cleanco
queensland

2019/2020

ANNUAL REPORT

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ABOUT THIS REPORT

CleanCo recognises that we have a responsibility to our shareholders, customers, communities, Queenslanders and other stakeholders to provide accurate and transparent reporting about our strategy, performance and challenges.

Last year, our first Annual Report centred on the creation of CleanCo. Our 2020 (FY20) Annual Report focuses on the commencement of trading and our financial performance. Looking ahead, our FY21 report will examine our first full year of asset operations and project development. Our business is advancing rapidly.

This report has been prepared based on the principles of the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework to illustrate holistically the interrelated elements which enable us to create value for our shareholders, customers and communities over time.

We recognise that we are beginning our journey as an organisation. In this report we start to build a baseline from which we can compare progress year-on-year as CleanCo matures.

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 FY20 compiled in accordance with Australian Accounting Standards.

The electronic version of this and last year's report is available online at **www.cleancoqueensland.com.au**

OUR STORY SO FAR

Tomorrow will be cleaner, greener, brighter.
Fuelled by renewable energy. Driven by vision and innovation.

Tomorrow, less will be more. We will measure success not by what we collect but the lightness of our footprints.

Tomorrow will bring more competition.
More savings. More choice. And more tailored solutions, to support our commercial and industrial customers.

But we're not waiting for tomorrow. We are creating it, today.

We're a new name in renewable energy. Making life better for generations to come.

We are CleanCo. And we're generating a cleaner Queensland.

2018

OCTOBER

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

DECEMBER

CleanCo designated as a Government Owned Corporation. Jacqui Walters appointed Chair and Ivor Frischknecht and Tracy Dare appointed Non-Executive Directors

2019

JUNE

CleanCo's application for registration as an Intending Participant in the National Electricity Market (NEM) takes effect

SEPTEMBER

Maia Schweizer appointed permanent Chief Executive Officer

OCTOBER

CleanCo takes ownership of its foundation assets and commences trading in the NEM

DECEMBER

Paul Venus and Laurene Hull appointed Non-Executive Directors

2020

MARCH

CleanCo announces it will build, own and operate the 102MW Karara Wind Farm

MARCH

CleanCo announces it has agreed to purchase 400MW of new renewable energy from ACCIONA's MacIntyre Wind Farm project

MARCH

Executive leadership team finalised

MAY

CleanCo announces it has agreed to purchase 320MW of new renewable solar energy from Neoen's Western Downs Green Power Hub

OUR PERFORMANCE HIGHLIGHTS

CleanCo took ownership of **five flexible, responsive foundation assets,** obtained our Australian Financial Services Licence and **commenced trade** in October 2019

CleanCo **generated 1,236,146MWh** of reliable, low-emission energy between October 2019 and June 2020

CleanCo dispatched its portfolio at a capacity of 27.6% during summer 2020 which was a **58% improvement** on 2019. The additional generation during peak contributed to **improved electricity affordability** for customers

CleanCo obtained Retailer Authorisation in February 2020 and can now engage with **commercial and industrial customers** to tailor reliable, clean energy solutions

CleanCo will build, own and operate the **102MW Karara Wind Farm**

CleanCo will buy **400MW of wind energy** from the MacIntyre Wind Farm from 2024 under a long-term power purchase agreement

CleanCo is supporting the Western Downs Green Power Hub by buying **320MW of solar energy** from 2022 under a long-term power purchase agreement

CleanCo's investment in these new renewable energy projects will support over **1000 jobs in regional Queensland**

New renewable projects supported by CleanCo will inject more than **$500 million into regional Queensland economies**

MESSAGE FROM OUR CHAIR

JACQUI WALTERS

I am proud to present CleanCo's Annual Report for the financial year ended 30 June 2020. This is the first annual report since CleanCo took ownership of our foundation assets and entered the NEM in October 2019.

Thank you

We have achieved our establishment milestones and are now preparing to welcome our asset teams and take full responsibility for operations. I would like to thank everyone who has contributed to the establishment and early growth of CleanCo: our interim Executives, our permanent Executive Leadership Team, all of our people both current and past, and our colleagues from the Queensland Treasury and the Department of Natural Resources, Mines and Energy. I would also like to sincerely thank my fellow Directors who have shown significant commitment to the success of CleanCo and who have provided valuable guidance to me and the management team through the establishment phase.

I also want to acknowledge and thank the teams at Stanwell and CS Energy for the help and support they continue to provide as we prepare to take on operations of our foundation assets.

Reliability proven through COVID-19

CleanCo, like organisations the world over, has had to adapt to changes brought on by the COVID-19 pandemic. I would like to recognise the commitment our people have shown through these often difficult times.

As an essential service provider, we have continued to utilise our low-emission generation portfolio to ensure the reliability of Queensland's energy supply. I thank our asset operators Stanwell and CS Energy who rapidly modified their workplace practices for the health and wellbeing of frontline team members ensuring there was no interruption to the operations of our generating assets.

In light of the economic impact of COVID-19 and in line with the position held by the Queensland Government, no performance payments have been made to CleanCo's CEO or senior executives for FY20.

Affordability

The flexibility and responsiveness of our assets allowed us to dispatch during peak demand. This included throughout summer, when electricity prices were higher, to increase competition in the wholesale electricity market and contribute to improved electricity affordability for Queenslanders.

Sustainability

In FY20 we underpinned investment in significant renewable energy projects for Queensland. We committed to our first 'build, own and operate' project - the 102MW Karara Wind Farm – located west of Warwick. As a result of the Queensland Government's R400 reverse auction process, CleanCo entered into a Power Purchase Agreement (PPA) with ACCIONA for 400MW from the MacIntyre Wind Farm. We have also entered into a PPA with Neoen to purchase 320MW of solar energy from the Western Downs Green Power Hub.

These investments will deliver 822MW of new renewable energy for Queenslanders, contributing to the Queensland Government's 50 per cent renewable energy target for 2030.

Jobs and Economic Recovery

Our investments in Queensland's renewable energy sector will support the economic recovery of communities in regional Queensland.

Combined, the Karara Wind Farm and offtakes from the MacIntyre Wind farm and Western Downs Green Power Hub will support the creation of over 1000 jobs and see more than $500 million invested in regional Queensland.

CleanCo's 102MW Karara Wind Farm will generate jobs and investment in south-west Queensland not only through the construction phase but also over the long-term through operations and maintenance activities.

CleanCo will also support Queensland industries through the provision of reliable, renewable energy at a competitive price.

Looking ahead

In September 2019, we welcomed Dr Maia Schweizer as CleanCo's inaugural CEO. Maia and the leadership team bring a wealth of diverse experience and capability to CleanCo and are building a contemporary, lean and customer-focused organisation.

> We look forward to a productive year ahead as we attract new customers, welcome our newest team members, take on asset operations and commence construction of the Karara Wind Farm. We will continue to build relationships with the Traditional Owners and stakeholders in our host communities.

We, our communities and our customers will continue to face challenges related to the pandemic, including difficult and volatile market conditions. CleanCo's flexible assets are better positioned than most to ride out the storm.

We will continue to work with our shareholders, industry colleagues and others to ensure we achieve the common goal of delivering reliable and sustainable energy at the lowest cost for our customers to enhance the economic outlook for Queensland and for the benefit of all Queenslanders.

MESSAGE FROM OUR CEO

MAIA SCHWEIZER

At CleanCo we have the privilege and the opportunity to set up a new, nimble organisation poised to help Queensland grasp the opportunities inherent in delivering affordable, reliable clean energy for all Queenslanders.

Our ambition is to ensure that Queensland translates the advantages in its bountiful renewable resources - sun, wind and water - into globally competitive energy costs. This will support our existing industries and attract new ones, and the jobs they bring with them. We have passed a tipping point where renewable energy, once it has been "firmed" by our foundation assets to cover the times when the sun does not shine and the wind does not blow, is cost competitive. And, the cost of reliable, firmed renewable energy will only fall further over time.

Plentiful, affordable clean energy will unlock the next horizon of Queensland's growth and prosperity as well as support our short-term economic recovery. Our foundation assets are perfectly complementary to wind and solar resources. Our four hydro power stations and Swanbank E gas power station can ramp up in minutes and do not depend on variable weather conditions to be able to dispatch. This makes them ideal assets to firm wind and solar resources and offer usable, reliable clean energy to commercial and industrial customers. Their flexibility also means we can contribute generation capacity in peak periods to put downward pressure on pricing.

We started the financial year focused on building our trading capabilities and earning our licenses to take ownership of our assets on 31 October 2019. Since then we have been building our operations capabilities and preparing to welcome the asset teams into CleanCo. I am grateful to everyone who has been involved in establishing CleanCo and forming the foundations from which we will grow. We are building a strong team guided by our values, and aspire to mirror the diversity of the State we serve.

Our nimbleness was put to the test when we, like many others, closed our Brisbane site in March. With the support of Stanwell and CS Energy our sites continued operating safely and reliably, while our office-based staff continued our critical work without missing a beat. We welcomed new colleagues remotely, became adept at online collaboration, and successfully designed and implemented a new enterprise resource planning system on time and on budget despite the disruption of the pandemic. Our trading strategy served us well in a challenging and volatile market. We put downward pressure on pricing and used financial instruments to manage our risks as well as to help others in the market manage theirs. The health, safety and wellbeing of our people remains our priority as we navigate reopening the Brisbane site and recommence travel to our assets.

In the year ahead CleanCo will continue taking shape as our asset-based people join us and our functions and capabilities mature. We are attracting commercial and industrial customers who are seeking to decrease their own carbon footprints, using our large-scale renewable projects and foundation assets to offer electricity agreements at competitive prices. With our small size and customer-focused culture, we will continue to tailor our offerings to the specific needs of our customers.

We are looking forward to breaking ground on a new generation asset owned by the people of Queensland - the 102MW Karara Wind Farm west of Warwick. This project promises to bring employment, supply chain, and broader economic benefits to a region struck by drought. We will also develop our first enterprise strategy which will focus on how we work with communities, our peers, the private sector, and other organisations to support Queensland to prosper through the energy transition.

CleanCo has achieved a lot in a short period of time - from our establishment to our commitment to invest in over 800MW of new renewable capacity for Queensland. While the road ahead through COVID-19 recovery and the energy transition will be challenging, Queenslanders have many reasons to be optimistic - and the prize of growth powered by plentiful, reliable, affordable clean energy is worth the effort.

OUR PURPOSE

CleanCo Queensland is a state-owned energy generator and retailer dedicated to providing clean energy solutions for our customers.

We have a mandate to increase competition, placing downward pressure on wholesale energy prices and improving electricity affordability. We use our assets to support secure and reliable electricity generation for Queensland businesses, and we are creating new investment and jobs in regional Queensland.

CleanCo owns 1,100MW of low-emission generation assets, including Queensland's only pumped storage hydroelectric generator at Wivenhoe Dam. We are also looking to bring at least another 1,000MW of renewable projects to market in Queensland by 2025 through building new assets and buying offtakes from new renewable energy projects.

Through our investments in Queensland's renewable energy industry, we will support achieving the Queensland Government's 50 per cent renewable energy target by 2030.

We are developing CleanCo's enterprise strategy and will report against this in FY21.

OUR VALUES

At CleanCo we are:

GENUINE

We **care** about each others' 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 and design for 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?"**

THE ENERGY CHARTER

The Energy Charter

CleanCo is a proud signatory to The Energy Charter.

With the vision that *Together, we will deliver energy for a better Australia,* The Energy Charter endeavours to progress the culture and solutions required to deliver more affordable, reliable and sustainable energy system for all Australians in line with our community's expectations.

The Energy Charter has five principles to which signatories commit:

1. We will put customers at the centre of our business and the energy system.
2. We will improve energy affordability for customers.
3. We will provide energy safely, sustainably and reliably.
4. We will improve the customer experience.
5. We will support customers facing vulnerable circumstances.

We know consumers are concerned about the cost of their energy use. We have also observed the commercial and industrial sectors searching for efficiencies to reduce the costs of doing business and achieve their own decarbonisation targets. We believe if we build our business around driving affordability and work with service providers across the supply chain to provide reliable renewable-backed products tailored to commercial and industrial customers, we will achieve our purpose and enable the growth of Queensland's heartland industries.

In operating our assets and building the Karara Wind Farm, we have a responsibility to meet the expectations of our host communities and deliver benefits for the broader community, including the Traditional Owners of the land on which we operate.

In FY21, our focus will be on embedding customer and community centricity in our organisational DNA and integrating external considerations into our systems and processes. We are committed to establishing a baseline this year so that we can measure and report on our performance as we grow. As part of CleanCo's commitment to The Energy Charter, we will deliver our public disclosure in September 2020 outlining how we are delivering against these principles.

HOW WE CREATE VALUE

To create value for Queensland, we will increasingly depend on various forms of capital.

We have adapted the IIRC Framework to identify our business value drivers that will underpin our reporting.

OUR OPERATING ENVIRONMENT

Our dynamic operating environment presents risks and opportunities for the way we create and capture value for our organisation and for our stakeholders.

The transition to a low carbon future is changing markets, influencing stakeholder expectations and shifting customer needs. We need to ensure that our activities keep pace with energy regulatory reforms and aid energy reliability and sustainability.

We also have a mandate to create regional economic and employment opportunities. As we build our projects and operate our assets, we must meet the expectations of our host communities and honour our responsibility to the protected environments in which we operate. We must ensure that we use assets and our investments to sustainably support our communities and improve, or at least maintain, our natural environments.

In FY20 COVID-19 caused additional volatility in the energy market. With the pandemic impacting the way people live and industries operate, we have observed changes to supply, demand and wholesale prices.

The challenges presented by COVID-19 are far-reaching, affecting our customers and our communities. Where appropriate, CleanCo has offered rent relief to leasees and worked to support other stakeholders during this time of economic hardship. In line with CleanCo's purpose, we are continuing to operate our assets to place downward pressure on wholesale prices and improve electricity affordability for all Queenslanders. Our commitments to new renewable energy projects will also support economic recovery in Queensland's regions.

OUR PERFORMANCE IN 2019/20

CleanCo's Statement of Corporate Intent (SCI) for FY20 outlined six milestones for the year. Our performance against these milestones is provided in Table 1.

Table 1: CleanCo performance against FY20 SCI milestones

Milestone	Status	Details
Begin the process of building, owning and operating a renewable asset, including developing the business case and seeking Government approval to progress	Complete	CleanCo received shareholding Ministers' approval to build, own and operate the 102MW Karara Wind Farm adjacent to ACCIONA Energy's MacIntyre Wind Farm, and executed a Heads of Agreement for the transaction. With shareholding Minister approval, CleanCo also successfully concluded the R400 process with a long-term power purchase agreement (PPA) with ACCIONA Energy for a 400MW offtake from the MacIntyre Wind Farm. CleanCo also executed a 320MW long-term solar PPA for offtake from Neoen's Western Downs solar farm.
Develop and implement systems, policies and procedures necessary to operate the business effectively and efficiently	On target	Systems, policies and procedures are in place to ensure compliance and risk management in trading operations. CleanCo is continuing to develop other business systems and processes to support operations after exiting the Transitional Services Agreements (TSAs) with CS Energy and Stanwell later in 2020. CleanCo has successfully implemented an Enterprise Resource Planning system, going live on 1 July 2020 in readiness for the transition of operations in August 2020.
Obtain relevant licences and authorisations to operate in the NEM and financial markets	Complete	CleanCo received its retail license on 28 February 2020 having previously secured all other required authorisations to operate in the NEM. CleanCo's initial focus will be on retailing to large commercial and industrial customers in Queensland.
Undertake stakeholder consultation with affected employee representatives through the Queensland Treasury Industrial Relations Working group to address CleanCo specific implementation issues	On target	CleanCo is continuing to undertake consultation with affected employee representatives to address implementation issues and facilitate the transition of Asset Operations Teams from CS Energy and Stanwell.
Work with shareholding Ministers to finalise the arrangements for the transfer of the foundation assets	Complete	CleanCo completed the transfer of asset ownership from CS Energy and Stanwell on 31 October 2019 and commenced dispatching generation into the NEM on the same day.
Recruitment of senior management team	Complete	Recruitment of the Executive Leadership team was completed in March 2020 with the appointment of the General Manager Asset Operations. The General Manager Strategy and Development role will remain vacant while the Executive Leadership Team (ELT) works with external advisors to develop its inaugural enterprise strategy and assess the future requirements for this role.

Table 2: CleanCo performance against SCI targets

MEASURE	FY 2020	FY2020 SCI	FY2019
Electricity Dispatched (sent out GWh)[1]	1,236.15	-	0.00
Gross Profit ($M)[2]	51.18	68.6	0.00
EBITDA ($M)	(49.70)	1.1	(8.29)
EBIT ($M)	(69.40)	(33.3)	(8.29)
NPAT ($M)	(49.60)	(26.4)	(1.07)
Net cashflow[1]	(19.85)	(67.8)	20.78
Capital Expenditure Cashflow ($M)[3]	(46.14)	(223.8)	(0.06)
Full-Time Equivalent Staff	68	89	3
Total Recordable Injury Frequency Rate	-	-	-
Reportable Environmental Breaches	-	-	-

Note: Trading commenced on the 31 October 2019

[1]Included as measures additional to the 2019-20 SCI targets

[2]EBITDA includes the non-cash impairment of Swanbank E of $35.5M

[3]The FY20 SCI assumed start of construction of a renewable generator during the year, now commencing in FY21

In FY20, Queensland had its lowest average daily demand (6,161MW) since FY15, when Queensland's Liquefied Natural Gas (LNG) industry began production in earnest. However, Queensland's maximum half-hourly demand over FY20 has remained consistent with the last few years.

Demand fell across the second half of FY20 with retail, commercial and industrial loads affected by COVID-19 related restrictions, partially offset by increased residential consumption as people stayed home during the initial phases of the COVID-19 pandemic in Australia.

The aggregate impact has been a reduction in overall demand and some changes in the daily demand profile. In Queensland the greatest reductions in demand of 8 to 9 per cent were observed on weekday mornings.

COVID-19 impacts have exacerbated ongoing reductions in Queensland's daytime demand due to increasing penetration of rooftop photovoltaic (PV). Daytime demand decreased 250MW on average between FY19 and FY20.

Together, the impacts of PV penetration and COVID-19 demand reduction pushed demand 4 per cent down in the final quarter relative to last year.

Gas prices have also fallen and contributed to lower electricity price outcomes. Previously stable at around $8/GJ, the price of gas has fallen across FY20 with the final quarter averaging below $4/GJ in the short-term trading market in Queensland.

With the fall in demand, declining gas prices and increasing renewables in Queensland, the average time weighted pool price (TWPP) in Queensland has fallen by 33 per cent from FY19 to FY20, the lowest since FY15 at $53.41/MWh.

In line with our mandate, CleanCo's activities have contributed increased supply to the market during times of peak demand and subsequently decreased prices for customers.

OUR CUSTOMERS

We partner exclusively with large commercial and industrial energy customers in Queensland.

CleanCo secured retailer authorisation in February 2020, enabling us to sell electricity directly to end users.

Since then, we have been working with large commercial and industrial energy customers in Queensland to develop solutions tailored to meet their specific energy requirements.

We will continue to focus on establishing customer relationships throughout FY21 to make the most of our new renewable energy generation coming online from 2022.

In FY20, we have committed to buy energy from two large-scale new renewable energy projects. We will use these projects, combined with our own assets, to provide our customers with firmed renewable energy solutions.

MACINTYRE WIND FARM - PPA

As a result of the Queensland Government's Renewables 400 initiative, CleanCo has entered into an agreement with ACCIONA Australia to purchase 400MW of new renewable energy generated by the MacIntyre Wind Farm.

Once built, the MacIntyre Wind Farm will be Australia's largest onshore wind farm, generating 923MW of new renewable energy for Queensland.

ACCIONA will establish a Community Enhancement Program to strategically deliver additional value to the local region over the life cycle of the project.

Combined with the Karara Wind Farm, CleanCo's investment in the MacIntyre Wind Farm will deliver 500MW of new renewable energy for our customers.

Combined, these projects will generate enough energy to power 700,000 Queensland homes.

WESTERN DOWNS GREEN POWER HUB - PPA

CleanCo has entered into an agreement with Neoen to purchase 320MW of new renewable energy generated by Australia's largest solar farm.

The Western Downs Green Power Hub, to be built 22km south east of Chinchilla, will generate 400MW of new renewable energy for Queensland.

The project will support up to 400 local jobs and generate significant investment in regional Queensland, maximising the use of local suppliers in the region.

Neoen will also establish an annual $100,000 Community Benefit Fund to provide opportunities for local community-building initiatives over the life of the project.

Construction will commence in July 2020, with generation scheduled for early 2022. This project will generate enough energy to power 235,000 Queensland homes.

OUR PEOPLE

Ensuring the safety and wellbeing of our people is our number one priority.

Over the past 12 months, our business has grown rapidly from 3 to 68 permanent team members and we are preparing to in-board a further 65 asset operations team members over the coming months.

We are focused on attracting, developing and retaining the right people to build a safe, contemporary and outcome-driven culture to deliver for our customers and shareholders – the people of Queensland.

We have established four values which are reinforced and celebrated through all aspects of our business. At CleanCo we are **genuine, collaborative, curious** and **courageous**.

SAFETY

COVID-19 response

As an organisation we swiftly responded to COVID-19, closing the Brisbane site and ceasing all travel from mid-March. An Operational Response Team (ORT) was stood up to maintain open communication with team members and support them to establish appropriate working from home arrangements.

To maintain continuity and ensure we could progress CleanCo's objectives, we quickly adapted our recruitment and on-boarding processes, welcoming many new team members remotely and through online communications.

The ORT has been instrumental in developing procedures and protocols for facilitating a safe return to the office. As at 30 June 2020, selected CleanCo team members have returned to the Brisbane office on a part-time basis with remote working arrangements available to our people for the foreseeable future.

Health, Safety and Environment (HSE) Fundamentals

In consultation with our transitioning asset operations teams, we have developed a set of Health, Safety and Environment (HSE) Fundamentals for the whole organisation:

- 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

These HSE principles guide our behaviours to ensure we are genuine in our pursuit of HSE excellence and our HSE Policy objectives. While the HSE Fundamentals align to our operations and risks, they intentionally focus on higher order controls and are relevant for all CleanCo team members.

The safety of our people and the safe operations of our assets is our number one priority.

Our foundation assets were operated on our behalf by Stanwell and CS Energy from 31 October 2019 to 30 June 2020. One team member sustained a work-related injury that resulted in time off work and the requirement for ongoing rehabilitation support.

ORGANISATIONAL STRUCTURE

The CleanCo Executive Leadership Team (ELT) reflects a flat, lean and contemporary structure.

In September 2019 Maia Schweizer was appointed CleanCo's inaugural permanent CEO.

Our organisational functions are:

- Company Secretary, Legal and Governance
- Customers and Energy Markets
- Asset Operations
- Performance, Risk and Finance
- Corporate Sustainability
- Corporate Services

OUR COMMUNITIES

While CleanCo is a new business, we own energy generation assets which have deep roots within the local community.

Relationships between the assets and local communities predominantly reside with the Asset Operations Teams and will transition to CleanCo with the transfer of asset operations in late 2020. The travel restrictions and social distancing measures implemented in response to the COVID-19 pandemic initially slowed down the establishment of relationships between CleanCo and local community representatives. We have adapted our plans to enable us to progressively connect with stakeholders in the communities local to the Karara Wind Farm project and our foundation assets. We will continue to expand our stakeholder engagement in FY21 to ensure we understand and address any concerns, and align the benefits of our activities to complement our communities' needs and aspirations.

Karara Community

CleanCo is partnering with ACCIONA Australia to build the 102MW Karara Wind Farm in south west Queensland as part of the MacIntyre Wind Farm Precinct.

We are working with ACCIONA Australia to undertake a social impact assessment in relation to the entire MacIntyre Precinct, which will involve establishing and engaging with a Community Engagement Committee.

We are looking forward to meeting the Traditional Owners of the land where the wind farm will be built and in the coming year, we will build deeper relationships with our landholders. We are keen to ensure that the socio-economic benefits of the project meet the expectations and complement the interests of the local community.

Jobs and investment in regional Queensland

We are committed to creating jobs and supporting investment in regional Queensland communities. This commitment is particularly significant as the Queensland economy begins to recover following the devastating impacts of COVID-19.

Combined, the Karara Wind Farm and PPAs with the MacIntyre Wind Farm Precinct and Western Downs Green Power Hub will support over 1000 jobs and inject more than $500 million into regional Queensland economies through employing local contractors and purchasing from local suppliers.

We will report on the detail of local engagement and investment from FY21 as the projects progress from the development phase into construction phase.

OUR ASSETS

Our portfolio of energy assets includes power stations which can respond quickly to provide dispatchable, low-emissions energy.

On 31 October 2019, CleanCo took ownership of five foundation generation assets:

Barron Gorge Hydro Electric Power Station (66MW)

Kareeya Hydro Electric Power Station (88MW)

Koombooloomba Hydro Electric Power Station (7MW)

Wivenhoe Pumped Storage Hydro Electric Power Station (570MW)

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

Our portfolio of dispatchable, low-emission assets is our point of difference from most other generators and retailers in Queensland. We operate our assets in line with our objective to firm renewable energy generation and increase competition to put downward pressure on wholesale electricity prices, providing a reliable supply of clean energy at a competitive price for our customers.

Transition of Asset Operations

While the ownership of our foundation assets was transferred on 31 October 2019, operational services continue to be provided by Stanwell and CS Energy under TSAs.

We are currently working with Stanwell and CS Energy to transition operations and asset operations teams to CleanCo:

- 30 August 2020 – Barron Gorge, Kareeya, Koombooloomba and Swanbank E power stations
- 1 November 2020 – Wivenhoe Power Station

CleanCo is using the transition of asset operations to:

- Develop and implement an enterprise resource planning (ERP) system, streamlining systems and processes across the organisation
- Design and implement fit-for-purpose policies and guidelines for the organisation, seeking input from our experienced asset operations teams
- Obtain valuable knowledge and information about our foundation assets and the important relationships they have with the local community.

We remain on track to transition team members and operations in line with the respective TSAs.

In FY21 we will report on the outcome of the transition.

Trading

CleanCo obtained an Australian Financial Services Licence in October 2019 and commenced trading in the NEM on 31 October 2019.

CleanCo has increased the utilisation of our foundation assets. We have focused on operating the Wivenhoe Pumped Storage Hydro effectively, pumping during the middle of the day to soak up excess solar generation and generating during peak demand periods. We have used our combined cycle gas-fired power station, Swanbank E, to translate low gas prices to low cost electricity, particularly during peak periods. By using the assets in this way we are supporting the sustainable delivery of a reliable energy supply.

Since 31 October 2019, our low-emission energy assets have generated 1,236,146MWh into the NEM, contributing to improved energy affordability for Queensland.

We have also built our hedging position, managing market exposures in our own portfolio and sharing the value of our responsive, reliable assets to help others mitigate their exposures.

OUR PROJECTS

CleanCo will deliver 1,000MW of new renewable energy by 2025.

KARARA WIND FARM

CleanCo is partnering with ACCIONA Australia to build, own and operate a new wind farm on behalf of the people of Queensland.

The Karara Wind Farm will form part of ACCIONA's MacIntyre Wind Farm Precinct but will be owned and operated by CleanCo.

Located on 36,000ha of leased land 50km south west of Warwick, the Karara Wind Farm will consist of 18 turbines and generate 102MW of new renewable energy for Queensland.

The MacIntyre Wind Farm Precinct of which this project is part will support up to 400 jobs for Queenslanders and inject more than $500 million into regional Queensland.

The wind farm is ideally located on the network, with a new 64km transmission line to connect the wind farm to the statewide energy grid supporting a further 240 jobs for Queensland.

Early works are expected to commence from mid-2020, with construction to commence in mid-2021 and the entire MacIntyre Precinct to be operational in 2024.

OUR ENVIRONMENT

We acknowledge our responsibility to minimise our environmental footprint. This means sustainably maintaining the environment within which our assets are located, and where possible improving it. It also means making investment decisions which support improved environmental outcomes.

Three of our foundation assets are located in Queensland's precious Wet Tropics World Heritage Area and we are committed to meeting the strict environmental standards which allow us to continue to sustainably use these natural resources to generate renewable energy.

CleanCo is registered under the National Greenhouse and Energy Reporting Scheme and will report on carbon emissions from FY21.

We will continue to develop CleanCo's environmental processes and procedures and establish an environmental baseline as we transition asset operations. We will also report on these in FY21.

We are also undertaking work to establish an appropriate approach for managing cultural heritage matters at our foundation assets as well as new project sites. We will report on our progress in FY21.

OUR SYSTEMS AND PROCESSES

In line with the transition of asset operations, we are implementing a SAP Enterprise Resource Planning (ERP) solution to integrate and streamline our systems and processes across the organisation.

CleanCo's integrated SAP solution will automate processes, amalgamate information from different areas of the business such as Procurement, Asset Management, Finance and Human Resources, and provide ready-made reports and dashboards with detailed insights to help us achieve our vision of being an energy services provider of the future.

User testing is currently underway with the implementation scheduled to be rolled out in stages over the second half of 2020.

OUR FINANCIAL PERFORMANCE

CleanCo's underlying earnings before interest, tax and depreciation (EBITDA) for FY2020 was a loss of $49.7 million which was driven by subdued wholesale electricity prices, also reflecting the effect the COVID-19 pandemic had on energy markets and business operations. Despite the challenging market conditions, CleanCo continued to dispatch its foundation assets to place downward pressure on prices and seek opportunities in the unusual trading conditions.

Combined with weaker trading conditions the net profit after tax (NPAT) loss of $49.6 million also reflects the recognition of a range of accounting adjustments. These include the impact of the non-cash asset impairment of Swanbank E ($35.5 million pre-tax) and the fair value adjustment of the Mahalo investment ($2.9 million pre-tax). Absent these non-cash charges, underlying financial performance was close to the SCI targets for the year.

Cash generated from operations was $26.3 million with the overall cash movement including the net cash margining contribution of $13.7 million in support of exchange traded contracts of $21.9 million.

The balance of CleanCo's advance facility as at 30 June 2020 was $144.2 million.

Capital investment

Cash payments for property, plant and equipment were $46.1 million for FY2020. This included a major overhaul of Swanbank E and implementation of major enterprise resource planning systems required for start of operations.

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.

Our corporate governance and culture are critical foundations to our success. CleanCo's governance arrangements align to the Corporate Governance Guidelines for Government Owned Corporations ('the Guidelines').

We are committed to full implementation of the Guidelines and have put in place all of the recommendations appropriate to our organisational maturity. The governance arrangements established in reference to the Guidelines are set out on the following pages.

1 Principle 1—Foundations of management and oversight

The CleanCo Board Charter defines the roles and responsibilities of the Board and individual Directors, as well as the matters which are delegated to Management. The Governance Policy and the Governance Framework underpin the functions and responsibilities of the Board. The Board is responsible for the Compliance Policy and the Compliance Management Framework that Management applies to business and operational activities.

The Board has approved a suite of policies to enable CleanCo to develop and implement business procedures and ensure compliance. The Board is responsible for the Delegations Policy, and reviews this regularly. This policy sets out the matters reserved to the Board and those delegated to the CEO and CleanCo Management. Specific trading delegations and risk limits are set out in the Energy Markets Risk Management Policy.

The Enterprise Program Management Office (EPMO) is responsible for reporting to the Board and Management on the progress of transition activities, related risks and outstanding issues.

The CleanCo Board Handbook documents the Board members' roles. The CleanCo induction module, delivered through SuccessFactors, provides the appropriate induction processes for all staff, including executives and Board members.

Senior executives and the CEO are assessed by the Board against performance agreements which are tailored for each role and aligned with CleanCo's corporate objectives and key performance indicators (KPIs). The Chief Executive Officer, General Manager Performance Risk and Finance, and General Manager Legal and Governance underwent formal evaluations prior to the end of their probation periods. The evaluations were conducted by an external consultant and included feedback from CleanCo Board Directors and from direct reports for all roles, and from the CEO for the two General Managers. They covered both performance in role and fit with CleanCo's values. CleanCo's approach to performance evaluation incorporates feedback into regular conversations and encourages bilateral feedback between managers and direct reports.

Senior executive and CEO remuneration is determined by the Board in accordance with prescribed principles for GOCs and the Executive Remuneration Policy.

2 Principle 2—Structure of the Board to add value

Directors are appointed to the CleanCo Board by the Governor-in-Council under the GOC Act and are all independent and non-executive. The Board regularly assesses the independence of Directors and all actual, potential or perceived conflicts of interest are required to be declared in accordance with the Conflicts of Interest Policy and managed accordingly.

When assessing whether a conflict exists and the materiality of that conflict (potential, perceived or actual) CleanCo adopts a conservative approach. CleanCo considers the materiality of the relationship between the Company and a Director; as well as any other interest which may impact a Director's independence. When determining if a material relationship exists, the Board reviews the significance of the relationship to the Director in the context of the Director's activities, together with any other relevant factors.

The CleanCo Board is required to have an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively. The Board has a skills matrix for identifying and assessing director skills. CleanCo provides regular director training and an annual program of director professional education is put in place at the beginning of each financial year to be managed by the Company Secretary.

Directors may seek independent professional advice on matters before the Board, after receiving approval from the Chair, at CleanCo's cost. All Directors have access to the CEO and senior executives where additional information is required. Directors are encouraged to contact the CEO or Company Secretary to discuss queries relating to Board meeting materials.

The CleanCo Board Charter requires the Board to conduct an annual self-evaluation of its performance. Independent assessment will be undertaken every two years, with the first review due in 2021. The results of the independent Board evaluation will be provided to shareholding Ministers.

3 Principle 3—Promote ethical and responsible decision–making

CleanCo is committed to the highest standards of conduct and ethical behaviour in its business activities as a GOC and responsible corporate citizen. We embody this commitment through our employee culture and have embedded this approach in relevant policies. In particular, CleanCo has implemented the policies set out below to promote ethical and responsible decision-making:

- Compliance Policy - sets out the company's approach to management of compliance matters.
- Securities Trading Policy - applies to all CleanCo employees or representatives, including senior managers, officers, directors and employees, who are required to undergo training on the Securities Trading Policy.
- Code of Conduct - applies to CleanCo Directors, officers, employees and contractors. The Code of Conduct was developed in accordance with the requirements of the best practice guidance in the GOC Corporate Governance Principles.
- Conflicts of Interest Policy - applies to all CleanCo Directors, officers, employees and contractors.
- Procurement policy – applies to all CleanCo Directors, employees and contractors and aligns to the Queensland Government procurement policy aimed at promoting ethical sourcing, engagement with local and indigenous business and ensuring value for money.

Public Interest Disclosure Standards apply to CleanCo.

CleanCo has a Whistleblower Protection Policy that applies to current and former CleanCo officers, employees, contractors and suppliers who wish to report corrupt, illegal or unethical conduct regarding CleanCo activities and extends to spouses, dependents, and other relatives.

A confidential Whistleblower Hotline is available for employees, contractors and members of the public.

Our training program requires employees are trained on relevant policies.

4 Principle 4—Safeguard integrity in financial reporting

CleanCo has established 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 and current best practice are in place. CleanCo's auditor is the Auditor-General of Queensland.

The Board approved the Audit and Risk Committee Charter and established the Audit and Risk Committee membership in February 2020. The Committee must have a minimum of three Directors. The Chair of the Board is a member of the Audit and Risk Committee and cannot Chair the Committee. The Committee currently consists of three Directors. The responsibility for the financial processes lies with the full Board. CleanCo has appointed internal auditors and established an audit framework, including regular reporting, and ensures that all Directors engage with internal and external auditors independently of management.

When presenting financial statements for approval, the CEO and the General Manager Performance, Risk and Finance will provide a letter to the Board that confirms:

- CleanCo's Financial Report is prepared in accordance with the accounting standards and other statutory requirements and gives a true and fair view at the reporting date;
- Information relevant to the financial report is disclosed to the Queensland Audit Office; and
- The risk management system and adequate internal controls have been maintained during the reporting period.

5 Principle 5—Make timely and balanced disclosures

Section 122 of the GOC Act requires the Board to:

- Keep its shareholding Ministers reasonably informed of the operations, financial performance and financial position of CleanCo and its subsidiaries; and
- Immediately inform the 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 complies with s122 by conducting regular briefings with the shareholding Ministers as and when requested or required.

CleanCo's Code of Conduct requires shareholding Ministers to be briefed on potential and actual breaches of the Code of Conduct by CleanCo Board members, the CEO and senior executives. CleanCo will also notify shareholding Ministers of any breaches of its Securities Trading Policy by CleanCo Board members, CEO and senior executives.

Continued standing arrangements for reporting are described in Principle 6.

6 Principle 6—Respect the rights of shareholders

As a GOC, CleanCo is required to design and disclose a communication strategy to promote effective communication with its shareholding Ministers. We do this as follows:

- the Chair and the CEO meet with the shareholding Ministers on a regular basis to discuss key matters;
- CleanCo annually negotiates approval from the shareholding Ministers for the Statement of Corporate Intent and this forms a one-year performance contract between the shareholding Ministers and the Board;

- Formal quarterly reports are provided to the shareholding Ministers to address progress on the Statement of Corporate Intent;
- A corporate governance calendar is maintained which sets out the reporting requirements and is tabled at each Board meeting;
- Officers maintain regular and continuous communication with relevant shareholding departments;
- CleanCo seeks shareholding Minister approval where required under the GOC Act or policies;
- General meeting resolutions, directions and required approvals are approved by both shareholding Ministers, ensuring that voting members have full participation and are able to exercise their rights; and
- CleanCo's corporate governance policies are available on our website.

CleanCo is subject to the GOC Release of Information Arrangements and has put in place a Right to Information and Release of Information Policy and Right to Information Procedure.

7

Principle 7—Recognise and manage risk

CleanCo has a strategic risk register, risk appetite statement and risk management framework. Risk management and internal control systems are implemented by senior management and incorporate planning for business continuity and disaster recovery.

CleanCo's risk management framework is based upon ISO 31000:2018 Risk Management Principles and Guidelines. The system is designed to identify, assess, monitor and manage risk, and to also inform shareholding Ministers of material changes to CleanCo's risk profile. The Risk Framework will be reviewed at least annually by the Board, or as the business environment changes. Market risks are managed under the Risk Framework and addressed in detail in the Energy Market Risk Management Policy.

Risk Committee

The Board has an Audit and Risk Committee. The roles, responsibilities and authorities are set out in the Audit and Risk Committee Charter.

To support the Audit and Risk Committee, CleanCo has established an Energy Risk Management Committee comprised of executive officers and key staff to oversee the operation of the Energy Market Risk Policy.

8

Principle 8 — Remunerate fairly and responsibly

Public accountability and transparency are required in relation to remuneration policies given CleanCo's public ownership. When setting remuneration, we meet requirements for public accountability whilst satisfying the need to attract and retain high quality employees from competitive labour markets.

The Board established a People, Health, Safety and Environment Committee in February 2020, which has responsibility for CleanCo's remuneration policies and procedures. The Committee currently consists of three Directors. The Chair of the Board is a member of the People, Health, Safety and Environment Committee and cannot chair the Committee. The CleanCo Board is responsible for remuneration matters.

CleanCo's Directors receive set fees as determined by the Governor in Council and do not receive performance-based remuneration. There is no equity-based remuneration for any Directors or executives.

An Executive Remuneration Policy regulates senior executive remuneration for permanent executives when appointed. CleanCo's Executive Remuneration Policy aligns with the requirements of relevant GOC policy.

Further details on remuneration are provided in the Finance Report.

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.

On 20 August 2019, the Honourable Jackie Trad MP, then Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and the Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 257 of the *Electricity Act 1994* requiring CleanCo to enter into Transitional Services Agreements (TSAs) with CS Energy Limited and Stanwell Corporation Limited for the provision of the operations, maintenance and corporate support services for the Swanbank E, Barron Gorge, Kareeya, Koombooloomba and Wivenhoe Power Station generation assets. While the asset ownership transfer was made effective by legislation, the TSAs facilitate the continued safe and reliable operation and maintenance of the assets until such time as CleanCo is equipped to fulfil those responsibilities. The TSAs will expire on 29 August 2020 (Barron Gorge, Kareeya, Koombooloomba and Swanbank power stations) and 31 October 2020 (Wivenhoe Power Station).

Dividend policy

The Board will recommend whether CleanCo will pay a dividend for each financial year, after considering the necessary funding required for maintenance of CleanCo's approved capital structure and for ensuring the continuing financial viability of the business. This will include 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 take into consideration any current dividend policies of the Government.

On 14 May 2020, the CleanCo Board recommended to shareholding Ministers that no dividend be paid for FY20.

Overseas travel

No overseas travel was undertaken on behalf of CleanCo in the 2019–20 financial year.

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

CleanCo held no events costing over $5,000 in the 2019–20 financial year.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

DIRECTORS' REPORT

The Directors present their report on CleanCo Queensland Limited (hereafter referred to as the "Company" or "CleanCo") for the period ended 30 June 2020. The Company was incorporated on 11 October 2018 and later became a Government Owned Corporation on 17 December 2018 under the *Government Owned Corporations (CleanCo Queensland Limited) Amendment Regulation 2018.* 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, Tracy Dare and Ivor Frischknecht were appointed as Directors on 17 December 2018.

Laurene Hull and Paul Venus were appointed as Directors on 12 December 2019.

JACQUELINE WALTERS

CHAIR

Ms Walters is an experienced Senior Executive and non-executive Director who has worked across many industries including transport, infrastructure and professional services. She has a strong international track record in establishing new businesses and organisational reform and transformation. Ms Walters' roles include Partner at Era Innovation, Director of Slater & Gordon, Director of Development Victoria and Chair of the Citytrain Response Unit. Ms Walters is also on the Queensland Advisory Committee for the not-for-profit organisation, Second Bite.

Ms Walters holds a Bachelor of Commerce, held a Certified Practicing Accountant qualification for 12 years, is a Graduate of the Australian Institute of Company Directors and a Trustee of Committee for Economic Development of Australia (CEDA).

IVOR FRISCHKNECHT

NON-EXECUTIVE DIRECTOR

Mr Frischknecht is an expert and innovator in the rapidly evolving energy industry. He served as inaugural Chief Executive Officer (CEO) of the Australian Renewable Energy Agency (ARENA) and oversaw its $2.1 billion portfolio for six years, during which time it invested in more than 300 clean energy projects. Previously, Mr Frischknecht was responsible for clean technology investments at venture capital firm Starfish Ventures and was CEO and investor in the clean tech sector in Silicon Valley. Mr Frischknecht serves on the Boards of C4NET and RACE for 2030 CRC, and is an advisory board member for Elliot Green Power Ltd. He is also Chair of the Victorian Government's Industry and Consumer Reference Group for the $1.3 billion Solar Homes Program.

Mr Frischknecht holds Bachelors of Economics and Law, an MBA and Public Management Certificate, and is a Graduate of the Australian Institute of Company Directors.

TRACY DARE

NON-EXECUTIVE DIRECTOR

Ms Dare is a Chartered Accountant and an active and experienced non-executive Director and industry body representative with a focus on strategy, governance, business growth commercialisation and performance, risk and financial management. She has served on various government, not-for-profit boards and industry bodies for more than 18 years, including as a former Director on the CS Energy Board. She is currently a Director and Chair of the Audit and Risk Committee of environmental services company, HRL Holdings Ltd and a Director of the Greater Springfield Community Club Limited. Ms Dare also has extensive senior executive and operational experience in strategy development and implementation, M&A business growth, customer and markets, business improvement/ turnarounds, and developing and leading high performance teams. She has substantial experience in customer facing sectors, industries undergoing disruptive change and in highly capital intensive businesses.

Ms Dare holds a Bachelor of Business (Accountancy) and a Graduate Diploma in Advanced Accountancy. She is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and a Registered Real Estate Agent.

PAUL VENUS

NON-EXECUTIVE DIRECTOR

Mr Venus is the Queensland Managing Partner of national law firm, Holding Redlich. He has over 25 years' experience as a lawyer in governance and risk management, litigation and commercial law advice.

Mr Venus has been a Director of Metro South Hospital and Health Service serving as a member of that body's Executive, Audit and Risk and Finance committees.

He has also served as a Director of the Princess Alexandria Research Foundation and as Chair of the City of Logan Mayor's Charity Trust.

Mr Venus has a Bachelor of Commerce degree, Bachelor of Law degree, Masters of Law degree, Certificate of Arbitration and Mediation and has been admitted as a lawyer in a number of Australian jurisdictions.

LAURENE HULL

NON-EXECUTIVE DIRECTOR

Ms Hull had a long career as a lawyer and is a long-term resident of North Queensland. She has extensive legal and policy experience in the areas of employment and training, workplace relations, and workplace health and safety. Ms Hull's commitment to the environment has seen her serve as an Environmental Defender's Office lawyer, championing issues of sustainability and growth. Serving for over five years as Executive Director of Worksafe, Northern Territory, Ms Hull is committed to safe employment, especially in trades.

Ms Hull's community involvement includes serving on various boards and committees for organisations such as Douglas Shire Sustainability Group, Safe Work Australia, the Community and Public Service Union and the NT Working Womens Centre.

Ms Hull holds a Bachelor of Laws (Hons), was admitted as a Legal Practitioner to the Supreme Court of the Northern Territory and registered on the High Court roll. She also holds a Diploma in Occupational Health and Safety and qualifications in Assessment and Training and Mediation.

LEADERSHIP TEAM

MAIA SCHWEIZER
CHIEF EXECUTIVE OFFICER

Dr Schweizer was appointed CleanCo's inaugural permanent CEO in September 2019. She has extensive global experience in the energy and infrastructure industries, including as a management consultant in McKinsey & Company's London, Houston, Shanghai and Sydney offices, as well as an executive in the gas and retail businesses of Origin Energy.

SALLY FRAZER
COMPANY SECRETARY, LEGAL AND GOVERNANCE

Ms Frazer was appointed to the position of Company Secretary on 14 October 2019. Ms Frazer has a strong legal and governance background, and extensive experience in natural resources management and infrastructure development projects. Ms Frazer has held leadership and company secretary positions in the private and public sectors, including the NSW State Government, SunWater, LinkWater Projects, the Australian Water Recycling Centre of Excellence and Seqwater.

TANYA MILLS
CUSTOMER AND ENERGY MARKETS

Ms Mills is an electricity markets specialist with extensive experience in energy trading, energy market restructures, corporate strategy and industry reforms. She held an executive management role in Energy Markets and Commercial Strategy at Stanwell and was a founding member of the CleanCo executive team.

GRAHAM YERBURY
PERFORMANCE, RISK AND FINANCE

Mr Yerbury has extensive experience in managing finance and risk-related functions and operating in a commercial environment. He has held a range of senior management roles across the mining and energy sector with organisations including Cardno, Arrow Energy and BP.

TIM HOGAN
ASSET OPERATIONS

Mr Hogan is experienced in both operations and asset management, bringing more than 20 years of engineering and operational experience across different types of energy generation assets.
Mr Hogan is based in Cairns and prior to joining CleanCo led the Northern Hydros for Stanwell.

NICHOLLE DUCE
CORPORATE SERVICES

Ms Duce has over 20 years' experience in large, multi-faceted organisations. Her career experience includes strategic and operational positions in major organisations such as Optus, Queensland Rail and Suncorp. Ms Duce left her position with the Company on 14 August 2020. Graham Yerbury has temporarily taken responsibility for Corporate Services whilst the Company looks for her replacement.

PRINCIPAL ACTIVITIES

During FY20 the principal activities of the Company were related to the establishment of capability, systems, processes and governance frameworks required to meet CleanCo's objectives to improve competition in the wholesale electricity market aimed at lowering wholesale electricity prices and to support the growth of Queensland's renewable energy industry.

DIVIDENDS

No dividends were paid during the financial period.

REVIEW OF OPERATIONS

The loss from ordinary activities after income tax amounted to $38,699,000 (2019: $1,068,000 loss).

CleanCo commenced trading on 31 October 2019 when the assets were officially transferred from CS Energy and Stanwell. In the eight months post start of trading CleanCo completed a Swanbank E major overhaul with a return to service in December 2019. As a result of the COVID-19 pandemic CleanCo revenue was reduced due to the subdued electricity prices in the market and lower peak demand – this is expected to continue into the 2021 financial year. Lower gas and energy costs for pumped storage have partially offset the lower revenue. In line with CleanCo's energy market trading policy lower realised energy prices were partially offset by an effective hedging strategy providing gross margin and cash flow support. Given the challenging environment the loss from ordinary activities after income tax amounted to $38,699,000 (2019: $1,068,000 loss), this result includes a pre-tax non-cash impairment charge of $35.5 million for Swanbank E power station and a non-cash $2.9 million fair value adjustment on the Mahalo option.

In line with its mandate to support the growth of new renewables in Queensland CleanCo completed several major investment initiatives in the 2020 financial year including the commitment to build the 102MW Karara Wind Farm, execution of the 400MW MacIntyre Wind Farm PPA and the 320MW Neoen Western Downs PPA. CleanCo has commenced actively marketing renewable long term energy products to commercial and industrial customers with some early success being achieved post 30 June 2020.

At 30 June 2020 CleanCo was debt free, had cash on hand of $0.9 million and net working capital of $112 million. Capital expenditure for the development of the Karara Wind Farm will be funded by further equity contributions from the shareholders.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 11 October 2018 and declared a Government Owned Corporation on 17 December 2018. The Company was formed under the *Government Owned Corporations (CleanCo Queensland Limited) Amendment Regulation 2018* on 17 December 2018. Other than already disclosed, there have been no significant changes in the state of affairs of the Company during the period.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The COVID-19 pandemic has introduced uncertainty into all aspects of the economy, including how and when energy is used. CleanCo's flexible generation portfolio and customer-led approach position us well to navigate this uncertainty, though there are certain to be short term impacts. The Board and management continue to pay close attention to this situation.

Following the expiry of the TSAs, from 30 August 2020 (Stanwell) and 1 November 2020 (CS Energy), CleanCo will manage the operation and maintenance of all sites. No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

ENVIRONMENTAL REGULATION

Pursuant to the TSAs, CS Energy Limited and Stanwell Corporation Limited operate the generation assets, which includes the responsibility to comply with environmental regulatory obligations. As such, the Company is not affected directly by any significant environmental regulation in respect of its operations at 30 June 2020.

Once the TSAs expire, the Company will be affected by significant environmental regulation including obligations to comply with the *Wet Tropics World Heritage Protection and Management Act 1992 (Qld)* and a range of obligations under the *Environmental Protection Act 1994 (Qld)* will expand CleanCo's environmental obligations. The Company will become the holder of various approvals that authorise the carrying out of the electricity generation activities on conditions that seek to avoid or minimise impacts on the environment. Additionally, the construction of the Karara Wind Farm will require approval under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) before the development can proceed.

MEETINGS OF DIRECTORS

The Audit and Risk Committee and the People, Health, Safety and Environment Committee were formed in February 2020. The numbers of meetings of the Company's Board of Directors held during FY20, and the numbers of meetings attended by each Director were:

	CleanCo Board		Audit and Risk Committee		People and Safety Committee	
DIRECTORS	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Jacqui Walters	19	18	2	1	4	3
Tracy Dare	19	19	2	2	-	-
Ivor Frischknecht	19	19	-	-	4	4
Paul Venus	8	8	2	2	-	-
Laurene Hull	8	8	-	-	4	4

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 Infrastructure and Planning, and The Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

INSURANCE OF OFFICERS AND INDEMNITIES

During the FY20, CleanCo Queensland Limited paid a premium of $73,186 (2019: $28,776) to insure the Director 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.*

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 on page 38.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar. This report is made in accordance with a resolution of Directors.

Jacqui Walters

Jacqueline Walters
Chair

Brisbane
28 August 2020

Queensland
Audit Office
Better public services

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CleanCo Queensland Limited

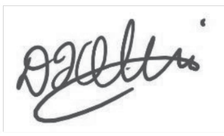
This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001.*

Independence declaration

As auditor for the audit of CleanCo Queensland Limited for the financial year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



28 August 2020
Damon Olive
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

FINANCIAL STATEMENTS

Statement of comprehensive income for the year ended 30 June 2020

	Notes	2020 $'000	11 Oct 2018 to 30 Jun 2019 $'000
Revenue			
Revenue from contracts with customers	3.1	103,315	-
Grant income	3.2	248	6,000
Finance income / other income	3.3	4,284	804
Expenses			
Electricity and energy services expense	4.1	(42,846)	-
Fuel		(44,227)	-
Establishment costs	4.2	(5,802)	(4,922)
Contractor expenses		(3,300)	(1,154)
Employee benefits expense		(11,968)	(1,202)
Lease expenses		(1,090)	(500)
Finance costs	4.3	(4,501)	(34)
Other expenses	4.4	(11,184)	(517)
Fair value gain / (loss) through profit / (loss)	6.1	(2,968)	-
Depreciation and amortisation	6.2, 6.3	(19,671)	-
Asset impairment (expense) / reversal	6.2, 6.3	(35,450)	-
Non-hedge accounted change in fair value of derivative financial instruments		7,971	-
Profit / (Loss) before income tax equivalent		**(67,189)**	**(1,525)**
Income tax (benefit) equivalent	11.1	17,592	457
Profit / (Loss) after income tax equivalent for the period		**(49,597)**	**(1,068)**
Other comprehensive income for the period			
Items that may be reclassified to profit or loss:			
Changes in fair value or cash flow hedges		10,923	-
Actuarial (loss) / gain from defined benefit plan, net of tax		(25)	
Income tax equivalent relating to these items		-	-
Other comprehensive loss for the year, net of tax		**10,898**	**-**
Total comprehensive loss for the year attributable to the owners of CleanCo Queensland Limited		**(38,699)**	**(1,068)**

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

Statement of financial position as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5.1	923	20,777
Receivables	5.3	163,840	161,230
Inventory	5.4	7,882	-
Other current assets		21	-
Derivative financial assets	7.1	25,899	-
Income tax refund due	11.2	2,237	(241)
Total current assets		**200,802**	**181,766**
Non-current assets			
Property, plant and equipment	6.2	140,641	411
Intangible assets	6.3	7,808	151
Deferred tax assets	11.3	47,763	698
Derivative financial assets	7.1	4,250	-
Other non-current assets	6.1	17,032	-
Total non-current assets		**217,494**	**1,260**
Total assets		**418,296**	**183,026**
LIABILITIES			
Current liabilities			
Trade and other payables	9	43,950	3,920
Lease liabilities		54	6
Employee benefit obligation	13	442	-
Provisions	10.1	27,318	155
Other current liabilities		9,249	-
Derivative financial liabilities	7.1	7,293	-
Total current liabilities		**88,306**	**4,081**
Non-current liabilities			
Lease liabilities		202	13
Deferred tax liabilities	11.3	3,096	-
Provisions	10.2	51,848	-
Derivative financial liabilities	7.1	6,262	-
Total non-current liabilities		**61,408**	**13**
Total liabilities		**149,714**	**4,094**
Net assets		**268,582**	**178,932**
Equity			
Contributed equity	12	308,349	180,000
Accumulated losses		(50,690)	(1,068)
Reserves		10,923	-
Total equity		**268,582**	**178,932**

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

Statement of changes in equity for the year ended 30 June 2020

	Notes		Contributed equity $'000	Accumulated losses $'000	Reserves $'000	Total equity $'000
Balance at 11 October 2018			-	-	-	-
Losses after income tax equivalent expense for the period			-	(1,068)	-	(1,068)
Total comprehensive loss for the period			**-**	**(1,068)**	**-**	**(1,068)**
Transactions with owners in their capacity as owners:						
Contributions of equity	1(c)	12	180,000	-	-	180,000
Balance at 30 June 2019			**180,000**	**(1,068)**	**-**	**178,932**
Balance at 1 July 2019			**180,000**	**(1,068)**	**-**	**178,932**
Losses after income tax equivalent expense for the period			-	(49,597)	-	(49,597)
Actuarial (loss) / gain on defined benefit plan			-	(25)	-	(25)
Other comprehensive income for the period, net of tax			-	-	10,923	10,923
Total comprehensive loss for the period			**-**	**(49,622)**	10,923	**(38,699)**
Transactions with owners in their capacity as owners:						
Contributions of equity	1(c)	12	128,349	-	-	128,349
Balance at 30 June 2020			**308,349**	**(50,690)**	**10,923**	**268,582**

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

Statement of cash flows for the period ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipt of government grant		248	6,000
Receipt from customers		114,740	-
Payments to suppliers and employees		(91,927)	(5,346)
Other revenue		736	-
Interest received		2,681	180
Income tax equivalent paid		(195)	-
Net cash inflow from operating activities	5.2	**26,283**	**834**
Cash flows from investing activities			
Payments for property, plant and equipment		(46,136)	(16)
Payments for intangible assets		(1)	(41)
Net cash used in investing activities		**(46,137)**	**(57)**
Cash flows from financing activities			
Proceeds from issues of shares	12	-	20,000
Net cash provided by financing activities		**-**	**20,000**
Net (decrease)/increase in cash and cash equivalents		(19,854)	20,777
Cash and cash equivalents at the beginning of the financial year	5.1	20,777	-
Cash and cash equivalents at the end of the financial year	**5.1**	**923**	**20,777**

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

CleanCo Queensland Limited is a company domiciled in Australia. Its registered office and principal place of business is level 32, 12 Creek Street, Brisbane, Queensland 4000. The Company is primarily involved in the generation of electricity from pumped storage hydro power stations, run of river hydro power stations and a combined-cycle gas fired generator.

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).

The Company is a for-profit entity that was incorporated on 11 October 2018 and established as a Government Owned Corporation on 17 December 2018, pursuant to the *Government Owned Corporations (CleanCo Queensland Limited) Amendment Regulation 2018* for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars ($), which is the Company's functional and presentation currency. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, except as otherwise stated.

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. Comparatives

Comparatives cover the circa nine month period from the date of incorporation 11 October 2018 to 30 June 2019.

iii. New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time in its annual reporting period commencing 1 July 2019:

- AASB 16 Leases

  The Company had no leases brought forward from the previous period, as such this is the first period adopting any leasing standard.

  Other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

iv. New standards and interpretations not yet adopted

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

(b) Going concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company's net asset position as at 30 June 2020 is $268.6 million (2019: $178.9 million).

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections for a period of not less than 13 months from the date of this report. These cash flow projections show that CleanCo Queensland Limited is able to pay their debts as and when they fall due.

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

- Continued access to debt facilities with Queensland Treasury Corporation (QTC); and
- The continued support of the Queensland Government.

(c) Formation of the Company

The *Government Owned Corporations (Generator Restructure – CleanCo) Regulation 2019* became effective on 26 April 2019 and facilitates the transfer of the foundation assets from CS Energy Limited and Stanwell Corporation Limited (collectively “the Transferors”) to the Company. The legal title and ownership of the foundation assets and related liabilities were transferred to the Company on 31 October 2019. In accordance with the Regulation, all transfers of assets and liabilities to facilitate the transaction are undertaken at the carrying amounts recorded in the Transferor’s accounts immediately prior to the transfer and recorded as transactions with owners (in equity) in accordance with *Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities (AASB 1038).*

On 20 August 2019, the Honourable Jackie Trad MP, then Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and the Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 257 of the *Electricity Act 1994* requiring CleanCo to enter into TSAs with CS Energy Limited and Stanwell Corporation Limited for the provision of the operations, maintenance and corporate support services for the Swanbank E, Barron Gorge, Kareeya, Koombooloomba and Wivenhoe Power Station generation assets. The TSAs enabled CleanCo to take ownership and dispatch rights of these generation assets while facilitating the continued safe and reliable operation and maintenance of the assets until such time as CleanCo is equipped to fulfil those responsibilities. The TSAs will expire on 29 August 2020 (Barron Gorge, Kareeya, Koombooloomba and Swanbank power stations) and 31 October 2020 (Wivenhoe Power Station). The employees and associated benefits will transfer on 30 August 2020 and 1 November 2020 respectively.

The following table sets out the assets and liabilities transferred on 31 October 2019 as part of the restructure and the associated impacts recorded in equity:

1. Summary of significant accounting policies (continued)

(c) Formation of the Company (continued)

	$
TRANSFERS IN	
Assets:	
Cash and cash equivalents	106,814
Inventory	2,109,762
Other current assets	69,213
Property, plant & equipment	149,397,602
Intangible assets	585,866
Deferred tax assets	37,538,151
Other non-current assets	20,000,000
Liabilities:	
Lease liabilities	(144,176)
Other current liabilities	(351,899)
Deferred tax liabilities	(8,251,853)
Provisions	(72,710,518)
Net increase in transactions with owners	**128,348,962**

TRANSFERS IN FROM:	
Stanwell Corporation Limited	77,431,737
CS Energy Limited	50,917,225
Net decrease in transactions with owners	**128,348,962**

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 16 *Leases* on the Company's financial statements.

As indicated in note 1 (a) (iii) above, the Company has adopted AASB 16 Leases. Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most leases, i.e, these leases are on-balance sheet.

i. 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 following notes:

Note 5.4: Inventory

Note 10: Provisions

Note 6.1: Other non-current assets

Note 6.2: Property plant and equipment

Note 6.3: Intangible assets

Note 7.1: Derivative financial instruments

3. REVENUE

Note 3.1: Revenue from contracts with customers

	2020	2019
	$'000	$'000
Sale of electricity to the National Electricity Market	72,856	-
Net realised gain on electricity contracts designated as cash flow hedges	24,353	-
	97,209	**-**
Gas sales	6,106	-
	103,315	-

Most of the revenue recognised by the Company arises from contracts for the supply of electricity to the NEM. The Company recognises revenue to depict 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 generated and dispatched to the NEM	Revenue is recognised using the electricity spot price at the point in time when electricity is dispatched to the NEM.
Net realised losses on electricity contracts designated as cashflow hedges	To reduce the volatility of cash flow earnings, a portion of the Company's available energy is hedged through the use of various electricity contracts such as swaps and options. The settlement amount for both effective and ineffective cash flow hedges is recognised in trading revenue in the period to which the contract settlement relates.
Revenue from the sale of gas	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 are 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.

Note 3.2: Grant income

	2020	2019
	$'000	$'000
Government grants	248	6,000
	248	**6,000**

Grants that are non-reciprocal in nature are recognised as revenue when the Company obtains control over them. This is considered to be achieved at the time of receipt. The Company has received a one-off, non-reciprocal grant which is provided for the purpose of supporting the strategic objectives of the Company. The grant received in 2019 was provided to cover the establishment costs and first year operations of the Company. The Company received a further grant in 2020 to assist with final establishment costs prior to starting trading during the year.

Note 3.3: Finance income / other income

	2020	2019
	$'000	$'000
Interest income	2,643	804
Other income	1,641	-
	4,284	**804**

Interest revenue is recognised as interest accrues 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. EXPENSES

Note 4.1: Electricity and energy sales

	2020	2019
	$'000	$'000
Wholesale energy	16,727	-
Market and transmission fees	609	-
Ancillary services	2,410	-
Other electricity and energy services expenses	23,100	-
	42,846	-

Electricity and energy services comprise of costs directly related to participation in the NEM.

Note 4.2: Establishment costs

	2020	2019
	$'000	$'000
Program management	-	476
Trading function	825	649
Corporate function	508	743
Information technology and systems	2,512	1,288
Human resources and recruitment	793	1,310
Other establishment costs	1,164	456
	5,802	**4,922**

Establishment costs have been incurred in connection with activities to establish the Company including processes, policies and procedures to support full operations. Establishment costs relate to professional consultancy costs, implementation of information communication technology (ICT) managed service agreements, recruitment placements, shortlist and retainer fees which have been allocated over relevant program set up activities.

Note 4.3: Finance costs

	2020	2019
	$'000	$'000
Finance costs	381	34
Rehabilitation provision	4,120	-
	4,501	**34**

Finance costs comprise administration fees and the unwinding of the discount on the rehabilitation provision. The finance 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.

Note 4.4: Other expenses

	2020	2019
	$'000	$'000
Services and consultants	1,812	-
Insurance premiums	2,128	-
Legal fees	1,218	492
Human resources and recruitment costs	1,683	-
Audit costs	321	25
Information technology systems	3,912	-
Other administration costs	110	-
	11,184	**517**

During the financial year $321,000 (2019: $25,000) was paid to the Queensland Audit Office, for the audit of the financial statements. No other services were provided by the auditor.

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

5. CURRENT ASSETS

Note 5.1: Cash and cash equivalents

	2020	2019
	$'000	$'000
Cash at bank and in hand	719	20,777
Other cash and cash equivalents	204	-
	923	**20,777**

Cash and cash equivalents comprise cash balances and funds held at call with QTC. It also includes CleanCo's 50% share of cash and cash equivalents related to the joint operation of Kogan North Joint Venture (note 14). 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 0.75% (2019: 0.16%). 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 8. 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 which are subject to an insignificant risk of changes in value.

Note 5.2: Reconciliation of profit after income tax to net cash inflow from operating activities

	2020	2019
	$'000	$'000
Loss for the period	(49,597)	(1,068)
Adjustments for:		
Interest expense	5	34
Non-cash finance income	-	(591)
Depreciation and amortisation	19,671	-
Impairment of non-current assets	35,450	-
Non-cash retirement benefits expense	448	-
Unwinding of discount on provision	4,120	-
Fair value adjustment to derivatives	(31,252)	-
Fair value (gain) on financial assets at fair value through profit and loss	2,968	-
Non-cash stock obsolescence	(44)	-
Fair value losses / (gains) on environmental certificates	484	-
Other non-cash movement	(1,655)	-
Changes in operating assets and liabilities:		
Decrease / (increase) in current receivables	6,118	(468)
(Increase) in financial assets	(28,212)	-
(Increase) in inventories	(6,212)	-
(Increase) in deferred tax assets	(9,347)	(698)
(Increase) in prepayments	(1,539)	(205)
Increase in financial liabilities	76,172	-
(Decrease) / increase in trade and other payables	(151)	3,434
Increase in employee benefit obligations	1,552	155
(Decrease) / increase in current tax equivalent liabilities	(2,477)	241
(Decrease) in deferred tax equivalent liabilities	(5,335)	-
Increase in other current liabilities	15,115	-
Net cash flow from operations	**26,283**	**834**

Note 5.3: Receivables

	2020	2019
	$'000	$'000
Trade receivables	10,474	-
Advance facility	144,157	160,557
Prepayments	1,744	205
Other receivables	7,394	468
Restricted cash	71	-
Less: Allowance for expected credit losses	-	-
	163,840	**161,230**

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 0.88% to 2.36% during the year ended 30 June 2020 (2019: 2.3% to 2.8%).

Risk Exposure

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

No collateral is held as security and no credit enhancements relate to receivables held by the Company.

CleanCo transacts spot electricity and ancillary services with AEMO, which is a company limited by guarantee. Credit risk with AEMO is not considered significant. Due to the nature of the Company's receivables at year end, there are no impaired nor past due but not impaired receivables due to a low credit risk.

Credit Risk

The Advance Facility is held with QTC rated as AA- to AA+. An impairment assessment was performed at 30 June 2020 and no allowance for expected credit loss has been recognised as the amount was not material.

See note 8 for further information on the Company's financial risk management.

Note 5.4: Inventory

	2020	2019
	$'000	$'000
Spare parts and consumables	2,457	-
Less: Provision for obsolescence	(97)	-
	2,360	-
Fuel	5,149	-
Environmental certificates at fair market value	373	-
	7,882	**-**

CS Energy transferred the inventory balance for Wivenhoe Power Station on 31 October 2019 and has been managing the inventory as part of the TSA. The end of the TSA with CS Energy is on the 1 November 2020. On this date CleanCo will take on the full management of the inventory.

Cost comprises the cost of purchase, which is assigned to individual items of inventory on the basis of 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 can be used to either acquit the mandatory renewable energy liability of the Company or alternatively can be realised through the market.

Provision for obsolescence

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

6. NON-CURRENT ASSETS

Note 6.1: Other non-current assets

	2020	2019
	$'000	$'000
Investments - Financial assets at fair value through profit and loss	17,032	-
	17,032	**-**

On 20 October 2014, Stanwell Corporation Ltd relinquished its 5% interest in its Mahalo Gas Project and Sales and Purchase option. In return, Stanwell received an option, exercisable at Stanwell's election at the Final Investment Decision, to either enter into a long-term gas sale agreement or receive cash consideration in respect of its investment. On 31 October 2019, this asset was transferred to CleanCo as part of the Transfer of Ownership between the two Government Owned Corporations.

A fair value assessment was performed during the year using a discounted cashflow technique and a discount rate of 7% was implied. A fair value loss of $2,968,357 has been recognised in the statement of comprehensive income.

Note 6.2: Property plant and equipment

	2020	2019
	$'000	$'000
Generation Assets		
Generation assets - cost or recoverable amount	121,030	-
Less: Accumulated depreciation	(15,837)	-
Less: Accumulated impairment	(487)	-
	104,706	**-**
Land and Buildings		
Land and buildings - cost or recoverable amount	19,337	-
Less: Accumulated depreciation	(1,206)	-
Less: Accumulated impairment	(126)	-
	18,005	**-**
Capital Work in Progress		
Capital Work in Progress - cost or recoverable amount	11,719	392
	11,719	**392**
Other plant and equipment		
Other plant and equipment - cost or recoverable amount	6,715	-
Less: Accumulated depreciation	(1,383)	-
Less: Accumulated impairment	(173)	-
	5,159	**-**
Right of use assets		
Right of use assets - cost or recoverable amount	292	19
Less: Accumulated depreciation	(43)	-
Less: Accumulated impairment	(13)	-
	236	**19**
Exploration Assets		
Exploration assets - cost or recoverable amount	2,081	-
Less: Accumulated amortisation	(1,265)	-
	816	**-**
Total	**140,641**	**411**

Movement in carrying amounts

	Capital work in progress	Land and buildings	Generation assets	Right of use assets	Other plant and equipment	Exploration assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	-	-	-	-	-	-	**-**
Additions	392	-	-	19		-	**411**
Disposals	-	-	-	-	-	-	**-**
Rehabilitation assets adjustment	-	-	-	-	-	-	**-**
Transfers in / (out)	-	-	-	-	-	-	**-**
Depreciation expense	-	-	-	-	-	-	**-**
Net book value at 30 June 2019	**392**	**-**	**-**	**19**	**-**	**-**	**411**
Equity transfers from Government	6,366	18,895	117,383	-	5,194	1,560	**149,398**
Additions	42,737	-	1,750	273	24	1,316	**46,100**
Total additions	49,103	18,895	119,133	273	5,218	2,876	**195,454**
Disposals	-	-	-	-	-	-	**-**
Impairment of assets	(35,139)	(126)	-	(13)	(172)	-	**(35,450)**
Rehabilitation assets adjustment	-	-	818	-	-	(795)	**23**
Transfers in / (out)	(2,637)	442	528	-	1,497	-	**(170)**
Depreciation expense	-	(1,206)	(15,773)	(43)	(1,384)	(1,265)	**(19,671)**
Net book value at 30 June 2020	**11,719**	**18,005**	**104,706**	**236**	**5,159**	**816**	**140,641**

6.2: Property plant and equipment (continued)

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.

Work in progress is recorded as property, plant and equipment and depreciated from the point at which the asset is ready for use. At 30 June 2020, 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:

Buildings	1 - 39 years
Generation assets (including overhauls)	1 - 39 years
Motor vehicles	5 - 15 years
Right of use assets	3 - 18 years
Other plant and equipment	1 - 39 years

Estimates of residual values and remaining useful lives are reassessed annually, and any change in estimate is taken into account 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 industry risk adjusted for risks specific to the asset, which have not been included in cash flow.

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 35 years.

Impairment - Swanbank Power Station

In 2020 the impairment loss of $35,450,000 represents a write down of Swanbank Power Station (Swanbank) to its estimated recoverable amount. Swanbank is a 385MW combined cycle gas fired plant in south-east Queensland.

The carrying amount of Swanbank was reduced to nil reflecting a negative value in use and fair value less costs of disposal. In determining the value in use of Swanbank, the cashflows included the following considerations:

- An extension of Swanbank's useful life in line with a secured gas field development project to deliver lower cost gas;
- Operating and capital expenditure commitments associated with the gas field development project;
- Large rehabilitation costs of Swanbank Ash Dam and Swanbank B coal fired power station sites (decommissioned 2012) which were transferred to CleanCo along with Swanbank Power Station;
- Major overhauls required until the end of the 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	Cash flow projections take into account the prevailing supply and demand conditions and physical despatch of electricity and spot price outcomes. Scenarios are also modelled to take account of future expected clean energy projects and their impact on supply and demand outcomes.	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 for the same generation increases the value in use.
Life of plant	Cash flows have been projected to the life of plants including the period for remedial or rehabilitation works.	Increases in the projected 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 10% pre-tax (or 7% 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.

Note 6.3: Intangible assets

	2020	2019
	$'000	$'000
Intangibles - Capital Work in Progress		
Intangibles Capital Work in Progress - cost or recoverable amount	7,808	151
Total	**7,808**	**151**

Movement in carrying amounts

	Capital works in progress	Total
	$'000	$'000
Net book value at 1 July 2018	-	-
Additions	151	**151**
Amortisation expense	-	-
Net book value at 30 June 2019	**151**	**151**
Equity transfers from Government	586	**586**
Additions	7,071	**7,071**
Total additions	**7,657**	**7,657**
Amortisation expense	-	-
Net book value at 30 June 2020	**7,808**	**7,808**

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

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.

The estimated useful lives for intangible assets are 2 to 5 years for software and 2 to 34 years for overhauls.

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.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Note 7.1: Derivative financial instruments

	2020	2019
	$'000	$'000
Current assets		
Electricity contracts - cash flow hedges	23,692	-
Electricity contracts - held for trading	2,207	-
Non-current assets		
Electricity contracts - cash flow hedges	2,543	-
Electricity contracts - held for trading	1,707	-
Current liabilities		
Electricity contracts - cash flow hedges	(6,938)	-
Electricity contracts - held for trading	(355)	-
Non-current liabilities		
Electricity contracts - cash flow hedges	(350)	-
Electricity contracts - held for trading	(5,912)	-
Net derivative financial instrument assets / (liabilities)	**16,594**	**-**

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.

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 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.

Derivative financial instruments spanning both current and non-current periods are split into their current and noncurrent 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".

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".

Amounts accumulated in equity are reclassified to profit or loss 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 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 fair value of derivative financial instruments must be estimated for recognition and measurement or for disclosure purposes.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards, being:

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, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument is observable.

Level 3: One or more of the significant inputs is not based on observable market data.

The following tables present the fair value of the Company’s financial assets and liabilities into the three levels:

	Level 1	Level 2	Level 3	Total
	$’000	$’000	$’000	$’000
2020				
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	19,005	6,894	-	**25,899**
Non-current financial instruments at fair value through profit and loss	-	-	17,032	**17,032**
Non-current derivative financial instrument assets	2,482	1,727	41	**4,250**
Total assets	**21,487**	**8,621**	**17,073**	**47,181**
Liabilities				
Current derivative financial instrument liabilities	(494)	(6,799)	-	**(7,293)**
Non-current derivative financial instrument liabilities	(549)	(350)	(5,363)	**(6,262)**
Total liabilities	**(1,043)**	**(7,149)**	**(5,363)**	**(13,555)**

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 2020.

Level 3 Net Assets / (liabilities)

	$'000
Balance at 30 June 2019	**-**
Losses recognised in profit or loss	(8,290)
Gains recognised in other comprehensive income	-
Purchases	20,000
Sales	-
Settlements	-
Transfers out of level 3 into level 2	-
Balance at 30 June 2020	**11,710**

Total unrealised gains for the current year included in profit or loss that relate to level 3 assets held at the end of the current year. 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	• Credit risk factors applied to adjust fair values for non-performance risk. • Forward curve decomposition methodology using historic electricity settled prices to interpolate over-the-counter forward prices to a greater level of granularity.	• Long-term Electricity Prices • Forecast Generation	The estimated value of the derivative instruments would: • Increase by $47.1 million if the forward curve was increased by 10%. • Decrease by $47.3 million if the forward curve was decreased by 10% • Decrease by $0.57 million if forecast generation was increased by 10%. • Increase by $0.49 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	• 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 over-the-counter forward prices;
- Exchange traded market prices;
- Extrapolation rates;
- Scalar and translation factors;
- Market volatilities;
- Credit risk factors;
- Forecast generation; and
- Electricity settled prices.

8. FINANCIAL RISK MANAGEMENT

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

	2020	2019
	$'000	$'000
Financial Assets		
Cash and cash equivalents	923	20,777
Receivables	163,840	161,230
Derivative financial instrument assets	30,149	-
Total financial assets	**194,912**	**182,007**

	2020	2019
	$'000	$'000
Financial Liabilities		
Trade and other payables	53,401	3,920
Derivative financial instrument liabilities	13,555	-
Total financial liabilities	**66,956**	**3,920**

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. The Company's overall risk management program focuses mainly 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 polices and delegations. The Customer and Energy Markets team are responsible for the direct management of exposures to energy market risks with adherence to these policies. The Performance, Risk and Finance Team are 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 CEO, Audit & 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 and, where required, foreign currency exchange rates.

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 over-the-counter 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 $40.71 and $102 (867,730 MWh) and the electricity swap contracts designated as cash flow hedges of CleanCo's electricity purchases are to pay fixed cash flows for prices between $34 and $46.50 (234,405 MWh).

Environmental contracts

The Company is exposed to environmental certificate price movements through the requirement to comply with various regulatory environmental schemes as part of normal business operations. The Company also creates environmental certificates which can then be traded in the open market.

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. The Company also creates environmental certificates which can then be traded in the open market.

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 10%, 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	Effect on equity	% change	Effect on profit before tax	Effect on equity
		$'000	$'000		$'000	$'000
Electricity price - 2020	**10%**	**46,873**	**(3,947)**	**-10%**	**(46,833)**	**3,988**
Electricity price - 2019	0%	-	-	0%	-	-

Interest rate risk

The Company's only exposure to interest rate risk is in relation to cash and cash equivalents and the QTC Advances Facility. The Company has no other financial assets or liabilities with variable interest rates. Whilst these facilities are exposed to movements in interest rates, the Company believes that the impact of the risk is not significant.

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 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. The credit exposure of derivatives is calculated utilising a value at risk methodology which 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. The fair values of derivatives include adjustment for credit risk factors.

Liquidity risk

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

Remaining contractual maturities

The following tables analyse 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	Between 1 and 5 years	Remaining contractual maturities	Discounting	Total
	$'000	$'000	$'000	$'000	$'000
Derivative financial instrument liabilities - 2020	**(5,259)**	**(1,383)**	**(5,699)**	**(1,214)**	**(13,555)**
Derivative financial instrument liabilities - 2019	-	-	-	-	-

	1 year or less	Between 1 and 5 years	Remaining contractual maturities	Discounting	Total
	$'000	$'000	$'000	$'000	$'000
Trade and other payables - 2020	**(21,044)**	**-**	**-**	**-**	**(21,044)**
Trade and other payables - 2019	(672)	-	-	-	(672)

	1 year or less	Between 1 and 5 years	Remaining contractual maturities	Discounting	Total
	$'000	$'000	$'000	$'000	$'000
Other liabilities - 2020	**(9,304)**	**(202)**	**-**	**-**	**(9,506)**
Other liabilities - 2019	-	-	-	-	-

Hedge Accounting

The Company documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions 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 changes in the fair value of hedging instruments against changes in fair value of hedged items attributable to the hedged risks.

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; and
- Changes to forecast timing of the cash flows of the hedged items and the hedging instruments.

The impact of the hedging instruments (electricity swaps) on the balance sheet is as follows (there were no derivatives held at 30 June 2019):

Derivative financial instrument line in the balance sheet	Nominal amount	Carrying amount	Change in fair value used for measuring ineffectiveness for the period
	MWH	$'000	$'000
As at 30 June 2020			
Highly probable forecast electricity sales			
Current assets	582,755	14,230	14,230
Non-current assets	162,560	2,544	2,544
Current liabilities	102,165	(1,358)	(1,358)
Non-current liabilities	20,250	(17)	(17)
Annual movement	-	-	-
Highly probable forecast electricity purchases			
Current assets	10,920	3	3
Non-current assets	-	-	-
Current liabilities	207,385	(3,542)	(3,542)
Non-current liabilities	16,100	(333)	(333)
Annual movement	-	-	-

	Change in fair value during the year of the hedged items used for recognising hedge ineffectiveness	Balances in the cash flow hedge reserve at year end for continuing hedges	Balances remaining in the cash flow hedge reserve at year end for which hedge accounting is no longer applied to the hedge relationship
	$'000	$'000	$'000
Highly probable forecast electricity sales	12,036	12,036	4,098
Highly probable forecast electricity purchases	(2,367)	(2,367)	56

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

	Total hedging gain/loss recognised in OCI	Ineffectiveness gains/losses recognised in profit or loss	Gain/loss reclassified from OCI to profit or loss
	$'000	$'000	$'000
Year ended 30 June 2020			
Highly probable forecast electricity sales	(8,219)	4,340	24,353
Highly probable forecast electricity purchases	(1,239)	(1,487)	(1,072)
Hedging reserve - cash flow hedges	**(9,458)**	**2,853**	**23,281**

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

	$'000
Balance at 30 June 2019	-
Effective portion of changes in fair value of cash flow hedges of electricity swaps	(9,458)
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	23,281
Income tax equivalent relating to these items	(2,900)
Balance at 30 June 2020	**10,923**

9. TRADE AND OTHER PAYABLES

Note 9.1: Trade and other payables

	2020	2019
	$'000	$'000
Trade payables	193	533
Accrued expenses	22,907	3,280
Other payables	20,850	107
	43,950	**3,920**

Trade payables are unsecured and are usually paid within 30 days of recognition. Accrued expenses are recognised for expenses incurred but not yet invoiced.

10. PROVISIONS

Note 10.1: Current provisions

	2020	2019
	$'000	$'000
Employee benefits	1,423	155
Post-employment benefits	-	-
Restoration, rehabilitation and decommissioning	25,895	-
	27,318	**155**

A provision is 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

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

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 provision of $1,422,550 (2019: $155,216) is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. However, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Restoration, rehabilitation and decommissioning

Refer to note 10.3 for further information.

Note 10.2: Non-current provisions

	2020	2019
	$'000	$'000
Employee benefits - long service leave	119	-
Restoration, rehabilitation and decommissioning	51,729	-
Other provisions	-	-
	51,848	**-**

Long-term employee benefits

The Company also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Restoration, rehabilitation and decommissioning

Refer to note 10.3 for further information.

Note 10.3: Total restoration, rehabilitation and decommissioning

	2020
	$'000
Balance at 30 June 2019	-
Equity transfers from Government	72,711
Movement in estimates	939
Unwinding of discounts	4,120
Unused amounts reversed	(146)
Balance at 30 June 2020	**77,624**

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 any additional obligations which 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.

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 which 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.

11. INCOME TAX

Note 11.1: Income tax

	2020	2019
	$'000	$'000
Income tax equivalent expense		
Current tax equivalent	-	241
Deferred tax equivalent	(17,572)	(698)
Adjustments for current tax equivalent of prior periods	(20)	-
Income tax equivalent expense	**(17,592)**	**(457)**
Income tax equivalent expense is attributable to:		
Profit from continuing operations	(17,592)	(457)
Income tax equivalent expense	**(17,592)**	**(457)**
Deferred tax included in income tax equivalent expense comprises:		
Increase in deferred tax assets	(17,578)	(878)
Increase in deferred tax liabilities	6	180
Deferred tax equivalent	**(17,572)**	**(698)**
Numerical reconciliation of income tax equivalent expense and tax at the statutory rate		
Profit before income tax equivalent expense from continuing operations	(67,189)	(1,525)
	(67,189)	**(1,525)**
Tax at the statutory rate of 30% (2019: 30%)	**(20,157)**	**(458)**
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Non-assessable income	(504)	-
Non-deductible expenses	-	1
De-recognition of temporary differences	3,000	-
Restatement of temporary differences due to changes in tax rate	(17)	-
Other	87	-
Income tax equivalent expense	**(17,592)**	**(457)**
Tax equivalent benefit / (expense) relating to items of other comprehensive income and recognised directly in equity		
Cash flow hedges recognised in OCI	(2,900)	-
Actuarial gains / (losses) on defined benefit plan recognised in OCI	11	-
Transfers recognised directly in equity (Note 1c)	29,286	-
	26,397	**-**

	2020	2019
	$'000	$'000
Net deferred tax equivalent asset / (liability) comprises temporary differences attributable to:		
Derivative financial instruments	(3,102)	-
Rehabilitation provision	23,287	-
Employee Entitlements	473	48
Fixed assets	21,887	191
Tax losses	-	-
Sundry items	2,122	460
Deferred tax asset / (liability)	**44,667**	**698**

Note 11.2: Income tax due / (owing)

	2020	2019
	$'000	$'000
Income tax due / (owing)	2,237	(241)
Total income tax due / (owing)	**2,237**	**(241)**

Note 11.3: Deferred tax asset / (liability)

	2020	2019
	$'000	$'000
Deferred Tax Asset	47,763	698
Deferred Tax Liability	3,096	-
Total Deferred Tax Asset	**44,667**	**698**

Note 11.3: Deferred tax asset / (liability)

	Derivative financial instruments	Employee Entitlements & Provisions	Provision for rehabilitation	Fixed Assets	Tax losses	Other	Total
At 30 June 2019	**-**	**48**	**-**	**191**	**-**	**460**	**698**
Transfers on 31 October 2019	-	-	21,813	7,440	-	33	**29,286**
Charged / (credited) to profit or loss	(202)	425	1,474	14,255	-	1,619	**17,572**
Charged directly to equity	(2,900)	-	-	-	-	11	**(2,889)**
Under provision prior year	-	(1)	-	(4)	-	(12)	**(17)**
Impact of change in tax rate	-	1	-	5	-	11	**17**
At 30 June 2020	**(3,102)**	**473**	**23,287**	**21,887**	**-**	**2,122**	**44,667**
At 11 October 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charged / (credited) to profit or loss	-	48	-	191	-	460	**698**
At 30 June 2019	**-**	**48**	**-**	**191**	**-**	**460**	**698**

As a Government Owned Corporation, the Company is subject to the National Tax Equivalents 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 Government Owned Corporation.

These payments are made pursuant to section 129(4) of the *Government Owned Corporations Act 1993 (Qld)* and are based upon rulings set out in the Treasurer's, Tax Equivalents Manual'. The NTER gives rise to obligations which reflect in all material aspect those obligations for taxation which 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. 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 losses.

Deferred tax equivalents 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.

12. CONTRIBUTED EQUITY

	2020	2019	2020	2019
	Number of Shares	Number of Shares	$'000	$'000
Ordinary shares - fully paid	20,000,002	20,000,002	308,349	180,000

Movements in share capital

	Number of Shares	$
Share issued on incorporation	2	2
Shares issued to shareholder on equity contribution	20,000,000	20,000,000
Equity contribution from the State of Queensland	-	160,000,000
Balance at 30 June 2019	**20,000,002**	**180,000,002**
Equity contribution from the State of Queensland	**-**	**128,348,962**
Balance at 30 June 2020	**20,000,002**	**308,348,964**

Shares issued

The shares are held by the Hon. Mr Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning and the Hon. Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Equity contribution from State of Queensland

The State of Queensland made an equity contribution to assist with the establishment and operations of the Company. The amount is treated as a contribution by owners and accounted for as an adjustment to equity in accordance with Interpretation 1038: Contributions by Owners made to Wholly Owned Public Sector Entities.

During the year a number of foundation assets were transferred to the Company from Stanwell Corporation Limited and CS Energy Limited. See note 1 (c) for further information.

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 borrowings. Total capital is calculated as 'equity' as shown in the balance sheets plus debt.

At present the Company has no debt therefore its gearing ratio is 0%.

13. EMPLOYEE RETIREMENT BENEFIT OBLIGATIONS

Some employees of the Company are entitled to benefits from the industry multiple employer superannuation plans, 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 lower than expected return on the actual investment plan assets the total fair value of the plan assets were less than the present value of the future obligations in 2020 resulting in a defined benefit liability being recognised at 30 June 2020.

The amounts recognised in the Statements of Financial Position are determined as follows:

	2020	2019
	$'000	$'000
Present value of the defined benefit obligation	(1,357)	-
Fair value of defined benefit plan assets	915	-
Net deficit before adjustment for contributions tax	**(442)**	**-**
Adjustments for contributions tax	-	-
Total	**(442)**	**-**

Reconciliation

	2020	2019
	$'000	$'000
Reconciliation of the present value of the defined benefit obligation, which is fully / partly funded:		
Balance at the beginning of the year	-	-
Assets transferred in	916	-
Current service cost	19	-
Past service cost	428	-
Interest cost	6	-
Taxes, premiums & expenses paid	(9)	-
Actuarial (gains) and losses recognised in equity	(9)	-
Actuarial losses from liability experience	1	-
Contributions by plan participants	5	-
Balance at the end of the year (net of contributions tax)	**1,357**	**-**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	-	-
Assets transferred in	916	-
Interest income	5	-
Actual return of Fund assets less interest income	(44)	-
Employer contributions	42	-
Taxes, premiums & expenses paid	(9)	-
Contributions by plan participants	5	-
Other cash flows recognised in equity	-	-
Balance at the end of the year	**915**	**-**

The major categories of plan assets are as follows:

Categories of plan assets

	2020	2019
	$'000	$'000
Cash	37	-
Australian equities	211	-
International equities	238	-
Fixed income	119	-
Property	73	-
Other assets	237	-
Total	**915**	**-**

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 2020.

The actuary recommended in the actuarial review as at 30 June 2020, the payment of employer's contributions to the fund of 58.6% of salaries for employees who are members of the defined benefit section.

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

Actuarial assumptions and sensitivity

	2020	2019
	%	%
Discount rate	**1.5%**	-
Future salary increases	**3.0%**	-

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	1.6% pa	1.1% pa	2.1% pa	1.6% pa	1.6% pa
Salary increase rate	3.0% pa	3.0% pa	3.0% pa	2.5% pa	3.5% pa
Defined benefit obligation ($'000)	1,358	1,402	1,314	1,314	1,402

Accounting policy

Employee retirement benefits

The Company's defined contribution plans chosen by the employee receive 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 consolidated group's defined benefit superannuation plan is recognised in the Statements 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 consolidated group 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, 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.

14. JOINT ARRANGEMENTS

The Company has a joint operating agreement in the Kogan North Joint Venture, incorporated in Australia. The principal activities of the joint operation are the exploration and production of gas. The Company has an interest of 50% as at 30 June 2020 which is equal to the proportion of voting power held.

15. CONTINGENCIES

The Company had no contingent liabilities at 30 June 2020 and 30 June 2019.

16. COMMITMENTS

(a) Capital Commitments

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

	2020	2019
	$'000	$'000
Property, plant and equipment		
Within one year	5,181	124
Later than one year but no later than five years	233,799	-
Greater than five years	-	-
Total - Property, plant and equipment	**238,980**	**124**

Capital commitments include commitment forecasts as part of CleanCo's initiative to build, own and operate its own wind farm of 18 turbines and invest in a further 400 megawatts through a power purchase agreement resulting from the Queensland Government's Renewables 400 initiative.

(b) Internal to government leases

This commitment relates to the minimum lease payments for the property lease with the Department of Housing and Public Works (DHPW) contracted for at the reporting date but not recognised as a liability. This lease is outside the scope of AASB 16 Leases because DHPW has substantive 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 is treated as an operating lease when incurred.

	2020	2019
	$'000	$'000
Executory contracts (Internal to government leases)		
Within one year	770	769
Later than one year but no later than five years	-	2,217
Greater than five years	-	-
Total - Internal to government leases	**770**	**2,986**

(c) External to government leases

	2020	2019
	$'000	$'000
Maturity analysis - contractual undiscounted cash flows		
Within one year	48	9
Later than one year but no later than five years	257	16
Greater than five years	-	-
Total undiscounted lease liabilities	**305**	**25**
Future finance charges	(65)	(6)
Lease Liabilities included in the statement of financial position	**240**	**19**
Representing lease liabilities:		
Current	48	6
Non-current	192	13
Total lease liabilities	**240**	**19**

External to government leases are leases for motor vehicles that have been recognised as right-of-use assets in Note 6.2 Property, Plant and Equipment. All commitments are shown exclusive of Goods and Services Tax (GST).

17. RELATED PARTY TRANSACTIONS

	2020	2019
	$'000	$'000
Revenue		
Grant income received from Queensland Treasury	248	6,000
Interest received on advance facility from QTC	2,539	591
Expenses		
Salaries paid to Queensland Treasury	(55)	(177)
Finance expenses paid to QTC	(239)	(34)
Costs paid to State of Queensland controlled entities	(3,778)	(255)
Assets		
Advances facility held with QTC	144,157	160,557
Leasehold improvement Department of Housing and Public Works	-	110
Liabilities		
Trade and other payables to State of Queensland controlled entities	110	494
Equity		
Capital contribution	128,349	180,000

Parent entities

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

Transactions with shareholding Ministers

There were no transactions with the shareholding Ministers, other than the 20,000,002 shares issued in the prior year that are held on behalf of the State of Queensland. During the current year the shareholding Ministers facilitated the transfer of the foundation assets from CS Energy Limited and Stanwell Corporation Limited to the Company. The legal title and ownership of the foundation assets and related liabilities were transferred to the Company on 31 October 2019. This has been recognised as a Contribution of Equity.

Transactions with key management personnel

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

There were no transactions with key management personnel other than the compensation disclosed in note 18.

Transactions with other related parties

All State of Queensland controlled entities meet the definition of a related party in accordance with AASB 124 Related Parties. 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 0.88% to 2.36%.

18. KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) includes 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 2019-20 reporting period, these Ministers are, or were:

- The Honourable Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning (from 11 May 2020);
- The Honourable Dr Anthony Lynham MP, Minister for Natural Resource, Mines and Energy;
- The Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (until 11 May 2020).*

*The Premier Anastacia Palaszczuk temporarily assumed shareholding Ministerial responsibilities for the period 9 to 10 May 2020 until 11 May 2020 when a new Minister was appointed.

(a) Directors

The following persons were directors of the Company during the financial period.

Directors	Position	Date of appointment	Appointment expiry date
Jacqueline Walters	Chair – Non-Executive Director	17 December 2018	16 December 2021
Ivor Frischknecht	Non-Executive Director	17 December 2018	16 December 2021
Laurene Hull	Non-Executive Director	12 December 2019	30 September 2022
Paul Venus	Non-Executive Director	12 December 2019	30 September 2022
Tracy Dare	Non-Executive Director	17 December 2018	16 December 2021

(b) Other key management personnel compensation

The following key management personnel were appointed by the Board:

Senior Executives	Position	Date of appointment
Maia Schweizer	Chief Executive Officer	30 September 2019
Graham Yerbury	General Manager – Performance, Risk and Finance	30 September 2019
Nicholle Duce	General Manager – Corporate Services	7 January 2020 – 14 August 2020
Tanya Mills	General Manager – Customer and Energy Markets	12 August 2019
Sally Frazer	General Manager – Legal and Governance and Company Secretary	30 September 2019 Apptd CoSec 14 October 2019
Tim Hogan	General Manager – Asset Operations	28 February 2020

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

Senior Executives	Position	Date of appointment
Geoff Dutaillis	Interim Executive General Manager – Transition	11 February 2019 – 16 February 2020
Gerard Dover	Interim Finance Lead	26 March 2019 – 25 September 2019
Miles George	Interim Chief Executive Officer	11 February 2019 – 7 November 2019
Tanya Mangold	Interim General Manager – Legal and Governance / Company Secretary	1 February 2019 – 23 January 2020

(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 are 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; and
- The remuneration arrangements are consistent with the Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Arrangements Version 2.

The Chief Executive Officer and all other Senior Executives are appointed by the Board.

The original employment contracts for the Interim Chief Executive Officer and the Interim Executive General Manager – Transition were fixed term contracts for a period of six months, commencing 11 February 2019 and expiring 31 July 2019. Both contracts were extended to ensure the seamless handover to the permanent CEO, Maia Schweizer. The remuneration packages are specified in the employment contracts and comprise the following:

- Base salary, which is payable as cash and based on an applicable market rate, as assessed by independent remuneration consultants;
- Statutory superannuation contributions under the *Superannuation Guarantee (Charge) Act 1992* (Cth) to a complying superannuation fund nominated by the Executive; and
- Other benefits such as a travel allowance to cover costs of flights, accommodation and any other incidental expenses associated with flying into and out of Brisbane from their home state each week.

There were no termination benefits payable to the Interim Chief Executive Officer and Interim Executive General Manager.

The contracts for the other Senior Executives and Interim Senior Executives were as follows:

- General Manager – Corporate Services – This is a total fixed remuneration agreement comprising a base salary and superannuation contributions. The executive is entitled to a short-term incentive at CleanCo's discretion.
- General Manager – Performance, Risk and Finance – This is a total fixed remuneration agreement comprising a base salary and superannuation contributions. The executive is entitled to a short-term incentive at CleanCo's discretion.
- General Manager – Legal and Governance and Company Secretary – This is a total fixed remuneration agreement comprising a base salary and superannuation contributions. The executive is entitled to a short- term incentive at CleanCo's discretion.

- General Manager – Asset Operations – This is a total fixed remuneration agreement comprising a base salary and superannuation contributions. The executive is entitled to a short-term incentive at CleanCo's discretion.
- Interim Finance Lead – Fixed term consultancy arrangement for a period of 6 months from 26 March 2019 to 25 September 2019. The remuneration arrangement between the Company and the Interim Finance Lead was for a flat rate per month excluding GST.
- Company Secretary – Initial fixed term consultancy arrangement from 17 December 2018 to 28 February 2020. The remuneration arrangement between the Company and the Company Secretary was for a flat rate per hour excluding GST. A termination benefit was payable to the Company Secretary.

There were no performance related conditions entered into between the Company and the Senior and Interim Senior Executives.

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 2020

	Short-term employee benefits	Post-employment benefits	Long-term benefits			
	Cash salary	Super annuation	Long service leave	Termination benefits	Non monetary benefits	Total
Name	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Directors						
Jacqueline Walters	133	13	-	-	-	146
Tracy Dare	78	7	-	-	-	85
Ivor Frischknecht	78	7	-	-	-	85
Paul Venus	43	4	-	-	-	47
Laurene Hull	43	4	-	-	-	47
Other key management personnel						
Maia Schweizer	461	15	1	-	-	477
Nicholle Duce	149	11	-	-	3	163
Tanya Mills	342	19	5	-	3	369
Graham Yerbury	279	15	1	-	-	295
Sally Frazer	219	28	1	-	-	248
Tim Hogan	100	19	3	-	-	122
Miles George	182	8	-	-	-	190
Geoff Dutailis	348	14	-	-	-	362
Gerard Dover	138	-	-	-	-	138
Tanya Mangold	116	10	-	24	-	150
Total key management personnel compensation	**2,709**	**174**	**11**	**24**	**6**	**2,924**

30 June 2019

	Short-term employee benefits	Post-employment benefits	Long-term benefits			
	Cash salary	Super annuation	Long service leave	Termination benefits	Non monetary benefits	Total
Name	$'000	$'000	$'000	$'000	$'000	$'000
Directors						
Cecelia Christensen	-	-	-	-	-	-
Robert Fleming	-	-	-	-	-	-
Karen Whitham	-	-	-	-	-	-
Jacqueline Walters	65	6	-	-	-	71
Tracy Dare	38	4	-	-	-	42
Ivor Frischknecht	38	4	-	-	-	42
Other key management personnel						
Miles George	242	8	-	-	-	250
Geoff Dutailis	202	8	-	-	-	210
Gerard Dover	145	-	-	-	-	145
Tanya Mangold	188	-	-	-	-	188
Total key management personnel compensation	**918**	**30**	**-**	**-**	-	**948**

19. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic has introduced uncertainty into all aspects of the economy, including how and when energy is used. CleanCo's flexible generation portfolio and customer-led approach position us well to navigate this uncertainty, though there are certain to be short term impacts. The Board and management continue to monitor and adapt to this situation.

Following expiry of the TSAs on 30 August 2020 (Stanwell) and 1 November 2020 (CS Energy), CleanCo will manage the operation and maintenance of all sites.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

DIRECTORS' DECLARATION 30 JUNE 2020

In the Directors' opinion:

a. the financial statements and notes set out on pages 45 to 90 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 2020 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.

Jacqui Walters

Jacqueline Walters Chair

Brisbane
28 August 2020

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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.

In my opinion, the financial report:

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

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

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the 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*, and confirm that the independence declaration required by the *Corporations* Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

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Measurement of derivative financial instruments and designation of hedging instruments

Refer to notes 7 and 8 in the financial report

Key audit matter	How my audit addressed the key audit matter
Accounting for derivative financial assets and liabilities is inherently complex. Key factors contributing to this complexity include: • Use of internal valuation models in CleanCo's estimation of the fair value of the following financial instruments: – over-the-counter – exchange traded swaps – CAPs and option contracts – environmental certificates – Power Purchasing Agreements – derivatives (including hedging instruments). These models are complex and use key inputs such as: – long term electricity prices, and – discount rates. They often involve significant judgment due to the absence of observable market data for some assumptions. • The company's application of hedge accounting involves judgements about CleanCo's forecast generation profile to monitor on-going hedge effectiveness for compliance with the specific requirements of AASB 9 Financial instruments.	My procedures included but were not limited to: • use of a derivative valuation expert to assist me in: – 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, by comparison to independently sourced external market data, market conditions at year end, CleanCo's generation activities and energy trading policy – 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 – assessing CleanCo's 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 with reference to AEMO's published forecasts. • assessing the appropriateness of the disclosures included in notes 7 and 8 to the financial statements.

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Measurement of the provision for restoration, rehabilitation and decommissioning

Refer to note 10 in the financial report

Key audit matter	How my audit addressed the key audit matter
As at 30 June 2020, the company has provisions for restoration, rehabilitation and decommissioning relating to its generation assets, inclusive of Kogan North Joint Venture gas wells. The measurement of these provisions required significant judgments in: • assessing CleanCo'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. CleanCo determines its estimate of the provision using a combination of external expert advice and internal assessments.	My procedures included, but were not limited to: • assessing the competence, capability and objectivity of the external experts used by CleanCo in measuring the provisions • evaluating the completeness of sites provided for through examination of CleanCo'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 whether annual cost escalation factors and discount rates were within a reasonable range with reference to market and industry research • testing the mathematical accuracy of CleanCo's present value calculations.

Carrying values of CleanCo's property, plant and equipment

Refer to note 6 in the financial report

Key audit matter	How my audit addressed the key audit matter
Assessing carrying values of property, plant and equipment for impairment is complex and highly judgemental. CleanCo's assessment is based on forward looking assumptions about operating and market conditions. It also involves the use of complex models to measure the recoverable amount. Key assumptions, judgements and estimates used in CleanCo's impairment testing process include: • allocating assets to cash generating units • estimating future cash inflows and outflows based on: – electricity demand and available generation – wholesale electricity prices – cost of fuel and water – other operating expenses, including overhauls of the power units – planned plant retirements. • determining the rate used to discount the forecast cashflows to their present value.	My procedures included, but were not limited to: • evaluating whether the cash generating units used by management are consistent with the entity's internal reporting and our understanding of the business • assessing the design, integrity and appropriateness of the discounted cash flow models with reference to common industry practices and the requirements of the accounting standards • challenging the reasonableness of the key assumptions underlying the cash flow forecasts in light of the impacts of COVID-19 • with the assistance of valuation experts, assessing forecast generation and wholesale electricity prices with reference to AEMO published data and other relevant internal and external evidence • assessing the reasonableness of long-term fuel and water costs by comparing them to contractual arrangements • agreeing forecast cash flows to the latest budgets and forecasts approved by the Board and checking the mathematical accuracy of the net present value calculations • comparing the forecast timing and cost of overhauls and retirements against budget • evaluating whether the discount rates applied were within a reasonable range with reference to market data and industry research • assessing the appropriateness of the disclosures included in note 6 to the financial statements.

Other information

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

The company's directors are responsible for the other information.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

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

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

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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the company or business activities within the company to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company. I remain solely responsible for my audit opinion.

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

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

31 August 2020

Damon Olive
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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