating with a Bachelor of Science. She also holds a Masters in Human Resources and Organisational Development.

RIMU NELSON**ACTING GENERAL MANAGER - CUSTOMER AND ENERGY MARKETS**

Mr Nelson is an experienced senior executive, joining CleanCo in 2019 to establish its regulatory affairs and market compliance functions. Prior to this, he spent six years leading Queensland Treasury's Energy and Rail team, with earlier energy roles at the Queensland Competition Authority. Appointed Acting General Manager Customer and Energy Markets in August 2021, Mr Nelson's focus is on effecting change in the energy sector for the long-term benefit of customers. He is responsible for guiding CleanCo's customer and market-facing functions, including working with large energy users to develop bespoke long-term, low-emissions energy solutions that meet individual customers' pricing and sustainability requirements.

SALLY FRAZER**COMPANY SECRETARY****GENERAL MANAGER - LEGAL AND GOVERNANCE**

An experienced lawyer and governance executive, Ms Frazer has a strong background in private and public legal practice, with experience in energy, insurance, internal audit and risk management, policy and law reform, major litigation, planning and resources management, major infrastructure and commercial property projects. Her executive roles include Seqwater and LinkWater Projects. Recently, Ms Frazer was a Board Director of North Queensland Bulk Ports Corporation and she is currently a State Councillor and Graduate of the Governance Institute of Australia. Ms Frazer has Bachelors of Arts and Laws (Hons), Masters of Laws, MBA and GAICD qualifications.

TIM HOGAN**GENERAL MANAGER - ASSET OPERATIONS**

A senior Electrical Engineer, Mr Hogan has wide-ranging experience in both operations and asset management including in the renewable energy sector. He brings more than 20 years of expertise across different types of energy generation assets. Based in Cairns and from North Queensland, Mr Hogan previously led Engineering and Operations teams for Stanwell Corporation as their Manager for Hydros and Renewables. Starting his career as an electrical apprentice, Mr Hogan went on to earn a Bachelor of Engineering majoring in Electrical and Electronic Engineering (Hons).

JULIE WHITCOMBE**GENERAL MANAGER - STRATEGY AND DEVELOPMENT**

Ms Whitcombe has a wealth of experience in strategy and operational leadership roles across a range of industries. Ms Whitcombe's experience includes eight years as an executive with Australian gas developer and producer Senex Energy, as well as two years as CEO of RDO Australia, the Australian arm of the world's largest John Deere and Vermeer dealership business. Ms Whitcombe studied engineering and is also a Chartered Accountant, having spent her early career working in strategy and advisory services with PwC and AT Kearney in Australia and the United Kingdom.

PRINCIPAL ACTIVITIES

CleanCo owns and operates five low-emission generation assets in Queensland, develops new assets and supports the development of new renewable energy supply to improve competition in the wholesale electricity market and support the Queensland Government's renewable energy and emissions targets. CleanCo optimises the use of its assets and agreements with renewable generators to deliver reliable low-emission energy to large scale commercial and industrial customers.

DIVIDENDS

No dividends were proposed or paid during the financial year.



REVIEW OF OPERATIONS

The loss from ordinary activities after income tax amounted to \$297.8 million (2021: \$15.9 million loss).

In contrast to FY21, electricity prices in FY22 have been high across the National Electricity Market (NEM) with an average price of \$162.55 per megawatt hour in the Queensland region (compared with \$61.81 in FY21). This outcome was driven by a range of factors, including significant levels of generation plant outages, flooding across eastern Australia affecting a number of plants, high autumn and winter demand and high global and domestic coal and gas prices.

Wholesale prices escalated throughout FY22, but this trend was particularly pronounced in the second half of the financial year. This resulted in the Cumulative Price Threshold being reached in all mainland NEM regions in June 2022, leading to the application of the Administered Price Cap on 12 June 2022 and ultimately, AEMO suspending the spot market on 15 June 2022.

The unplanned outage at Swanbank E, which commenced on 20 December 2021 after the failure of the automatic voltage regulator (AVR), significantly reduced CleanCo's available generation capacity during this period. CleanCo is in the process of testing and commissioning the new AVR and expects full return to service in September 2022.

As a consequence of extremely high prices and the loss of generation from Swanbank E, CleanCo incurred higher costs associated with the supply of electricity to retail customers and managing its electricity hedge portfolio. While high market prices have provided some benefit through the operation of CleanCo's generation assets, in this challenging environment the loss from ordinary activities after income tax amounted to \$297.8 million (2021: \$15.9 million loss). This includes a pre-tax non-cash impairment charge of \$18.5 million for Swanbank E power station and a pre-tax \$456.3 million fair value downward adjustment on forward energy contracts. The business borrowed \$642.1 million during FY22, primarily associated with provision of cash collateral to support hedging contracts entered into on the Australian Stock Exchange (ASX) Energy platform.

The return of Swanbank E in September 2022 is expected to result in an improvement in the trading position and provide capacity for debt repayments that are forecast over the next twelve months. CleanCo has established medium-term funding facilities to refinance short-term debts incurred during FY22 to fund collateral payments and retain access to an Eligible Undertaking that can provide liquidity support for derivative trading activities. Capital expenditure for the development of the Karara Wind Farm will be funded by previously sanctioned equity contributions of \$250 million from the shareholders.

In line with its objective to support the growth of renewable energy in Queensland, CleanCo has continued to explore opportunities to invest in new renewable energy projects. These efforts were highlighted by the signing of a long-term off-take agreement with the Dulacca Wind Farm, with a commitment to purchase 126MW or 70 per cent of the output from the project.

CleanCo also negotiated a Capacity Purchase Agreement (CPA) for the Kaban Wind Farm, increasing the off-take from 110MW to the full 157MW. Under the CPA CleanCo will purchase all the renewable energy generated by the wind farm at a fixed annual price and will be the market intermediary and assume generation dispatch rights. This means we can integrate the energy generated with our portfolio of assets and dispatch it in line with our trading strategy, providing further opportunities to support competitively priced customer contracts.

CleanCo markets long-term energy products to commercial and industrial customers. In FY22, agreements with Wesfarmers, Scentre Group, and Dalrymple Bay Terminal were finalised. The renewable-backed energy CleanCo will supply these customers will support them to achieve their own net zero targets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than already disclosed, there have been no significant changes in the state of affairs of the Company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 July 2022, the working capital facility balance was refinanced with a Variable Rate Loan facility established with a limit of \$700 million. The Company retains access to its working capital facility, with a limit of \$150 million.

Apart from the above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

CleanCo is responsible for complying with the *Wet Tropics World Heritage Protection and Management Act 1992 (Qld)* and a range of obligations under the *Environmental Protection Act 1994 (Qld)* and *Environmental Protection and Biodiversity Conservation Act 1999 (Cwth)*. The Company holds various approvals that authorise the carrying out of electricity generation activities on conditions that seek to avoid or minimise impacts on the environment. CleanCo has identified climate change as a strategic risk and will continue to evaluate the vulnerability of its assets and operating model to climate effects.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during FY22, and the numbers of meetings attended by each Director were:

| DIRECTORS | CLEANCO BOARD | | AUDIT AND RISK COMMITTEE* | | PEOPLE, HEALTH, SAFETY AND ENVIRONMENT COMMITTEE* | |
|---------------------------|---------------|----------|---------------------------|----------|---|----------|
| | MEMBER | ATTENDED | MEMBER | ATTENDED | MEMBER | ATTENDED |
| Jacqueline Walters | 18 | 17 | 7 | 7 | 8 | 8 |
| Ivor Frischknecht | 18 | 18 | - | 7 | 8 | 8 |
| Paul Venus | 18 | 16 | 7 | 7 | - | 6 |
| Laurene Hull | 18 | 18 | - | 7 | 8 | 8 |
| Tracey Dare** | 10 | 9 | 3 | 3 | - | 4 |

*Each committee has three appointed members, but all Directors are entitled to attend.

**Completed the term on 17 December 2021.

DIRECTOR SHAREHOLDING

No Directors held any beneficial interest in the shares of the Company. All issued shares are held by the shareholding Ministers on behalf of the State of Queensland. CleanCo's shareholding Ministers are The Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment, and The Honourable Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

INDEMNITY AND INSURANCE OF OFFICERS

For the 2022 financial year, CleanCo paid a premium of \$127,500 (2021: \$108,750) to insure the Directors and Officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Company and any other payments arising from liabilities incurred by the Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.



PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

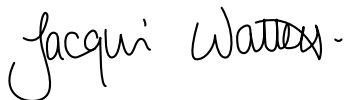
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



JACQUELINE WALTERS
CHAIR
25 August 2022

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CleanCo 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 CleanCo 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
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

IRSHAAD ASIM

25 August 2022

IRSHAAD ASIM
as delegate of the Auditor-General

QUEENSLAND AUDIT OFFICE
BRISBANE

GOING CONCERN

The financial report has been prepared on a going concern basis that assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For further information refer to note 1.

GENERAL INFORMATION

The financial statements cover CleanCo Queensland Limited as an individual entity. The financial statements are presented in Australian dollars, which is CleanCo Queensland Limited's functional and presentation currency.

CleanCo Queensland Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 18, 140 Creek Street
Brisbane
Queensland 4000

A description of the nature of the Company's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 August 2022. The Directors have the power to amend and reissue the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

CleanCo Queensland Limited Statement of comprehensive income for the year ended 30 June 2022.

| | NOTE | 2022 \$'000 | 2021 \$'000 |
|--|-------|------------------|-----------------|
| REVENUE | | | |
| Revenue from contracts with customers | 2 | 421,969 | 249,271 |
| Finance income/other income | 3 | 3,278 | 4,344 |
| | | 425,247 | 253,615 |
| EXPENSES | | | |
| Electricity and energy services expenses | 4 | (264,620) | (84,969) |
| Fuel | | (50,757) | (51,777) |
| Raw materials and consumables | | (421) | (3,980) |
| Contractor expenses | | (19,812) | (9,632) |
| Employee benefits expense | 5 | (31,450) | (27,679) |
| Lease expenses | | (1,791) | (1,788) |
| Depreciation and amortisation | 13-15 | (22,775) | (19,402) |
| Impairment of assets | 13 | (18,452) | (11,800) |
| Finance costs | 6 | (2,415) | (1,976) |
| Fair value (loss)/gain through profit and loss | | (1,033) | 1,172 |
| Change in fair value of derivative financial instruments | 24 | (417,636) | (47,740) |
| Other expenses | 7 | (19,020) | (19,238) |
| LOSS BEFORE INCOME TAX EQUIVALENT BENEFIT | | (424,935) | (25,194) |
| Income tax equivalent benefit | 23 | 127,168 | 9,277 |
| LOSS AFTER INCOME TAX EQUIVALENT BENEFIT FOR THE YEAR | | (297,767) | (15,917) |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Changes in fair value of cash flow hedges, net of tax | 24 | (104,843) | (25,862) |
| Actuarial gain from defined benefit plan, net of tax | | 1,099 | 1,069 |
| Other comprehensive income for the year, net of tax | | (103,744) | (24,793) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | (401,511) | (40,710) |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CleanCo Queensland Limited Statement of financial position as at 30 June 2022.

| | NOTE | 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|------|------------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 8,677 | 7,712 |
| Trade and other receivables | 10 | 486,014 | 183,373 |
| Inventories | 11 | 24,833 | 13,275 |
| Other assets | 12 | 2,644 | 1,121 |
| Derivative financial instruments | 24 | 34,782 | 1,020 |
| Current tax asset | 23 | 14,815 | - |
| TOTAL CURRENT ASSETS | | 571,765 | 206,501 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 124,168 | 136,449 |
| Right-of-use assets | 14 | 3,563 | 3,498 |
| Intangible assets | 15 | 34,065 | 19,515 |
| Deferred tax assets | 23 | 283,922 | 79,112 |
| Derivative financial instruments | 24 | 190,559 | 315 |
| Employee benefit asset | 16 | 2,672 | 1,080 |
| Other assets | 12 | 17,171 | 18,204 |
| TOTAL NON-CURRENT ASSETS | | 656,120 | 258,173 |
| TOTAL ASSETS | | 1,227,885 | 464,674 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | 91,626 | 44,155 |
| Borrowings | 18 | 617,547 | - |
| Lease liabilities | 19 | 759 | 21 |
| Current tax liabilities | 23 | - | 12,624 |
| Provisions | 20 | 9,593 | 8,019 |
| Other liabilities | 21 | 11,231 | 4,082 |
| Derivative financial instruments | 24 | 304,840 | 23,505 |
| TOTAL CURRENT LIABILITIES | | 1,035,596 | 92,406 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 18 | 24,588 | - |
| Deferred tax liabilities | 23 | 70,283 | 2,497 |
| Provisions | 20 | 80,963 | 82,813 |
| Other liabilities | 21 | - | 183 |
| Lease liabilities | 19 | 4,114 | 4,821 |
| Derivative financial instruments | 24 | 186,917 | 55,019 |
| TOTAL NON-CURRENT LIABILITIES | | 366,865 | 145,333 |
| TOTAL LIABILITIES | | 1,402,461 | 237,739 |
| NET (LIABILITIES)/ASSETS | | (174,576) | 226,935 |

The above statement of financial position should be read in conjunction with the accompanying notes.

CleanCo Queensland Limited Statement of financial position (continued) as at 30 June 2022.

| EQUITY | | | |
|----------------------------------|----------|------------------|----------------|
| Contributed equity | 22 | 307,412 | 307,412 |
| Accumulated losses | | (362,206) | (65,538) |
| Reserves | | (119,782) | (14,939) |
| TOTAL (DEFICIENCY)/EQUITY | 1 | (174,576) | 226,935 |

CleanCo Queensland Limited Statement of changes in equity for the year ended 30 June 2022.

| | CONTRIBUTED EQUITY \$'000 | RESERVES \$'000 | ACCUMULATED LOSSES \$'000 | TOTAL EQUITY \$'000 |
|--|---------------------------------|--------------------|---------------------------------|---------------------------|
| BALANCE AT 1 JULY 2020 | 308,349 | 10,923 | (50,690) | 268,582 |
| Loss after income tax equivalent benefit for the year | - | - | (15,917) | (15,917) |
| Other comprehensive income for the year, net of tax | - | (25,862) | 1,069 | (24,793) |
| Total comprehensive income for the year | - | (25,862) | (14,848) | (40,710) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity | (937) | - | - | (937) |
| BALANCE AT 30 JUNE 2021 | 307,412 | (14,939) | (65,538) | 226,935 |

| | CONTRIBUTED EQUITY \$'000 | RESERVES \$'000 | ACCUMULATED LOSSES \$'000 | TOTAL DEFICIENCY IN EQUITY \$'000 |
|--|---------------------------------|--------------------|---------------------------------|--|
| BALANCE AT 1 JULY 2021 | 307,412 | (14,939) | (65,538) | 226,935 |
| Loss after income tax equivalent benefit for the year | - | - | (297,767) | (297,767) |
| Other comprehensive income for the year, net of tax | - | (104,843) | 1,099 | (103,744) |
| Total comprehensive income for the year | - | (104,843) | (296,668) | (401,511) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| BALANCE AT 30 JUNE 2022 | 307,412 | (119,782) | (362,206) | (174,576) |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CleanCo Queensland Limited Statement of cash flows for the year ended 30 June 2022.

| | NOTE | 2022 \$'000 | 2021 \$'000 |
|---|----------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 542,404 | 181,678 |
| Payments to suppliers and employees (inclusive of GST) | | (390,044) | (202,899) |
| (Payments)/receipts for futures | | (801,087) | 6,009 |
| Interest received | | 30 | 730 |
| Income tax equivalent (paid)/refunded | | (14,815) | 2,237 |
| Net cash used in operating activities | 9 | (663,512) | (12,245) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | 13 | (41,930) | (23,440) |
| Payments for intangibles | 15 | (896) | (14,435) |
| Proceeds from disposal of property, plant and equipment | | 23 | - |
| Cash advances | 10 | 65,972 | 56,967 |
| Net cash from investing activities | | 23,169 | 19,092 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | 18 | 642,135 | - |
| Repayment of lease liabilities | 19 | (827) | (58) |
| Net cash outflow from financing activities | | 641,308 | (58) |
| Net increase in cash and cash equivalents | | 965 | 6,789 |
| Cash and cash equivalents at the beginning of the financial year | | 7,712 | 923 |
| Cash and cash equivalents at the end of the financial year | 8 | 8,677 | 7,712 |

The above statement of cash flows position should be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Corporations Act 2001* and the *Government Owned Corporations Act 1993* (GOC Act). CleanCo is a for-profit entity for the purpose of preparing the financial statements.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Historical cost convention

The financial statements have been prepared on a historical cost basis except for, where applicable, financial assets and liabilities at fair value through profit and loss.

(ii) New and amended standards adopted by the Company

Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, *Configuration or Customisation Costs in a Cloud Computing Arrangement*. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Company's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. As at 30 June 2022, the Company has adopted this IFRIC agenda decision. The impact has not been material to CleanCo. Refer to note 15.

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

(iii) Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) Going concern

The financial report has been prepared on a going concern basis that assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company realised a net after-tax loss for the year ended 30 June 2022 of \$297.8 million, which follows net after-tax losses in 2021 (\$15.9 million) and 2020 (\$49.6 million). CleanCo was established in 2019 to operate and expand a portfolio of low and no-emission electricity generation assets, and it was anticipated that earnings would be low or negative during the establishment phase, prior to the commencement of owned and contracted renewable energy generation projects.

The financial statements on 30 June 2022 reflect a net liability position for the Company of \$174.6 million (2021: \$226.9 million net assets) and a deficiency of current assets relative to current liabilities of \$463.8 million (2021: \$114.1 million net current assets).

The net after-tax loss, net liability and net current liability position for the year ended 30 June 2022 are due to a combination of:

- A forced outage of our Swanbank E power station which commenced on 20 December 2021 and continued through the reporting period, which impacted generation earnings
- The impact of significantly higher spot prices on our retail and hedging contracts during the second half of the financial year, which corresponded with the Swanbank E outage
- An increase in the electricity price forward curve, which resulted in a large negative mark to market valuation of our hedging contracts at financial year end.

The Company took steps during the financial year to mitigate the ongoing impact of these events, including changes to our hedging position and gas portfolio, as well as taking actions to restore Swanbank E back to service sooner. These responses are expected to improve the operational and trading outlook for the coming financial year.

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have recognised the continued financial support for the business provided through shareholders and Queensland Treasury Corporation (QTC), including committed equity injections to develop the Karara Wind Farm, provision of debt funding facilities to manage outgoings during the financial year, provision of longer-term funding facilities from 1 July 2022 and ongoing provision of liquidity support through the Eligible Undertaking.

The Directors have prepared cash flow forecasts and revenue projections for a period of not less than thirteen months from the date of this report. These cash flow projections show that CleanCo can pay its debts as and when they fall due under a range of risk adjusted scenarios. Key assumptions used in the cash flow forecasts include:

- The upcoming return of Swanbank E on 2 September 2022, and commencement of our Power Purchase Agreements from 2023 will significantly increase our generation output and revenues
- Adjustments to our hedge position during FY22 have reduced our exposure to future margin calls resulting from market volatility
- Forecast improvements to operating cash flows and profitability into the future associated with stronger electricity and environmental certificate prices and increased generation volumes
- Establishment of medium and long-term debt facilities with QTC to reduce our reliance on short-term funding facilities.

The sensitivities include an increase or decrease in the forward electricity curve of 50 per cent as compared with the forward curve on 30 June 2022 and demonstrate that the Company has access to sufficient funding facilities to settle debts as and when they fall due.

As at the date of this report, the replacement AVR has been installed at Swanbank E and the plant is currently undergoing commissioning and testing in advance of its scheduled return to service on 6 September 2022.

As at 30 June 2022, the Company had loans from QTC of \$24.6 million (2021: nil). The Company also had access to an \$850 million short-term working capital facility with QTC of which \$617.5 million was drawn at 30 June 2022, primarily to fund variation margin payments (refer to note 18).

On 1 July 2022 the working capital facility that was drawn was refinanced through a new medium-term \$700 million variable-rate loan facility requiring no repayments of principal for the next 12 months. This debt will be accounted for as a non-current liability in the statement of financial position from this date. The Company also has access to a \$150 million short-term working capital facility from 1 July 2022.

QTC has confirmed that there are currently no amounts that are repayable on demand nor any circumstances that would give rise to amounts being payable by CleanCo other than on a specified date. The Company also has access to a \$500 million Eligible Undertaking from QTC which provides liquidity support.

The ability of CleanCo to continue as a going concern is fundamentally dependent upon:

- CleanCo's continued access to the \$150 million working capital facility, the \$700 million variable rate loan facility and the \$500 million Eligible Undertaking
- CleanCo generating the forecast revenues as included in the cashflow forecasts
- CleanCo's ability to control the expenditure as included in the cashflow forecasts.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that CleanCo will be able to pay its debts as and when they fall due.

(d) Use of estimate and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes to the financial statements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Sale of electricity to the National Electricity Market | 368,158 | 198,131 |
| Net realised (loss)/gain on electricity contracts designated as cash flow hedges | (95,514) | 4,404 |
| Sales of electricity to retail customers | 77,461 | 31,649 |
| Gas sales | 71,864 | 15,087 |
| | 421,969 | 249,271 |

The Company recognises revenue on the transfer to the customer of the goods or services promised in the contract in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Revenue from contracts with customers is recognised using the five-step model in *AASB 15 Revenue from Contracts with Customers* and generally occurs when control of the goods or service is transferred to the customer.

| REVENUE STREAM | REVENUE RECOGNITION |
|--|---|
| Sale of electricity to the National Electricity Market | Most of the revenue recognised by the Company arises from the sale of electricity to the National Electricity Market (NEM). Revenue is recognised using the electricity spot price at the point in time when electricity is dispatched to the NEM. It shifted from 30-minute settlements to 5-minute settlements during the financial year. |
| Net realised gain on electricity contracts designated as cash flow hedges | To reduce the volatility of cash flow earnings, a portion of the Company's available energy is hedged using various electricity contracts (e.g., swaps). The settlement amount for effective cash flow hedges is recognised in trading revenue in the period to which the contract settlement relates. |
| Sale of electricity to retail customers | <p>Revenue is recognised separately for retail contracts. Retail contract revenue is calculated based on the terms of the individual contracts. Revenue from the sale of electricity to customers is recognised at the point in time the performance obligation is satisfied, and the energy has been dispatched to the customer.</p> <p>Revenue is also recognised in relation to the recharge of transmission, network charges and other operating costs directly attributable to delivery of electricity to retail customers. Revenue is recognised over time when performance obligations are satisfied when energy services are delivered.</p> |
| Gas sales | The Company sells and makes available gas for delivery to the customer at the delivery point specified in the agreement. The Company has assessed these arrangements as the transfer of a series of goods that represent one performance obligation and recognises the gas sales revenue, at a point in time, when the performance obligation is met, i.e., the gas is successfully delivered to the customer. |

3. FINANCE INCOME/OTHER INCOME

| | 2022 \$'000 | 2021 \$'000 |
|-----------------|----------------|----------------|
| Interest income | 351 | 805 |
| Other income | 2,927 | 3,539 |
| | 3,278 | 4,344 |

Interest revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4. ELECTRICITY AND ENERGY SERVICES EXPENSES

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Wholesale energy | 77,686 | 26,164 |
| Market and transmission fees | 1,401 | 634 |
| Ancillary services | 8,703 | 6,754 |
| Environmental charges | 17,887 | 6,839 |
| Transitional services agreement charges | 148 | 5,972 |
| Retail energy | 157,986 | 35,727 |
| Other electricity and energy services expenses | 809 | 2,879 |
| | 264,620 | 84,969 |

Other electricity and energy services comprise of costs directly related to participation in the NEM as well as costs associated with supplying electricity to retail customers.

5. EMPLOYEE BENEFITS EXPENSE

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Wages and salaries expense | 26,852 | 23,033 |
| Defined contribution superannuation expense | 2,440 | 1,897 |
| Defined benefit plan expense | 291 | 297 |
| Employee performance expense/bonuses | 1,867 | 2,452 |
| | 31,450 | 27,679 |

The Company recognises a liability and an expense for employee performance based on a range of performance indicators for the period to which the performance entitlement relates. The liability is recognised when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6. FINANCE COSTS

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------|----------------|----------------|
| Finance costs | 806 | 403 |
| Rehabilitation provision | 1,609 | 1,573 |
| | 2,415 | 1,976 |

Finance costs comprise interest on lease liabilities, interest on the working capital facility, administration fees and the unwinding of the discount on the rehabilitation provision. Interest costs pertaining to the rehabilitation provision represents the change in the time value of money attributed to the carrying amount of expected future cash flows.

7. OTHER EXPENSES

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------------------|----------------|----------------|
| Services and consultants | 2,238 | 3,002 |
| Insurance premiums | 4,107 | 3,756 |
| Legal fees | 1,255 | 2,044 |
| Human resources and recruitment costs | 993 | 420 |
| Audit costs | 313 | 387 |
| Other IT costs | 1,495 | 3,706 |
| Other administration costs | 3,409 | 479 |
| IT licenses and subscriptions | 5,210 | 5,444 |
| | 19,020 | 19,238 |

During the financial year \$370,000 (2021: \$387,000) was paid to the Queensland Audit Office, for the audit of the financial statements. No other services were provided by the auditor.

Other IT costs relate to low-value IT assets that have been expensed, maintenance of IT systems and IT software costs that have not been capitalised.

Administration costs relate to general operational expenses including advertising and marketing, training, stationery, telecommunication not directly related to participation in the NEM. All administration costs are expensed when incurred.

8. CASH AND CASH EQUIVALENTS

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Cash at bank and in hand | 8,210 | 6,886 |
| Other cash and cash equivalents | 467 | 826 |
| | 8,677 | 7,712 |

Cash and cash equivalents comprise cash balances held with financial institutions. Other cash and cash equivalents also include CleanCo's 50 per cent share of cash and cash equivalents related to the joint operation of Kogan North Joint Venture (note 30). They are highly liquid, subject to an insignificant risk of change in value and have a maturity of three months or less.

Cash at bank is bearing an interest rate of 1.35 per cent (2021: 0.60 per cent). The carrying amount for cash and cash equivalents reasonably equates to their fair value.

The Company's exposure to interest rate risk is discussed in note 25. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash used in operating activities

| | 2022 \$'000 | 2021 \$'000 |
|--|------------------|-----------------|
| Loss after income tax equivalent benefit for the year | (297,767) | (15,917) |
| ADJUSTMENTS FOR: | | |
| Depreciation and amortisation | 22,775 | 19,402 |
| Impairment of non-current assets | 18,452 | 11,800 |
| Net loss on disposal of property, plant and equipment | 161 | - |
| Unwinding of the discount on provisions | 1,609 | 1,573 |
| Interest expense | 60 | 17 |
| Interest income | (322) | (70) |
| Non-cash retirement benefit obligations | 291 | 297 |
| Fair value adjustment to derivatives | 160,599 | 47,742 |
| Fair value loss/(gain) on financial assets at fair value through profit and loss | 1,033 | (1,172) |
| Non-cash rehabilitation expense | (2,605) | (1,812) |
| Other non-cash movement | (685) | 309 |
| Non-cash stock obsolescence | 235 | 768 |
| CHANGE IN OPERATING ASSETS AND LIABILITIES: | | |
| (Increase) in trade and other receivables | (368,327) | (83,812) |
| (Increase) in inventories | (10,737) | (6,161) |
| (Increase) in deferred tax assets | (204,809) | (29,381) |
| (Increase)/decrease in derivative assets | (224,006) | 28,811 |
| (Increase)/decrease in prepayments | (1,479) | 649 |
| (Increase) in current tax equivalent assets | (14,815) | - |
| Increase in trade and other payables | 43,737 | 2,560 |
| Increase/(decrease) in derivative liabilities | 154,200 | (10,615) |
| (Decrease)/increase in provision for income tax | (12,624) | 14,860 |
| Increase/(decrease) in deferred tax liabilities | 67,786 | (2,413) |
| (Decrease) in employee benefits | (427) | (12,528) |
| (Decrease) in other provisions | (161) | - |
| Increase in other liabilities | 4,314 | 22,848 |
| Net cash used in operating activities | (663,512) | (12,245) |

10. TRADE AND OTHER RECEIVABLES

| | 2022 \$'000 | 2021 \$'000 |
|-----------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Trade receivables | 37,670 | 72,958 |
| Advance facility | 21,610 | 87,260 |
| Other receivables | 426,729 | 23,150 |
| Restricted cash | 5 | 5 |
| | 486,014 | 183,373 |

Under the Queensland Government's cash management regime, Government Owned Corporations (GOCs) advance surplus cash to Queensland Treasury. Access to the advances is generally subject to notification periods of 24 to 48 hours. The advances facility yielded floating interest rates between 0.29 per cent to 0.92 per cent during the year ended 30 June 2022 (2021: 0.51 per cent to 1.05 per cent).

Receivables are recognised on the date that they originated and when the Company has the legal right to receive the economic benefit. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Receivables that are classified and measured at amortised cost include trade receivables, collateral, advances facility and other receivables. They are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Debts that are known to be uncollectible are written off by reducing the carrying amount directly.

Other Receivables include cash collateral provided to support the margin requirements for electricity futures contracts traded on the ASX. The receivable has been reduced for any cash required to cover expired contracts at reporting date that has not yet been settled. As at 30 June 2022, this amount was \$73.8 million.

Application of accounting estimates and judgements

The allowance for expected credit losses is based on management's estimate of the prospect of recovering the debt.

Financial risk management

Credit risk

Impairment allowance for expected credit losses on all receivables at amortised cost is assessed and measured at each reporting date. The Company has no material receivables that are past due and not impaired (2021: nil).

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any provisions for expected credit losses.

A bank guarantee was provided by one of the contractual counterparties. No credit enhancements relate to receivables held by the Company.

In considering lifetime expected credit losses the Company has segmented trade receivables into the following categories:

Wholesale operations

CleanCo transacts spot electricity and ancillary services with AEMO, which is a company limited by guarantee. Wholesale receivables are assessed for impairment using the simplified approach.

Credit risk with AEMO is not considered significant. The lifetime expected credit loss on wholesale receivables is \$nil as at 30 June 2022 (2021: \$nil).

Commercial and industrial retail

The Company has entered into retail contracts with large commercial and industrial customers. These customers have ongoing credit reviews on their financial conditions to ensure credit exposures remain within approved levels. Commercial and industrial retail receivables are assessed for impairment using the simplified approach. The lifetime expected credit loss on Commercial and industrial retail receivables is \$nil as at 30 June 2022 (2021: \$nil).

QTC advances facility

The Advance Facility is held with QTC rated as AA to AA+. Credit risk of the Advance Facility is considered low due to low risk of default and the counterparty's strong capacity to meet contractual cashflow obligations. An impairment assessment was performed on 30 June 2022 and no allowance for expected credit loss has been recognised as the amount was not material.

See note 25 for further information on the Company's financial risk management.

11. INVENTORIES

| | 2022 \$'000 | 2021 \$'000 |
|------------------------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Spare parts and consumables | 8,564 | 7,243 |
| Less: Provision for obsolescence | (2,643) | (2,420) |
| | 5,921 | 4,823 |
| <hr/> | | |
| Fuel | 13,107 | 2,367 |
| Environmental certificates at cost | 5,805 | 6,085 |
| | 24,833 | 13,275 |

Inventories expensed during the year ended 30 June 2022 were \$68.6 million (2021: \$64.5 million).

Inventories comprise stores, fuel and environmental certificates, which are stated at the lower of cost and net realisable value.

Cost comprises the cost of purchase, which is assigned to individual items of inventory based on the weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the associated revenue is recognised.

Environmental certificates

The Company is subject to various regulatory environmental schemes and as such accrues environmental liabilities as part of its normal business operations. To meet these liabilities, the Company acquires environmental certificates on the wholesale market and surrenders these to the scheme administrators periodically. A number of the Company's operating assets are also accredited to create environmental certificates, which are used to either acquit the mandatory renewable energy liability of the Company or sold to customers through long-term retail contracts.

Provision for obsolescence

The Company provides for inventory obsolescence based on the ageing of stock items held.

12. OTHER NON-CURRENT ASSETS

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| CURRENT ASSETS | | |
| Prepayments | 2,644 | 1,121 |
| NON-CURRENT ASSETS | | |
| Investments - Financial assets at fair value through profit and loss | 17,171 | 18,204 |
| | 19,815 | 19,325 |

As part of the Transfer of Ownership between Stanwell Corporation Ltd and CleanCo on 31 October 2019, a 5 per cent interest in an option deed in the Mahalo Gas Project was transferred to CleanCo. This option deed allows for CleanCo at the Final Investment Decision to either enter into a long-term gas sale agreement with Comet Ridge Mahalo Pty Ltd or receive an exit payment of \$20 million.

A fair value assessment was performed during the year using a discounted cashflow technique and a discount rate of 7 per cent was implied. A fair value decrease of \$1,033,374 (2021: an increase of \$1,172,435) has been recognised in the statement of comprehensive income.

Application of accounting estimates and judgements

Investments are tested for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

13. PROPERTY, PLANT AND EQUIPMENT

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| NON-CURRENT ASSETS | | |
| Generation assets - cost or recoverable amount | 137,090 | 130,119 |
| Less: Accumulated depreciation | (45,112) | (30,464) |
| Less: Accumulated impairment | (12,063) | (6,846) |
| | 79,915 | 92,809 |
| Land and buildings - at cost | 23,955 | 22,351 |
| Less: Accumulated depreciation | (3,860) | (2,659) |
| Less: Accumulated impairment | (313) | (159) |
| | 19,782 | 19,533 |
| Capital works in progress - cost or recoverable amount | 68,076 | 56,584 |
| Less: Accumulated impairment | (53,408) | (39,735) |
| | 14,668 | 16,849 |
| Other plant and equipment - at cost | 9,829 | 5,999 |
| Less: Accumulated depreciation | (1,962) | (1,145) |
| Less: Accumulated impairment | (1,218) | (984) |
| | 6,649 | 3,870 |
| Exploration assets - cost or recoverable amount | 8,184 | 6,979 |
| Less: Accumulated amortisation | (5,030) | (3,591) |
| | 3,154 | 3,388 |
| | 124,168 | 136,449 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Generation assets \$'000 | Land and buildings \$'000 | Capital work in progress \$'000 | Other plant and equipment \$'000 | Exploration assets \$'000 | Total \$'000 |
|----------------------------------|-----------------------------|------------------------------|------------------------------------|-------------------------------------|------------------------------|-----------------|
| BALANCE AT 1 JULY 2020 | 104,706 | 18,005 | 11,719 | 5,159 | 816 | 140,405 |
| Additions | - | - | 16,942 | 1,153 | 4,898 | 22,993 |
| Disposals | (82) | - | (110) | (12) | - | (204) |
| Rehabilitation assets adjustment | 4,267 | - | - | - | - | 4,267 |
| Impairment of assets | (6,359) | (33) | (4,596) | (812) | - | (11,800) |
| Transfers in/(out) | 4,446 | 3,079 | (7,106) | (419) | - | - |
| Depreciation expense | (14,169) | (1,518) | - | (1,199) | (2,326) | (19,212) |
| BALANCE AT 30 JUNE 2021 | 92,809 | 19,533 | 16,849 | 3,870 | 3,388 | 136,449 |
| Additions | - | - | 40,146 | - | 1,784 | 41,930 |
| Disposals | (149) | (3) | (478) | (23) | - | (653) |
| Rehabilitation assets adjustment | 702 | - | - | - | - | 702 |
| Impairment of assets | (2,339) | (104) | (15,779) | (231) | - | (18,453) |
| Transfers in/(out) | 4,938 | 1,626 | (26,070) | 4,601 | - | (14,905) |
| Depreciation expense | (16,046) | (1,270) | - | (1,568) | (2,018) | (20,902) |
| BALANCE AT 30 JUNE 2022 | 79,915 | 19,782 | 14,668 | 6,649 | 3,154 | 124,168 |

Property, plant and equipment are stated at historical cost less accumulated depreciation/amortisation and accumulated impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Subsequent costs of replacing part of an item of property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Capital work in progress is recorded as property, plant and equipment and depreciated from the point at which the asset is installed and ready for use. At 30 June 2022, the capitalised work in progress is not yet available for use.

The Company has established a program of major overhauls providing cyclical maintenance works on the generation and operating assets. Capitalised overhaul expenditure is depreciated over the period in which the Company expects to derive the benefits of the overhaul.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Depreciation

Depreciation is recorded over the useful life of the asset, or over the remaining life of the power station if shorter.

Assets are depreciated from the date they become available for use. Land is not depreciated.

Straight-line basis

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

The estimated useful lives for each class of depreciable assets are:

| | |
|---|--------------|
| Buildings | 4 - 40 years |
| Generation assets (including overhauls) | 3 - 63 years |
| Motor vehicles | 5 - 14 years |
| Other plant and equipment | 3 - 20 years |

Exploration assets include CleanCo's 50 per cent share of exploration assets related to the joint operation of Kogan North Joint Venture (note 30). These assets are depreciated under the units of production method. The depreciation charge per unit is calculated based on a forecasted gas supply output from the Kogan North Joint Venture. This charge per unit is applied to actual gas supply output to calculate depreciation expense each month.

Estimates of residual values and remaining useful lives are assessed annually, and any change in estimate is considered in the determination of future depreciation charges. The estimation of the useful lives of assets has been based on historical experience as well as the manufacturers' design life.

Impairment

Assets are reviewed and tested at each reporting date for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

The Company assesses impairment annually by evaluating conditions that might indicate an impairment of assets exists. The recoverable amounts of assets, or Cash Generating Unit (CGU), have been determined on a value in use basis for all assets. The value in use calculations are based on financial forecasts covering the lives of the assets up to 63 years.

Impairment – Swanbank Power Station

In 2022 the impairment loss of \$18,452,000 (2021: \$11,800,000) represents a write down of Swanbank E Power Station to its estimated recoverable amount. Swanbank E is a 385MW combined cycle gas fired plant in South East Queensland.

The carrying amount of Swanbank E Power Station (excluding the carrying value of land) was reduced to nil reflecting a negative value in use and fair value less costs of disposal as a standalone generating asset. In determining the value in use of Swanbank E, the cashflows included the following considerations:

- Updated revenue and cost of goods sold based on updated market assumptions of the electricity market
- Operating and capital expenditure commitments associated with the gas field development project
- Major overhauls required for the continuation of the asset until the end of asset's useful life.

The following table outlines the key inputs and assumptions and their relationships to value in use considered in the discounted cash flow methodology to determine recoverable amounts under the value in use approach:

| UNOBSERVABLE INPUTS | NATURE AND RANGE OF INPUTS | RELATIONSHIP OF UNOBSERVABLE INPUTS IN VALUE IN USE |
|--|--|---|
| Revenue cash flows | <p>The cash flow projections have been performed to consider the prevailing supply and demand conditions and physical dispatch of electricity and spot price outcomes.</p> <p>Scenarios are also modelled to take account of future expected clean energy projects and their impact on supply and demand outcomes.</p> | A higher expected electricity generation or an increase in the electricity prices through increased demand would increase the value in use. |
| Operating expenditure | Operating expenditures for electricity generation have been determined based on the most recent management forecasts available at the time of valuation. | A lower operating expenditure increases the value in use. |
| Life of plant | Cash flows have been projected to the life of plants. | Any increases in the projections of the life of the generating plant under certain scenarios increases the value in use. |
| Weighted Average Cost of Capital (WACC) discount rate | A nominal WACC of 9.9% pre-tax (or 6.9% post-tax) 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 value in use. |
| Fuel cost | Fuel cost has been determined based on existing supply contracts and projected average gas prices. | A lower fuel cost expenditure increases the value in use. |
| Capital expenditures | Capital expenditures has been determined based on current life cycle plans and current overhaul and maintenance schedules. | A lower capital expenditure increases the value in use. |

Application of accounting estimates and judgements

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

14. RIGHT-OF-USE ASSETS

| | 2022 \$'000 | 2021 \$'000 |
|-----------------------------------|----------------|----------------|
| NON-CURRENT ASSETS | | |
| Land and buildings - right-of-use | 4,378 | 3,691 |
| Less: Accumulated depreciation | (815) | (193) |
| | 3,563 | 3,498 |
| Motor vehicles - right-of-use | 26 | 26 |
| Less: Accumulated depreciation | (13) | (13) |
| Less: Accumulated impairment | (13) | (13) |
| | - | - |
| | 3,563 | 3,498 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | LAND AND BUILDINGS \$'000 | MOTOR VEHICLES \$'000 | TOTAL \$'000 |
|--------------------------------|---------------------------------|-----------------------------|-----------------|
| BALANCE AT 1 JULY 2020 | 207 | 29 | 236 |
| Additions | 3,535 | - | 3,535 |
| Disposals | (61) | (22) | (83) |
| Depreciation expense | (183) | (7) | (190) |
| BALANCE AT 30 JUNE 2021 | 3,498 | - | 3,498 |
| Additions | 687 | - | 687 |
| Disposals | - | - | - |
| Depreciation expense | (622) | - | (622) |
| BALANCE AT 30 JUNE 2022 | 3,563 | - | 3,563 |

Right-of-use assets are measured initially at cost comprising the following:

- The amount of initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

Depreciation

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets are depreciated from the date they become available for use. Land is not depreciated.

Straight-line basis

Depreciation is calculated on a straight-line basis to write off the net cost of each right-of-use asset (excluding land) over their expected useful lives as follows:

The estimated useful lives for right-of-use assets are:

| | |
|---------------------|--------------|
| Right-of-use assets | 3 - 18 years |
|---------------------|--------------|

15. INTANGIBLE ASSETS

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| NON-CURRENT ASSETS | | |
| Software - at cost | 14,960 | - |
| Less: Accumulated amortisation | (1,251) | - |
| | 13,709 | - |
| Intangibles Capital Work in Progress - cost or recoverable amount | 20,356 | 19,515 |
| | 34,065 | 19,515 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | SOFTWARE \$'000 | CAPITAL WORKS IN PROGRESS \$'000 | TOTAL \$'000 |
|--------------------------------|--------------------|---|-----------------|
| BALANCE AT 1 JULY 2020 | - | 7,808 | 7,808 |
| Additions | - | 11,707 | 11,707 |
| Transfers in/(out) | - | - | - |
| Amortisation expense | - | - | - |
| BALANCE AT 30 JUNE 2021 | - | 19,515 | 19,515 |
| Additions | - | 896 | 896 |
| Transfers in/(out) | 14,960 | (55) | 14,905 |
| Amortisation expense | (1,251) | - | (1,251) |
| BALANCE AT 30 JUNE 2022 | 13,709 | 20,356 | 34,065 |

Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services as well as direct payroll and payroll related costs of employees' time spent on the project.

In addition, CleanCo has various software-as-a-service cloud computing arrangements in place. The Company does not have possession of the underlying software, rather, the Company has non-exclusive access and use of the software, over the contract period.

The accounting treatment of costs incurred in relation to these arrangements is to recognise contract fees for use of the application and customisation costs as an operating expense over the term of the service contract. Configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense as the service is 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. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

After initial recognition, any intangible assets are carried at their cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives for intangible assets are:

| | |
|----------|-------------|
| Software | 2 - 5 years |
|----------|-------------|

Amortisation

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The useful lives of intangible assets are reviewed annually and adjusted if appropriate.

Impairment

Impairment of intangible assets is considered along with property, plant and equipment. Refer to note 13.

Application of accounting estimates and judgements

Any change in estimation of useful lives is considered in the determination of future amortisation charges. Adjustments to useful life are made when considered necessary.

16. EMPLOYEE BENEFIT ASSET

Some employees of the Company are entitled to benefits from the industry superannuation plan, the Energy Super Fund (ESF), on retirement, disability or death. The Company has a defined benefit plan and a defined contribution plan. Due to a higher-than-expected return on the actual investment plan assets the total fair value of the plan assets were more than the present value of the future obligations in 2022 resulting in a defined benefit asset being recognised at 30 June 2022 (30 June 2021: Defined benefit asset recognised).

Statement of financial position amounts

The amounts recognised in the statement of financial position are determined as follows:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| NON-CURRENT ASSETS | | |
| Present value of the defined benefit obligation | (7,462) | (9,406) |
| Fair value of defined benefit plan assets | 10,134 | 10,486 |
| Net asset in the statement of financial position | 2,672 | 1,080 |

Categories of plan assets

The major categories of plan assets are as follows:

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 405 | 629 |
| Australian equities | 912 | 2,202 |
| International equities | 1,824 | 2,097 |
| Fixed income | 3,446 | 1,678 |
| Property | 1,622 | 839 |
| Other assets | 1,925 | 3,041 |
| | 10,134 | 10,486 |

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, with the most recent actuarial assessment undertaken as at 30 June 2021.

Based on projected levels of cashflows and assets in the plan, the actuary has recommended that CleanCo enter a contribution holiday, contributing at the rate of 0.0 per cent of salaries for employees who are members of the defined benefit plan.

Reconciliations

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| RECONCILIATION OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION, WHICH IS FULLY FUNDED: | | |
| Balance at the beginning of the year | 9,406 | 1,357 |
| Assets transferred in | - | 8,181 |
| Current service cost | 317 | 292 |
| Interest cost | 227 | 19 |
| Benefits paid | (674) | - |
| Taxes, premiums and expenses paid | (76) | (62) |
| Actuarial (gains) recognised in equity | (1,812) | (827) |
| Actuarial losses from liability experience | (44) | 346 |
| Contributions by plan participants | 118 | 100 |
| Balance at the end of the year | 7,462 | 9,406 |

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| RECONCILIATION OF THE FAIR VALUE OF PLAN ASSETS: | | |
| Balance at the beginning of the year | 10,486 | 915 |
| Assets transferred in | - | 8,181 |
| Interest income | 253 | 29 |
| Actual return of Fund assets less interest income | (250) | 1,046 |
| Employer contributions | 277 | 277 |
| Taxes, premiums and expenses paid | (76) | (62) |
| Contributions by plan participants | 118 | 100 |
| Benefits paid | (674) | - |
| Balance at the end of the year | 10,134 | 10,486 |

Significant actuarial assumptions

The main assumptions for the valuations of the plans under AASB 119 Employee Benefits are set out below:

| | 2022 % | 2021 % |
|-------------------------|-----------|-----------|
| Discount rate | 5.1% | 2.5% |
| Future salary increases | 3.0% | 3.0% |

Discount rate

Future salary increases

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increases. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

| | BASE CASE | -0.5% PA DISCOUNT RATE | +0.5% PA DISCOUNT RATE | -0.5% PA SALARY INCREASE RATE | +0.5% PA SALARY INCREASE RATE |
|-------------------------------------|--------------|------------------------------|------------------------------|--|--|
| Discount rate | 5.1% | 4.6% | 5.6% | 5.1% | 5.1% |
| Salary increase rate | 3.0% | 3.0% | 3.0% | 2.5% | 3.5% |
| Defined benefit obligation (\$'000) | 7,462 | 7,770 | 7,172 | 7,168 | 7,774 |

Accounting policy

Employee retirement benefits

The Company's defined contribution plan chosen by the employee receives fixed contributions from the Company and the Company's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution plans are recognised as an expense in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company's defined benefit plan provides lump sum benefits based on years of service and final average salary. A liability or asset in respect of the Company's defined benefit superannuation plan is recognised in the statement of financial position and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised post service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Expected future payments are discounted using rates based on high-quality corporate bond yields with terms to maturity that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes, such as taxes on investment income and employer contributions, are considered in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

17. TRADE AND OTHER PAYABLES

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------|----------------|----------------|
| CURRENT LIABILITIES | | |
| Trade payables | 15,224 | 12,883 |
| Accrued expenses | 22,288 | 18,650 |
| Other payables | 4,069 | 9,090 |
| Initial margins | 50,045 | 3,532 |
| | 91,626 | 44,155 |

Refer to note 25 for further information on financial risk management.

Trade payables are unsecured and are usually paid within 30 days of recognition. Due to the nature of over-the-counter electricity contracts (OTC), the settlement is performed on a net basis with the respective counterparty. The net amount payable is included in trade payables. Accrued expenses are recognised for expenses incurred but not yet invoiced.

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period, are measured at the amounts expected to be paid when the liabilities are settled. They are measured at undiscounted amounts based on remuneration rates at reporting date including related on-costs.

The liabilities for wages and salaries are presented as other payables in the statement of financial position.

Initial margins are amounts payable for derivative contracts on the Australian Stock Exchange.

18. BORROWINGS

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------|----------------|----------------|
| CURRENT LIABILITIES | | |
| QTC working capital facility | 617,547 | - |
| NON-CURRENT LIABILITIES | | |
| Loans - QTC | 24,588 | - |
| | 642,135 | - |

Refer to note 25 for further information on financial instruments.

Working Capital Facility

The working capital facility is short-term in nature with the outstanding balance to be paid down regularly.

As at 30 June 2022, CleanCo had access to \$850 million (2021: \$150 million fully undrawn) in QTC facilities. The total drawdown of the facility was \$617.5 million (\$232.5 million undrawn). Refer to note 31 for further information.

Loans - QTC

The fair value of QTC loans at 30 June 2022 was \$24.6 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. This is classified as level 2 in the fair value measurements hierarchy.

19. LEASE LIABILITIES

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Lease liability | 759 | 21 |
| NON-CURRENT LIABILITIES | | |
| Lease liability | 4,114 | 4,821 |
| | 4,873 | 4,842 |
| AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS | | |
| Interest on lease liabilities | 60 | 17 |
| BALANCE AS AT 30 JUNE | 60 | 17 |
| AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOWS | | |
| Principal payments | 827 | 58 |
| TOTAL CASH OUTFLOWS FOR LEASES | 827 | 58 |

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company. The right-of-use assets for land and buildings and motor vehicles are disclosed in right-of-use assets.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or the Company's incremental borrowing rate. Lease interest for the current year included in finance costs in note 6 is \$59,533 (2021: \$17,466).

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

All commitments are shown exclusive of Goods and Services Tax (GST).

20. PROVISIONS

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Employee benefits | 7,500 | 7,268 |
| Restoration, rehabilitation and decommissioning | 2,093 | 751 |
| | 9,593 | 8,019 |

| | | |
|---|---------------|---------------|
| NON-CURRENT LIABILITIES | | |
| Employee benefits | 414 | 252 |
| Restoration, rehabilitation and decommissioning | 80,549 | 82,561 |
| | 80,963 | 82,813 |
| | 90,556 | 90,832 |

| RESTORATION, REHABILITATION AND DECOMMISSIONING | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| BALANCE AT THE START OF THE YEAR | 83,312 | 77,624 |
| Movements in estimates | 308 | 5,926 |
| Unwinding of discount | 1,622 | 1,573 |
| Unused amounts reversed | (2,600) | (1,811) |
| BALANCE AT THE END OF THE YEAR | 82,642 | 83,312 |

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event. It is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Short-term employee benefits

The leave obligations cover the Company's liabilities for long service leave and annual leave, which are classified as either long-term benefits or short-term benefits.

The entire amount of the annual leave provision is presented as current since the Company does not have an unconditional right to defer settlement for any of this obligation. However, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and where employees are entitled to prorate payments in certain circumstances.

Restoration, rehabilitation and decommissioning

Future costs associated with the rehabilitation of power station sites are estimated and provided for. Provisions for restoration and rehabilitation costs do not include additional obligations that are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

As at 30 June 2022, the balance of provisions for restoration and rehabilitation includes \$7.81 million (2021: \$10.79 million) for the Company's share of provisions in the joint operation of Kogan North Joint Venture.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost is amortised over the estimated economic life of the operation. The value of the provision is progressively increased over time as the effect of the discounting unwinds, creating an expense that is recognised as a finance cost. The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the profit or loss in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

Application of accounting estimates and judgements

Employee benefits

Non-current provision for employee benefits are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Restoration, rehabilitation and decommissioning

Provisions for restoration, rehabilitation and decommissioning obligations are based on risk-adjusted cash flows. These estimates have been discounted to their present value at a pre-tax risk-free rate, based on an estimate of the long-term, risk-free, pre-tax cost of borrowing.

21. OTHER LIABILITIES

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------|----------------|----------------|
| CURRENT LIABILITIES | | |
| Environmental certificates | 4,873 | 4,004 |
| JV Liabilities | 1,535 | 78 |
| Gas swap liability | 4,823 | - |
| | 11,231 | 4,082 |
| NON-CURRENT LIABILITIES | | |
| Other non-current liabilities | - | 4,265 |
| | 11,231 | 4,265 |

22. CONTRIBUTED EQUITY

| | 2022 SHARES | 2021 SHARES | 2022 \$'000 | 2021 \$'000 |
|------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | 20,000,002 | 20,000,002 | 307,412 | 307,412 |

Movements in ordinary share capital

| DETAILS | DATE | SHARES | \$ |
|--|--------------|------------|-------------|
| Balance | 1 July 2020 | 20,000,002 | 308,348,964 |
| Equity contribution from / (distribution to) the State of Queensland | | - | (936,531) |
| Balance | 30 June 2021 | 20,000,002 | 307,412,433 |
| Balance | 30 June 2022 | 20,000,002 | 307,412,433 |

Shares issued

The shares are held by the Hon. Mr Cameron Dick MP, Treasurer and Minister for Trade and Investment and the Hon. Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

Ordinary shares have no par value and the Company does not have authorised capital.

23. INCOME TAX

| | 2022 \$'000 | 2021 \$'000 |
|--|------------------|-----------------|
| <i>Income tax equivalent benefit</i> | | |
| Current tax equivalent (benefit)/expense | (10,173) | 12,624 |
| Deferred tax equivalent benefit | (116,995) | (22,804) |
| Adjustment for deferred tax equivalent of prior period | 2,450 | 903 |
| Adjustments for current tax equivalent of prior period | (2,450) | - |
| AGGREGATE INCOME TAX EQUIVALENT BENEFIT | (127,168) | (9,277) |
| Income tax equivalent benefit is attributable to: | | |
| Loss from continuing operations | (127,168) | (9,277) |
| AGGREGATE INCOME TAX EQUIVALENT BENEFIT | (127,168) | (9,277) |
| Deferred tax included in income tax equivalent benefit comprises: | | |
| Increase in deferred tax assets | (184,299) | (19,928) |
| Increase/(decrease) in deferred tax liabilities | 67,304 | (2,876) |
| Deferred tax equivalent benefit | (116,995) | (22,804) |
| <i>Numerical reconciliation of income tax equivalent benefit and tax at the statutory rate</i> | | |
| Loss before income tax equivalent benefit | (424,935) | (25,194) |
| Tax at the statutory tax rate of 30% | (127,481) | (7,558) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenses | 2 | 3 |
| Tax effect of utilisation of tax losses not previously recognised | - | (2,273) |
| De-recognition of temporary differences | 310 | (352) |
| Other | 1 | - |
| | (127,168) | (10,180) |
| Adjustment for deferred tax equivalent of prior period | 2,450 | 903 |
| Adjustment for current tax equivalent of prior period | (2,450) | - |
| INCOME TAX EQUIVALENT BENEFIT | (127,168) | (9,277) |

| | 2022 \$'000 | 2021 \$'000 |
|---|-----------------|-----------------|
| Amounts charged/(credited) directly to equity | | |
| Deferred tax assets | (22,961) | (10,111) |
| Deferred tax liabilities | 482 | 457 |
| Transfers recognised directly in equity | - | (394) |
| | (22,479) | (10,048) |

**NET DEFERRED TAX EQUIVALENT ASSET/(LIABILITY)
COMPRISES TEMPORARY DIFFERENCES**

| | | |
|--|----------------|---------------|
| Derivative financial instruments | 65,110 | 23,722 |
| Rehabilitation provision | 24,793 | 24,994 |
| Employee entitlements | 2,478 | 2,371 |
| Fixed assets | 27,273 | 25,483 |
| Tax losses | 94,646 | - |
| Sundry items | (662) | 45 |
| Deferred tax equivalent asset/(liability) | 213,638 | 76,615 |

DEFERRED TAX EQUIVALENT ASSET/(LIABILITY)

| | | |
|---------------------------------|----------------|---------------|
| Deferred tax asset | 283,921 | 79,112 |
| Deferred tax liability | (70,283) | (2,497) |
| TOTAL DEFERRED TAX ASSET | 213,638 | 76,615 |

Deferred tax asset

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

| | | |
|--|----------------|---------------|
| Property, plant and equipment | 27,273 | 23,275 |
| Financial assets at fair value through profit and loss | 98,950 | 13,611 |
| Employee entitlements | 2,478 | 2,372 |
| Provision for rehabilitation | 24,793 | 24,994 |
| Accrued expenses | 754 | - |
| Tax losses | 94,646 | - |
| Other | 1,955 | 2,541 |
| | 250,849 | 66,793 |

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Amounts recognised in equity: | | |
| Revaluation of financial assets at fair value through other comprehensive income | 33,073 | 10,111 |
| Machinery of Government transfer | - | 2,208 |
| | 33,073 | 12,319 |
| DEFERRED TAX ASSET | 283,922 | 79,112 |
| Movements: | | |
| Opening balance | 79,112 | 47,769 |
| Credited to profit or loss | 184,299 | 19,928 |
| Credited to equity | 22,961 | 10,111 |
| Machinery of Government transfer | - | 2,208 |
| Under provision in prior period | (2,450) | (904) |
| CLOSING BALANCE | 283,922 | 79,112 |

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| DEFERRED TAX ASSETS NOT RECOGNISED | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Land | (340) | (340) |
| Investments | (849) | (539) |
| TOTAL DEFERRED TAX ASSETS NOT RECOGNISED | (1,189) | (879) |

Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

| | | |
|----------------------------------|--------|-------|
| Derivative financial instruments | 66,912 | - |
| Inventories | 2,569 | 359 |
| Defined Benefit Fund | (138) | (134) |
| | 69,343 | 225 |

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

Amounts recognised in equity:

| | | |
|----------------------------------|-----|-------|
| Defined Benefit Fund | 940 | 458 |
| Machinery of Government transfer | - | 1,814 |
| | 940 | 2,272 |

| | | |
|-------------------------------|---------------|--------------|
| DEFERRED TAX LIABILITY | 70,283 | 2,497 |
|-------------------------------|---------------|--------------|

Movements:

| | | |
|--------------------------------------|--------|---------|
| Opening balance | 2,497 | 3,102 |
| Charged/(credited) to profit or loss | 67,304 | (2,876) |
| Charged to equity | 482 | 457 |
| Machinery of Government transfer | - | 1,814 |

| | | |
|------------------------|---------------|--------------|
| CLOSING BALANCE | 70,283 | 2,497 |
|------------------------|---------------|--------------|

As a Government Owned Corporation, the Company is subject to the National Tax Equivalent Regime (NTER). Under this scheme, the Company must make income tax payments to the State Government and is not liable to pay Commonwealth Tax that would be payable if it were not a Government Owned Corporation.

These payments are made pursuant to section 129(4) of the *Government Owned Corporations Act 1993 (Qld)*. The NTER gives rise to obligations that reflect in all material aspect those obligations for taxation that would be imposed by the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*.

Income tax equivalent expense is made up of current tax equivalent expenses and deferred tax equivalent expenses. Current tax equivalent expenses represent the expected tax payable on the taxable income for the year, using current tax rates substantially enacted by the end of the reporting period. Deferred tax equivalent expense represents change in temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

The Company adopts the balance sheet approach to accounting for income tax equivalent payments.

Deferred tax equivalent balances arise when there are temporary differences between carrying amounts and the tax bases of assets and liabilities, other than where the difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss.

Deferred tax equivalent assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

Deferred tax equivalent assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and the tax laws that have been enacted or substantially enacted at the reporting date.

Tax equivalent assets and liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Current and deferred tax equivalent balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Forecast assumptions prepared by the Company indicate taxable profits in the foreseeable future, with the tax losses expected to be fully utilised in this time.

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------------|----------------|----------------|
| <i>Income tax refund due</i> | | |
| Income tax refund due | 14,815 | - |
| <i>Income tax equivalent due</i> | | |
| Income tax equivalent due | - | 12,624 |

24. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2022 \$'000 | 2021 \$'000 |
|--|------------------|-----------------|
| CURRENT ASSETS | | |
| Electricity contracts – cash flow hedges | - | 1,017 |
| Electricity contracts – held for trading | 17,167 | 3 |
| PPA derivative | 17,615 | - |
| TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS | 34,782 | 1,020 |
| NON-CURRENT ASSETS | | |
| Electricity contracts – cash flow hedges | - | 315 |
| Electricity contracts – held for trading | 34,515 | - |
| PPA derivative | 156,044 | - |
| TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS | 190,559 | 315 |
| CURRENT LIABILITIES | | |
| Electricity contracts – cash flow hedges | (178,870) | (22,021) |
| Electricity contracts – held for trading | (125,970) | (1,484) |
| TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES | (304,840) | (23,505) |
| NON-CURRENT LIABILITIES | | |
| Electricity contracts – cash flow hedges | (66,104) | (2,981) |
| Electricity contracts – held for trading | (120,813) | (1,879) |
| PPA derivative liability | - | (50,159) |
| TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES | (186,917) | (55,019) |
| NET DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES | (266,416) | (77,189) |

Refer to note 25 for further information on financial risk management.

Refer to note 26 for further information on fair value measurement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The accounting for subsequent changes in fair value depends on whether the derivative is classified as held for trading or is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as held for trading unless they are designated as hedges of a particular risk associated with highly probable forecast transactions (cash flow hedges). Certain derivatives do not qualify for hedge accounting but have been entered into for the risk management objective of economically hedging a risk. These derivatives are classified as held for trading and recognised through profit or loss.

Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as a current asset or liability when the maturity profile is less than 12 months, including realised but not settled components, and classified as a non-current asset or liability when the maturity profile is greater than 12 months.

Change in fair value recognised in the profit and loss

Gains and losses that are recognised in the statements of profit or loss and other comprehensive income from remeasuring the fair value of derivatives that do not qualify as effective hedging instruments are classified as “non-hedge accounted change in fair value of derivative instruments”.

Discontinuance of hedge accounting

CleanCo has applied judgement in assessing whether hedged forecast transactions are still expected to occur. Given the significant decrease in generation due to Swanbank E being out of service from the third quarter of the 2021/22 financial year, which is expected to continue into the 2022/23 financial year, hedge accounting will be discontinued from 1 July 2022 onwards as it is unlikely any prospective hedges will meet the highly probable requirement. Prospective changes in the fair value of discontinued hedges will be accounted for through the Statement of Comprehensive Income.

Where the hedge relationship has been discontinued, any gains or losses remaining in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place, will be subsequently recognised in the Statement of Comprehensive Income at the time at which the hedged item affects the income statement for the hedged risk. As at 30 June 2022, the cash flow hedge reserve held a balance of \$150.0 million of hedge losses originating from swaps with maturities to June 2024 which will be recognised in the Statement of Comprehensive Income as the hedged item is subsequently realised. Any new deals entered on and after 1 October 2021 are not designated as hedging instruments.

Hedge accounting

The Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items, there is an economic relationship between the hedged items and the hedging instruments, and the terms of the contracts match the terms of the expected highly probable forecast (i.e., nominal amount, expected settlement date and no additional accounting for credit risk). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the contracts are identical to the hedged risk components (electricity price or exchange rate). To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge accounted change in fair value of derivatives instruments

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity reserves. An ineffective portion is recognised immediately in profit or loss within “non-hedge accounted change in fair value of derivative instruments”.

The hedge ineffectiveness can arise from:

- Differences in the periodic volumes of the hedging instruments and hedged items
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- Changes to forecast timing of the cash flows of the hedged items and the hedging instruments.

Amounts accumulated in equity are reclassified to profit or loss within “net realised gain on electricity contracts designated as cash flow hedges” in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

The gain or loss is recognised in profit or loss as other income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment) the gain or loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset. This transfer does not affect other comprehensive income. The deferred amounts are ultimately recognised in profit or loss as depreciation or impairment in the case of non-financial assets.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria. This includes when a hedging instrument expires, is sold, or is terminated. The discontinuance is accounted for prospectively.

Any gain or loss accumulated in equity reserves at that time remains in equity and is reclassified to profit or loss as other income when the forecast transaction occurs. However, when a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity reserves is immediately reclassified to profit or loss within “non-hedge accounted change in fair value of derivative instruments”.

The impact of the hedging instruments (electricity swaps) on the balance sheet is, as follows:

| DERIVATIVES - HIGHLY PROBABLE MOVEMENTS | NOMINAL AMOUNT MWH | CARRYING AMOUNT \$'000 |
|---|--------------------------|------------------------------|
| 30 JUNE 2022 | | |
| HIGHLY PROBABLE FORECAST ELECTRICITY SALES | | |
| Current assets | - | - |
| Non-current assets | - | - |
| Current liabilities | 380,554 | (178,870) |
| Non-current liabilities | 245,994 | (66,104) |
| TOTAL | 626,548 | (244,974) |

| | | |
|---|----------|----------|
| HIGHLY PROBABLE FORECAST ELECTRICITY PURCHASES | | |
| Current assets | - | - |
| Non-current assets | - | - |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| TOTAL | - | - |

| | | |
|---|----------------|-----------------|
| 30 JUNE 2021 | | |
| HIGHLY PROBABLE FORECAST ELECTRICITY SALES | | |
| Current assets | 42,450 | 356 |
| Non-current assets | 13,800 | 294 |
| Current liabilities | 352,410 | (21,923) |
| Non-current liabilities | 111,635 | (2,981) |
| TOTAL | 520,295 | (24,254) |

| | | |
|---|----------------|------------|
| HIGHLY PROBABLE FORECAST ELECTRICITY PURCHASES | | |
| Current assets | 99,978 | 660 |
| Non-current assets | 8,832 | 21 |
| Current liabilities | 37,700 | (97) |
| TOTAL | 146,510 | 584 |

Derivatives designated as hedging instruments:

| | ASSET CARRYING VALUE | | LIABILITIES CARRYING VALUE | | NOMINAL HEDGE VOLUME | |
|------------------|-------------------------|----------------|-------------------------------|-----------------|-------------------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 | 2022 MWh | 2021 MWh |
| 12 month or less | - | 1,017 | (178,870) | (22,021) | 380,554 | 257,182 |
| 1 - 5 years | - | 315 | (66,104) | (2,981) | 245,994 | 116,603 |
| TOTAL | - | 1,332 | (244,974) | (25,002) | 626,548 | 373,785 |

Derivatives - highly probable forecast transactions:

| | CHANGE IN FAIR VALUE DURING THE YEAR OF THE HEDGED ITEMS USED FOR RECOGNISING HEDGE INEFFECTIVENESS \$'000 | BALANCES IN THE CASH FLOW HEDGE RESERVE AT YEAR END FOR CONTINUING HEDGES \$'000 | BALANCES REMAINING IN THE CASH FLOW HEDGE RESERVE AT YEAR END FOR WHICH HEDGE ACCOUNTING IS NO LONGER APPLIED TO THE HEDGE RELATIONSHIP \$'000 | CHANGE IN FAIR VALUE OF HEDGING INSTRUMENT USED FOR MEASURING HEDGE INEFFECTIVENESS FOR THE PERIOD \$'000 |
|--|--|--|---|--|
| 30 JUNE 2022 | | | | |
| Highly probable forecast electricity sales | 97,891 | 100,572 | 49,833 | 242,400 |
| Highly probable forecast electricity purchases | - | - | (451) | - |
| HEDGING RESERVE - CASHFLOW HEDGES - (GAIN)/LOSS | 97,891 | 100,572 | 49,382 | 242,400 |
| 30 JUNE 2021 | | | | |
| Highly probable forecast electricity sales | 26,183 | 24,081 | (478) | (26,579) |
| Highly probable forecast electricity purchases | (290) | (46) | (1,407) | 1,070 |
| HEDGING RESERVE - CASHFLOW HEDGES - (GAIN)/LOSS | 25,893 | 24,035 | (1,885) | (25,509) |

The effect of the cashflow hedge in the statement of profit and loss and other comprehensive income is as follows:

| CASH FLOW HEDGE RESERVE - MOVEMENT | TOTAL HEDGING GAIN/(LOSS) RECOGNISED IN OCI \$'000 | INEFFECTIVENESS GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS \$'000 | GAIN/(LOSS) RECLASSIFIED FROM OCI TO PROFIT OR LOSS \$'000 |
|---|--|--|--|
| YEAR ENDED 30 JUNE 2022 | | | |
| Highly probable forecast electricity sales | (229,457) | (144,397) | (102,655) |
| Highly probable forecast electricity purchases | 6,459 | 27 | 7,461 |
| HEDGING RESERVE - CASH FLOW HEDGES | (222,998) | (144,370) | (95,194) |

| | | | |
|---|-----------------|----------------|----------------|
| YEAR ENDED 30 JUNE 2021 | | | |
| Highly probable forecast electricity sales | (28,953) | (445) | (10,784) |
| Highly probable forecast electricity purchases | 1,739 | (1,895) | 2,025 |
| HEDGING RESERVE - CASH FLOW HEDGES | (27,214) | (2,340) | (8,759) |

The reserve is used to recognise the effective portion of the gains and losses on derivatives designated as cash flow hedges:

| CASH FLOW HEDGE RESERVE - RECONCILIATION | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| BALANCE AT THE BEGINNING OF THE YEAR | 14,939 | (10,923) |
| Effective portion of changes in fair value of cash flow hedges of electricity swaps | 222,998 | 27,214 |
| Net changes in fair value of cash flow hedges of electricity swaps transferred to other revenue | (95,194) | 8,759 |
| Income tax equivalent relating to these items | (22,961) | (10,111) |
| CURRENT YEAR CHANGE IN CASHFLOW HEDGE RESERVE | 104,843 | 25,862 |
| BALANCE AT THE END OF THE YEAR | 119,782 | 14,939 |

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. The main categories of non-qualifying instruments for CleanCo are options, load following hedges and instruments that were not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statements of Profit or Loss as follows:

| LINE ITEM OF STATEMENTS OF PROFIT OR LOSS | | 2022 \$'000 | 2021 \$'000 |
|---|----------------------------------|------------------|-----------------|
| CURRENT ASSETS | | | |
| Net realised profit/(losses) | Fair value through profit/(loss) | (192,786) | 4,919 |
| Net unrealised profit/(losses) | Fair value through profit/(loss) | 32,077 | (52,659) |
| TOTAL CHANGES IN FAIR VALUE OF NON-HEDGED ACCOUNTED DERIVATIVES RECOGNISED IN PROFIT/ (LOSS) | | (160,709) | (47,740) |

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an International Swaps and Derivatives Association (ISDA) Master Agreement and similar agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Company does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet but have been presented separately in the following tables. The net amount of financial assets summarised in the following tables best represent the Company's current exposure to credit risk on those derivatives at the reporting date.

Master netting arrangements

| | AMOUNTS PRESENTED IN THE BALANCE SHEET \$'000 | AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS \$'000 | FINANCIAL INSTRUMENT COLLATERAL \$'000 | NET AMOUNT \$'000 |
|----------------------------------|---|---|---|----------------------|
| 30 JUNE 2022 | | | | |
| FINANCIAL ASSETS | | | | |
| Derivative financial assets | 225,341 | (470) | - | 224,871 |
| Cash collateral | 357,468 | - | (50,045) | 307,423 |
| TOTAL ASSETS | 582,809 | (470) | (50,045) | 532,294 |
| FINANCIAL LIABILITIES | | | | |
| Derivative financial liabilities | (491,757) | 470 | - | (491,287) |
| Cash collateral | (50,045) | - | 50,045 | - |
| TOTAL LIABILITIES | (541,802) | 470 | 50,045 | (491,287) |
| 30 JUNE 2021 | | | | |
| FINANCIAL ASSETS | | | | |
| Derivative financial assets | 1,335 | (766) | - | 569 |
| Cash collateral | 10,666 | - | (3,608) | 7,058 |
| TOTAL ASSETS | 12,001 | (766) | (3,608) | 7,627 |
| FINANCIAL LIABILITIES | | | | |
| Derivative financial liabilities | (78,524) | 766 | - | (77,758) |
| Cash collateral | (3,532) | - | 3,608 | 76 |
| TOTAL LIABILITIES | (82,056) | 766 | 3,608 | (77,682) |

Application of accounting estimates and judgements

The fair value of derivative financial instruments must be estimated for recognition, measurement, and disclosure purposes. Valuation policies and procedures are developed by Trading Risk, approved by the Energy Risk Management Committee and subject to internal and external audit review. The changes in fair value of Level 1 and Level 2 financial instruments are reported daily to management and level 3 monthly. All changes in fair value are reported to the Board monthly.

25. FINANCIAL RISK MANAGEMENT

The Company has the following categories of financial assets and financial liabilities:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | 8,677 | 7,712 |
| Receivables | 486,014 | 183,373 |
| Derivative financial instrument assets | 225,341 | 1,335 |
| Other non-current assets | 17,171 | 18,204 |
| TOTAL FINANCIAL ASSETS | 737,203 | 210,624 |

| | | |
|---|------------------|----------------|
| FINANCIAL LIABILITIES | | |
| Trade and other payables | 91,626 | 44,155 |
| Derivative financial instrument liabilities | 491,757 | 78,524 |
| Borrowings | 642,135 | - |
| Lease liabilities | 4,873 | 4,842 |
| Other liabilities | 11,231 | 4,265 |
| TOTAL FINANCIAL LIABILITIES | 1,241,622 | 131,786 |

Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including commodity price risks, interest rate risk and foreign currency risk), credit risk and liquidity risk. With respect to the financial position the Company's overall risk management program has a significant focus on the unpredictability of the energy and financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed.

These methods include earnings at risk and sensitivity analysis in the case of energy price risks and interest rates, cash flow at risk for liquidity risk and counterparty credit exposure at risk modelling with individual counterparty credit analysis and credit ratings assigned for credit risk.

Energy market and financial risk management is governed by Board approved risk policies and delegations. The Customer and Energy Markets team is responsible for the direct management of exposures to energy market risks with adherence to these policies.

The CEO's team is responsible for the development of the risk policies and the subsequent risk measurement, monitoring, control and reporting of energy market and financial risks to the Energy Risk Management Committee, CEO, Audit and Risk Committee and Board.

Market risk

Instruments used by the Company

The Company uses derivative financial instruments to hedge certain risk exposures, primarily exposure to fluctuations in the spot and forward price of electricity.

Commodity price risk

Electricity contracts

The Company is exposed to electricity price movements in the NEM. To manage its electricity price risk, the Company has entered into electricity sales contracts and several electricity derivatives (including OTC and exchange traded swaps, caps and option contracts) in accordance with the Board-approved Energy Market Risk Management Policy. For most of these derivatives, the Company receives from counterparties a fixed price per megawatt hour and in return pays the actual observed pool price. These contracts and derivatives assist the Company to provide certainty in relation to revenue received and are required to manage risk within Board approved levels.

Electricity price risk exposures are measured daily through the use of at-risk measures and the process of marking to market the Company's exposure of the net derivative asset and liability position.

Swaps currently in place are timed to settle as each cash flow is received from the NEM. For electricity contracts designated as hedging instruments, the cash flows of the hedged electricity sales and purchases are expected to occur as described in the table under Liquidity Risk, with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

The electricity swap contracts designated as cash flow hedges of CleanCo's electricity sales are to receive fixed cash flows for prices between \$73 and \$130 (626,548MWh). Hedge accounting will be discontinued from 1 July 2022 as it is unlikely any prospective hedges will meet the highly probable requirement.

Environmental contracts

The Company is exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations. The Company also creates environmental certificates that are used to either acquit the mandatory renewable energy liability of the Company or sold to customers through long-term retail contracts.

To manage its environmental certificate price risk, the Company buys and sells these certificates in the spot and forward markets as and when required. These certificates are classified as inventory. The Company is exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations.

Sensitivity analysis

The following commentary and table summarise the sensitivity of the Company's derivative financial instruments to electricity price risk. Analysis is performed on a pre-tax basis using similar information to that which would be provided to management and reflects the impact on the Company's financial position should certain price movements occur.

The sensitivity in the mark-to-market of the electricity derivative portfolio to movements in the forward prices of electricity at balance date were investigated. The analysis assumes upward and downward movements of electricity prices of 20 per cent, which reflects a reasonably possible scenario in the economic environment over the next period.

| | AVERAGE PRICE INCREASE | | | AVERAGE PRICE DECREASE | | |
|--------------------------|------------------------|------------------------------------|-------------------------|------------------------|------------------------------------|-------------------------|
| | % CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 | % CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 |
| 2022 | | | | | | |
| Electricity price - 2022 | 20% | 85,301 | 28,868 | (20%) | (85,277) | (28,868) |

| | | | | | | |
|--------------------------|-----|--------|---------|-------|----------|-------|
| 2021 | | | | | | |
| Electricity price - 2021 | 10% | 67,381 | (5,966) | (10%) | (67,381) | 5,965 |

Interest rate risk

The Company is exposed to changes in interest rates via its borrowings, cash and cash equivalents and the Advances Facility. Variable interest rate borrowings expose the Company to interest rate cash flow risk. The Company is not exposed to fixed interest rate exposure.

| | BASIS POINTS INCREASE | | | BASIS POINTS DECREASE | | |
|---------------------------|-----------------------|------------------------------------|-------------------------|-----------------------|------------------------------------|-------------------------|
| | BASIS POINTS CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 | BASIS POINTS CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 |
| 2022 | | | | | | |
| Cash and cash equivalents | 100 | 87 | 87 | (100) | (87) | (87) |
| Advances facility | 100 | 216 | 216 | (100) | (216) | (216) |
| Borrowings | 100 | (6,421) | (6,421) | (100) | 6,421 | 6,421 |
| | | (6,118) | (6,118) | | 6,118 | 6,118 |

| | BASIS POINTS INCREASE | | | BASIS POINTS DECREASE | | |
|---------------------------|-----------------------|------------------------------------|-------------------------|-----------------------|------------------------------------|-------------------------|
| | BASIS POINTS CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 | BASIS POINTS CHANGE | EFFECT ON PROFIT BEFORE TAX \$'000 | EFFECT ON EQUITY \$'000 |
| 2021 | | | | | | |
| Cash and cash equivalents | 100 | 77 | 77 | (100) | (77) | (77) |
| Advances facility | 100 | 873 | 873 | (100) | (873) | (873) |
| | | 950 | 950 | | (950) | (950) |

Credit risk

Credit risk exposure refers to the situation where the Company may incur financial loss as a result of another party to a financial instrument failing to fulfil their contractual obligation. Concentrations of credit risk exist for 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. Derivative counterparty credit risk exposures are predominantly to financial institutions and energy market participants.

The Company manages counterparty credit risk through the credit risk policy and associated framework, the policy defines credit risk limits as well as operational controls and procedures to mitigate credit exposure. The Company utilises industry practice credit review processes and security instruments to manage its credit risks. The Company's credit risk exposure for derivatives is managed by trading with energy industry counterparties under ISDA agreements where possible or contracts with credit risk mitigation clauses. The credit exposure of derivatives is calculated utilising a value at risk methodology that takes into account the current market value, duration of exposure, likelihood of default of the counterparty, the expected loss given default, credit collateral and the volatility of market prices. The Company manages its exposure to credit risk for certain derivatives on a net position basis for each of the counterparties.

Please refer to note 10 Receivables for credit risk assessment of outstanding receivables.

A summary of the credit quality of derivative financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as reflected in the following table:

| | 2022 \$'000 | 2021 \$'000 |
|--------------|------------------|-----------------|
| AA+ to AA- | (56,101) | (5,806) |
| A+ to A- | 4,404 | (5,903) |
| BBB | (143,554) | (11,814) |
| TOTAL | (195,251) | (23,523) |

Liquidity risk

The Company is subject to cash flow volatility and manages a substantial portion of that risk by entering into OTC hedges. The Company measures liquidity exposures daily using a cash flow at risk methodology.

Remaining contractual maturities

The following table analyses the Company's remaining contractual maturity for its non-derivative financial instrument liabilities and derivative financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows and the earliest date on which they are required to be paid.

| | 1 YEAR OR LESS \$'000 | BETWEEN 1 AND 5 YEARS \$'000 | REMAINING CONTRACTUAL MATURITIES \$'000 | DISCOUNTING \$'000 | TOTAL \$'000 |
|---|-----------------------------|------------------------------------|--|-----------------------|------------------|
| 2022 | | | | | |
| NON-DERIVATIVES | | | | | |
| Trade and other payables | (91,626) | - | - | - | (91,626) |
| Lease liabilities | (805) | (3,518) | (720) | 170 | (4,873) |
| Other liabilities | (11,231) | - | - | - | (11,231) |
| TOTAL NON-DERIVATIVES | (103,662) | (3,518) | (720) | 170 | (107,730) |
| DERIVATIVES | | | | | |
| Derivative financial instrument liabilities | (307,129) | (188,990) | - | 4,362 | (491,757) |
| TOTAL DERIVATIVES | (307,129) | (188,990) | - | 4,362 | (491,757) |
| 2021 | | | | | |
| NON-DERIVATIVES | | | | | |
| Trade and other payables | (44,155) | - | - | - | (44,155) |
| Lease liabilities | (38) | (3,003) | (2,071) | 270 | (4,842) |
| Other liabilities | (4,082) | (183) | - | - | (4,265) |
| TOTAL NON-DERIVATIVES | (48,275) | (3,186) | (2,071) | 270 | (53,262) |
| DERIVATIVES | | | | | |
| Derivative financial instrument liabilities | (22,021) | (27,695) | (29,489) | 681 | (78,524) |
| TOTAL DERIVATIVES | (22,021) | (27,695) | (29,489) | 681 | (78,524) |

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to maintain the required credit rating for a Government Owned Corporation generator operating in a deregulated electricity market, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of its gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total lease liabilities. Total capital is calculated as 'equity' as shown in the statement of financial position plus debt.

At 30 June 2022 the Company has a total debt of \$647 million (2021: \$4.8 million) and its gearing ratio is 137 per cent (2021: 2 per cent).

26. FAIR VALUE MEASUREMENT

The fair value of derivative financial instruments must be estimated for recognition and measurement or for disclosure purposes.

Fair value hierarchy

The following fair value hierarchy is based on the degree to which fair value is observable:

Level 1: The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price.

Level 2: The fair value of derivative financial instruments that are not traded in an active market (for example, OTC derivatives) is determined using valuation techniques, which maximise the use of observable market data and either directly (i.e., as prices) or indirectly (i.e., derived from prices). All significant inputs required to fair value an instrument is observable.

Level 3: One or more of the significant inputs is unobservable.

The following tables present the fair value category of the Company's financial asset and liabilities into the three levels:

| | LEVEL 1 \$'000 | LEVEL 2 \$'000 | LEVEL 3 \$'000 | TOTAL \$'000 |
|--|-------------------|-------------------|-------------------|------------------|
| 2022 | | | | |
| RECURRING FAIR VALUE MEASUREMENT | | | | |
| ASSETS | | | | |
| Current derivative financial assets | - | - | 34,782 | 34,782 |
| Non-current derivative financial assets | 316 | - | 190,243 | 190,559 |
| Non-current financial assets at fair value through profit and loss | - | - | 17,171 | 17,171 |
| TOTAL ASSETS | 316 | - | 242,196 | 242,512 |
| LIABILITIES | | | | |
| Current derivative financial liabilities | (125,203) | (767) | (178,870) | (304,840) |
| Non-current derivative financial liabilities | (119,937) | (310) | (66,670) | (186,917) |
| TOTAL LIABILITIES | (245,140) | (1,077) | (245,540) | (491,757) |

| | LEVEL 1 \$'000 | LEVEL 2 \$'000 | LEVEL 3 \$'000 | TOTAL \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| 2021 | | | | |
| RECURRING FAIR VALUE MEASUREMENT | | | | |
| ASSETS | | | | |
| Current derivative financial assets | 549 | - | 471 | 1,020 |
| Non-current derivative financial assets | - | - | 18,204 | 18,204 |
| Non-current financial assets at fair value through profit and loss | 20 | - | 295 | 315 |
| TOTAL ASSETS | 569 | - | 18,970 | 19,539 |
| LIABILITIES | | | | |
| Current derivative financial liabilities | (2,191) | - | (21,314) | (23,505) |
| Non-current derivative financial liabilities | (1,885) | - | (53,134) | (55,019) |
| TOTAL LIABILITIES | (4,076) | - | (74,448) | (78,524) |

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for derivative financial instruments for year ended 30 June 2022.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| | \$'000 |
|--|----------------|
| BALANCE AT 1 JULY 2020 | 11,710 |
| Losses recognised in profit or loss | (43,665) |
| Gains recognised in other comprehensive income | (23,523) |
| Purchases | - |
| Sales | - |
| Settlements | - |
| Transfers out of level 3 into level 2 | - |
| | - |
| BALANCE AT 30 JUNE 2021 | (55,478) |
| Gains recognised in profit or loss | 134,653 |
| Gains recognised in other comprehensive income | (77,049) |
| Purchases | - |
| Sales | - |
| Settlements | (5,471) |
| Transfers out of level 3 into level 2 | - |
| | - |
| BALANCE AT 30 JUNE 2022 | (3,345) |

Total unrealised gain for the current year included in profit or loss that relate to level 3 assets held at the end of the current year are \$134,653,000 (2021: \$43,665,000 loss). The significant valuation techniques and processes used to value derivative financial instruments categorised within level 2 and level 3 are:

| DESCRIPTION | VALUATION METHOD | SIGNIFICANT UNOBSERVABLE INPUTS | INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS, FAIR VALUE MEASUREMENT AND SENSITIVITIES |
|--|--|---|--|
| Derivative financial instruments | Forward curve decomposition methodology using historic settled electricity prices to interpolate OTC forward prices to a greater level of granularity. | <ul style="list-style-type: none"> • Long-term electricity prices • Forecast generation | <p>The estimated value of the derivative instruments would:</p> <ul style="list-style-type: none"> • Increase by \$158.45 million (2021: \$62.0 million at 10% increase) if the forward curve was increased by 20% • Decrease by \$158.42m (2021: \$62.0 million at 10% decrease) if the forward curve was decreased by 20% • Decrease by \$2.16 million (2021: \$4.3 million) if forecast generation was increased by 10% • Increase by \$2.16 million (2021: \$5.0 million) if forecast generation was decreased by 10%. |
| Investments at fair value through profit and loss | Discounted cash flow model was used to value the investment. | <ul style="list-style-type: none"> • Discount rate | The estimated fair value would increase/(decrease) if the discount rate was lower/(higher). |

The significant inputs used in these valuation techniques are:

- Published OTC forward prices
- Exchange traded market prices
- Extrapolation rates
- Scalar and translation factors
- Market volatilities
- Forecast generation
- Electricity settled prices
- Discount rates.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel (KMP) include both Directors and general managers who have authority and responsibility for planning, directing and controlling the activities of the Company. The Company's shareholding Ministers are identified as part of the Company's KMP, consistent with AASB 124 Related Party disclosures.

For the 2022 reporting year, these Ministers are:

- The Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment
- The Honourable Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

(a) Directors

The following persons were Directors of CleanCo Queensland Limited during the financial year:

| DIRECTORS | POSITION | DATE OF APPOINTMENT | APPOINTMENT EXPIRY DATE |
|---------------------------|--------------------------------|---------------------|-------------------------|
| Jacqueline Walters | Chair - Non-Executive Director | 17 December 2018 | 30 September 2025 |
| Ivor Frischknecht | Non-Executive Director | 17 December 2018 | 30 September 2025 |
| Tracy Dare | Non-Executive Director | 17 December 2018 | 17 December 2021 |
| Lauren Hull | Non-Executive Director | 12 December 2019 | 30 September 2022 |
| Paul Venus | Non-Executive Director | 12 December 2019 | 30 September 2022 |

(b) Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, during the financial year:

| SENIOR EXECUTIVES | POSITION | DATE OF APPOINTMENT | DATE OF TERMINATION |
|--------------------------|--|---------------------|---------------------|
| Maia Schweizer | Chief Executive Officer | 30 September 2019 | 5 November 2021 |
| Darryl Rowell | Interim Chief Executive Officer | 15 November 2021 | 8 July 2022 |
| Graham Yerbury | Chief Finance Officer | 30 September 2019 | 25 September 2021 |
| Brian Carrick | Interim Chief Finance Officer | 17 September 2021 | - |
| Anna Eves | Chief People Officer | 16 April 2022 | - |
| Tanya Mills | General Manager - Customer and Energy Markets | 12 August 2019 | 1 December 2021 |
| Rimu Nelson | Acting General Manager - Customer and Energy Markets | 30 August 2021 | - |
| Sally Frazer | General Manager - Legal and Governance and Company Secretary | 30 September 2019 | - |
| Tim Hogan | General Manager - Asset Operations | 28 February 2020 | - |
| Natasha Patterson | General Manager - Reputation | 19 October 2020 | 16 April 2022 |
| Julie Whitcombe | General Manager - Strategy and Development | 1 June 2021 | - |

In the prior year, the following persons were Senior Executives with the authority and responsibility for planning, directing and controlling activities of the Company:

| SENIOR EXECUTIVES | POSITION | DATE OF APPOINTMENT |
|---------------------------|--|------------------------------------|
| Maia Schweizer | Chief Executive Officer | 30 September 2019 |
| Graham Yerbury | Chief Finance Officer | 30 September 2019 |
| Tanya Mills | General Manager - Customer and Energy Markets | 12 August 2019 |
| Sally Frazer | General Manager - Legal and Governance and Company Secretary | 30 September 2019 |
| Tim Hogan | General Manager - Asset Operations | 28 February 2020 |
| Natasha Patterson* | General Manager - Reputation | 19 October 2020 |
| Julie Whitcombe | General Manager - Safety & Development | 1 June 2021 |
| Nicholle Duce | General Manager - Corporate Services | 7 January 2020 - 14 August 2020 |

*Natasha Patterson was appointed Acting GM Reputation from 19 October 2020. She was formally appointed as GM Reputation on 1 March 2021.

(c) Key management personnel compensation

Shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Company 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 as reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is 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.

Directors

Directors' remuneration is determined by the Governor in Council under the Government Owned Corporations Act 1993. Directors' remuneration comprises Directors' fees and statutory superannuation contributions. All Directors are reimbursed for reasonable expenses incurred whilst conducting business on behalf of the Company. Directors' compensation does not include insurance premiums paid by the Company in respect of Director's and Officer's liabilities and legal expenses, as the insurance policies do not specify premiums paid in respect of individual Directors. The Directors do not receive any performance related compensation.

Other key management personnel

Remuneration policy

The Company provides that:

- The recruitment and appointment of senior executives will be based on the principles of merit and equity
- The remuneration of senior executives will be aligned to the Company's Corporate Plan and organisation objectives and reviewed regularly to ensure that strategic business requirements are supported
- The remuneration arrangements are consistent with the Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Arrangements Version 2.

The CEO and all other senior executives are appointed by the Board. Executives receive a total fixed remuneration comprising a base salary and superannuation contributions. Executives are entitled to a short-term incentive at CleanCo's discretion.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long-term employee benefits and post-employment benefits.

No performance payments were made or are payable to the key management of the Company.

| 30 JUNE 2022 | SHORT-TERM EMPLOYEE BENEFITS | POST- EMPLOYMENT BENEFITS | LONG-TERM BENEFITS | | | | |
|--|---|--|------------------------------------|-----------------------------------|--|-----------------|--|
| NAME | CASH SALARY \$'000 | SUPERANNUATION \$'000 | LONG SERVICE LEAVE \$'000 | TERMINATION BENEFITS \$'000 | NON- MONETARY BENEFITS \$'000 | TOTAL \$'000 | |
| DIRECTORS | | | | | | | |
| Jacqueline Walters | 129 | 13 | - | - | - | 142 | |
| Tracy Dare* | 35 | 3 | - | - | - | 38 | |
| Ivor Frischknecht | 75 | 8 | - | - | - | 83 | |
| Paul Venus | 75 | 8 | - | - | - | 83 | |
| Laurene Hull | 75 | 8 | - | - | - | 83 | |
| OTHER KEY MANAGEMENT PERSONNEL | | | | | | | |
| Maia Schweizer** | 215 | 15 | - | 31 | - | 261 | |
| Darryl Rowell | 395 | 20 | 7 | - | - | 422 | |
| Graham Yerbury*** | 116 | 6 | - | 132 | - | 254 | |
| Brian Carrick | 324 | 25 | 6 | - | - | 355 | |
| Tanya Mills**** | 116 | 11 | - | 29 | - | 156 | |
| Rimu Nelson | 259 | 33 | 6 | - | - | 298 | |
| Sally Frazer | 336 | 42 | 7 | - | - | 385 | |
| Tim Hogan | 306 | 47 | 8 | - | - | 361 | |
| Natasha Patterson***** | 234 | 19 | - | 19 | - | 272 | |
| Julie Whitcombe | 374 | 24 | 10 | - | - | 408 | |
| Anna Eves***** | 68 | 5 | 3 | - | - | 76 | |
| TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION | 3,132 | 287 | 47 | 211 | - | 3,677 | |

*Appointment expiry effective 17 December 2021

**Resigned effective 5 November 2021

***Resigned effective 25 September 2021

****Resigned effective 1 December 2021

*****Resigned effective 16 April 2022

*****Chief People Officer effective 16 April 2022

| 30 JUNE 2021 | SHORT-TERM EMPLOYEE BENEFITS | POST- EMPLOYMENT BENEFITS | LONG-TERM BENEFITS | | | |
|--|---|--|------------------------------------|-----------------------------------|--|-----------------|
| NAME | CASH SALARY \$'000 | SUPERANNUATION \$'000 | LONG SERVICE LEAVE \$'000 | TERMINATION BENEFITS \$'000 | NON- MONETARY BENEFITS \$'000 | TOTAL \$'000 |
| DIRECTORS | | | | | | |
| Jacqueline Walters | 134 | 13 | - | - | - | 147 |
| Tracy Dare | 79 | 7 | - | - | - | 86 |
| Ivor Frischknecht | 79 | 7 | - | - | - | 86 |
| Paul Venus | 78 | 7 | - | - | - | 85 |
| Laurene Hull | 78 | 7 | - | - | - | 85 |
| OTHER KEY MANAGEMENT PERSONNEL | | | | | | |
| Maia Schweizer | 645 | 23 | 6 | - | - | 674 |
| Graham Yerbury | 391 | 23 | 4 | - | - | 418 |
| Tanya Mills | 393 | 23 | 35 | - | 1 | 452 |
| Sally Frazer | 310 | 40 | 2 | - | - | 352 |
| Tim Hogan | 310 | 50 | 192 | - | - | 552 |
| Natasha Patterson | 302 | 23 | 2 | - | 1 | 328 |
| Julie Whitcombe | 35 | 3 | - | - | - | 38 |
| Nicholle Duce | 46 | 13 | - | 108 | - | 167 |
| TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION | 2,880 | 239 | 241 | 108 | 2 | 3,470 |

28. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| COMMITMENTS - CAPITAL | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | | |
| Within one year | 77,998 | 55,105 |
| Later than one year but no later than five years | 21,554 | 31,784 |
| Greater than five years | - | - |
| TOTAL - PROPERTY, PLANT AND EQUIPMENT | 99,552 | 86,889 |

Capital commitments include contractual commitments to build, own and operate CleanCo's own 103MW wind farm of 18 turbines.

(b) Leases

On 28 February 2021, CleanCo terminated its property lease at 12 Creek Street, Brisbane, Queensland 4000 with the Department of Housing and Public Works (DHPW).

This lease was outside the scope of AASB 16 Leases because DHPW has substitution rights with respect to the non-specialised commercial office accommodation under the Queensland Government Accommodation Office's (QGAO) Office Accommodation Management Framework. Costs relating to this arrangement are treated as an operating lease when incurred.

29. RELATED PARTY TRANSACTIONS

Transactions with related parties

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| REVENUE | | |
| Interest received on advance facility from QTC | 322 | 70 |
| Electricity trading with State of Queensland controlled entities | (26,801) | (2,459) |
| Other income from State of Queensland controlled entities | 132 | - |
| EXPENSES | | |
| Finance expenses paid to QTC | (472) | (246) |
| Costs paid to State of Queensland controlled entities | (6,038) | (5,638) |
| NTER received/(paid) to Queensland Treasury | (14,815) | 2,237 |

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| ASSETS | | |
| Advances facility held with QTC | 21,610 | 87,260 |
| Electricity trading with State of Queensland controlled entities | 16,019 | 283 |
| Other receivables from State of Queensland controlled entities | 28 | - |
| LIABILITIES | | |
| Trade and other payables to State of Queensland controlled entities | 1,597 | 1,194 |
| Electricity Trading with State of Queensland controlled entities | 72,120 | 6,090 |
| Borrowings from QTC | 642,135 | - |
| EQUITY | | |
| (Distribution to owners) | - | (937) |

Parent entities

The ultimate controlling entity is the State of Queensland which owns 100 per cent of the shares of the Company.

Transactions with shareholding Ministers

There were no transactions with the shareholding Ministers.

During the prior year, the transitional services agreements that facilitated the transfer of the foundation assets from CS Energy Limited and Stanwell Corporation expired, and the remaining assets and liabilities were transferred to the Company on 1 November 2020. This had been recognised as a Distribution to owners.

Transactions with key management personnel

Transactions with entities related to key management personnel occur on terms and conditions that are no more favourable than those available, or that might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

There were no transactions with key management personnel other than the compensation disclosed in note 27.

Transactions with other related parties

All State of Queensland controlled entities meet the definition of a related party in accordance with AASB 124 *Related Party Disclosures*. The Company transacts with other State of Queensland controlled entities as part of its normal operations on terms equivalent to those that prevail in arm's length transactions.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. The advance facility with QTC had an average interest during the period of 0.51 per cent to 1.05 per cent.

30. JOINT ARRANGEMENTS

The Company has a joint operating agreement in the Kogan North Joint Venture, operating in Australia. The principal activities of the joint operation are the exploration and production of gas. The Company has an interest of 50 per cent as at 30 June 2022 (30 June 2021: 50 per cent), which is equal to the proportion of voting power held.

31. EVENTS AFTER THE REPORTING PERIOD

On 1 July 2022, the working capital facility balance was refinanced with a Variable Rate Loan facility established with a limit of \$700 million. The Company retains access to its working capital facility, with a limit of \$150 million.

Apart from the above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

32. CONTINGENT ASSETS AND LIABILITIES

Swanbank E AVR failure - insurance recovery

The Company has Property and Business Interruption Insurance to cover the repair costs and shortfall in gross profits caused by the interruption to the business from insured events.

The Company is currently in the process of preparing a claim for an undetermined amount for the loss of gross margin at Swanbank E due to an AVR failure on 20 December 2021. The replacement AVR has been installed at Swanbank E and the plant is currently undergoing commissioning and testing in advance of its scheduled return to service on 6 September 2022. The amount that the Company may be able to recover cannot be reliably estimated at the time of this report.

AEMO market intervention

In accordance with the National Electricity Rules, AEMO intervened in the operation of the National Electricity Market in June 2022 (intervention period). The direction was necessary to maintain the power system in a reliable operating state. Under this directive, CleanCo was also asked to operate Wivenhoe Power Station as directed by AEMO during the intervention period. Under the 'intervention pricing' rules, CleanCo may be eligible for compensation from AEMO for the loss of revenue from Wivenhoe Power Station during the intervention period as the operating profile of the power station was changed.

The Company had no contingent liabilities at 30 June 2022 and 30 June 2021.



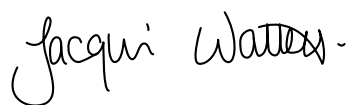
DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 8 to 56 are in accordance with the *Corporations Act 2001* and *Government Owned Corporations Act 1993 (GOC Act)* including:
 - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Directors



JACQUELINE WALTERS
CHAIR
25 August 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of CleanCo Queensland Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of CleanCo Queensland Limited (the company).

In my opinion, the financial report:

- a. gives a true and fair view of the company'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 statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of *Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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.

Assessment of the Board of Directors' Going Concern Basis of Accounting

Refer to Note 1(b) in the financial report.

| KEY AUDIT MATTER | HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|--|
| <p>As at 30 June 2022 the company had a net liability of \$174.6 million, a net current asset deficiency of \$463.8 million and for the year then ended a comprehensive loss of \$401.5 million and operating cash outflows of \$663.5 million.</p> <p>The assessment as to the ongoing appropriateness of the going concern basis of accounting is a matter of significant judgement and estimation, in addressing uncertainties that existed at year end.</p> <p>Disclosed in Note 1(b), management and the Board of Directors have determined that the going concern basis of accounting remains appropriate as the uncertainties are addressed based on the following:</p> <ul style="list-style-type: none"> • Debt refinancing of the current working capital facilities to incorporate a variable rate loan facility as detailed in Note 31. • The continued ongoing liquidity support by way of an Eligible Undertaking between the company and its financier, Queensland Treasury Corporation as detailed in Note 1(b). • Net positive forecast cashflows from operations for a period of 18 months from 1 July 2022. The estimating of future cash inflows and outflows is based on: <ul style="list-style-type: none"> - electricity demand and available generation - wholesale electricity prices - planned plant retirements. • Committed equity injections from Queensland Treasury to support capital and asset investment for the next 12 months. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process flows and key controls associated with the preparation of the cashflow forecasts • testing the design and implementation of identified manual controls associated with the cashflow forecasts • understanding the terms and conditions of the existing Eligible Undertaking between the company and Queensland Treasury Corporation • evaluating the scope, competency, capability and objectivity of management's external expert used to provide the key assumptions adopted by management. These assumptions included forecast electricity price, demand and generation as well as assumptions in relation to pricing mechanisms • challenging management's adopted assumptions by making comparison against independent key assumptions with reference to externally published data in relation to forecast electricity demand, price and generation • performing sensitivity analysis around the forecasted cash flows and assumptions therein, including the timing of significant cash flows • testing the mathematical accuracy of the cash flow forecasts • assessing the reasonableness of the cash flow forecasts relative to Board approved corporate plans and other relevant supporting information • comparing the forecast timing and cost of capital expenditure against the approved Corporate Plan • assessing the appropriateness of the disclosures included in Note 1(b) to the financial statements. |

Measurement of derivative financial instruments and designation of hedging instruments

Refer to Note 24 in the financial report.

| KEY AUDIT MATTER | HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|---|
| <p>Accounting for derivative financial instruments is inherently complex. Key factors contributing to this complexity include:</p> <ul style="list-style-type: none"> • Use of internal valuation models in the company's estimation of the fair value of the following financial instruments: <ul style="list-style-type: none"> - Power Purchasing Agreements (PPAs) - Over-the-counter derivatives • These models are complex and use key inputs such as: <ul style="list-style-type: none"> - Long term forward prices - Generation forecasts - Discount rates • They often involve significant judgement due to the absence of observable market data for some assumptions. • The company's application of hedge accounting involves judgements about the company's forecast generation and retail profile to monitor on-going hedge effectiveness for compliance with the specific requirements of AASB 9 <i>Financial Instruments</i>, in respect of legacy hedge accounted instruments. | <p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process flows and key controls associated with the measurement of derivative financial instruments and designation of hedging instruments • testing the design and implementation of identified manual controls associated with the measurement of derivative financial instruments and designation of hedging instruments • obtaining an understanding of the valuation models, and assessing their design, integrity, and appropriateness with reference to common industry practices • challenging management assumptions used in the valuation process and assessing the reasonableness of long-term electricity prices, forecast generation and discount rates, in comparison to independently sourced external market data, and market conditions at year end, the company's generation activities and energy trading policy • obtaining an understanding of and assessing the separation between instruments that were captured under the previous policy of hedge accounting from instruments entered into post the cessation of hedge accounting by the company • for a sample of derivatives, agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the company based on our understanding of generally accepted derivative valuation practices • in respect of the company's legacy hedge accounted instruments, assessing its hedge accounting process for compliance with accounting standards, including reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness • for cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring with reference to forecast generation • assessing the appropriateness of the disclosures included in Note 24 to the financial statements. |

Measurement of provision for restoration, rehabilitation and decommissioning

Refer to Note 20 in the financial report.

| KEY AUDIT MATTER | HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|---|
| <p>As at 30 June 2022, the company has provisions of \$82.6 million for restoration, rehabilitation and decommissioning relating to its generation assets, inclusive of Kogan North Joint Venture gas wells.</p> <p>The measurement of these provisions required significant judgments in:</p> <ul style="list-style-type: none"> assessing the company's obligations under current environmental, regulatory and legal requirements to determine the activities requiring inclusion in the provision estimate estimating the quantum (in today's dollars) and timing of future costs for restoration, rehabilitation and decommissioning activities determining appropriate rates for annual cost escalation and to discount the forecast costs to their present values. <p>CleanCo determines its estimate of the provision using a combination of external expert advice and internal assessments.</p> | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> obtaining an understanding of the process flows and key controls associated with the provision for restoration, rehabilitation and decommissioning testing the design and implementation of identified manual controls associated with the provision for restoration, rehabilitation and decommissioning evaluating the scope, competency, capabilities and objectivity of the external experts used by the company to provide the estimated costs of rehabilitation testing the mathematical accuracy of the discounted cash flow model used to measure the provision evaluating the completeness of sites provided for through examination of the company's operating sites, external expert advice and relevant environmental and regulatory requirements evaluating the quantum (in today's dollars) and timing of estimated future costs for reasonableness, having regard for the company's external expert reports and other relevant internal and external supporting documentation evaluating the costs of rehabilitation and decommissioning to date and comparing these to estimates to assess reasonableness evaluating whether annual cost escalation factors and discount rates were within a reasonable range with reference to market and industry research assessing the appropriateness of disclosures included in Note 20 to the financial statements. |

Recoverability of deferred tax assets

Refer to Note 23 in the financial report.

| KEY AUDIT MATTER | HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| <p>The company has recognised \$213.6 million of net deferred tax assets as at 30 June 2022, which includes the recognition of available tax losses of \$94.6 million as disclosed in Note 23.</p> <p>AASB 112 <i>Income taxes</i> requires deferred tax assets resulting from deductible temporary differences and unused tax losses to be recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.</p> <p>Significant judgement is required to:</p> <ul style="list-style-type: none"> • evaluate the availability of tax losses, and • evaluate projections of future taxable profit. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process flows and key controls associated with the recoverability of deferred tax assets • testing the design and implementation of identified manual controls associated with the recoverability of deferred tax assets • evaluating the availability of tax losses with reference to relevant tax legislation • evaluating the scope of work undertaken by management's expert and the ability to use it as audit evidence • challenging the appropriateness of management's estimation of future taxable profit and assessing whether these estimates were consistent with the forecasts used as part of the impairment assessment • assessing the appropriateness and mathematical accuracy of the deferred tax calculation prepared by management in terms of relevant accounting standards and tax legislation • assessing the appropriateness of the disclosure included in Note 23 to the financial statements. |

Carrying value of generation assets

Refer to Note 13 in the financial report.

| KEY AUDIT MATTER | HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| <p>The company held property, plant and equipment totalling \$124.2 million and is principally comprised of power generation assets.</p> <p>As outlined in Note 13 the recoverable amount of these assets is estimated using a discounted cash flow model that requires management to exercise significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets, the most significant of which included:</p> <ul style="list-style-type: none"> • allocating assets to cash generating units • estimating future cash inflows and outflows based on: <ul style="list-style-type: none"> - electricity demand and available generation - wholesale electricity prices - capital and operating expenses - planned plant retirements • determining the rate used to discount the forecast cashflows to their present value. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process flows and key controls associated with the carrying value of generation assets • testing the design and implementation of identified manual controls associated with the carrying value of generation assets • evaluating whether the cash generating units used by management are consistent with the company's internal reporting and our understanding of the business • obtaining an understanding of the key controls associated with the preparation of discounted cash flow models used to assess the recoverable amount of the company's generation assets • evaluating the scope, competency, capability and objectivity of management's external expert used to provide the key assumptions adopted by management. These assumptions included forecast electricity price, demand and generation as well as assumptions in relation to pricing mechanisms • challenging management's adopted assumptions by making comparison against my own independent key assumptions with reference to externally published data: <ul style="list-style-type: none"> - forecast electricity demand, price and generation; - discount rate • performing sensitivity analysis around the forecasted electricity demand, price and generation • testing the mathematical accuracy of the discounted cash flow models and its appropriateness with reference to the requirements of the accounting standards • assessing the reasonableness of the cash flow forecasts relative to Board approved corporate plans and other relevant supporting information • comparing the forecast timing and cost of capital expenditure against the approved corporate plan • comparing the timing of planned plant retirement with the expected operational lives of the plants • assessing the accuracy of management's forecasts by comparing 2022 budgets to actual results • assessing the appropriateness of the disclosures included in Note 13 to the financial statements. |

Other information

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

Those charged with governance are responsible for the other information.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

IRSHAAD ASIM

25 August 2022



CONTACT US

Registered office:

140 Creek Street, Brisbane, 4000

Email:

info@cleancoqld.com.au

Website:

www.cleancoqueensland.com.au

ABN 85 628 008 159

[in linkedin.com/company/cleancoqld](https://www.linkedin.com/company/cleancoqld)

[f facebook.com/CleanCoQLD](https://www.facebook.com/CleanCoQLD)

[@ instagram.com/cleancoqld](https://www.instagram.com/cleancoqld)

twitter.com/CleancoQ