Queensland's energy future

Annual Report 2022–23

Energy Queensland

COVER: Throughout 2022-23, Ergon Energy Network and Energex have been engaging customers, communities and other stakeholders to inform our investment plans for 2025 and beyond, as we evolve to support Queensland's energy future, with greater electrification and the integration of renewable energy solutions. This image is from our online engagement campaign.

About this report

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

The report outlines the Energy Queensland Group's overall performance from July 2022 to June 2023. It covers Energex Limited, Ergon Energy Corporation Limited (Ergon Energy Network/Ergon Network), Ergon Energy Queensland Pty Ltd (Ergon Energy Retail/Ergon Retail) and Yurika Pty Ltd.

To meet best practice reporting standards, as well as our legislative requirements, the report has been prepared with guidance from the Global Reporting Initiative and the principles of the International Integrated Reporting Framework, and other reporting disclosure standards. This included a comprehensive assessment in 2022 of the topics that matter most to our stakeholders.

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

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

Energy Queensland acknowledges the Traditional Custodians of the land on which we live and work, and recognises their continuing connection to land, waters and community. We pay respect to Elders past and present. We also acknowledge that the lands and waters beneath the poles and wires that stretch across the communities where we live and work, was and always will be traditional First Nations land.

We’re working to create

Queensland’s energy future

We’re listening closely and working together with our customers and other stakeholders to respond to the cost of living and to advance the energy transformation towards net zero.

We’re partnering to enable double Queensland’s rooftop solar over the next decade, and the electrification of the transport sector, while addressing the challenges around network safety, resilience and security of supply.

We’re simplifying, and empowering our people to find more sustainable ways to deliver today, and for tomorrow.

Contents

About Us

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

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

Our retailer, Ergon Energy Retail, sells this electricity to its 766,000 customers throughout regional Queensland, with generation, energy trading and retailing capabilities. Our customer numbers make us the fourth largest retailer in the National Electricity Market (NEM).

Our 'poles and wires' businesses, Ergon Energy Network and Energex deliver electricity across Queensland. We supply more than five million Queenslanders through more than 200,000 kilometres of electricity networks, and 33 isolated systems.

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

Our vision

We energise Queensland communities.

Our purpose

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

Our values

Safe

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

Knowledgeable

We openly share our knowledge

Innovative

We strive to make our business better

Leading

We lead and follow each other to success

Listening

We respect and hear each other

Engaged

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

Diverse

We are diverse which makes us stronger

Our numbers

8,200 employees

2.3 million **connected customers**

500+ **graduates and apprentices**

766,000 **retail customers**

$29.2 billion **asset base**

210,000km powerlines (overhead and underground)

1.7 million **power poles**

34 power stations (including network-connected Barcaldine)

5 customer contact centres

3 network control centres

36,600GWh electricity distributed (a year)

Energex unplanned outages **0.66** (average per customer a year)

Ergon Energy Network unplanned outages **2.15** (average per customer a year)

800,000 solar energy systems connected

43 large-scale solar energy connections

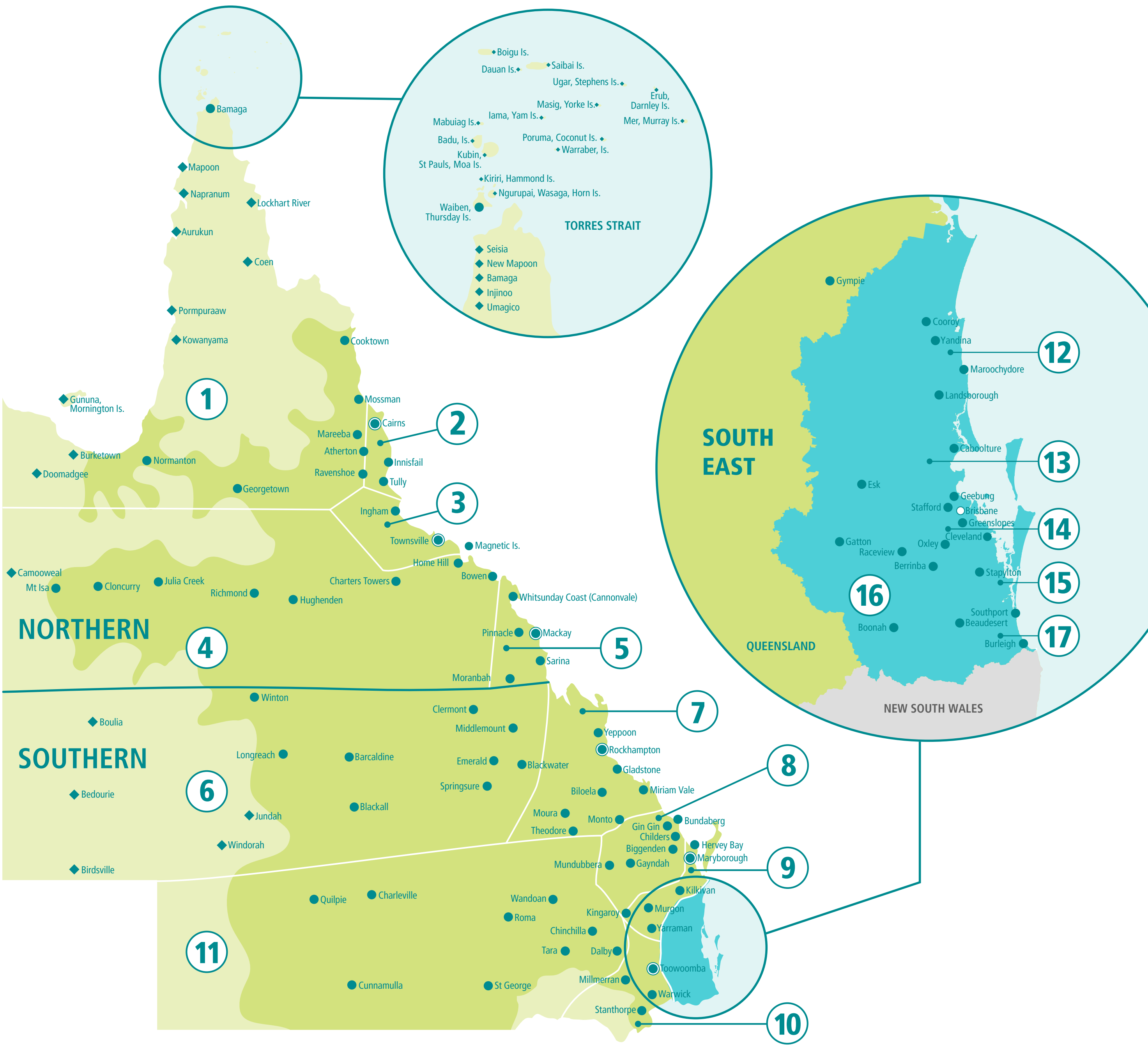
Our core service area

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

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

Ergon Energy Distribution Network
Ergon Energy Isolated Supply
Ergon Energy Retail
Energex Distribution Network

Administration Centre
Depots
Isolated Supply



The year's highlights

Ergon Energy Network and Energex engaging on their investment plans for 2025 and beyond, working with a reference group, establishing two customer panels and undertaking other engagements to guide our planning for the new energy future.

Ergon Network played a major role in supporting the Dulacca Wind Farm, as one of the many major customer-initiated network connection projects that are transforming the state of Queensland.

Ergon Retail opened a new contact centre in Mackay – adding to our well-established regional centres in Townsville and Rockhampton – as part of our commitment to delivering outstanding local service.

Yurika is delivering electrical infrastructure works for a number of major world-leading wind farms, including the Clarke Creek Wind Farm, north-west of Rockhampton, and MacIntyre Wind Farm, west of Warwick.

Introduced Queensland's first dynamic customer connections, following new industry standards, to allow more solar, and a lower cost, safe and reliable supply for all.

Invested $1.4 billion to keep Queensland's electricity network safe, reliable and secure, and the lights on, with a significant safety-driven investment in asset renewal.

Launched a $2 million undergraduate scholarship program, as part of a commitment to training the electrical engineering workforce of the future, with the first 100 scholarships awarded.

A record intake of 153 apprentices, to not only construct and maintain the state's electricity network, but to develop new solutions to support the evolving technology on the grid.

Reduced significant workplace safety incidents by 31% through continuous learning targeting key areas, with critical controls for high-risk hazards.

Led the way with the success of utility-scale battery trial, with stage two now under way, along with new neighbourhood and community battery initiatives.

Yurika commenced a landmark partnership with Ampol to install 34 electric vehicle fast-chargers across Australia, leveraging their experience rolling out the Queensland Electric Super Highway.

Meet our Chair, Sarah Zeljko, and look at this year's highlights:
www.energyq.com.au/publications

Chair's message

A major transformation is underway in the energy sector; with our businesses having to manage both the speed and sheer degree of change.

Gone are the days of a single-direction flow of electricity from powerlines into homes and businesses. Now, it's two-way, with 800,000 solar energy systems feeding energy into the grid, and a growing presence of electric vehicles, batteries and other products not envisaged when the electricity distribution system was first built.

Change is also impacting the wholesale energy market and electricity retailing.

It's an incredibly dynamic environment and, I have to say, a very exciting time to be in the industry.

Queensland Energy and Jobs Plan

I became Chair in October last year, just after the Queensland Government released their Queensland Energy and Jobs Plan. As the roadmap for the state's energy transformation, it details how Queensland will achieve 70% renewable energy by 2032, and net zero by 2050.

The plan is very much aligned with Energy Queensland's strategic objectives – and our 'electric life' ambition. When it comes to projects that will move the dial in transforming to renewables, every area of Energy Queensland is involved in one way or another.

We have elevated our focus on the ten areas of the Plan that we are either leading or supporting.

Our successful utility-scale battery trial is already leading the way, with the five network-connected batteries commissioned during the year, now providing 40MWh of energy storage across the state in areas where rooftop solar penetration is high. This has allowed stage two of our Local Network Battery Plan, the installation of another 12 utility-scale 4MW/8MWh batteries, to get underway, along with other new neighbourhood and community battery initiatives. This investment is about storing the solar energy made locally, during the day, for use locally during the evening peak, when demand is high, to help manage reliability across the distribution networks.

In support of the electrification of transport, Yurika is leveraging its experience rolling out the Queensland Electric Super Highway, with a landmark partnership with Ampol commencing this year to install 34 fast chargers across Australia. It's just one of many success stories highlighted in this report where Yurika is connecting its customers to a sustainable energy future.

We're supporting the Queensland Energy and Jobs Plan in ten main areas:

Green energy for 2032 Olympics and Paralympics
Supporting a climate positive Games, including electrified buses, and the ongoing use of clean energy in the venues.

Energy Firming
Advancing dispatchable storage and other solutions to provide reliability to the grid and manage market volatility.

Energy Storage
Rolling out network-connected batteries, and piloting new technologies to increase energy storage by 2030.

Clean Energy for Isolated Communities
Decarbonise by transforming 33 isolated Queensland communities to renewable energy generation.

Jobs and Workforce
Developing the energy transformation skills and opportunities for energy workers in their communities.

Electrification of Transport
Providing the infrastructure and tariffs to enable the seamless integration of zero emissions vehicles.

Retailer of the Future
Evolving to enable choice and help customers optimise their energy use, and lower their electricity bills.

Smart Meters
Supporting the smart meter replacement program across Queensland to achieve 100% roll out by 2030.

Vulnerable Customers
Delivering social programs, rebates and offers to support vulnerable customers and help reduce household bills.

Distribution System Operator
Better coordinating energy use and supply to customers.

"The decisions we make now, and the technologies we enable are what will deliver a clean, sustainable and affordable energy future for our grandchildren and beyond."

In the jobs space, we're rising to the challenge of the energy transformation, and planning the works program for the 2032 Olympics and Paralympics. We have an important role to play in providing the right energy transformation skills, opportunities, and pathways for energy workers and their communities.

We're growing our diverse workforce, with hundreds of new employees joining us during the year, including 153 apprentices. We're also investing in the development of our people organisation-wide. In addition, in June this year, we also announced the recipients of 100 new $20,000 engineering scholarships – these university students are our future talent pipeline.

Ergon Retail is also evolving with a new regional contact centre opening, and new service choices. It's also advancing its energy firming capability to manage the volatility in the energy market while maintaining a critical focus on affordability, and its support to customers experiencing hardship.

A passion to deliver great things

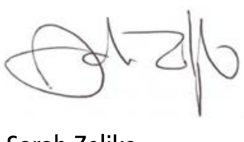
I would like to acknowledge the contribution of Phil Garling, the previous Chair, and of Rod Duke, who left the organisation as Chief Executive Officer in April this year. Both navigated the business through COVID-19, oversaw improvements in safety performance, and guided the organisation in embracing the energy transformation.

I'd also like to thank the Executive and all employees for their efforts this year. It's an honour to lead Energy Queensland at this time, with people who have a real passion to deliver great things.

Looking ahead, I know we must continue to work collaboratively with our stakeholders, and across the supply chain, to address power prices and deliver on the promises in the Queensland's transformation to renewable energy.

We're building on a proud heritage and, with a focus on the 'now', and the 'next', I know we'll leave an amazing legacy.

Thank you for your support.



Sarah Zeljko
Chair

CEO's review

With the industry undergoing transformation, and our customers experiencing substantial cost-of-living pressures, we are facing a significant challenge. My focus since taking on the Acting Chief Executive Officer role in April 2023 has been to simplify and empower our leaders and our people to deliver.

Delivering for our customers

I am acutely aware that affordable clean energy, choice and control, and a sense of value, is core to meeting the expectations of Queenslanders.

As part of our commitment to delivering outstanding local service, this year Ergon Retail opened a new contact centre in Mackay, adding to our two existing centres in regional Queensland. Customers were also supported through bill relief, retail tariff reforms, the roll out of digital meters, and the introduction of new measures to support customers affected by family violence and financial hardship.

Yurika has gone from strength to strength during the year, delivering its services to several major world-leading wind farms, including the Clarke Creek Wind Farm, north-west of Rockhampton, and MacIntyre Wind Farm, west of Warwick. It has also continued to deliver battery energy storage systems, and other infrastructure across Australia, as well as advanced transmission services, energy supplies, metering services and telecommunications.

Our strong customer focus is guiding our engagement on Queensland's energy future, along with the preparation of our investment proposals for 2025 and beyond, which commenced in 2022. This will enable the Australian Energy Regulator to appropriately determine our revenue allowance for the next five-year planning period. It will also take us towards our 'electric life' ambition and assist us in delivering against the Queensland Energy and Jobs Plan.

Jobs, skills and safety

We've had a substantial focus this year on jobs and skills growth, especially at the frontline of our businesses, on those keeping the lights on and delivering the works that are transforming the energy landscape.

Pleasingly, while delivering the $1.4 billion network investment program, we've reduced the number of significant injuries in the workplace by around a third. It's reassuring to see our focus on continuous learning and critical controls around our high-risk hazards helping to keep our people safe.

"Our priority is on safety, keeping the lights on, and addressing the business's financial sustainability, while evolving to empower an electric life."

This is in line with the positive improvements in employee engagement. We are continuing to promote a safe and inclusive culture where people feel valued, supported, and can thrive, with targeted efforts around mental health and wellbeing.

At the same time, however, we tragically lost one of our sub-contractors this year after he sustained fatal injuries from a dog attack. While we had done significant work around safe entry in recent years, this incident led to a further, in-depth review of how we manage this risk on a daily basis, to ensure our people and contractors can go home safely after a day's work.

From a community perspective, we continued to invest in network renewal, as part of an ongoing, vital, safety-driven, reliability response to an elevated rate of pole, cross arm and conductor defects. This investment is beginning to show signs of decreasing the rate of asset failures. However, due to the age profile of the network, especially in some areas of regional Queensland, this investment will need to remain escalated for some time to come.

While it has impacted our network performance against our combined unplanned and planned outage service standards, a reduction in unplanned outages saw these performance metrics improve. This also allowed us to meet our targets, agreed with the Queensland Government, for network-wide unplanned outage performance for both Ergon Network and Energex.

Our financial sustainability

We remain focused on our financial sustainability, acutely aware of our customers' cost-of-living pressures and the economic challenges associated with the energy transformation.

This year, Energy Queensland's Consolidated Statement of Profit or Loss showed a Net Loss After Tax of $213 million, compared to a budget target of $214 million. This result was impacted by a significant loss in Ergon Retail's earnings, primarily driven by the volatility in the wholesale electricity market, which included a reversal of non-cash gains from the year prior.

This challenge will continue as Ergon Retail is locked into forward electricity contracts established before the Australian and Queensland Government's intervention, which aimed to reduce spot market prices. Ergon Retail will continue to respond to these market risks and address its cost-to-serve.

The profit result was also impacted by an under-recovery of distribution charges – these will be recovered in the coming financial year. These challenges were countered by Yurika's success in the energy and telecommunications markets and the associated revenue growth.

Looking towards an electric life

To be successful, we know we must work with our staff, our customers and our stakeholders, and effectively as a Group, as we lead through the energy transformation.

We thank you for your support as we navigate towards an 'electric life'.

Peter Scott
Acting Chief Executive Officer

Sustainability

Sustainability is at the centre of our purpose, 'to safely deliver secure, affordable and sustainable energy solutions with our communities and customers.'

What matters most

In 2022 Energy Queensland undertook an assessment of the Environmental, Social and Governance (ESG) topics material to our stakeholders and to achieving our objectives.

Our primary sustainability topics (shown here), and the secondary topics (p15) have guided our thinking around our ESG contribution, and the sustainability content of this Annual Report.

This work is being advanced as part of our corporate planning, into an Environment, Social and Governance framework. A snapshot our sustainability performance metrics, targets and outcomes for the material topics is provided on (p14).

Our assessment process was guided by the Global Reporting Initiative's Material Topics Standard and other best practice corporate examples.

Identification

We gathered insights from flagship sustainability and industry documents, peer activities, stakeholder engagements, customer research, media coverage, and employee engagement responses, to develop a preliminary review of the current material issues/topics. An internal workshop was then used to refine the grouping of the issues into the topics.

Prioritisation

External stakeholder interviews, representing our stakeholder groups, as well as a survey of senior leaders and sustainability subject matter experts, were then used to test and rank the primary and secondary material topics.

Validation

The topics were then presented to the Executive and senior management for validation to ensure they provide stakeholders with a balanced view of the organisation's contribution/impacts, before being presentation to the Board, and finally back to stakeholders.

Our contribution

Energy Queensland is continuing to make a significant sustainability contribution across our primary topic areas.

Energy Affordability and Value remains a priority. As an essential part of modern life, affordable and clean energy, choice and control, and a sense of value, is important to our customers from both a cost-of-living and a business competitiveness perspective.

Security and Reliability of Supply also remains central. With ageing electricity distribution network infrastructure, and an industry-wide challenge of reliably integrating renewables into the electricity system, the risk of power system failures has the potential for significant economic and social impacts.

From an ESG perspective, we also have a growing focus on the transformation to Renewables and Net Zero Emissions. As electricity generation is a major emissions contributor, Energy Queensland has a pivotal role to play. Solutions are needed to support the renewable energy transformation and the electrification of transport, industry and homes required for effective climate action.

The industry is moving quickly and with significant disruption. It is vital we bring our customers with us on the transformation. We also need to consider the impact of the energy transformation on energy inclusion, and advocate for outcomes that deliver for all of Queenslanders.

We need to build greater resilience across the network, and help the communities we serve to mitigate against a changing climate, and to be proactive in reducing our overall carbon footprint, especially in the generation of electricity in Queensland's remotest communities that are isolated from the main grid.

How we're creating value

Inputs

Human Capital
Our employees and industry partners; their knowledge, skills, and diversity.

Intellectual Capital
Our policies, standards, and procedures, and how we innovate and share our knowledge.

Social Capital
Our customer/stakeholder relationships, our reputation and commitment to our communities.

Manufactured Capital
Our electricity infrastructure, property, and technology/equipment.

Natural Capital
The resources we use and the environmental ecosystems we operate in.

Financial Capital
Our equity and debt facilities, and revenue from our regulated and unregulated activities.

Our business

Our activities
We distribute electricity throughout Queensland, generate, trade and retail electricity in regional Queensland, and offer other integrated solutions nationally to connect customers to a sustainable energy future.

Our strategic building blocks

To evolve for the future…

We are continuing to engage our people, stakeholders, customers, and communities.

We're planning for the electrification of everything and enabling the integration of renewable energy solutions.

We're targeting our emissions and supporting the transformation to renewables, and ensuring our assets are resilient.

To enable us to deliver today…

We're continuing to build a capable and productive workforce.

The safety of our people, customers and communities is our first priority.

To keep the lights on, we're designing, building, and maintaining safe and reliable electricity networks.

Financially, we're ensuring funds spent are done so prudently and we're growing our revenue streams.

Outcomes

- ENERGY AFFORDABILITY AND VALUE
- SECURITY AND RELIABILITY OF SUPPLY
- RENEWABLES AND NET ZERO EMISSIONS
- HEALTH, SAFETY AND WELLBEING
- TRUST AND SOCIAL LICENCE
- CLIMATE CHANGE AND DISASTER RESILIENCE
- ENERGY INCLUSION AND CUSTOMER VULNERABILITY
- ECONOMIC RESILIENCE AND JOBS

Sustainable Development Goals

The Group's sustainability contribution aligns with the United Nations' Sustainable Development Goals (SDGs) shown here. These goals provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. They apply equally to Australia as they do internationally. The three SDGs we believe are most material to the Energy Queensland's strategy and operations are:

SDG 7 – Affordable and Clean Energy

Our priority is on "access to affordable, reliable, and modern energy services" (Target 7.1). We are also playing a central role in increasing the "share of renewable energy in the global energy mix" (Target 7.2).

SDG 9 – Industry, Innovation and Infrastructure

As an essential infrastructure provider we deliver "quality, reliable, sustainable and resilient infrastructure… to support economic development and human well-being, with a focus on affordable and equitable access for all." (Target 9.1). This extends to promoting inclusive and sustainable industrialisation, and the adoption of clean and environmentally sound technologies.

SDG 13 – Climate Action

We have advanced to "strengthen resilience and adaptive capacity to climate related hazards and natural disasters" in Queensland (Target 13.1), which has included a focus on "education, awareness raising… on climate change mitigation, adaptation, impact reduction, and early warning" (Target 13.3).

We also deliver against the targets under these goals, and with other individual targets:

Energy Charter Principles

As a foundation signatory to the national Energy Charter, we are continuing to collaborate with other energy organisations across the supply chain to improve customer outcomes, and provide sustainably. Our progress through 2022-23 has been assessed against the Energy Charter's Principles in Energy Queensland's Energy Charter Disclosure Report (available online).

Sustainability governance

Energy Queensland's governance framework supports our ability to create value in the short, medium and long term.

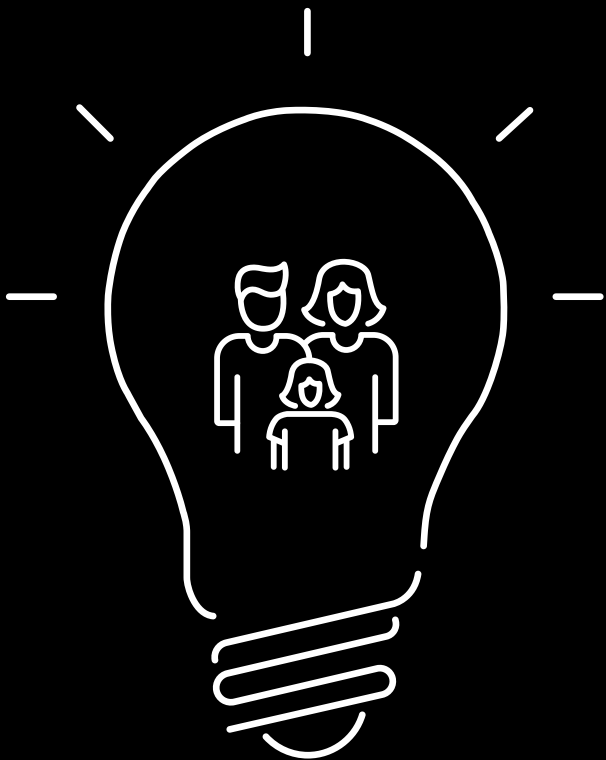
Our most important sustainability topics are discussed by the five Board committees – the Audit Committee, Digital Projects Committee, People, Safety and Environment Committee, Regulatory and Policy Committee, and Risk and Compliance Committee. Our Risk Management Policy sets out the integrated practices needed to be a resilient, flexible, adaptable, and sustainable business.

Energy Queensland's Governance Statement (p65) provides further information on the Group's corporate governance practices.

Performance Report

These targets are the foundation of our formal performance agreement with our shareholding Ministers, our Statement of Corporate Intent (our budget), which is tabled in the Queensland Parliament. The results are discussed in the following sections of the report, with further metrics in our Sustainability performance summary (p77).

AREA	MEASURE	2021–22	2022–23	TARGET
Customer	Customer Satisfaction	72.2	**72.9** ▲	≥69.0
Operations	Operational Delivery	92.9%	**92.4%** ▼	≥90%
	Energex Network Reliability: – Duration of unplanned outages – minutes (System Average Interruption Duration Index)	81.5	**72.2** ▼	≤81.5
	– Number of unplanned outages (System Average Interruption Frequency Index)	0.82	**0.66** ▼	≤0.82
	Ergon Energy Network Reliability: – Duration of unplanned outages – minutes (System Average Interruption Duration Index)	282.4	**278.5** ▼	≤282.4
	– Number of unplanned outages (System Average Interruption Frequency Index)	2.38	**2.15** ▼	≤2.38
Safety and People	Significant Incident Frequency Rate	1.3	**0.9** ▼	≤1.2
	Employee Engagement	64%	**67%** ▲	≥65%
Financial	Net Profit / (Loss) After Tax	$378m	**($213m)** ▼	≥$214m
	Standard Control Service Total Expenditure	$1,974m	**$2,222m** ▲	≤$2,044m



Customers are at the centre of everything we do.

We’re engaging as we plan for 2025 and beyond to deliver affordable, sustainable energy solutions.

We’re improving the service experience today and advancing our offerings to connect customers to a sustainable energy future.

Planning for 2025 and beyond

Throughout the year, Ergon Network and Energex have been engaging on their investment and revenue plans for the five-year planning period from 2025 to 2030. These efforts have built on our existing business-as-usual engagement activities to ensure ongoing effective and authentic engagement with our customers and stakeholders throughout Queensland.

We established a dedicated customer Reset Reference Group to provide a mechanism through which we are working in partnership with customer representatives and regulatory proposal process experts to engage in-depth on the process and technical development of our regulatory proposals. This group has had ongoing Board and Executive-level interactions and oversight of the broader engagement plan.

In August 2022, we held a five-day online 'Recollective' customer and stakeholder forum as part of our commitment to co-design our regulatory proposals engagement approach. This process identified several overarching engagement themes – Reliable, Smart, Affordable, Clean and Customer Service Excellence.

A key element of the Listening phase of the plan included this year's Queensland Household Energy Survey, that since 2009, continues to provide rich trend data for our planning. We had a weekly conversation with our Facebook and Talking Energy subscribers, providing Queenslanders the chance to have a say on what's most important as we shape Queensland's energy future. We also held a series of online perspective sharing sessions to hear from our 'quiet voices', 'future voices', small businesses, and other customers who may have been under-represented in our other engagement activities.

As part of our Share and Explore phase, we established two separate 'Voice of the Customer Panels' made up of residential and small-medium business representatives from our different service areas. These panels, independently facilitated through a deliberative engagement process, have collaborated around how we should plan for the new energy future, with a focus on network tariff design and customer service delivery, including incentive schemes.

Both Networks' future Tariff Structure Statements have continued to be informed by industry and stakeholder representatives through our Tariff Reform Working Group, regular energy retailer discussions and insights from a residential tariff trial conducted in regional Queensland.

We continued to engage peak bodies representing different sectors, including those as members of our Customer and Community Council and Agriculture Forum, as well as establishing a specific Regulatory Proposal Stakeholder Forum to widen the conversation to other groups. Additionally, we've been engaging with local councils and others on our public lighting strategies.

In parallel with the tabling of this Annual Report, Ergon Network and Energex are promoting their Draft Proposals for consultation, providing Queenslanders further opportunities for input into future plans.

Then, in 2024, the Australian Energy Regulator (AER) will assess these regulatory proposals and in early 2025 set the efficient revenues and prices that can be recovered from customers over the 2025-30 period.

Network connections transforming Queensland

Ergon Network played a major role in supporting a large portfolio of major customer-initiated network connection projects that are transforming Queensland.

The 173MW Dulacca Wind Farm, now connected to our network in the Western Downs, was successfully energised in early April 2023. The wind farm is exporting at its expected level of 40%, and we are working with the operators as they progressively ramp up to 100%. At full capacity the farm's 43 turbines, the nation's tallest at 230 metres, will generate enough renewable energy to power more than 54,000 homes. When it is fully operational in late 2023, it will be the largest electrical connection to the state's distribution networks.

During the year we also assisted the connection of the 88MW Dugald River Solar Farm near Mt Isa, and have another 600MW of large-scale renewable energy projects underway, including Gunsynd Solar, near Goondiwindi, Bundaberg Solar and Aramara Solar.

Several energy storage projects have also been delivered, including our Local Network Battery Plan, and in Far North Queensland, construction supply was established for the Genex 250MW Kidston Pumped Hydro Project, which will export into the state's transmission network.

Significant commercial and industrial customer demand is also driving the major network connection activity across Queensland, a highlight being the new $100 million Bundaberg Brewed Drinks factory. This is a major expansion for the iconic brand, requiring connection to the High Voltage (HV) network, creating significant regional employment.

Ergon Network is also supporting Mount Isa Mines' reconnection to the Mica Creek Power Station to deliver 140MW of capacity into the local grid, and to give better reliability to the network supplying the North-West Minerals Province.

State-wide, we are also supporting the Australian and Queensland Governments' initiatives such as the Gold Coast Light Rail, Brisbane Metro project and Brisbane's Cross River Rail developments, and projects in Toowoomba associated with the Inland Rail project. Major investments are also planned for Queensland's health infrastructure program with four new hospital sites planned and nine other sites upgraded where secure and reliable power supply is vital.

Looking ahead in the Energex network, there is also a range of initiatives for waste to energy projects, including expansion of existing landfill gas generation sites to incorporate batteries. We are also connecting wood pulping and recycling plants in the Greater Brisbane Area.

In regional Queensland, we are continuing our partnership with the sugar industry's bagasse generation sites to support new technology and upgrades of existing assets.

Significant connection enquiries are also being received around the electrification of transport, with alterations to airports, and mining and shipping ports all proposing carbon reducing projects that transfer energy to our electrical network.

New connections supporting economic growth

Across the state, the complexity of new network connections continues to increase with more requiring advanced engineering design solutions, construction plans and approvals to accommodate specialised plant or customer energy resources or to allow for supply contingencies.

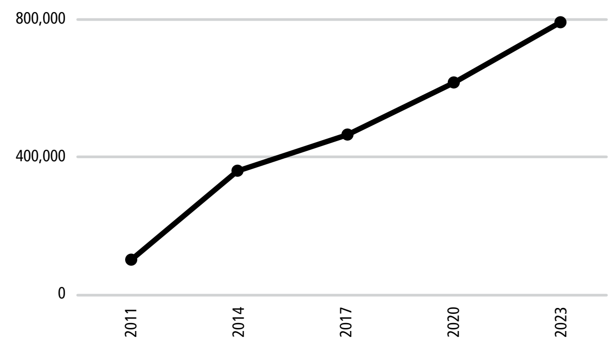
Significant steps have been taken to manage this complexity, as well as the elevated level of connection works, to reduce processing times. This year, along with changes to our approach, we recruited an additional 36 people into our connection teams. With training and experience, this resource investment is starting to deliver outcomes. Since October 2022, we have been able to halve Energex's turnaround times for connection offers (see Customer experience scorecard). Further actions are planned to ensure we can meet customer expectations, support economic growth and connect the new technologies associated with the transformation to renewable energy.

The additional resourcing is also supporting subdivision developments, which have remained elevated in line with southern state migration into Queensland, and the housing crisis being experienced in communities across regional Queensland. These factors have combined with industry-wide stock and material shortages and labour constraints, leading to extended service delivery timeframes.

There was a significant increase in connection applications for solar energy systems being upgraded or replaced, as well as a small increase in the rate new rooftop solar energy systems were being connected to Ergon's and Energex's networks. The average capacity of new systems on residential premises continues to increase – to 8.6kVA this year – bringing the average capacity of all residential systems to 5.1kVA, generating an average of around 25kWh per day and exporting around half that to the grid. They are also increasingly being installed as a solar-battery package.

We continued to work closely with the Urban Development Institute of Australia (UDIA), collaborating on a number of shared initiatives, the Property Council of Australia and other key stakeholders to improve our service delivery, and help us plan for the future.

Queensland's roof top solar connections continues to grow



At the end of June 2023, with this year's 55,245 new solar connections, there were 799,382 solar energy systems connected to the distribution networks across Queensland.

This means that more than 42% of detached houses across Queensland now have rooftop solar.

The average capacity of these systems also continues to increase. This will likely continue with ongoing system cost efficiencies and the uptake of batteries and electric vehicles.

Working with customers to manage demand

Ergon Energy and Energex continued to work with customers throughout 2022-23 to manage demand, with offers that add value and ensure that we can provide safe and reliable electricity across Queensland.

Our demand management program is continually evolving to respond to changes occurring in customers' demand – from the uptake of air conditioners, to the installation of solar energy systems, and growing numbers of electric vehicles. While traditionally demand management has focused on lopping peaks in demand, the program is expanding to address lower and negative troughs (minimum demand) that are arising on our networks due to high levels of rooftop solar.

The program has a suite of non-network solutions that can manage the load curve, shifting our customers' electricity loads across the day as required. At the end of 2022-23 we had achieved a combined demand management portfolio of approximately 888MW in load available, equating to about 60% of Stanwell Power Station, to provide network support during system-wide and localised issues. It was made up of:

- 659MW provided by appliances that are connected to control load tariffs, such as hot water systems and pool pumps
- 181MW provided by demand responsive air conditioners in our PeakSmart program
- 48MW provided by customer generation and load shifting contracted through our network support agreements.

During the year we investigated the opportunity to also use this capability in response to the challenge of minimum demand. We were able to adjust our schedule for the electricity supply to hot water systems on controlled load to shift more load to the middle of the day to 'solar soak' and help address minumum demand.

Our PeakSmart air conditioning demand management program continued to expand. This program offers cash incentives to customers who install a new PeakSmart air conditioner, or convert an existing air conditioner to PeakSmart. There are now over 150,000 PeakSmart air conditioners that can be managed during periods of high demand. There were two extreme hot weather events during 2022-23, in February and March, where the PeakSmart capability was called on to provide network support.

Throughout 2022-23 we have undertaken trials, working with industry and our customers, to investigate the demand management capabilities of future technologies, including our EV SmartCharge Queensland Project. Through Ergon Retail's residential customers, we conducted a trial to evaluate a proposed electricity network tariff and we commenced recruitment of large business customers connected to the high voltage (HV) network for a proposed alternative time of use tariff option.

Demand management is a key capability in the transformation of our electricity system. Moving forward, we will grow our program, in line with the Government's Queensland Energy and Jobs Plan, to support the Queensland Government's renewable energy targets and the move to net zero electricity emissions across our isolated networks.

Ergon Retail, regional Queensland

Ergon Retail is working hard to meet the needs of our customers across regional Queensland, focusing on energy affordability and supporting customers with information and service offerings. In line with the Queensland Energy and Jobs Plan, we are also working with our partners towards rolling out digital meters to 100% of our customers, and empowering customers with new tariff solutions.

New Ergon Retail contact centre

Ergon Retail opened a new customer contact centre in Mackay in June 2023 – our third site, all located in regional Queensland. Being 100% Queensland-owned and operated, with well-established centres in Townsville and Rockhampton, Mackay was the next logical step.

The team of 30 people based at the new centre are part of Ergon Retail's commitment to delivering outstanding local service, offering both call and digital channels of communications. The three local centres provide a deep connection with the regional Queensland communities we serve, which are diverse with unique needs. The new capability also provides redundancy in the event one of the other centres is impacted by natural disasters or other service interruptions.

It has also been good news for local job seekers, as an employer of choice for regional Queenslanders, with training, competitive conditions, flexibility and a great work environment. The role of a call centre operator is often a career starting point in the energy industry.

Technology supporting our customers

Our customers have continued to move to our digital channels, with over 900,000 self-service transactions performed on digital channels, and over 63% now benefiting from our e-Billing platform. e-Billing is making managing energy use easier, while also reducing the environmental impact required to generate paper bills. We also have seen more customers taking advantage of our online self-service portal, My Account.

To deliver a more seamless customer experience, we are continuing to invest in our processes and systems, with the replacement of Ergon Retail's Customer Information System underway. The cloud-based solution will replace systems that have reached end-of-life, with a significant focus currently on managing the data migration and the change management to ensure a successful implementation.

The customer call back function of our Contact Centre Technology system has proven to be a highly valuable tool for timely and efficient service delivery. It has significantly contributed to enhancing the overall customer experience and satisfaction levels, allowing customers to retain their place in the queue while awaiting assistance. Over the last year we have seen a 69% increase in the utilisation of the call back function by our customers.

Supporting energy bill relief

To provide relief to the extra cost of living pressures many Queenslanders are facing, Ergon Retail applied the Queensland Government's $175 Cost of Living Rebate to eligible residential customer accounts between July and August 2022.

The at times volatile energy market will have a significant impact on customer bills during 2023-24. In regional Queensland, the Queensland Competition Authority (QCA) has set prices which from July 2023 will mean a typical residential customer will see an increase of 28.7%, while a typical small business customer will see an increase of 26.8%. Large customer tariffs are increasing between 7.5% and 16.7%.

To offset the typical increase, small Queensland customers will receive a new energy bill rebate in 2023-24. A $550 Cost of Living rebate will be provided to all households, boosted to $700 for vulnerable households already benefitting from the Queensland Government's existing Electricity Rebate Scheme. Small businesses consuming less than 100MWh per annum will also receive a $650 rebate off their electricity bill.

Ergon Retail will also continue to support our customers with other concessions, rebates and drought relief payments. These are in addition to the Queensland Government's Community Service Obligation subsidy.

Retail tariffs for the energy transformation

To assist with the energy transformation and deliver greater affordability opportunities, Ergon Retail has continued to work with stakeholders to achieve ongoing reform of Queensland's notified tariffs. This has led to the QCA introducing two new retail 'solar soaker' tariffs from July 2023 for small energy users, with greater price differentials between peak and non-peak periods.

Ergon Retail has also continued to support the Electricity Tariff Adjustment Scheme to help businesses transition from obsolete to standard tariffs, providing transition rebates on electricity bills.

To help shape power prices into the future, a small group of Ergon Retail's customers have been test-driving tomorrow's electricity tariffs. The 250 customers participating have been assigned one of five tariffs to trial ranging from set price monthly plans through to time-of-use and demand-based tariffs. This work will help inform the Group's network tariff reforms, as well as Ergon Retail's engagement with peak bodies and government stakeholders.

The digital meter rollout

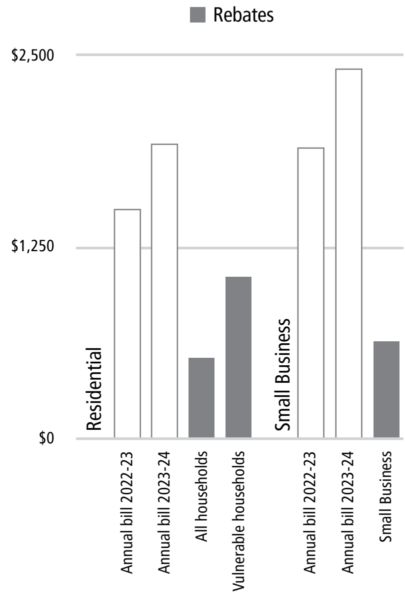
To create a future where customers are empowered with choice to make smart energy decisions to optimise energy use, and have affordable energy bills, Ergon Retail is leading the rollout of digital or 'smart' meters across regional Queensland.

A highlight of the year was the community-wide rollout of digital meters in the First Nations community of Cherbourg in Central Queensland. The new advanced meters, installed by Yurika, benefit customers by giving them options to better manage their electricity use and bills with remote reads and there's no need to lock up dogs or unlock gates for the meter reader.

These meters made up part of the 62,500 advanced digital meters connected across regional Queensland this year for Ergon Retail customers. This means around 39% of Ergon Retail customer premises now have digital metering.

Ergon Retail, Yurika and Ergon Network each have a role to play in delivering smart meters for Queenslanders. Energy Queensland's goal is to improve the coordination around the roll out into all Queensland homes, to help achieve efficiencies and deliver on the Queensland Government's target of 100% penetration by 2030.

Power prices impacted by volatility in wholesale electricity costs



During 2022-23, bills increased as a result of volatility in the wholesale energy market.

In 2023-24, continued volatility in wholesale energy costs, and other cost pressures, means electricity bills will increase further.

The increase will be largely offset by the Energy Bill Relief Fund and other assistance.

Typical Ergon Retail residential customers are on Tariff 11, and business customers on Tariff 20.

Customers impacted by family violence

Ergon Retail continued to support customers impacted by family violence. This year we invested in system and process changes, training and support for our people to make it easy for customers, and our people engaging with survivors. The training, developed in partnership with Uniting Care, increased our employees understanding of the long-term consequences of family violence, and helped implement the system improvements needed to eliminate affected customers having to repeat their story, reducing the need to relive trauma.

This work was in line with the rule change which came into effect in September 2022, by the Australian Energy Market Commission (AEMC), that provides for greater protection and assistance for customers affected by family violence. This prompted Ergon Retail to develop and publish a Family Violence Policy, which outlines our commitment to supporting customers affected by family violence in a respectful and flexible manner. The policy explains how we can assist customers, which may include referral to our hardship program where a customer is experiencing financial difficulties, how we identify affected customers and consider their safety, how we protect personal identity and location information, and tailored communication options for affected customers.

As a Group, Energy Queensland is also positioned to support employees experiencing domestic and/or family violence with access to paid leave and support with safety planning from trained personnel.

Support also continued to be provided to customers who rely on electricity to support the management of a medical condition. In regional Queensland, Ergon Retail and Ergon Network work closely to ensure more than 11,200 customers do not experience adverse impacts caused by power outages. In the South East, there are more than 30,800 customers reliant on powered medical equipment who are supported by Energex and their local retailer.

Addressing financial hardship

Ergon Retail's Customer Assist program continued to help customers struggling to pay their electricity bill, offering personalised payment plans, energy advice and guidance around financial assistance. With the cost-of-living pressures increasing community-wide, we experienced an increase in customers requesting payment assistance and referrals to our specialist credit teams.

With Ergon Retail's expansive regional footprint, covering some of the most isolated parts of Queensland where energy affordability is a significant community issue, we helped our customers in many ways. This year Ergon Retail employees were out and about engaging face-to-face with customers in Townsville and Rockhampton, as well as through visits to Aurukun, the Torres Strait, and other regional communities. We also provided our customers with one-on-one advice and assistance to increase energy literacy and bridge the gap between a customer's capacity to pay and usage.

We have more than 6,000 of our residential customers on our hardship program, with an average hardship debt of $1,050. Ergon Retail reports hardship indicators to the AER on a quarterly basis; including the number of different types of customers on the hardship program, debt levels, the types of payment plans, payment methods being used and assistance provided, information on customers entering and exiting the program, and disconnection and reconnection data.

Customer experience scorecard

Meeting customer expectations

Overall in 2022-23, across our four customer facing brands, we achieved an indexed Customer Satisfaction (CSAT) score of 72.9, slightly above the 2021-22 result and above our stretch target (70). This quarterly corporate survey, undertaken by an independent panel, tracks how satisfied participants are with the services received by each of our businesses.

The tracking survey complements our Voice of the Customer program, which gained feedback from more than 30,000 customers this year following direct interactions with one of our key touchpoints, ensuring we remain responsive and able to target our customer experience improvement initiatives.

1 MILLION CALLS ANSWERED

Customer calls answered by our customer contact centres	
Ergon Retail calls	**661,857**
Ergon Network calls	**201,466**
Energex calls	**231,434**

WEBSITE
4.9 million
Views of our outage information

SOCIAL MEDIA
270,700
followers across all our brands and platforms, a 10% increase from 2021-22

Customer call answering

Ergon Retail serves customers regionally through our contact centres with enquiries around bill support, energy efficiency advice, connection needs and more.

Concerns around prices and the cost of living have contributed to the call volumes. Customer satisfaction through our Voice of Customer survey was 85%, surpassing expectations. The first contact resolution rate also remained high at 91% of customers' enquiries being resolved on the first call.

Through our Network contact centres in Townsville and Rockhampton we manage loss of supply calls, and service requests, with flexible work arrangements supporting a fast response time through the storm season. We met our 2022-23 targets for power outage calls answered in 30 seconds, and achieved a 74% level of customer satisfaction overall.

We managed online 'chat' as a service channel, and a self-service portal for connection applications and other service requests. We had 4.9 million views of our online power outage information, and hundreds of customers registering for SMS updates.

CALL ANSWERING		TARGET	2021-22	2022-23
Unplanned Outage Enquiries	Ergon Energy Network	Loss of supply and emergency calls ≥79.91% answered in 30 secs	88.5%	**84.9%**
	Energex Network	Loss of supply and emergency calls ≥88.08% answered in 30 secs	89.7%	**89.7%**

Meeting our commitment to Guaranteed Service Levels

We are committed to ensuring that the safe and efficient delivery of electricity to homes or business meet industry standards. Where we fail to meet our commitment, we provide a Guaranteed Service Level (GSL) payment to the electricity account holder. Each 'network reliability' payment back to the customer is $124 and the 'notification planned interruptions' payment is $31 for residents and $77 for businesses.

An increase in overall Reliability GSL payments occurred within Ergon's network due to a number of significant localised weather events. Adverse weather including storms and flooding during the December/January period impacted more than 3,000 customers in the Fraser Burnett and South West regions. While another storm event impacted more than 1,300 customers in the Darling Downs region in May 2023.

Energex experienced one significant storm event in May 2023 impacting the power supply to more than 1,200 customers in the Sunshine Coast region.

GUARANTEED SERVICE LEVEL PAYMENTS	ERGON NETWORK			ENERGEX		
	2021-22	2022-23		2021-22	2022-23	
Network reliability	6,050	**10,825**	▲	3,760	**2,686**	▼
Notification planned interruptions	644	**651**	▲	276	**433**	▲
Other	129	**221**	▲	1,096	**553**	▼
TOTAL NUMBER PAYMENTS	6,823	**11,697**	▲	5,123	**3,672**	▼

Connection timeframes improving

Across the state, during 2022-23, Ergon Network and Energex processed more than 54,500 connection applications. For those that had supply available (88%), 95% were connected within five business days. For those remaining, where the existing network or capacity was not available, detailed design and new network augmentation was required with negotiated timeframes for the specific project.

For developer or subdivision applications, while we have been delivering connection offers in south-east Queensland (Energex) well within the targeted timeframe, we are taking action to address the longer timeframes for offers in regional Queensland (Ergon Network), which were on average 66 business days, slightly above the 65 business days specified under the National Energy Customer Framework (NECF).

Listening and acting on complaints

Feedback received through our complaints process is critical to providing the business with insights to help us improve our internal processes, continue to refine our established complaints management framework, and to ensure we maintain best practice across the business.

Ergon Network and Energex received 0.030 complaints per 100 customers on average each month through the year. This is similar to last year with our continued focus on ensuring we capture all complaints to drive service improvements across the business. A large component of this year's complaints were related to the impact of our safe entry processes, which is aimed at increasing the safety of our staff and contractors when entering premises for things like meter reading. We also had a high volume of complaints in relation to planned interruptions due to the increased volume of work that we have completed in the field to deliver a safe, reliable network.

Ergon Retail received 0.055 complaints per 100 customers on average each month through the year. This average is slightly up from last year, with the increase in complaints largely due to the meter reading suspension associated with the fatality (p12) impacting the billing of accounts.

Yurika, connecting to a sustainable energy future

Supporting the Queensland Energy and Jobs Plan, Yurika has continued to give back to businesses and communities with a strong focus on a clean, green energy future.

Throughout 2022-23, Yurika has continued to deliver services to wind and solar farms, battery energy storage systems, and pumped hydro HV connection infrastructure across Australia. Yurika is also delivering advanced transmission services, energy supplies, metering services and telecommunications.

It is playing a lead role in Australia's smart digital meter rollout, and in advancing the electrification of transport and a low carbon future, through the roll out of electric vehicle chargers.

Major energy infrastructure projects

Yurika's HV energy and infrastructure business has grown in size considerably, with a pipeline of opportunities across Queensland, New South Wales, South Australia, Victoria and the Northern Territory.

Construction work for the Clarke Creek Wind Farm, north west of Rockhampton, the largest renewable project in the southern hemisphere, is now well underway. Stage one of the project will produce 450MW across 100 Goldwind turbines and is expected to be delivered across two years. The scope includes several 275kV transmission line sections, an extensive overhead and underground 33kV reticulation network, three 275kV/33kV substations and the installation of a synchronous condenser connecting into Powerlink's Broadsound substation.

This year, Yurika was also awarded a contract for the full electrical design and construction of substations need for the MacIntyre Wind Farm, west of Warwick. They have also been successful in securing the Wambo Wind Farm project, located near Jandowae, with responsibility for delivery of the full scope of the electrical balance of plant work.

Yurika has also progressed work in delivering battery energy storage systems, including battery project work with Ergon Network and Energex to deliver five 4MW/8MWh battery sites across Queensland.

As part of a collaboration with Ausgrid and the Upper Hunter region, Yurika has been proud to participate in a microgrid trial for a small network of power generation, storage and technologies to deliver more resilient, reliable local power supply (p27).

Yurika also holds a prominent position at the forefront of maintaining the state's transmission network infrastructure with significant works underway with Powerlink Queensland.

Yurika continues to grow the business's service contract book for operating and maintenance services, including commercial and industrial, renewables, and HV infrastructure. In the construction area, Yurika now has a forward pipeline of initiatives including renewable construction projects for delivery in the next three years in support of the Queensland Energy and Jobs Plan.

Yurika also continued to support energy supplies. With established supply chains in place and purchasing power, it has been able to continue to assist developers, electrical contractors and electrical engineers with a wide range of projects despite challenges in the market.

Metering continuing to scale

Yurika continued to scale up our national footprint as a metering services provider with more than 90,000 meter installations for residential, commercial and industrial customers.

In line with Queensland Energy and Jobs Plan and AEMC initiatives for a full smart meter rollout by 2030, Yurika renewed a number of long-standing relationships with major direct customers, while also securing new agreements to complete smart meter deployments for energy retailers. These include partnerships with Ampol, Ovo, AGL, Next Business Energy and Momentum.

This also included national programs of embedded network installations for Queensland Investment Corporation and other key property management companies, and smart meter deployments for service providers outside of the National Electricity Market, such as the Northern Territory Power and Water Corporation and Western Power.

Telecommunications fibre builds

In 2022-23, Yurika has continued to grow our telecommunications business, with several major projects completed and further advances in capability achieved.

Further extension and strengthening of the Yurika fibre network has continued across the state with additional fibre links built for Yurika customers.

We continued to connect Queensland Government facilities with 98 new or re-contracted services connected for multiple departments, all supported by a 24-hour critical response capability within the Yurika team. Additional sites are being connected via our fibre networks and the NBN Co's fibre, plus microwave radio, fixed wireless and satellite services in remote regions.

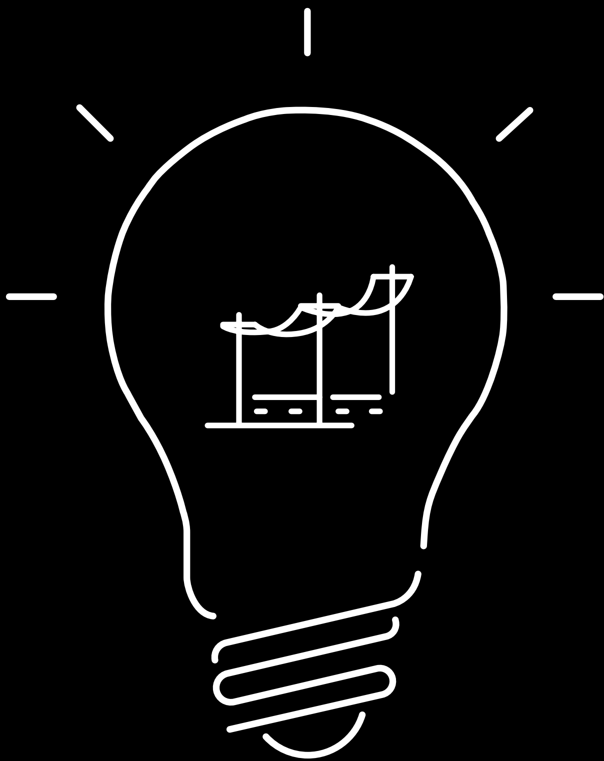
Yurika has continued to support the resources and renewables' industry in Queensland by connecting services to 36 resources sites, eight renewables sites and providing internet and monitoring services to five battery sites.

We have also continued to support QCN Fibre through the delivery of an additional 15 fibre builds across Queensland.

Interest in digital service

Yurika's digital services offering, launched in 2021, continues to gather momentum in the market with interest from the local government sector in the Facilities Access Management platform for the deployment of small cell 5G technology.

In conjunction with the Yurika Telecoms business line, a 4/5G private network solution has been developed and is ready to be commissioned on the Clarke Creek Wind Farm. Interest in the 4/5G private network solution is also coming from the mining sector with seven current mining clients wanting to enable IoT deployment and remote operations on their mine sites.



Keeping the lights on.

We know it is critical we have a strong social licence to navigate the energy transformation.

We're investing to enable the safety, resilience, security and, ultimately, the reliability of our networks. And we're partnering with the community.

Providing an essential service

Electricity is a cornerstone of our communities. It is integrated into nearly every part of our lives, and very much an essential service – making trust and a strong social licence vital as we deliver for the community and navigate the energy transformation.

Our index Net Trust Score (NTS) result, for all four of our public facing brands, Ergon Network, Energex, Ergon Retail and Yurika, was 63.6, marginally below the 2021-22 result but remaining above our target (63). This tracking survey allows us to benchmark how our customers view our brands against other major brands in our industry and other relevant industries. Importantly, we also ask our stakeholders how satisfied they are with our engagement efforts, achieving an indexed result of 74.3, above the 2021-22 result and above our stretch target (70).

While these position us well, we have to continue to work hard to maintain and build trust. For Queensland, the Energy Consumers Associations sentiment survey showed the confidence in the overall market working in the long-term interests of consumers at 35%. While this was a slight improvement, rising concerns about power prices are expected to impact this further.[1]

We must make sure Queensland households and businesses are at the core of Queensland's energy future by acting now to better coordinate the use of the grid, address safety risks around Queensland's ageing electricity assets, and build energy-related community resilience.

[1] https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/

Coordinating the use of our electricity networks

Through our network businesses' Future Grid Roadmap, we are working to better coordinate the use of our electricity networks across the communities we serve by dynamically operating the two-way power flows within the networks' technical limits. Managing the 'two-way flow' of energy in 'real time' with dynamic connections will allow more households and businesses to install rooftop solar and benefit from other energy-related technologies, and to access new and emerging market opportunities, while ensuring the lowest cost, safe and reliable supply of electricity for all.

Queensland's first dynamic customer connections were introduced this year. This milestone follows substantial effort to introduce new industry standards and deploy a world first Distributed Energy Resources communication server. The server implements a common and secure communication standard between the network and customer energy resources, to communicate active constraints and opportunities. This is a critical building block in our efforts to support dynamic connections for the benefit of all customers. The focus is now on working with third party manufacturers to ensure their equipment can support this new customer offering.

To provide these dynamic connections, the network has continued to develop its Distributed Energy Resource Management System (DERMS) to assess and allocate network capacity, manage controlled loads and issue network support requests with contracted distributed services. As grid visibility is key to maximising dynamic opportunities, we are continuing the rollout of Distribution System State Estimation (DSSE) to harness network models and telemetry data, and to form a complete and consistent picture of how the network is performing in real-time. In areas with lower quality network models or limited telemetry, a model-free approach to the calculation of dynamic operating envelopes is being explored and trialled across a few low voltage feeders via smart meter data.

We also supported introduction of the emergency backstop mechanism to ensure we could maintain electricity system strength if too much solar was being feed into the grid. This tool enables large systems to be switched off in an energy emergency situation, as a last resort, for a short time at the direction of the Australian Energy Market Operator (AEMO).

These advances in capability will allow Energy Queensland (via Ergon Network and Energex as the distribution network service providers) to take on the roles and responsibilities of Queensland's Distribution System Operator (DSO), once defined, as per the Queensland Energy and Jobs Plan, to better coordinate the electricity system and the customer energy resources connected to the distribution network.

Investing in network safety and security

Through 2022-23 we invested $1.4 billion to keep Queensland's electricity network safe, reliable and secure. Our largest investment area continues to be in the renewal of our networks. We are investing in asset inspection, maintenance, refurbishment and replacement strategies to address the performance challenges of an ageing network.

This investment is most notable in Ergon Network's infrastructure, with a $599 million investment in network renewal this year, on top of the $200 million invested above the AER's allowance over the previous two years. This escalated level of investment is part of an ongoing, vital, safety-driven response to an elevated rate of pole, cross arm and conductor defects.

Across Ergon Network's vast service area, in 2022-23, 16,500 poles were replaced or reinforced to address the defects being identified across the one million poles throughout our regional network, up from the historical annual replacement of 10,000 poles. This investment is beginning to show signs of arresting the increasing rate of pole failures, which are a major risk to the community and our business.

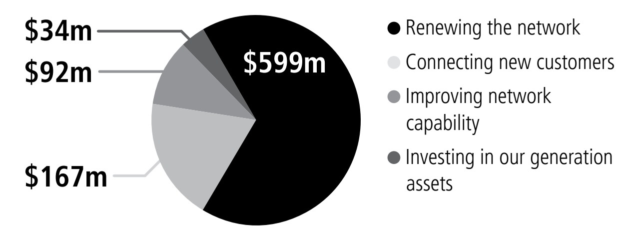
The investment in regional Queensland also led to 9,200 customer service wires being replaced, both proactively and reactively, up from the historical annual replacement of around 4,000 services. More than 360 kilometres of overhead conductor was replaced, including targeted aged copper conductor across the coastal regions, as well as the replacement of condition-based circuit breakers in our major substations.

In the South East, Energex made a $223 million renewal investment to maintain the performance standards of poles, cross arms and conductors, with 200 kilometres of targeted overhead powerlines replaced.

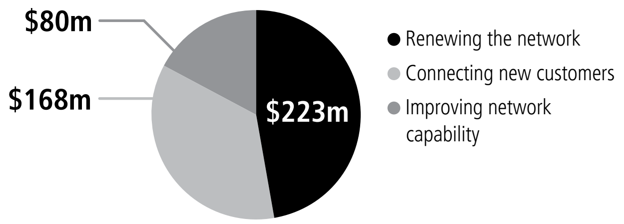
There was also increased investment in improving the capability of the network to meet growth in demand and to maintain quality of supply, with the transformation to distributed renewable energy resources.

This year's program of work delivery was above target, achieving the index of 92.4% despite the extended periods of wet weather in some areas, the need to upskill new employees, and the supply chain and resourcing challenges being experienced right across Australia. This index comprises four measures to track delivery efficiencies and effectiveness, including the design and commissioning of our capital projects along with operational works.

Ergon Energy network investment



Energex network investment



400,000
asset inspections

21,000
poles replaced or reinforced

560km
overhead conductor replaced

33,000
customer service wires replaced or repaired

800,000
spans of vegetation managed

Major projects delivered

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

- Substation refurbishments, upgrades and rebuilds:
  - Refurbishment of Lakes Creek Substation, Rockhampton – $5.6 million
  - Replacement Surfers Paradise Transformer, Gold Coast – $8.7 million
  - Upgrade Kilcoy Substation – $16.2 million
  - Rebuild Howard Substation – $15.2 million
  - Replacement of switching gear Black Mountain, Sunshine Coast – $11 million
- Replacement of aged ethernet telecommunications assets – $7.8 million.

Building community resilience

2022-23 was another year of collaboration on energy-related community resilience across the communities we serve.

High-voltage injection points for mobile generation were installed in rural communities from the Far North to outback Queensland to help fast-track their recovery following floods and bushfires. Jointly funded by the Australian and Queensland Governments, under the Queensland Resilience and Risk Reduction Fund, going forward, Ergon Network is now able to deploy large-scale mobile generation to these areas sooner to reduce the duration of major outages.

To further assist bushfire prone areas, we installed 1,000 fire-resistant wraps to timber power poles, and commenced upgrades of line reclosers, in key fire prone areas. To better understand bushfire risk and strengthen our decision making, we are developing industry best practice modelling capability through the University of Melbourne's FLARE Wildfire Research Group. We are also trialling a range of fire-resistant pole materials, as well as the use of early fault detection devices to identify incipient faults on the network before they develop into potential bushfire ignition sources.

Following the successful trial and use of two tracked Elevated Work Platforms (EWPs) in the field, which can traverse boggy terrain, we are now investing in tracked Lifter/ Borers to complement these special purpose vehicles/machinery. The investment will allow 10 of these tracked type vehicles to be strategically located across Queensland for flood and natural disaster response.

To support our storm season preparedness, we also invested a new highly advanced drone fleet. While drones have been used for several years, the technology has now advanced significantly. Drones are now helping network crews to locate damage undetectable with the naked eye through thermal imaging cameras and to install lifesaving rotamarkers on powerlines to keep people safe.

In addition to our annual network resilience investment, Energex has scoped an $18 million Flood Resilience Program for South East Queensland, to be funded by the National Emergency Management Agency's Disaster Ready Fund. This will improve the flood resilience of the zone substations, as well as key padmount transformers, overhead network, and other key electrical assets in areas impacted in the 2022 floods.

Ergon Network's stand-alone power systems (SAPS) solution is advancing to a pilot roll out of the solution. This follows the trial of three network support SAPS in remote communities as to improve power supply resilience – one on the coast near Gladstone and two near Mount Isa. The lessons from these trials have supported engagement with the AER and other stakeholders on the development of the regulations around these solutions and the installation of future SAPS.

Feasibility studies are also progressing for community microgrids at two fringe-of-grid communities (Clairview and Stanage Bay, north of Rockhampton), partly funded by the Australian Government through the Regional and Remote Communities Reliability Fund. These studies are investigating how solar energy and battery storage, integrated with smart communications devices, can be used to respond to outages and improve the overall reliability of electricity supply to remote and regional communities.

Network performance scorecard

Improving network performance

For 2022-23, both Ergon Network and Energex met our umbrella targets for network-wide unplanned outage performance, for both System Average Interruption Duration Index (SAIDI) and overall System Average Interruption Frequency Index (SAIFI).

This year's Queensland Household Energy Survey showed satisfaction with reliability remained relatively stable, with 73% of survey participants stating they were provided with a 'reliable energy supply'.[2]

While there has been an improvement this year, across all performance measures, the performance of Ergon's network continues to exceed the Minimum Service Standards (MSS) for overall outage duration (SAIDI) across the three categories. These standards, which include both planned and unplanned outages, are set as part of our Distribution Authorities.

The below target results for Ergon Network for the Urban, Short Rural and Long Rural SAIDI is again due the planned outages associated with the scale of the safety-driven works underway on ageing sections of the network. This impact is likely to continue while the level of asset renewal investment remains escalated. This priority, during the past three years and ongoing, remains essential for the safety and reliability of supply to our regional communities.

The results for the number or frequency of unplanned outages (SAIFI) on Ergon's network improved, meeting the prescribed standards across the three categories.

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

Energex's network performance this year against the MSS for both outage duration and outage frequency for each of the three network categories met the prescribed standards.

ERGON ENERGY NETWORK	2021-22	2022-23		TARGET
Average length of outages – minutes **(System Average Interruption Duration Index)**				
Unplanned Network-wide	314.3min	**278.5min**	▼	≤282.4min
Urban Distribution	244min	**232min**	▼	≤149min
Short Rural Distribution	523min	**482min**	▼	≤424min
Long Rural Distribution	1,344min	**1,141min**	▼	≤964min
Number of outages per customer **(System Average Interruption Frequency Index)**				
Unplanned Network-wide	2.34	**2.15**	▼	≤2.38
Urban Distribution	1.68	**1.64**	▼	≤1.98
Short Rural Distribution	3.30	**3.03**	▼	≤3.95
Long Rural Distribution	6.54	**5.85**	▼	≤7.40

ENERGEX	2021-22	2022-23		TARGET
Average length of outages – minutes **(System Average Interruption Duration Index)**				
Unplanned Network-wide	88.3min	**72.3min**	▼	≤81.5min
CBD Distribution	5min	**4min**	▼	≤15min
Urban Distribution	80min	**81min**	▲	≤106min
Short Rural Distribution	202min	**171min**	▼	≤218min
Number of outages per customer **(System Average Interruption Frequency Index)**				
Unplanned Network-wide	0.78	**0.66**	▼	≤0.82
CBD Distribution	0.07	**0.03**	▼	≤0.15
Urban Distribution	0.65	**0.64**	▼	≤1.26
Short Rural Distribution	1.44	**1.19**	▼	≤2.46

The Unplanned Network-wide targets are part of our Service Target Performance Incentive Scheme. The others are Minimum Service Standards (MSS), which include planned and unplanned outages, with reporting based on exclusion criteria outlined in in each network's Distribution Authority. Ergon Energy Network data includes regulated main network and excludes isolated networks.

[2] Queensland Household Energy Survey 2023. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10; Agree 7-10. Result: 73%, compared with 74% in 2022.

Managing a changing demand profile

The continuing adoption of rooftop solar across the state is changing the demand profile of Queensland's electricity distribution networks.

Historically, the key issue for our electricity networks was increasing peak demand, with Energex's peak demand growth averaging more than 7% every year between 2001 and 2010. However, the increasing uptake of solar energy generation, as an alternative source of supply, is changing the shape of load profiles across the day, and throughout the year, with reducing demand on the grid during the middle of the day.

This is having significant implications for the management of the grid. It is dramatically impacting minimum demands. This is the lowest level of demand for electricity on the grid in a given day, week, or year. In some locations, there is more solar energy generated than load, with energy flowing upstream through the local substations. This also creates large fluctuations between forward and reverse flows challenging quality of supply. System-wide, the transformation to renewables is also a challenge for the broader stability of the electricity system. Many of the initiatives we are undertaking to respond and support the transformation are highlighted in this report. However, the rate of the change will require innovation at every level.

This year minimum demand on the Energex total network fell even further, more than halving, to 237MW in April 2023. This was a Sunday daytime minimum, when the commercial and industrial load was down, and summer's air conditioning load was absent. Although the minimum demand was not negative, the trend shows that, at a system level, the daytime minimum demands for the Energex network could fall below zero anytime within the next few years.

With the support from the solar energy in the system locally, maximum demand for the South East was 5,221MW in March 2023, in the evening, just below the record summer demand of 5,289MW set in 2022.

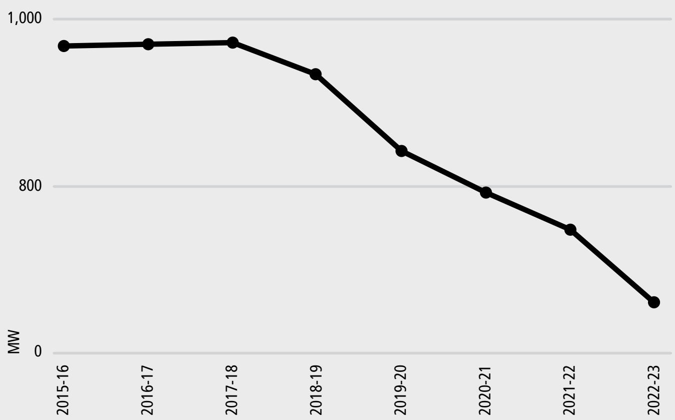
Ergon's network also experienced a record low system-wide minimum demand at 799MW in May 2023. This was a Sunday, again, when there was lower commercial and industrial demand and a reduced Queensland winter air conditioning load. This system-wide result is a steadier decline than the South East, with the diversity of conditions across regional Queensland masking the solar energy impact. In some localised areas, this trend is already being experienced as a negative demand.

Maximum demand on the Ergon Network peaked at 2,637MW in February 2023, again, below the record peak of 2,702MW in 2022.

While the actual electricity consumed state-wide overall continues to grow, the uptake in roof top solar has largely offset this to flatten the growth in electricity delivered through our networks. The growth in consumption and electricity delivered through our network is expected to increase significantly as electric vehicle charging becomes more commonplace, and as industries move to electrify their activities.

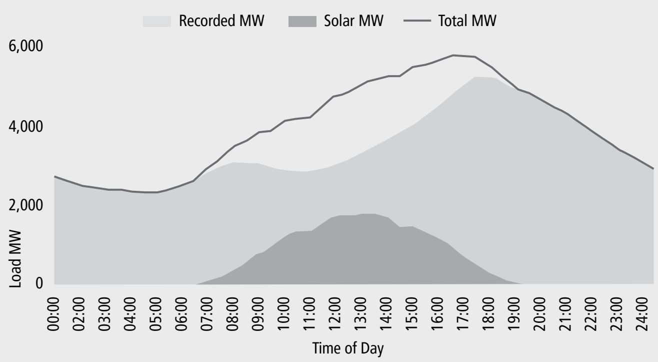
We are continuing to improve our econometric modelling and monitoring techniques to streamline our approach and create insightful future demand scenarios. The models have been updated to better operate in modern platforms with an improved focus on data analytics. Both the demand and energy forecast models have also undergone a successful audit review by an independent auditor with no major recommendations.

Impact of solar on peak demand (Energex)



With the uptake of roof top solar in the South East, minimum demand is also falling significantly year-on-year. It has also shifted from being in the early morning to midday – corresponding with high solar energy generation.

Impact of solar on peak demand (Energex)



In March 2023, the maximum demand for the South East was 5,221MW, in the evening, just below the record summer demand of 5,289MW set in 2022. If not for the support from the solar in the system locally, the system-wide peak would have occurred earlier in the day and could have been in the order of 5,700MW. The impact locally can be different.

ERGON ENERGY NETWORK	2021-22	2022-23	
Number of connected customers	766,315	**772,803**	▲
Network-wide peak/maximum demand*	2,702MW	**2,637MW**	▼
Network-wide minimum demand*	967MW	**799MW**	▼
Electricity delivered	13,780GWh	**13,869GWh**	▲

Distribution Authority. Ergon Energy Network data includes regulated main network and excludes isolated

ENERGEX	2021-22	2022-23	
Number of connected customers	1,547,154	**1,566,466**	▲
Network-wide peak/maximum demand	5,289MW	**5,221MW**	▼
Network-wide minimum demand	593MW	**237MW**	▼
Electricity delivered	21,295GWh	**21,724GWh**	▲

Electrical safety in the community

In September, Ergon Network and Energex introduced a new 'Safe Actions' safety awareness campaign which focused on four safe actions. Running across digital channels, it reminded customers to look out for, and immediately report, damage to all kinds of electrical infrastructure, including power poles, pillar boxes and padmounts:

1. Stay. Call. Wait.
2. Spot It. Report It.
3. Report Fallen Powerlines
4. Look Up and Live.

The safety campaign featured our customers in their predictable daily routines repeating actions day-after-day. We see our customers doing the same things, until one day something different happens which puts them in an unsafe position around our electricity assets. That's when we need customers to remember the 'safe action' they need to take. We also continued to educate customers about shocks and tingles through our 'Next thing you touch' campaign, which reminds customers to report any shock or tingle as it may be a sign of an electrical fault.

Electrical Safety Week 2022 was held in Queensland primary schools again in September, with 1,430 primary schools – 98% of Queensland's primary schools – registering for our Safety Heroes education program. The program teaches students about electrical safety and is designed for a variety of ages and abilities starting from prep, and includes a social stories booklet for students with autism spectrum disorder, as well as more complex interactive whiteboard lessons.

For 2023, we have introduced a free Safety Heroes Scratch Project targeted at Year 3 and 4 students. Scratch programming is a block-based visual coding language used to teach coding to primary-aged students in a simple, fun way. As a take-home resource, students can also download the new Safety Heroes app. This dynamic, single-player game uses problem-solving to educate primary school students about electrical safety.

Our staff and crews visited more than 100 primary schools, with over 120 of our employees registered to be Safety Hero volunteers, giving electricity safety talks during Electrical Safety Week. Most employee volunteers had participated in previous years and returned to present in 2022.

Engaging landowners on safety

A major investment continues to be made in engaging landowners on safety and privately-owned property poles/lines and the importance of maintaining powerline clearance.

The trial inspection program for privately-owned property poles, which had a more comprehensive assessment of the first privately-owned pole, has led to the advanced inspection method being embedded as business-as-usual. It proactively addresses the electrical safety and bushfire risks associated with unmaintained poles, complementing the responsibilities of the landowner to inspect and maintain any privately-owned 'poles and wires'.

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

Community safety scorecard

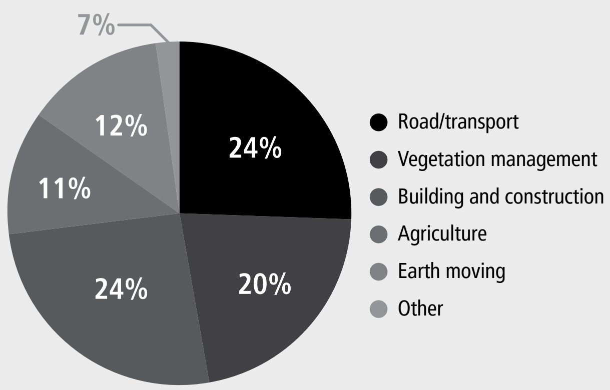
There has been an increase of 9% in community safety-related incidents during the past 12 months.

Building and construction incidents have increased 27% to 125 and vegetation management increased 26% to 108. On a positive note, earthmoving and road transport incidents have both decreased by 10%, with reductions of 64 and 125 respectively. The number of incidents in other key industries such as agriculture and aviation have remained consistent with previous years.

The increase in incidents occurring has primarily been with contact with customer service cables, up 23% to 250. Underground cable contacts have also increased by 27% to 67 in the past year, predominately in the South-East region.

Face-to-face presentations and current safety campaigns are targeting this increase. These have been in conjunction with Before You Dig Australia, focusing on the building and construction industry in these hot spots.

Network safety incidents involving the community



This year there were 531 safety incidents involving community contact with our distribution networks, primarily with our customers' service and underground cabling.

Partnering with our community

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

Ergon Network and Energex continues to support the Queensland State Emergency Service (SES) and Rural Fire volunteers, with a major investment in vital new equipment for their volunteers, ensuring all Queenslanders are assisted during their time of need. In addition, this year's funding supported an innovation trial of battery-operated bushfire units that 'slip on' to the response vehicles.

Ergon Network and Energex also continued to support the arts with our long-standing Queensland Ballet partnership, which includes scholarships to the Queensland Ballet Academy's Training Programs. We also continued our partnership with Queensland Theatre as Production Partner, championing unique Queensland stories (see next page).

We commenced a new Engagement Partnership with the Australasian Dance Collective (ADC) focused on the ambitious and ground-breaking work Lucie In the Sky. The project examines the worlds of dance, drones, research and what it means to be human in an AI world. The work is encompassing an extensive impact and engagement project covering primary, secondary and tertiary schooling, and professional development for the industry.

We also continued several educational partnerships, including the University of Queensland TJ Effeney Scholarship, the University of Southern Queensland STEM Camp and the QUT Dean's Scholars Program. This allowed Energy Queensland graduates to present at several events, inspiring future employees.

This year's Ergon Network and Energex Community Fund provided 22 grassroots community organisations with grants ranging from $500 to $10,000 supporting a wide range of community resilience initiatives. The People's Choice bonus, promoted on Facebook, led to Radio Lollipop, based at the Gold Coast University Hospital, winning the $5,000 bonus with more than 1,850 votes of support.

Energy Queensland has partnered with ACT Logistics to put old digital devices to good use. Each month ACT Logistics is made aware of disposals and validate used equipment to see if it meets the requirements for re-use, then wipes and stores equipment ready for delivery to community organisations. In the past quarter alone, 68 laptops from Energy Queensland have been reset for deployment to identified high-schools, disadvantaged school students and safe-houses in need.

Keeping the Doctors flying

Ergon Retail celebrated our 23-year partnership with the Royal Flying Doctor Service (RFDS) (Queensland Section). Through the voluntary donation scheme, customers and employees have raised more than $18 million to date, with the funds going towards the purchase of new aircraft, investment in critical infrastructure, the upgrade of life-saving medical equipment and the delivery of essential primary health care services to regional, rural and remote communities.

Ergon Retail also continued to support the RFDS's Local Heroes Awards, now in its eighth year, which recognise those who selflessly give their time and energy to the Flying Doctor Service. The winner receives a $20,000 grant to give back to their community.

Yurika in the community

Yurika's partnership with Orange Sky homeless charity continued to positively connect communities across Australia. The impact of Orange Sky continues to grow across the country with close to 4,300 volunteers supporting activities weekly across a broad national footprint, and 2,130 loads of washing offered to the homeless every week via Orange Sky's innovative van services.

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

For the first time, Yurika also proudly supported the Brisbane Festival showcasing Queensland's artists, art organisations and great performances in celebration of our fantastic Queensland lifestyle. As sponsors of the floating Art Boat experience, Yurika supported a stunning installation of The Spheres, created by internationally renowned visual artist, Lindy Lee.

Connecting with First Nations communities

Energy Queensland's First Nations Connections Plan incorporates our first Reconciliation Action Plan, endorsed by Reconciliation Australia. This plan articulated the organisation's key focus areas between 2020-23.

Since being introduced, Energy Queensland's First Nations employees have grown to 3% of the workforce. There is a particular focus on our apprentice and graduate pathways in the plan. An ongoing relationship with CareerTrackers has enabled connections with talented engineering students, leading to internships, scholarships, and permanent placements in our graduate program.

In 2022-23, we began drafting our next Innovate-level Reconciliation Action Plan 2023-25. The key focus areas of this plan will be driving employment opportunities, employee education, and supporting community engagement. The plan has been conditionally endorsed by Reconciliation Australia and prepared for launching.

The actions in the plan include many around the decarbonisation of the energy supply to the First Nations communities across Queensland that are isolated from the main grid (p55).

Our partnerships help bring us closer to cultural awareness and understanding. Through Ergon Network and Energex's partnership with Queensland Theatre, we are the 2023 Production Partner of 'Don't ask what the bird look like'.

Queensland Theatre also facilitated an Indigenous Cultural Awareness Program for Energy Queensland employees. The workshop focused on cross-cultural principles and facilitated self-awareness for participants.

Ergon Network and Energex continued to contribute to the Queensland Museum's Repatriation Fund to assist with the return of sacred items and ancestral remains of Aboriginal and Torres Strait Islander people.

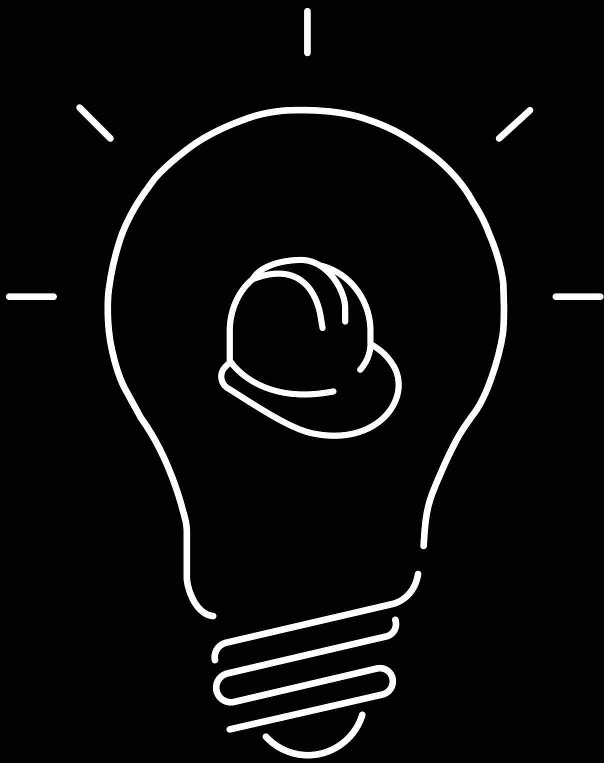
In Far North Queensland and Cape York Peninsula, we continued to support the JUTE Theatre Company's Dare to Dream school and community residency program. The program led to First Nations playwright write, and First Nations creatives produce the work, before the residency program took performances to regional and remote communities. The initiative is about creating positive change in young First Nations people's lives.

We partnered with 100% First Nations owned business, Bracks Indigenous Clothing, to offer a polo shirt to employees featuring artwork created by Kabbi Kabbi man, Maurice Mikelo. The shirts have proved enormously popular with employees.

Supporting local economies

Operating across the whole state of Queensland provides economic benefits through local procurement, local employment and career opportunities in the communities we serve.

In 2022-23, direct purchases from Queensland suppliers totalled $1.1 billion. With the release of the Queensland Energy and Jobs Plan and the updated Queensland Procurement Policy 2023, there is a greater focus on ensuring Queensland suppliers are engaged in work for government. Energy Queensland continues to work together with communities and suppliers to develop industry capability and capacity to secure sustainable economic and social benefits.



People are at the heart of our business.

We’re growing for the future, as a learning organisation, and supporting our people with advances in digital technologies.

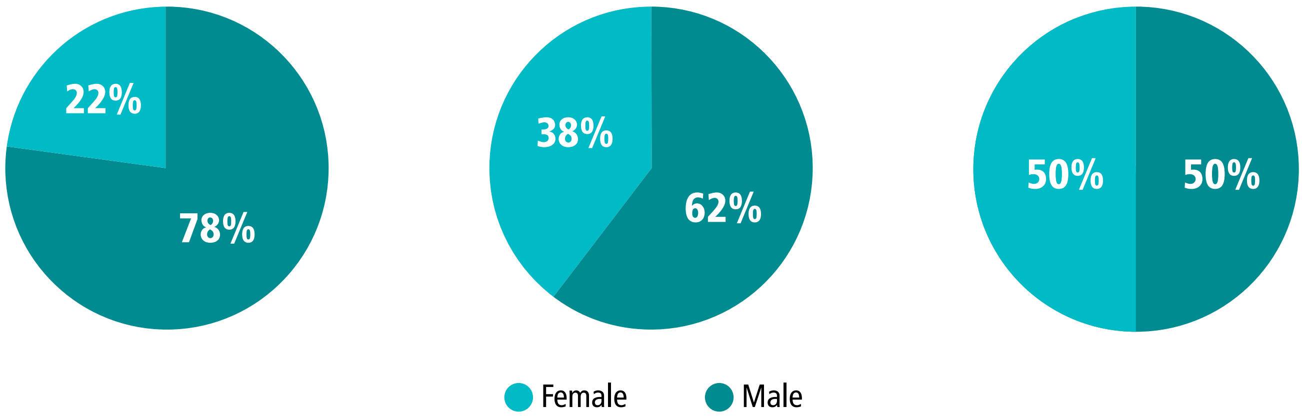
The safety and well-being of our people is our priority.

We have around 8,200 employees across Queensland, and in the other markets that we're operating in, with around half living and working in regional areas.

8,202
Employees

7,819
Full Time Equivalent

Employees | **Senior Leadership** | **Executive Committee**



5%
Employees from a non-English speaking background

3%
First Nations employees

2%
Employees with a disability

Location

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

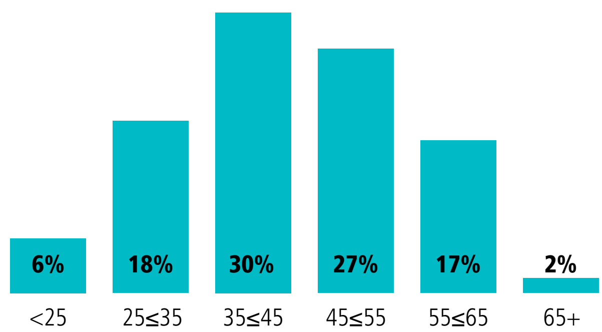
47% South East

27% Southern

26% Northern

<1% Interstate

Age profile of workforce



Our People Strategy

Deliver simplified, integrated, effective and safe digital solutions	**Build partnerships to maximise value and benefit delivery**
Future ready our people capability with a learning mindset	**Improve our way of working to increase team effectiveness**

Energy Queensland's People Strategy provides a solid foundation to achieving our 'electric life' ambition. A strong focus remains on building capability to ensure the right skills for the future. Upskilling our people and providing innovative career pipelines are key elements in building a workforce that can adapt to changing business requirements within a growing energy industry.

Jobs and skills growth

The energy sector is going through massive growth across Australia, and no more so than in Queensland, where the Queensland Energy and Jobs Plan supports the transformation of our networks to deliver a renewable energy future.

This year we strengthened talent in the frontline area of our business with 978 new employees coming on board, despite an increasingly challenging and competitive labour market, including an enhanced graduate and para-professional programs, and a growing apprentice intake.

Engineering the Future of Energy

This year we have signalled our commitment to training the engineering workforce of the future with the launch of $2 million in undergraduate scholarships being offered. The 'Future of Energy Engineering' program supports students studying engineering at Queensland-based universities.

Kicking off in February this year, a total of 100 scholarships of $20,000 were made available for bachelor degree undergraduate students in their second, third and final years of study across all seven Queensland universities with engineering faculties. The program attracted more than 500 applications and of the 100 scholarship recipients selected; 39% were from a regional centre, 39% identified as female (or other) and 6% identified as First Nations.

Ergon Network and Energex remains in the 'Top Intern Programs 2023' list, voted by 1,800 undergraduates who were participating in internships generally across Australia – landing at number 39 in the top 50 listed. We had 24 graduates join, with a wide range of expertise across fields of electronic/electrical/power engineering, mechatronics engineering, civil engineering, mathematics and various digital disciplines including computer and software systems, the Internet of Things and data science. This brings our total number of graduates in the business to 37.

Record apprenticeship intake

In 2022-23 we recruited a record intake of 153 apprentices and 20 paraprofessional trainees to not only construct and maintain the state's electricity network, but to develop new solutions to support evolving technology on the grid. These roles are training in communication technicians, mechanical fitters, underground cable jointers, powerline tradespeople and electricians, taking the number of apprentices currently completing a qualification with us to more than 500. Planning has also begun to increase the apprentice intake by 10% year on year, effectively doubling the program by 2030.

We also continue to partner with Dream Big Australia's STEAM Ahead Program to support women and non-binary students to launch their STEAM careers through development and networking opportunities with Industry Partners.

Energy Queensland has continued to grow relationships with organisations such as with SoldierOn and RSL Queensland and focus on the employment of veterans. Since 2018, Energy Queensland and the RSL have run five recruitment information programs to attract a total of 36 apprentices, eight of them this year, to the organisation. One of these apprentice's recently won our Apprentice of the year Award for 2023.

Good leaders guide positive values

Developing leaders across the business remains a priority. The face-to-face facilitation of our flagship Leadership program remains the capstone of our development offering. We have recently added a field specific leadership program to our offering with 150 field leaders completing a blended learning program with additional divisions scheduled to also undertake this offering.

Our Learning Management System fosters our learning culture by providing leaders with access to curated online learning pathways starting with Emerging Leaders, Foundational Leaders and Leadership Mastery. These programs support increased capability aligned to our organisational values, leadership competencies and future capabilities to support our strategic goals.

To ensure diversity in our approach, we support individual development of leaders within the business through bespoke options such as formal coaching and mentoring engagements, executive programs, and study assistance for educational pathways. We continually engage with the business to ensure we offer tailored programs to support individual and organisational leadership growth.

A positive employee experience

This year's Energy Queensland employee engagement survey result was 67%, an improvement on last year's result of 64% (based on a participation rate of 75%). This positive outcome has exceeded our target of 65%. We have a significant role ahead of us in delivering Queensland's energy transformation, so it's important we have a workplace where people feel a sense of belonging and can see the value of their contributions.

The primary drivers of this year's increased engagement score are career development opportunities, the experience of department managers, and empowerment and autonomy. The increase of highly engaged new starters across the organisation has also positively impacted overall engagement score.

This year, our Customer Enablement Index score was 67.5, our key performance indicator which tracks how employees think we are delivering on our customers' needs, exceeding our target of 60 and stretch target of 66 for the year. This is an excellent result which underpins a culture of customer centricity, where employees feel they are empowered to deliver on our customers' and communities' needs.

Our annual 'Up in Lights' award recognises the efforts of our people throughout the year. In 2023, 83 nominations were received, of which 22 finalists were chosen across the business in categories of industry; customer; community; operational excellence; apprentice of the year and supervising tradesperson of the year. This year we also had the first ever 'People's Choice' award, with more than 1,000 staff voting online for their peers.

Now in its second year, our Learning Management System for employees through the LinkedIn Learning platform has seen an increase in participation, with our staff taking opportunities to upskill and pivot their skills towards in demand roles. Energy Queensland aims to foster a learning culture that moves the organisation towards a holistic approach to learning through providing online learning opportunities for identified critical roles to ensure the workforce is prepared for the future.

Energy Queensland continues to connect our people through contemporary, mobile enabled employee communication and collaboration platforms. The drive to embrace changing digital technologies builds skills and capability in this area to ensure our people have the tools to deliver whenever and wherever they are when interacting with each other and customers.

Inclusion supports employee engagement

Energy Queensland's working parties of employee advocates continue to guide inclusion efforts across the business.

The First Nations working party of Aboriginal and Torres Strait Islander employees and non-Indigenous allies have contributed to drafting Energy Queensland's second Reconciliation Action Plan and informing key events including NAIDOC week celebrations and our recognition of National Reconciliation Week.

Efforts to build a pipeline for women to enter into trade roles are being realised, with more than 120 women engaged in Energy Queensland's apprenticeship program and more than 80 trade-qualified women now in field-based roles. Our Women in Technical and Operational Roles, or 'WINTOR' working party continues to support inclusion initiatives to ensure long-term retention of this growing cohort.

Energy Queensland's Pride network of LGBTI+ employees and allies celebrated its fourth birthday in 2022-23 in conjunction with Wear it Purple Day in August. The more than 600 employees of 'EQL Pride' from across the state utilise an online space to celebrate, share stories, and support one another. Teams across the organisation continue to access Griffith University's MATE Bystander Program to sharpen their skills on how to be an effective bystander in the face of negative behaviours. This program has now been shared with more than 50 groups across the organisation, supporting conversations on the role we all have in driving inclusion.

Leaders had the opportunity to hear from domestic and family violence experts from the organisation Workplace Respect in May. This special event provided practical insights on how to support team members experiencing or using violence, as part of Queensland's Domestic and Family Violence month. Energy Queensland continues to offer unlimited paid leave, support with safety planning and trained contact people as part of our Domestic and Family Violence guidelines.

Our Digital Goals

Deliver simplified, integrated, effective and safe digital solutions

Build partnerships to maximise value and benefit delivery

Future ready our people capability with a learning mindset

Improve our way of working to increase team effectiveness

Digital solutions winning in the field

Energy Queensland continues to implement a significant digital transformation program to provide our employees with modern systems to best serve our customers, keep communities safe, and realise operational efficiencies.

This digital transformation program is critical to ensuring the continual safe operation of Queensland's electricity distribution networks, both now, and into the future. This has many benefits to Energy Queensland personnel and customers including the ability to operate consistently across Queensland, operate with modern and integrated digital platforms and have access to real-time visibility of the network and assets, with field workers able to undertake key processes on mobile devices.

It is a large and complex program of work, one that required us to replan and simplify our approach in early 2023. The decision was made to take the full scope of work that was being progressed as one program and instead progress it over a number of separate releases to reduce user impact, and allow time to test and iterate, and ensure success.

An historic moment this year was the go-live of the PowerOn Network Management System (NMS), which has enabled all regions to move from paper and pin boards to a modern digital platform, as they also did for HV Mobile Switching. Network field staff can now provide seamless customer service in times of significant events and disrupted business from anywhere in the state and have the ability to effectively manage the network across Queensland using one platform from any of our Control Centres.

Energy Queensland has also been at the forefront of innovation with the creation of a Geographical Information System (GIS) for that received a special achievement award. Our unified solution for mapping and analysis of the state's electricity network, which creates and holds detailed geographic information relating to where our network assets are located, received a Special Achievement award at the 2022 Esri User Conference in San Diego, standing out from more than 100,000 other participants.

The rollout across the design teams continues with the substation design teams now able to design power stations from the ground up with precision with the new Substation Design Tool, creating a new way of working. This has enabled the team to think about generation design, with an emphasis on our designs to be modular, concise, integrated and intelligent.

Energy Queensland continued to invest in a wide range of cybersecurity maturity improvements, demonstrating an ongoing commitment to the protection of customer data and critical services to the community. Improvements were delivered in multiple areas, improving maturity and situational awareness, as well as planning and meeting compliance obligations milestones.

Corporate systems make things easy

Energy Queensland is focused on ensuring that the digital solutions we deliver meet our business needs, committing to do what it takes to deliver successful solutions which benefit our employees and customers, while taking the time and care required to get them right.

Copperleaf is Energy Queensland's new investment and portfolio decision support tool, providing for the creation and management of investment proposals throughout their lifecycle for our Grid Investment and Engineering teams to manage network risks. It also improves how we develop, assess, and optimise portfolios of Grid Investment Plans, via dynamic assessment of different strategies and scenarios. Energy Queensland received an innovation award at the Copperleaf Summit in 2022 for innovation associated with pushing the boundaries with Unit Cost Models, a functionality Copperleaf has now made available to their clients worldwide.

This year we introduced a centralised platform to record employee information for electrical, White Card, high-risk plant and machinery (forklift, scaffolding, mobile crane), drivers and marine licences. As well as streamlining a process, as required by law, is also records the number of employees who operate heavy vehicles as part of their job.

Delivering technology across Queensland

Our people are adopting new digital technology to make work easier. This year we introduced Starlink to many of our remote and isolated locations, delivering connectivity in remote areas which have previously had little to no signal. Starlink utilises a network of low earth orbit (LEO) satellites to deliver high speed, low latency connectivity across Australia, enabling remote parts of Queensland, such as Cape York, Torres Straits and Birdsville access a reliable internet connection for the relevant power stations and their attendants.

Our Corporate Support Service and Digital teams have worked together to embed Robotic Process Automation across the timesheet entry process for our employees. Benefits of this technology include increased verification of data quality, no manual opening of timesheets and efficiencies across incorrect data being sent back automatically to be fixed and resubmitted.

This reduction in hours of manual timesheet entries is the equivalent to approximately five full time employees – which now gives those hours back to significantly increase the capacity of our support services team to innovate in other areas and focus more on customers.

Safety is our priority

Sadly, there was a fatality in December 2022, after a meter reader sustained significant injuries from a dog attack on a property outside Brisbane. While we had increased our focus around safe entry in recent years, as per normal practice, the contractor's death led to a comprehensive review of this risk to ensure our people and out contractors can go home safely after a day's work. Unfortunately, there were more than 100 dog-related incidents involving our meter readers in the last year.

In May 2023, the teams directly impacted by this tragic incident attended a one-day safety forum organised by Australia Post, centering on industries where workers are required to enter customer premises', like parcel delivery, food delivery and other utilities. Together, they explored how to influence regulatory change around dog ownership/restraint and looked for collaborative opportunities relating to community education campaigns.

We have continued to promote the importance of educating our workers about the safe entry policy and run campaigns to educate the community, as it means we won't enter a property unless there is someone home to confirm their dog is restrained, or we can visibly see that it is.

An increase in verbal abuse, physical assaults and threats of violence against Ergon Network and Energex employees also prompted the launch of the 'No excuse for abuse' message to remind Queenslanders that everyone deserves to feel safe at work and personal attacks will not be tolerated.

Independent review of safety

In late 2022 Energy Queensland underwent a detailed safety review conducted by ForgeWorks. They were chosen to perform the review as their diagnostic tools and processes not only analyse more traditional safety elements, like management systems and HSE team support, but could also focus on the underpinning elements of how work tasks are performed.

Overall, the review complimented the progress made around how tasks are performed. They identified two opportunities for improvement. The first was around the impact of change on the frontline workforce. Since the review we have changed our approach to the implementation of digital solutions to improve outcomes for the frontline.

The second was around strengthening the home-grown safety initiative 'Safety is Defence'. It recommended the creation of a three-year strategy to ensure the initiative goes from strength to strength. In response, a strategy was developed with five focus areas, which included increasing the capability of the frontline leader's cohort, or Employees in Charge (EiCs).

Data-driven solutions to hazards

This year Ergon Network and Energex fully integrated safety software that has been evolving for the past three years. QIN CodeSafe is an electronic tool to support field assurance activities. Each month the Work Group Leaders and Subject Matter Expert field interactions around critical controls application, quality of works and neutral integrity assessments are now recorded in CodeSafe. The results are then reviewed at monthly operations leadership team meetings, and then at regional and area level meetings to identify data-driven solutions. The rich data gathered and compiled for easy analysis is vital to understanding the strengths and opportunities for improvement around the critical controls relating to the high hazard areas that the workforce face each day.

A focus on significant hazards

Energy Queensland has worked towards increasing the safety of our people on the roads – with more than 60 million kilometres of travel per year – with the introduction of our In Vehicle Asset Management (IVAM) system this year. The system enables data to be recorded to support and improve fleet and asset performance. The solution also includes an emergency duress button fitted in the vehicle, with data being accessible in real time.

To support this safety initiative, two driver training courses are being developed to upskill employees. All employees who are required to drive as part of their role will complete the online driver training program informed by the IVAM learnings. Additionally, 'high risk' drivers who are exposed to more significant driving time, whether it be metropolitan, regional or remote, will complete a hands-on practical driver training program. This program demonstrates the commitment to reducing the overall risk this significant hazard poses to the workforce.

One of our other significant hazards is heat stress. In September 2022, the Energy Queensland Heat Stress Standard was released, outlining how heat stress needs to be mitigated at all points from long-term works planning, right through to managing a heat illness. Heat Stress Kits, consisting of eskies, ice towels, waterproof instructions and a heat stress esky sticker, have also been rolled out across the business. Pleasingly, heat stress incidents have almost halved.

Mental health and wellbeing

Focus on mental health and wellbeing of the workforce has been a cornerstone of Energy Queensland HSE Strategy since it was created in 2018. With the release of the Queensland Government's Managing the risk of psychosocial hazard at work Code of Practice and Energy Queensland running our third mental health survey, this focus has only increased.

This year the survey provided valuable feedback to areas of the business that have improved and highlighted areas needing further attention. Positive improvements have been made around stigma reduction, work flexibility and job security, while additional work is needed to address bullying and harassment across the business.

Mates in Energy training and suicide prevention support remains strong, with an increase in training in 2022-23 to upskill new hires and with less COVID related travel restrictions through the state.

A three-year Mental Health Plan has been developed to build on the achievements to date and focus on areas from the Code of Practice, as well as the results of the mental health survey. The four themes of the plan focus around:

- leadership
- stigma reduction
- key psychosocial hazard
- governance and assurance.

While there has been a decreasing trend in WorkCover claims being made since 2019, our injury management team are there for our employees to support their transition back to work. The team continue to achieve a 99% WorkCover Queensland claim return to work rate and provide ongoing injury support management to employees whether their claim is accepted or declined.

Workplaces for our people and sustainability

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

We also completed the Stage 1 refurbishment of a facility of our Mcleod Street depot in Cairns. This transformed the original early 1900's structure into a fit for purpose workspace with indoor and outdoor training facilities, an equipment test area and new office space for our employees, and apprentices, at one location.

As we improve our buildings and depots, we have continued to explore energy efficiency opportunities, with gains through installation of new building management systems and energy efficient lighting. We have also achieved 30% to 38% reductions in energy use from the network with the installation of rooftop solar systems at some of our network depots, as part of the Dynamic Operating Envelope trials, including Cleveland, Landsborough, Stapylton, Berrinba, and Stafford. To support our sustainability objectives we have also shifted to purchasing Green Power for the facilities located in regional Queensland through Ergon Retail.

Workplace safety scorecard

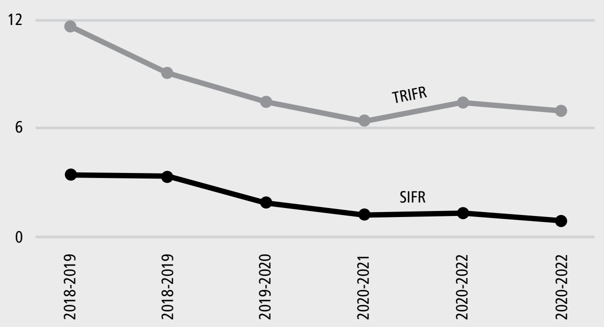
This year's focus on continuous learning and critical controls has achieved a 31% reduction in the Group-wide Significant Injury Frequency Rate (SIFR).

The better than target results for SIFR was 0.9, against a target of 1.2. This is the lowest SIFR result for Energy Queensland since the data for the Group was brought together.

Last year low voltage connection issues and motor vehicle incidents made up two thirds of the significant incidents. However, with a focus on these types of hazards and the critical controls, only half of the significant incidents this year related to them.

We also bettered our target of 7.0 for Total Recordable Injury Frequency Rate, bringing it down again to 6.9, with an improvement on last year. Our Lost Time Injury Frequency Rate, with the improvement in safety performance, also came down to 2.1, from 2.5.

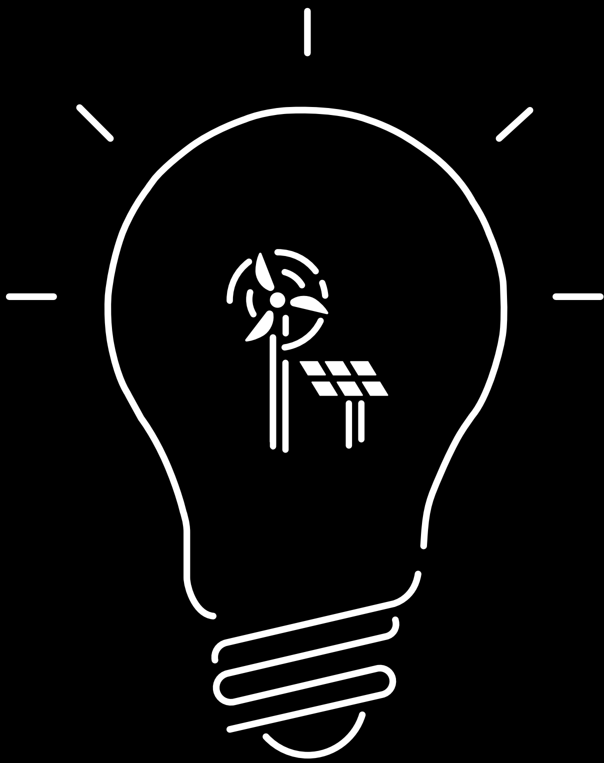
An improvement in significant and total workplace injuries



The Group's Significant Incident Frequency Rate (SIFR) continues to trend down with continuous learning focused on key areas, with critical controls for high risk hazards. At the same time, the Total Recordable Injury Frequency Rate (TRIFR) improved on 2021-22.

WORKPLACE SAFETY	2021-22	2022-23	TARGET
Significant Incident Frequency Rate	1.3	**0.9** ▼	≤1.2
Total Recordable Injury Frequency Rate	7.4	**6.9** ▼	≤7.0

Our people



Towards a net zero energy future.

We're investing to support 70% renewable energy in Queensland by 2032, and the growing electrification of transport.

We're also ensuring best practice environmental standards across our operations.

Transforming to net zero

Energy Queensland is working towards the Queensland Government's target of net zero emissions by 2050, supporting various actions in the Queensland Energy and Jobs Plan. As energy is a major contributor to emissions, our business' role is largely in supporting the move to 70% renewable energy by 2032, and then 80% by 2035, and along with that the electrification of transport.

This future could potentially see double the amount of solar energy, and at least two million electric vehicles connected to our networks. Our challenge is to stay a step ahead to ensure we can deliver for our customers, and the broader community and, ultimately, ensuring Queensland's renewable energy advantage helps keeps prices down.

In addition to the support for our customer-owned projects, the following section of the report highlights how we are enabling more renewable energy onto our networks, supporting the uptake of electric vehicles, purchasing renewable energy for our customers, and proactively reducing our own carbon footprint.

Batteries storing solar locally

Our Local Network Battery Plan continues grow and diversify rapidly to help address network challenges and support the Queensland Government's renewable energy targets.

The success of stage one, the utility-scale battery trial, has led the way. The five 4MW/8MWh network-connected batteries, were commissioned during the year, providing 40MWh of energy storage across the Townsville, Yeppoon, Bundaberg, Hervey Bay and Toowoomba areas where rooftop solar penetration is high.

These are now keeping the solar energy made locally, during the day, for use locally during the evening peak in demand. As well as supporting the network, they are also allowing Ergon Retail to electricity price arbitrage. A new Energy Management System considers the AEMO market forecasts, battery asset details (including the state of charge) and network information to determine the optimum operation of the battery on a five-minute basis.

The batteries were installed by Yurika, who also installed a microgrid solution for Ausgrid in Merriwa, in the Hunter Valley, New South Wales, with the energy storage and generation now supporting the town's critical services during outages. Yurika is also testing the application of their delivery model, and proving alternative technologies, with the installation under way for a vanadium redox flow battery at Energex's Berrinba Depot.

Energex is also connecting up to 30 neighbourhood batteries (30kW/60kWh) on our power poles, as well as five ground mounted (90kW/180kWh), to the Low Voltage electricity network in South East Queensland. The Ipswich Neighbourhood Battery Trial is a partnership, with retailer Origin Energy, and is helping us advance the industry's understanding of the benefits/challenges of distribution-connected energy storage together. The batteries are currently being installed in Raceview, Goodna, Flinders View, Silkstone, Bellbird Park and Redbank Plains.

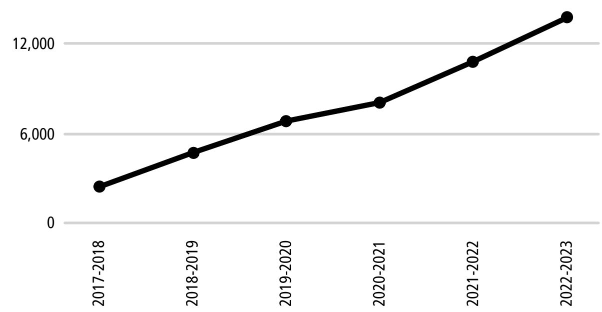
We are also engaging HV network-connected customers (Connection Asset Customers), targeting those with large-scale energy storage, to participate in a time-of-use tariff trial. The trial is looking at ways to incentivise large battery operators to charge their batteries in a way that benefits the network, with zero network charges for electricity 'used' during the daytime trough period and a negative export charge to encourage export during the evening peak.

Energy Queensland has also been successful in obtaining funding as part of the Australian Government's Community Batteries for Household Solar Program. To be owned and operated by Ergon Network and Energex, across 12 Queensland sites, our aim is to simplify delivery of community batteries with a scalable partnership model that allows the local community to benefit from local energy storage without the risks, challenges or costs of asset ownership.

The greatest benefit is in stacking the value chain – the batteries' ability to help manage the local and upstream network, and the value in sharing their excess capacity with electricity retailers to help reduce the pressure on wholesale prices. This will help lower electricity bills, deliver locally produced renewable energy when needed most and cut emissions, ease pressure on the grid, and allow other community benefits to be realised.

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

Customer-owned battery connections continue to increase



In addition to our batteries, connected directly to the network, the market for 'behind-the-meter' batteries to store solar energy for use at night is strengthening. We expect the market to grow with higher electricity prices and technological advances, and the ongoing interest in climate action. Together with demand and time-of-use tariffs, batteries can help customers save and help the grid.

Our environment

Our support for renewable

Our distribution networks support 800,000 rooftop and other small-to-medium solar energy systems. This is more generation capacity than Queensland's three largest power stations combined (Tarong, Gladstone and Stanwell).

More than 5,600MVA of distributed solar energy resources are now connected – making our networks a sharing platform for this and other types of renewable energy. This is not only supporting renewable energy investors, but the environment, our residential and business customers, and the wider community.

SOLAR ENERGY CONNECTIONS	NUMBER	TOTAL CAPACITY
Small-scale (≤30kVA)	792,014	4,133,337kVA
Medium-scale (>30 – 1,500kVA)	7,325	517,906kVA
Large-scale (>1,500kVA)	43	969,934kVA
TOTAL CONNECTIONS	**799,382**	**5,621,177kVA**

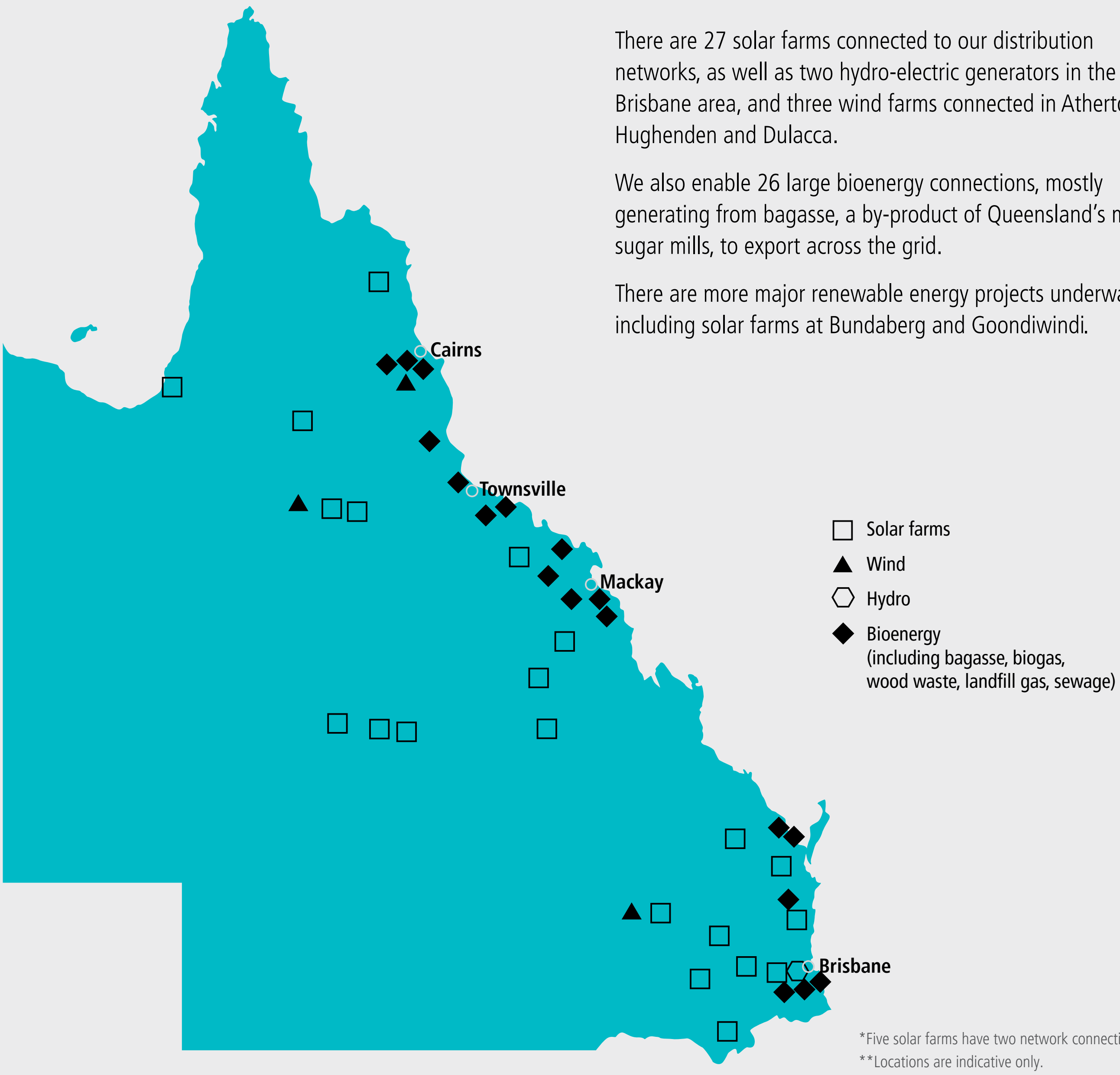
Solar capacity is presented as inverter capacity, measured in kilovolt amperes (kVA). Panel capacity is measured in kilowatts (kW).

Major renewables on our networks

There are 27 solar farms connected to our distribution networks, as well as two hydro-electric generators in the Brisbane area, and three wind farms connected in Atherton, Hughenden and Dulacca.

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

There are more major renewable energy projects underway, including solar farms at Bundaberg and Goondiwindi.



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

Purchasing green energy to power Queensland

Ergon Retail is one of the largest purchasers of renewable energy in Queensland with more than 965GWh of renewable energy bought through power purchase agreements (PPAs) in 2022-23 – enough to power 200,000 homes for a year.

We successfully renewed all our existing PPAs into 2022-23, as well as entering into a number of new agreements. These PPAs are a strategic initiative in relation to our energy trading strategy and environmental compliance while also providing a major economic contribution to industries such as agriculture, though our relationships with multiple sugar mills.

Ergon Retail also continued to operate the 37MW gas-fired power station in Barcaldine as required to complement our energy market needs (full load operation 35MW). During the year an Expression of Interest was put to a closed panel to explore the development of 30MW hydrogen-ready generation, alongside the gas-fired electricity generator, to lower the facilities generation emissions while maintaining its operational capability.

With one of the highest penetrations of rooftop solar energy systems in Australia, this year Queenslanders with rooftop systems shared around 3,471GWh of solar energy generation across our networks, benefitting the owners of the systems and reducing the emissions intensity of grid-supplied power for all consumers.

To support this, Ergon Retail credited thousands of residential and small to medium business customers a total of $81 million during 2022-23 for the solar energy they exported back into the grid through regional Queensland's 9.3c/kWh feed-in tariff (FiT). Ergon Network and Energex also paid almost $182 million state-wide for the energy exported by customers on the Queensland Government's Solar Bonus Scheme's 44c/kWh feed-in tariff.

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

Renewables in isolated communities

Ergon Network is progressing proposals to advance the decarbonisation of the energy supply to the communities across Queensland that are isolated from the main grid. The focus remains on enabling community participation in renewable energy supply while providing safe, sustainable, cost effective and reliable networks.

Our efforts so far have enabled the introduction of new technologies, including smart communication devices, to allow more rooftop solar energy in the community. This technology enables the customer-owned solar to work together with the power station to maintain a balance of energy generation and demand, leading to higher achievable solar energy contribution, as well as a stable and reliable network. Through 2022-23, Ergon Network approved an additional 192kVA of distributed renewable energy resources across our isolated networks, with a total of around 5,692kVA now connected.

Work is also continuing on four federally-funded Queensland Resilience and Risk Reduction Fund studies for hydrogen projects located in the Torres Strait and the Townsville region, as well as in remote areas of Queensland. The studies' modelling, functionality development and community engagement are almost complete, with final results due in 2024.

We are already progressing plans to decarbonise the electricity supply at four isolated communities. This will lift the annual energy supplied by renewable energy assets to more than 50%, reducing the use of diesel fuel in the power station and the associated emissions. Initial engagement has commenced with key stakeholders in these communities, to achieve these targets:

- Doomadgee (55% renewable energy, saving an estimated 1,250,000 litres of diesel per annum)
- Boulia (50% renewable energy, saving an estimated 440,000 litres of diesel per annum)
- Windorah (50% renewable energy, saving an estimated 200,000 litres of diesel per annum).

Following investigations by technical partners into the delivery of low carbon or renewable generation options on Thursday Island and the Northern Peninsula Area, we have commenced engagement with key stakeholders on the best renewable generation solutions to take forward.

Since attending the Queensland Government's Cost of Living Forum on Thursday Island in March 2023, Ergon Network has commenced plans to invest $7 million to replace all public lights across Thursday Island and the Northern Peninsula Area with more durable and efficient LED lights.

We are also progressing a $3 million energy affordability program, leveraging Ergon's earlier powersavvy program.

These initiatives are part of the Queensland Energy and Jobs Plan. We will work collaboratively with these remote First Nations communities, and the Queensland and Australian governments, to co-design an inclusive Remote and First Nations Clean Energy Strategy, as part of the pathway to net zero.

39 isolated communities

21,000 connected customers

RENEWABLE ENERGY SUPPLY

1MW Ergon Energy owned

4MW customer owned

Annual energy demand	Maximum demand
495MWh to Stephen's Island	**86kW** Stephen's Island
25.8MWh Thursday Island	**4.2MW** Thursday Island

33 stand-alone networks

46MW generation capacity

Enabling the growth in electric vehicles

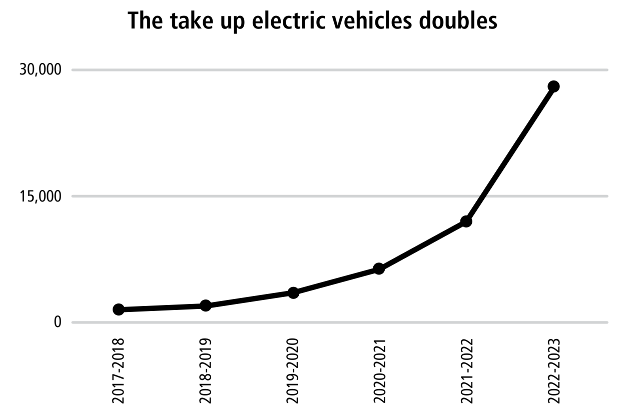
Between June 2022 and June 2023, the number of electric vehicles (EVs) registered in Queensland increased by around 141% (from 10,156 to 24,471), supported by Queensland and Australian Government incentives, more affordable EV models becoming available, more public charging stations being deployed and a strong underlying consumer appetite. Our focus is on enabling the charging needs of owners of private and commercial EVs – from electric motorcycles to cars, trucks and buses – while maintaining the highest quality of electricity supply for all customers. EV charging is a relatively flexible load, so it presents real opportunities for the timing and rate of charging to be influenced to deliver customer, network and electricity supply chain benefits.

The Queensland Energy and Jobs Plan, its emissions reduction and electrification goals, and the Queensland Government's commitment to a climate positive 2032 Olympic and Paralympic Games, are driving a number of EV initiatives. Energy Queensland's businesses will play key roles in deploying initiatives around EV grid integration, public charging and community education.

A milestone in May this year was the collaboration to develop the supply arrangements for Brisbane City Council's pilot, Metro, as it moves towards a new fleet of electric, high capacity metros that will usher in a new era of connected transport.

The first 600kW overhead flash charger, the first of its kind in Australia, is now connected to Energex's network in Petrie Terrace, Brisbane. This charges the metro's battery charges in under six minutes. While a temporary connection arrangement was put in place for the pilot, to meet the significant draw on the network, HV connections will be required to support the various charging requirements for the fleet. The success of the pilot has played a vital role in decisions making, with Brisbane City Council now investing in a fleet of 60 'Metro EVs', to commence operations in late 2024. This is one of many electric transport initiatives being rolled out across Queensland.

To support the electrification of transport, Ergon Energy and Energex have also been continuing to gather rich data insights from EV owners. The final report from our two-year EV SmartCharge Queensland Program, which studied real-world EV charging and travelling behaviour, was released as an Australian-first in February 2023. This research supplemented our annual Queensland Household Energy Survey of more than 4,000 Queenslanders. Responses from the increasing group of EV owners' completing the survey help us understand their attitudes, intentions, charging behaviours and home charging arrangements.



The number of EVs on Queensland roads more than doubled again this year, from 10,156 to 24,271. Over 3,800 Plug-In Hybrid Vehicles (PHEVs) are also registered.

Gathering EV-related data and insights is a central element of our 2023 Network Electric Vehicles Tactical Plan, supported by an overarching Network Electric Vehicles Strategy. Ergon Network and Energex published the Tactical Plan in May this year to articulate the approach to EVs and stimulate collaboration with our EV stakeholders. It outlines how we're actively preparing for the inevitable growth in EV numbers and the challenges, and exciting opportunities, that their charging presents. With the addition of two Hyundai Kona EVs to our fleet this year, we now have 18 plug-in vehicles on the road and 58 electric forklifts in our warehouses.

One exciting project within the plan is our EV Charging Detection Model. It features an algorithm developed using our EV SmartCharge real-world data to detect EV charging in smart meter data at a household level. This allows us to identify emerging EV clusters on individual distribution transformers. With that 'finger on the pulse', our network business can respond proactively, and therefore more cost-effectively, to EV charging demands.

Charging the highways across Australia

Yurika commenced a landmark partnership with Ampol to design and install 34 fast-charge stations across Australia. In alignment with the Queensland Energy and Jobs Plan, the partnership is seeing the deployment of AmpCharge EV charging stations across Queensland, as well New South Wales (NSW), Victoria and Western Australia. This deal leverages Yurika's experience rolling out the Queensland Electric Super Highway, which is now moving through the final stages of Phase 3 after installing EV Chargers at 16 new locations across Western Queensland this year, with eight more sites to be completed before the end of 2023. The rollout takes the Super Highway up to approximately 5,400km long.

Locations for the Phase 3 Rollout also include sites at: Kingaroy, Longreach, Barcaldine, Blackall, Charleville, Miles, Stanthorpe, Charters Towers, Hughenden, Cloncurry, Winton, Dingo, Roma, Kingaroy, Esk, Richmond, Kynuna, Injune, Rolleston, St George, Cunnamulla, Julia Creek, Mount Isa, Goondiwindi and Emerald.

Lighting our streets with LED

In streets right across Queensland, Ergon Network and Energex own, operate and maintain in excess of 490,000 public lights and keep billing records for another 62,000 lights owned and maintained by our customers.

This year we continued the third of five years of a public lighting replacement program, replacing nearly 35,000 mercury vapour streetlights with more energy efficient LED lights and saving more than 8,700tCO_2-e. In total, the program has made more than 50,500 replacements and is now 27% complete.

We have also been looking ahead and engaging on our public lighting strategies and proposed investment plans for 2025 to 2030 with an established Public Lighting Forum.

Emissions scorecard

Energy Queensland supports the Queensland Government's targets of 70% renewable energy by 2032 and net zero emissions by 2050. As a Government Owned Corporation, we also contribute to the Queensland Climate Action Plan and report against it to the Department of Environment and Science.

Energy Queensland Low Carbon Future Statement is our commitment to enabling a low carbon future for the customers and community of Queensland, and for building greater resilience in our networks, communities and across our businesses to mitigate the potential risks of a changing climate. It includes an action to proactively reduce our greenhouse gas emissions in targeted areas by 17% by 2030 (baseline 2018-19).

The Group reports greenhouse gas emissions to the Clean Energy Regulator under the National Greenhouse and Energy Reporting Scheme (NGERS). For 2021-22, our carbon footprint, including both direct and indirect emissions, equated to 1,810,681 tonnes of carbon dioxide equivalent (tCO2-e) (as the most up-to-date report at time of writing this report).

A portion of our 17% reduction target includes the fossil fuels used to generate electricity in isolated communities, primarily diesel fuel, and in our transport fleet, as direct Scope 1 emissions. These equate to 8% of our carbon inventory. During 2021-22, emissions from transport dropped while those from isolated generation increased. The latter was impacted by a reduction in renewable generation in 2021-22, associated with the performance of the wind turbines on Thursday Island (at the end of 2022-23 they were being refurbished). We are progressing initiatives to advance the decarbonisation in our isolated communities, with renewable energy generation up in 2022-23 – see table here.

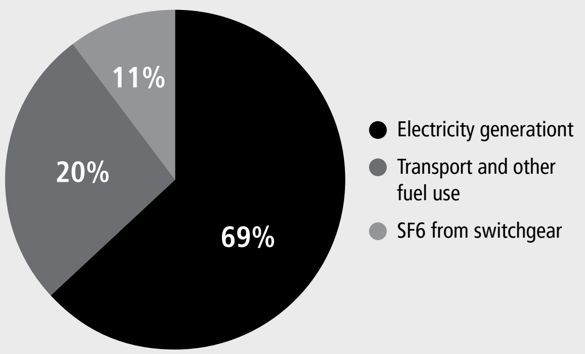
We're also on a continuous journey to investigate alternatives to sulphur hexafluoride (SF6) gas, also Scope 1, but only 1% of the total carbon inventory. This inert gas is used extensively throughout the network as an insulating gas, but is also a highly potent greenhouse gas when released to the atmosphere, contributing to climate change.

We are also focused on increasing the energy efficiency of our public lighting and electricity use in our buildings and depots (in addition to installing solar and purchasing Green Power), as indirect, Scope 2 emissions, as well as our upstream and downstream, or Scope 3, emissions.

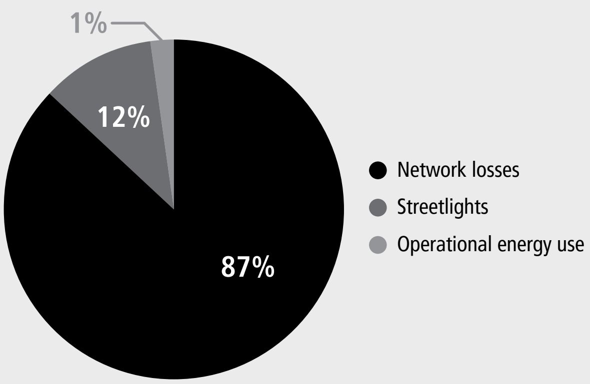
The Group's overall carbon footprint continues to be largely due to the energy that is lost while distributing electricity across Ergon Network and Energex's networks (an indirect, Scope 2 emission). These network line losses are largely unavoidable, as an inevitable part of distributing electricity across the state, with engineering solutions cost-prohibitive and of limited value. As the generation mix in Queensland moves towards renewable energy and away from fossil fuels, the emissions associated with network losses will decrease. Our aim is to keep the proportion of losses at current level as our network grows and evolves.

ISOLATED GENERATION	2020-21	2021-22
Diesel generation	127,344MWh	**126,767MWh** ▼
Renewable generation	1,128MWh	**1,522MWh** ▲
Total generation	128,472MWh	**128,289MWh** ▼
Emissions saved by supplying with renewable generation	783tCO2-e	**1,056tCO2-e** ▲

Our direct emissions – Scope 1



Our direct emissions – Scope 2



Environmental best practice

Asbestos removal plan ahead of schedule

Through our Asbestos Management Policy, Energy Queensland has committed to a proactive program to remove asbestos from all affected buildings by 2030, where reasonable to do so. Based on the current level of activity, all these sites are tracking to be asbestos free before the end of 2025.

In total, more than 72,000sqm of asbestos containing material and 33,000 tonnes of asbestos contaminated soil has now removed from more than 620 sites and buildings. This year more than 4,000sqm of asbestos containing material was removed from 15 sites, including 10 substations, communications and commercial sites, three depots and two residences. Our workers and contractors have also removed more than 130 tonnes of asbestos containing material from our customer premises and from the electrical networks.

An environmental win with waste recovery improving

Energy Queensland continues a commitment to reduce the environmental impacts from our operations. Improvements in our capture and analysis of waste and recycling data continues to show improvements in waste reduction and recycling. Energy Queensland's contracts to recycle scrap metals, regulated waste oil and regulated scrap metals continue to improve our diversion from landfill rate, which sits at 38%.

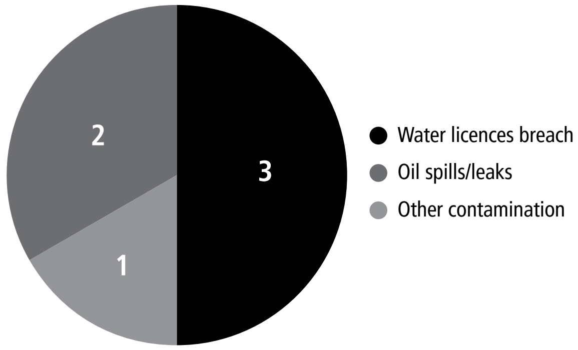
Continuous improvement for No Oil to Ground initiative

As part of operating the distribution network, a number of fuels, oils and chemicals are used across the state. There is a continuous focus on containing the associated hydrocarbons and chemicals by using a number of practices and controls.

The unbunded power transformers that were identified as high risk to the environment last financial year have either been bunded or have additional management plans in place to manage the risk until bunding works can be completed.

This year, we have also been testing effective hydrocarbon separators for a number of the remote network power stations to treat site and stormwater runoff. In addition, our revised draft spill process has been agreed to by relevant stakeholders and will be rolled out across the business in the coming year. This is anticipated to improve our reporting and simplify field activities.

Notifiable environmental incidents



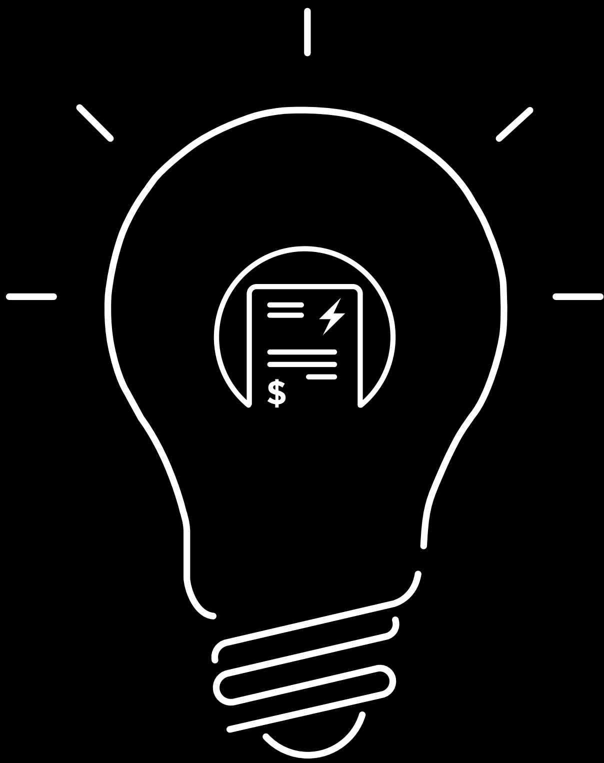
During 2022-23, Energy Queensland notified the Department of Environment and Science of five events, only one being significant. Two events were the result of acts of vandalism on our assets and one event was the result of equipment failure leading to oil leaks. One incident was reported as a potential to cause harm by storing soil in a location that had the possibility of entering the stormwater drain (but did not) and the final event was reported as the occupier of a site where oil contamination had occurred but was not due to Ergon Energy or Energex network activity. No Clean-Up Notices or Penalty Infringement. Notices (PINs) were issued.

Recognising and protecting cultural heritage

Ergon Network's distribution assets reach as far north as the Torres Strait Islands and as far south as parts of Northern NSW. As a result, we engage and work with First Nation peoples across this entire area to manage and preserve cultural heritage.

As part of this year's Energy Queensland Strategic Internal Audit Plan, a Board approved review of the cultural heritage framework and practices used within Energy Queensland was undertaken to ensure that we are meeting our legislative and regulatory requirements. The audit found that Energy Queensland satisfies industry requirements in regard to cultural heritage management. It identified future opportunities for improvements around the continuing implementation of major system changes and the changing environment.

The review assessed Energy Queensland's policy, procedures, and processes supporting the preservation of cultural heritage, indigenous and historical, including tangible objects and artifacts, and intangible heritage. This review aimed to demonstrate Energy Queensland's commitment to its Environmental Sustainability and Cultural Heritage Policy.



Our financial contribution to Queenslanders.

We’re addressing power prices with financial support for our customers.

We continue to navigate wholesale market volatility, while investing prudently and diversifying our revenue streams to ensure our financial sustainability.

Addressing power price increases

In the 2022-23 financial year, Ergon Retail received $735 million in funds from the Queensland Government, up from $647 million to support our customers across regional Queensland with the cost of electricity. This included the Queensland Government's $175 Cost of Living Rebate, which built on the $50 asset ownership dividend provided in recent years.

The Queensland Government's $621 million Community Service Obligation payment this year, under the Uniform Tariff Policy, ensures Queenslanders pay a similar price for electricity no matter where they live. This economic subsidy reduces bills in regional Queensland eastern zone by around 18%, and in the western zone by around 55%, compared to the cost to supply electricity.

The total funds flowing to customers will increase again with the Energy Bill Relief Fund (p22).

Investing prudently for Queensland

Across the state, the Energy Queensland Group delivered a record $1.7 billion capital works program this year, most notably $1.4 billion of investment into our networks to ensure they remain safe and reliable and provide the electricity infrastructure needed to support the state's economic development.

Our network businesses are only investing prudently where necessary. To address safety risks and associated reliability, especially in regional Queensland, we are continuing a significant investment in network refurbishment and replacement. The scale of the $892 million capital investment program in Ergon's regulated network exceeds what has been provided for by the AER's revenue determination.

The total expenditure for Standard Control Services was $2,222 million – operational and capital investment in our 'poles and wires'. This reflects the significant capital investment being made across our networks, as well as increasing costs in operating and maintaining the network.

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

The market impacts financial results

Energy Queensland's Consolidated Statement of Profit or Loss showed a Net Loss After Tax of $213 million, compared to a profit of $378 million in 2021-22.

This result was impacted by a $322 million loss in the Ergon Retail's Earnings Before Tax primarily driven by volatility in the wholesale electricity market leading to operating losses of $32 million and fair value losses on forward electricity contracts of $290 million.

These non-cash fair value losses are largely due to a reversal of the forward wholesale electricity market gains enjoyed in the prior year when wholesale prices were at record high levels.

While the Australian Government intervention through the National Energy Price Relief Plan has contributed to a reduction in wholesale electricity forward prices from historically high levels, these prices remain elevated compared to recent years and are continuing to impact the electricity retailing market nationally. In addition, Ergon Retail is locked into forward electricity contracts established before the intervention.

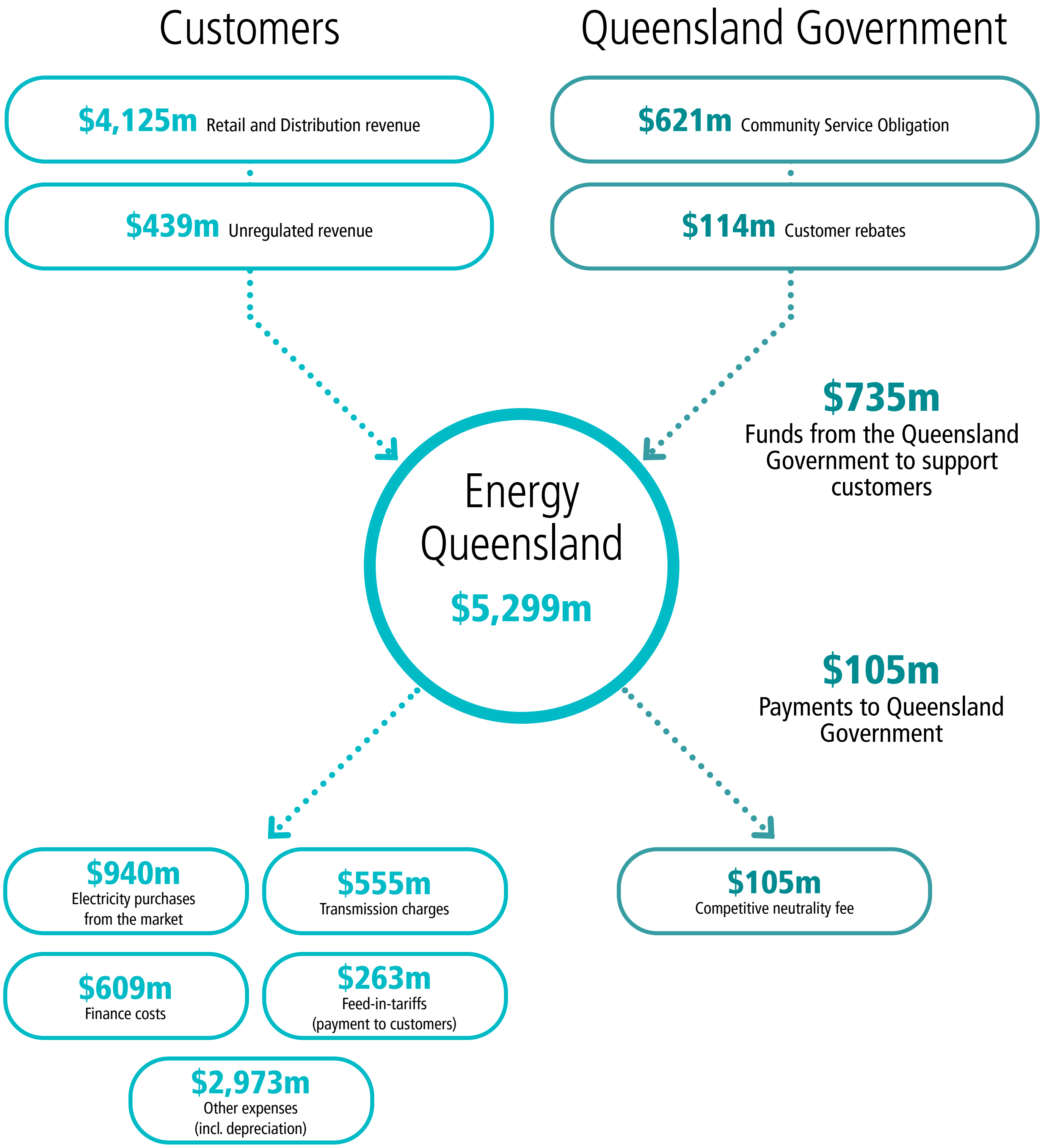
In December 2022, an independent expert concluded Ergon Retail had a strong culture of risk management, with wholesale risk management policies and frameworks well defined and appropriate. The report also endorsed the market leading techniques being used to quantify and model market, credit and cash flow risks, and governance reporting.

Despite rising inflation, Ergon Retail maintained historical savings in its administrative cost to serve its customers.

The consolidated profit result was also impacted by an under recovery of Distribution Use of System (DUoS) charges against our distribution businesses' regulatory revenue allowances. Revenue was below allowances for Energex by $9.5 million and Ergon Network by $36.8 million. These shortfalls were due to lower than anticipated demand and will be recovered in the coming financial year.

In line with its growing business capabilities, Yurika also contributed to the positive profit result. This business delivered a 58% growth in revenue across a range of services, which offset ongoing pressure on margins in the current market. In addition to a profitable bottom line, Yurika is also focused on job creation and building economic value for Queensland.

Where the dollars flow



The above numbers illustrate how transactions flow between Energy Queensland, the wholesale electricity market, the Queensland Government and our customers. The classifications are different from the revenues and expenses presented on page 64, which are presented as per the Australian Accounting Standards.

Financial summary for Energy Queensland Limited (Consolidated)

This section explains the key financial outcomes for Energy Queensland Limited to 30 June 2023. This commentary is not comprehensive – for full disclosures refer to the Energy Queensland Limited Annual Financial Statements.

Where does our revenue come from?

Energy Queensland's total revenue is $5,289 million consisting predominantly of electricity Retail sales and Distribution revenue ($4,125 million).

The Queensland Government's Community Service Obligation (CSO) subsidy for the year is $621 million. The CSO is paid to Energy Queensland, for the network businesses to provide electricity in regional Queensland at prices based on the costs of supply in South East Queensland, in accordance with the government's Uniform Tariff Policy. Unregulated revenue from other services is $439 million.

What are our main expenses?

Our total expenses (excluding income tax) are $5,589 million. Our operating and maintenance expenditure was $2,299 million, with increased costs in employee benefits, materials and services. Transmission charges and electricity purchases were $1,495 million.

Depreciation, amortisation and impairments of $1,081 million continues to be a substantial expenditure due to the considerable investment in capital for the provision of electricity distribution services.

Our finance costs of $714 million correlates with the average debt balance and prevailing interest rates.

What assets do we own?

Our total asset base is $29.2 billion. Property, plant and equipment are the major components of our asset base, at $26.5 billion, which consists mostly of regulated electricity network assets. Our network assets are revalued to fair value on an annual basis.

What are our liabilities?

Total liabilities are $24.5 billion. Our largest liability, the interest-bearing loan with Queensland Treasury Corporation, is $19.4 billion with $921 million in loan drawdowns this year to fund business requirements, including capital investment. We remain committed to maintaining a sustainable financial position by managing our long-term debt levels to an appropriate target gearing ratio as considered appropriate by our Board, in consultation with our shareholder. The Debt to Standard Control Services Regulated Asset Base Ratio is 67%.

What was our capital investment?

Energy Queensland had $1,707 million in capital investment, fulfilling our commitment to meeting the current and future requirements of our communities. We continue to maintain our service levels and reliability and make appropriate investment in the growth of the distribution network.

What is Energy Queensland's dividend policy?

Energy Queensland's normal policy is to declare dividends based on 100% of its Net Profit After Tax adjusted for material non-cash items. No dividend will be declared given a loss for the year.

OUR REVENUE	$MILLION 2021-22	$MILLION 2022-23
Revenue and Other Income	**5,415**	**5,289**
OUR EXPENSES		
Transmission Charges and Electricity Purchases	1,575	1,495
Operating Expenses	1,640	2,299
Depreciation, amortisation & impairments	1,036	1,081
Finance Charges	625	714
OUR PROFIT / (LOSS)		
Net Profit / (Loss) Before Tax	**539**	**(300)**
Net Profit / (Loss) After Tax	**378**	**(213)**
OUR ASSETS		
Current Assets	2,451	1,565
Non-current Assets	25,986	27,607
Total Assets	**28,437**	**29,172**
OUR LIABILITIES		
Current Liabilities	1,243	1,293
Non-current Liabilities	22,370	23,237
Total Liabilities	**23,613**	**24,530**
Net Assets	**4,824**	**4,642**
OUR INVESTMENT		
Total Capital Investment	1,533	1,707
DIVIDENDS		
Dividends Declared	-	-

Corporate governance statement

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

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

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

PRINCIPLE 1 – FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

Energy Queensland Limited is governed by an independent Board of Directors whose primary role is to provide effective governance, oversight and strategic direction of the affairs of the Energy Queensland Group. This ensures the interests of the shareholding Ministers are protected while having regard for the interests of all stakeholders including community stakeholders, customers, industry partners and employees. The Board comprises of eight Directors. In October 2022, Sarah Zeljko joined as the Chair, with Phil Garling's departure from the Board.

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

The activities of the subsidiary companies are overseen by their own boards made up solely of executive members.

The Board has established five committees to assist the Board in fulfilling its oversight, responsibility and performance of its functions in key areas in accordance with Committee Charters which are available on the Company's website:

- **Audit Committee** – Financial Integrity and Financial Reporting, Effectiveness of Fraud and Internal Control Framework, Audit, Policy Framework, and Investigations
- **Digital Projects Committee** – Digital Projects. This is a temporary committee established to oversee the implementation of specific digital projects.
- **People, Safety and Environment Committee** – People, Safety and Environment
- **Regulatory and Policy Committee** – Energy Regulatory Issues, Ring-Fencing, and Regulatory Determinations
- **Risk and Compliance Committee** – Risk Policy and Framework, Risk Appetite, Risk Identification and Management, Risk Culture, Compliance Policy and Framework and Compliance Culture

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

All new directors attend a structured induction session to ensure they understand roles and responsibilities, functions of the Board and Committees, and corporate expectations. New directors also receive an overview of Energy Queensland's operations and the Energy Queensland Board Handbook. Professional development opportunities for board members to develop and maintain the skills and knowledge required to fulfil their role and understand the business is provided.

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

Since Rod Duke's departure in April 2023, Peter Scott (previously Energy Queensland's Executive General Manager, Finance) has been acting as the CEO. Belinda Watton was formally appointed Executive General Manager, Yurika and, in response to focus required in the regulatory area, a new role was created, Executive General Manager Regulation, with Nicola Roscoe in an acting capacity. With our current strategic focus two of the executive roles have been renamed. With Marianne Vosloo's departure as Executive General Manager Digital, for an interim period, Peter Price will act in the role, while Jason Hall will act in his role as Chief Engineer.

Energy Queensland prides itself in achieving gender diversity in senior executive positions and is a strong proponent of the benefits a diverse workforce brings. Our Diversity and Inclusion Policy is available via Energy Queensland's website. Of the ten executive positions, 50% are held by women. In addition, 50% membership of the Board's positions are held by women with the Chair being female. The composition of Energy Queensland's workforce is made up of 22% women and 3% First Nations employees. Initiatives are in place to increase the number of females and First Nations people working in areas of engineering, field work and apprenticeships.

Other key roles within the organisation include the Company Secretary and the General Counsel. Key Performance Indicators and targets for senior executives are agreed on an annual basis with a performance review conducted during the year. The performance review of the Chief Executive Officer including setting of key performance indicators is conducted by the Chair on an annual basis in accordance with a defined evaluation process. Following on from this, the Chief Executive Officer conducts performance evaluations of the Executive Leadership Team including setting of key performance indicators on an annual basis with a half-yearly check in pursuant to a defined performance review process.

PRINCIPLE 2 – STRUCTURING THE BOARD TO BE EFFECTIVE AND ADD VALUE

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

Details of the Directors' qualifications, skills and relevant experience are on page 68. The number of Board and Committee meetings held along with Directors' attendances as well as the term of Directors are set out in the Directors' Report, in the Energy Queensland Annual Financial Statements, on pages 84-87.

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

Board performance evaluations are conducted at least every two years and are in accordance with the Government Owned Corporations Guidelines. These evaluations include assessment of director skills and experience, Board culture and meeting dynamics, the quantity, quality and timeliness of information and decision making. Opportunities for improvement and development identified during the evaluation performance conducted internally during the 2021-22 reporting period have been progressed and monitored to ensure the continued effectiveness of the roles of the Board and Committees, key relationships and governance processes. Building on this, the Board has recently undertaken a performance evaluation for the 2022-23 reporting period with further opportunities for improvement and development identified. These will be progressed and monitored.

Our governance framework

Policies and Procedures

Investment, audit and risk management functions

Shareholding Ministers

Energy Queensland Limited

Board of Directors

Board Committees

- Audit Committee
- Digital Projects Committee*
- People, Safety and Environment Committee
- Regulatory and Policy Committee
- Risk and Compliance Committee

* Temporary

Chief Executive Officer

Operating Companies

- Energex Limited
- Ergon Energy Corporation Limited
- Ergon Energy Queensland Pty Ltd
- Yurika Pty Ltd
  - Ergon Energy Telecommunications Pty Ltd*
  - Metering Dynamics Pty Ltd**

* Trading as Yurika Telecoms

** Trading as Yurika Metering

Executive Committee

Divisions

- Engineering
- Operations
- Retail
- Yurika
- Finance
- Regulation
- Customer
- Services
- Digital

Board of Directors

Sarah Zeljko

Chair

LLB GAICD GAIST

Sarah Zeljko joined the Board as Chair in October 2022 and is a member of the Regulatory and Policy Committee and the Digital Projects Committee.

Recognised for her commercial acumen, Sarah has a record of delivering revenue growth in large corporations through developing and executing corporate strategy, negotiating commercial agreements, and project management across complex multi-million-dollar transactions.

She is the Advisory Chair of Stockyard Beef and is also a Non-Executive Director on the boards of Verbrec, Unitywater, Venlo and Intellidesign.

Previously Sarah served as a Director on the Board of Powerlink, and has previously held professional non-executive director and governance Board roles with Brighter Super, Millovate, Bravehearts, Waterways Plus and UNIQ You.

Sarah is an admitted legal practitioner in the NSW and QLD Supreme Courts, and has held previous roles as General Counsel and Company Secretary for G8 Education (an ASX200 listed entity), the Wiggins Island Coal Export Terminal and Cement Australia.

Vaughan Busby

Director

B.Pharm, MBA, GAICD

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

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

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

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

Mark Algie

Director

BA(Politics) MBA CAHRI GAICD

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

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

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

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

Teresa Dyson

Director

LLB(Hons) BA MTax MAppFin FAICD, GAIST

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

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

She is a member of the Gold Coast Hospital and Health Services Board and the Takeovers Panel and Chair of the Chief Executive Women Qld Policy and Engagement Committee. Teresa was formerly a member of the Foreign Investment Review Board, Chair of the Business Law Section of the Law Council of Australia and Chair of the Board of Taxation.

Prior to becoming a full-time non-executive director, Teresa had more than 20 years legal experience advising the private sector and governments on complex infrastructure, mergers and acquisitions, finance transactions and social infrastructure. She was formerly a partner of each of Ashurst Lawyers and Deloitte Australia.

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

Hugh Gleeson

Director

BEng(Civil) FAICD FIE(Aust)

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

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

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

He is currently a non-executive director of gas distributor GDI (EEI) Pty Ltd (Allgas Energy), and Collgar Renewables. Hugh is a Fellow of the Institute of Company Directors and a Fellow of the Institute of Engineers.

Karen Lay-Brew

Director

B. Applied Science – Computing, MBA, MAICD

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

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

She currently serves as a non-executive Director for Multicap, a leading support organisation for people with disabilities, particularly those with high and complex needs and their families.

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

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

The Honourable Paul Lucas

Director

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

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

Paul has experience with regulated utilities in the energy, rail, and aviation sectors at both a State and Federal level. His background provides him with a particular understanding of regional and remote communities together with governance, risk and strategy expertise. He is a consultant to an Eastern Seaboard law firm, and has dual qualifications as a Solicitor and an Urban Planner.

He is an independent Director on the Board of the PKKP Aboriginal Corporation, a member of the Advisory Board of regional airline, Skytrans and a Director of the Central Highlands Development Corporation and the State Advisory Council of the National Heart Foundation. He conducts DFAT funded courses internationally in areas including governance, infrastructure, disaster resilience and is the Queensland President of the Australian Institute of International Affairs.

He has previously Chaired, or served on, numerous Boards, including Cross River Rail Delivery Authority, Powerlink Queensland, Airservices Australia and the Qld Residential Tenancies Authority. A former Deputy Premier of Queensland, he served as a Minister for 11 years in a variety of portfolios including Energy, Infrastructure and Planning and Local Government.

Helen Stanton

Director

BEng(Minerals Processing) GAICD

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

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

She is Deputy Chair of Northern Australia Primary Health Limited and was previously a non-executive director of Ergon Energy Corporation Limited and Northern Territory Power and Water Corporation sector.

See our Directors online:

www.energyq.com.au/about-us

Executive Leadership Team

Peter Scott

Acting Chief Executive Officer

DipBus BBus MPA MBA FCPA GAICD

Peter Scott was appointed Acting Chief Executive Officer of Energy Queensland in April 2023.

Bringing a wealth of leadership and energy industry experience, Peter previously acted as Chief Executive Officer of Energy Queensland from July 2019 to March 2020 and held the role of Chief Financial Officer from November 2016 to December 2022.

Prior to Energy Queensland, Peter served as Energex's Chief Financial Officer for two years, Chief Financial Officer at Seqwater from January 2013 to September 2015, Project Director at SEQ Bulk Water Company Limited from August 2012 to December 2012, and as Chief Executive Officer for Wide Bay Water Corporation (WBWC) from October 2010 to August 2012.

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

Peter Price

Chief Engineer

BEng(Hons) MEng MCIPS FAICD

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

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

Peter holds both a bachelor degree (with honours) and a master's degree in engineering from the University of Queensland and is a fellow of the Australian Institute of Company Directors. Peter is also Chair of Energy Skills Queensland and is a Director of TAFE Queensland.

Paul Jordon

Chief Operating Officer

GAICD, INSEAD

Paul Jordon joined the Energy Queensland Executive in December 2017. Paul leads a significant internal and external workforce charged with the construction, operation and maintenance of Queensland's electricity distribution networks, both for Ergon Energy Network and Energex. These Distribution Network Service Providers activities include works programming, field network construction and maintenance, network operations, system design, contractor management and emergency planning and response.

Paul has in excess of 30-years' experience in electricity distribution, workplace health and safety and retail fields worldwide and brings a wealth of knowledge to his role working proactively with energy entities across Australia and internationally to ensure Energy Queensland is at the forefront of innovations in the energy industry.

His expertise in disaster preparedness and response and his passion and continual commitment to the safety of our employees and our communities remain as key priorities for Paul.

Ayesha Razzaq

Executive General Manager, Retail

BEng(Hons) GAICD FAMI

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

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

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

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

Belinda Watton

Executive General Manager, Yurika

BCom MAppLaw GradCertAppFin GAICD

Belinda has been a member of the Executive Leadership Team since 2016 and was appointed as the Executive General Manager of Yurika in January 2023, making her responsible for leading a competitive commercial business that boasts a rapidly growing, national footprint. Offering solutions including the engineering, design, procurement, construction, operation and maintenance of significant Energy and Infrastructure projects, the Yurika business also offers an integrated suite of energy solutions including Telecoms, Metering and Energy Material Supplies.

Belinda has a track record of transforming cultures and delivering organisational objectives in public, private and not for profit organisations across a range of different industries.

Having previously served as a Non-Executive Director with the Electrical Safety Board and Executive Director for Ergon Retail and Energex and Ergon Distribution Boards, Belinda is currently a Non-Executive Director at Energy Skills Queensland and HELP Enterprises.

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

David Malek

Chief Financial Officer

MAppFin MBA(Fin&Ec) BA BusMgt FCPA GAICD

David Malek commenced as the Chief Financial Officer of Energy Queensland Limited in March 2023. David is responsible for managing the financial, procurement and supply, corporate shared services and General Counsel functions.

Prior to joining Energy Queensland, David was the Chief Financial Officer at Brisbane Airport Corporation, in addition to having extensive local and global experience in investment banking and corporate finance advisory within the energy, infrastructure and property sectors.

As an experienced leader and senior executive, David is passionate about delivering strong financial and commercial outcomes through leadership, strategy development and execution, developing high performance capability, in addition to governance and financial risk management.

David is a Fellow of Certified Practicing Accountants (FCPA) and a Graduate of the Australian Institute of Company Directors (GAICD). He holds a Bachelor of Arts in Business Management from the University of Maine (USA), a Master of Business Administration in Finance and Economics, and a Master of Applied Finance from Queensland University of Technology (QUT).

Nicola Roscoe

Acting Executive General Manager, Regulation

BEng (Hons) MSc FIEAust CPEng GAICD

Nicola was appointed Acting Executive General Manager, Regulation for Energy Queensland in June 2023. Through this appointment Nicola leads the regulation, network pricing and forecasting functions which provides focus on the regulatory reform required to deliver on our customers' needs and enables Queensland's energy transformation.

Nicola has had 25 years of experience in the electricity supply industry. Her career at Energy Queensland includes General Manager roles in Grid Planning, Strategy and Regulation, and being responsible for corporate and regulatory strategy, network pricing and strategic forecasting. Prior to joining Energy Queensland Nicola held network planning and regulation management roles at Energex and in the United Kingdom.

As a chartered engineer, Nicola holds a Bachelor of Engineering in Electrical and Electronic Engineering with Honours, a Master of Science in Electrical Power Engineering, and a Graduate Diploma in Economics. She is a Graduate of the Australian Institute of Company Directors.

Michael Dart

Chief Customer Officer

BSc (AusEnvSt) BSc (EnvHlth) Dip(Mgt) GAICD

Michael Dart was appointed to the Energy Queensland Executive Leadership Team from 1 January 2020. He is responsible for leading customer, community, stakeholder engagement, brand, marketing, media, internal communications, digital communications and investor relations strategies for Energy Queensland.

He also has executive responsibility for the largest 24/7 Network Customer Operations centre in Australia, and oversees the market transaction and customer connections functions for 2.3 million customers.

He has executive management, stakeholder relations, policy development and communications experience reaching more than 25 years. He has worked for state and local governments and as consultant to the private and public sectors.

Michael has spent more than a decade as an Energy Industry leader and as a Non-Executive Director in the government, arts, environment, science and health fields including for Griffith University.

Karen Stafford

Acting Executive General Manager, Corporate Services

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

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

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

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

Sharyn Scriven

Acting Chief Information Officer

MBA GAICD MCIPS

Sharyn has over 25 years of leadership experience in the Australian utility sector working in areas of asset investment, operations, workforce management, strategic program management, procurement and supply and commercial partnerships.

Previously General Manager Grid Investment at Energy Queensland, managing an annual $2 billion network investment portfolio, Sharyn is currently Acting Chief Information Officer.

She is responsible for leading Energy Queensland's digital strategies, as well as overseeing all major ICT investments.

She is Chair of the Dream Big Australia Board, a charity committed to enhancing women's potential and their ability to succeed in STEM careers.

Sharyn holds an MBA from the University of South Australia, is a Graduate of the Australian Institute of Company Directors and is a Member of the Chartered Institute of Procurement and Supply.

Her specialty areas are transformational change, strategic thinking, people development and operational excellence, as evidenced by her achievements in establishing new functional business units and transforming teams for operational success.

Jane Nant

Company Secretary

BA (Hons), LLB (Hons), LLM, Grad Dip ACG, GAICD

Jane joined Energy Queensland in May 2017 as Company Secretary. She has over 15 years' senior leadership experience in the utilities industry and is admitted as a solicitor in Queensland.

Jane also serves as a director on all Energy Queensland's subsidiary companies and is also a director of QCN Fibre Pty Ltd.

See our Executive online:

www.energyq.com.au/about-us

PRINCIPLE 3 – PROMOTING A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Energy Queensland has instilled and is committed to continually reinforcing a culture across the organisation of acting lawfully, ethically and responsibly. An Integrity Framework supports this via policies and guidelines as well as internal networks and support. Culture is a key element of the governance framework to promote lawful, ethical and responsible decision-making. Culture references shared beliefs, assumptions, values and ways of interacting in an organisation. Energy Queensland has developed tools and measures to assess and monitor the culture of the organisation to provide insight to the Board as to the state of the culture and to enable the Board to address any systemic risk factors. The Board engages with employees and customers through regular Board visits and site tours.

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

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

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibility of the Energy Queensland's financial integrity and reporting, effectiveness of the fraud and internal control framework, audit, policy framework and investigations in accordance with the Audit Committee Charter. The Chair of the Audit Committee is not the Board Chair. Details of the Directors appointed to the Audit Committee are set out in the Directors' Report, in the Energy Queensland Annual Financial Statements, on page 87.

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

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Energy Queensland develops a Statement of Corporate Intent and Corporate Plan setting out the key strategies and performance targets for Energy Queensland annually and on a five-year rolling basis. The Statement of Corporate Intent is published with the relevant Annual Report on the Energy Queensland website.

In addition to regular quarterly reporting and this Annual Report, Energy Queensland reports to its shareholding

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

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

The CEO and various senior managers and employees liaise with representatives of shareholder departments on a regular basis.

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The role of the Risk and Compliance Committee is to assist the Board in fulfilling its oversight responsibility of Energy Queensland's approach to risk management, compliance management and organisational resilience and continuity. The Regulatory and Policy Committee also assists the Board in fulfilling its oversight responsibility of the regulatory matters for Energy Queensland Limited. Both Committee Charters are available on the Company's website. A recently formed Digital Projects Committee has been established to assist the Board in fulfilling its oversight responsibility to key digital projects being undertaken by the Energy Queensland Group. This includes providing strategic support to the Executive Leadership Team in relation to the planning, risk management and execution of those projects.

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

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

The Board retains ultimate responsibility for risk management and for determining the appropriate level of risk that the Board is willing to pursue or accept to achieve its objectives.

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

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

Environmental and social risks

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

Cyber risks

Energy Queensland adopts emerging best practices on data and cybersecurity data and the Board applies the appropriate level of emphasis and urgency in this area. Energy Queensland has a Cyber Security Strategy to defend against attacks, protect knowledge and information, preserve its intellectual property and minimises data leakage which may lead to breaches of privacy.

Fraud and corruption prevention

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

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

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

External audit

The Queensland Audit Office (QAO) is appointed as the external auditor for Energy Queensland. The Energy Queensland Group submits to a number of external audits in pursuit of world-class practice to meet certification against International Standards for the management of our electricity transmission, distribution network and ancillary services. Achievement of Certification and Accreditation is a formal attestation to International standards demonstrating to customers, community and interested parties our commitment to empower an Electric Life. The Group maintains certification for ISO9001 Quality Management System, ISO14001 Environmental Management System, ISO45001 Occupational Health and Safety Management System, together with Accreditation to the International standard ISO/IEC 17025 - Testing and Calibration to demonstrate competency and authority. Accreditation provides an independent benchmark for technical competence.

Certification and Accreditation is a symbol of assurance. In addition to Certifications and Accreditations, the Electrical Safety Office (ESO) mandates prescribed electricity entities to have and give effect to a safety management system (SMS) that it is assessed by an accredited auditor, and conducted annually.

Internal audit

Energy Queensland's internal control framework is comprised of policies and procedures, including compliance training and assurance processes, to ensure the affairs of the organisation are being conducted in accordance with relevant legislation, regulations and codes of practice. Energy Queensland has established an Internal Audit function to support the Board and the Executive Leadership Team to monitor, in a timely manner, any material matters affecting the organisation and the performance of the internal control framework.

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

Entertainment and hospitality

To provide the transparency expected of a Government Owned Organisation, Energy Queensland reports on entertainment and hospitality expenses more than $5,000 incurred as part of normal business.

DATE	EVENT	INVESTMENT
30 November 2022	Energy Queensland Leadership Forum Rockhampton – Dinner	$6,145
14 June 2023	Energy Queensland Leadership Forum Townsville – Dinner	$6,507

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

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

Energy Queensland's remuneration strategy and practices are aimed at ensuring attraction and retention of highly competent and capable employees at all levels by providing an appropriate combination of competitive, fixed and variable remuneration components. Remuneration packages for executives comply with government guidelines to achieve a balance between public accountability and transparency. Non-executive directors' fees and executive's remuneration packages including at-risk payments are reported in the Financial Statements NOTE 29. 'At-risk' payments are contingent upon the Board's assessment of the company's performance and shareholder expectations.

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

The performance of the Energy Queensland Group, including the Chief Executive Officer, against key performance measures set by the Board each year and the Statement of Corporate Intent, is assessed by the People, Safety and Environment Committee. The Board also has oversight of the performance assessments of senior executives undertaken by the Chief Executive Officer.

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

Directions and Notifications

No directions or notifications were issued by shareholding Ministers under section 114 of the *Government Owned Corporations Act 1993* (Qld) during 2022-23.

Sustainability performance summary

POLICIES, PLANS, ACTIONS	METRICS & TARGETS	2021-22	2022-23	
ENERGY AFORDABILITY AND VALUE Prices and affordability are priorities in our Regulatory Determination Proposal 2025 project. We are also focused on the impact of rising Ergon Retail prices in regional Queensland.	Household concern about ability to pay the bill: • high concern	41%	**53%**	▲
	Ergon Retail price changes July 2022: • Residential	9.2%	**28.7%**	▲
	• Small Business	10.2%	**26.8%**	▲
SECURITY AND RELIABILITY OF SUPPLY Our asset management strategies deliver against standards of network reliability – outage frequency and duration, for unplanned and planned, for the different network categories across the state.	Household satisfaction with network reliability	74%	**73%**	▼
	Energex Unplanned – outage minutes	88.3	**72.3**	▼
	– outage frequency	0.78	**0.66**	▼
	Ergon Unplanned – outage minutes	314.3	**278.5**	▼
	– outage frequency	2.34	**2.15**	▼
RENEWABLES AND NET ZERO EMMISSIONS Energy Queensland Low Carbon Future Statement outlines Our Actions. We are enabling renewable connections on our network, and focused on our own carbon footprint (in line with the Queensland Government's target for net zero emission by 2050).	New solar connections to our networks	54,659	**55,245**	▲
	Combined direct and indirect emissions (2021-22)	1,768,438 tCO2-e	**1,810,681 tCO2-e**	▲
	Target to reduce emissions across our network operations by 17% by 2030.			
HEALTH, SAFETY AND WELLBEING Our Actions in our Health and Safety Policy, our People Strategy, asset management strategies, communications campaigns, and various other policies deliver against community and workplace health and safety targets.	Community safety incidents (contact with our networks)	488	**531**	▲
	Community safety campaigns (awareness/ behaviours): Target ≥72	77.0	**73.7**	▼
	Workplace safety: • Significant Incident Frequency Rate: Target ≤1.2	1.3	**0.9**	▼
	• Total Recordable Injury Frequency Rate: Target ≤7.0	7.4	**6.9**	▼
TRUST AND SOCIAL LICENCE As part of our Customer and Community Strategies, we track public sentiment towards our brands, and stakeholder satisfaction with our engagement efforts, to guide our efforts.	Net Trust Score: Target ≥63.0	63.9	**63.6**	▼
	Stakeholder Engagement Satisfaction: Target ≥60	68	**74.3**	▲
	Energy Queensland's Fraud and Corruption Prevention Policy covers reporting, recording and investigating allegations.			
CLIMATE CHANGE AND DISASTER RESILIENCE Our Emergency Management Plans guide our response to natural disasters. Safety and the power restoration timeframe are the key performance outcomes.	Household satisfaction with network reliability	74%	**73%**	▼
	There were no major events during 2022-23.			
ENERGY INCLUSION AND CUSTOMER VULNERABILITY Through Ergon Energy Retail, our communications strategies raise awareness of Queensland Government's rebates with eligible customers and our customer service teams support our customers through our hardship program.	Customers on hardship program	5,776	**6,186**	▲
	Average hardship debt	$1,056	**$1,050**	▼
ECONOMIC RESILIENCE AND JOBS Our customer connections efforts, Procurement Policy (aligned with the State Government's Queensland Procurement Policy), and People Strategy contribute to Queensland's local economies.	Customer-initiated network connection works	$253m	**$335m**	▲
	Local / direct purchases from Queensland suppliers	$882.8m	**$1.09b**	▲
	Full Time Equivalent Employees	7,309	**7,819**	▲
DATA ACCESS, PRIVACY AND SECURITY To protect our information assets and ensure both critical services and customer data continue to be protected appropriately we have policies and a Cyber Security Strategy.	Our Privacy Statement explains how we collect, hold, use and disclose personal information. www.energyqueensland.com.au/privacy	N/A	**N/A**	
FUTURE TALENT AND WORKFORCE CULTURE Our People Strategy, and engagement initiatives, focus on employee engagement (measured via an annual survey). We also have strategies for graduate recruitment and apprenticeships, as well as training and development.	Employee engagement: Target ≥65%	64%	**67%**	▲
	Graduates and apprenticeships	486	**546**	▲
DIGITILISATION AND TECHNOLOGY ADVANCEMENT A significant investment is being made in the roll out of smart technology. In line with this this we track customer and employee engagement with digital solutions.	Ergon Retail customers benefitting from e-Bills	59%	**63%**	▲
	Ergon Retail customer sites with digital meters	31%	**39%**	▲

POLICIES, PLANS, ACTIONS	METRICS & TARGETS	2021-22	2022-23	
ENERGY MARKET POLICY AND REGULATION We are continuing to consult on and contribute a Queensland perspective to energy market policy and regulatory reforms needed as part of the energy transformation.	Regulatory consultations reviewed and considered	109	**148**	▲
	Formal responses to regulatory consultations	62	**60**	▼
ENVIRONMENT AND CULTURAL HERITAGE Energy Queensland has an Environmental Sustainability & Cultural Heritage Policy. We measure environmental incidents and track our waste management, as well other initiatives.	Environmental events notifiable to the regulator	5	**5**	■
	Waste diverted from landfill to recycling	35%	**38%**	▲
CUSTOMER EXPERIENCE AND PRODUCT INNOVATION As part of our Customer Strategy, we are focused on enabling our employees to deliver for our customers, and on responding to service improvement opportunities.	Customer Enablement Index: Target ≥59[14]	66.0	67.5	▲
	Customer Satisfaction: Target ≥69[15]	72.2	72.9	▲
	Residential complaints per 100:			
	• Ergon Network and Energex	0.029	0.030	▲
	• Ergon Retail	0.038	0.055	▲
ECONOMIC CONTRIBUTION AND VIABILITY Our 2022-23 financial results are shown here. The Statement of Corporate Intent details our commitment to economic efficiency, and our complete financial forecasts/targets, including the policy for dividends to Queenslanders.	Net Profit/Loss After Tax: Target ≥$378m	$378m	($213m)	▼
	Investment in our networks	$1.2b	$1.4b	▲
	Community Service Obligation payment	$525m	$621m	▲
DIVERSITY, EQUITY AND INCLUSION Energy Queensland has a Diversity, Equity and Inclusion Policy that drives a range of initiatives. We measure employee representation from women and other minority areas.	Female employees	22%	22%	■
	Employees from a non-English speaking background	5%	5%	■
	First Nations employees	3%	3%	■
	Employees with a disability	2%	2%	■

1 Queensland Household Energy Survey 2023. Question: How concerned are you about your ongoing ability to pay your electricity bill? Scale 0-10. Results based on High: 7-10. Results up from up from 41% in 2022.

2 Energy prices set by the Queensland Competition Authority.

3 Queensland Household Energy Survey 2023. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10. Results based on Agree: 7-10. Result down slightly from 74% in 2022.

4 These unplanned network-wide power interruption targets (from our Statement of Corporate Intent) are part of our Service Target Performance Incentive Scheme (System Average Interruption Duration Index and System Average Interruption Frequency Index). See the Network performance scorecard for more information.

5 In addition to the small increase in the connection rate of new rooftop solar energy systems, there was a significant increase in connection applications for solar energy systems being upgraded or replaced.

6 This figure is largely due to the indirect emissions of energy lost while distributing electricity across the network. See Emission scorecard.

7 This figure increased in line with increases in building and construction and vegetation management. See Community safety scorecard.

8 The result is a mean score of 100, provided by averaging the scores received between Awareness and Behaviours. It has dropped understandably with the transition to a new campaign.

9 As a target in our Statement of Corporate Intent, the improvement in workplace safety is detailed in the Workplace safety scorecard.

10 This corporate metric out of 100 involves surveying the general public quarterly via an independent panel.

11 The score is from our annual survey of stakeholders, is above our stretch target (70).

12 Queensland Household Energy Survey 2023. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10. Results based on Agree: 7-10. Result down slightly from 74% in 2022.

13 This metric is a target in our Statement of Corporate Intent.

14 This survey index tracks how employees think we are delivering on our customers' needs.

15 This is an indexed Customer Satisfaction (CSAT) score, out of 100, comes from surveying customers quarterly via an independent panel.

16 See the Customer experience scorecard for more details on complaints.

17 For commentary on the financial target see the Our economic value section.

Glossary

AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
ARENA	Australian Renewable Energy Agency
AS	Australian Standard
ASX	Australian Stock Exchange
BEV	Battery EV
CCT	Contact Centre Technology
CEI	Customer Enablement Index
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CEI	Customer Enablement Index
CSAT	Customer Satisfaction
CSO	Community Service Obligation
DER	Distributed Energy Resources
DOE	Dynamic Operating Envelope
ECM	Enterprise Content Management
ENA	Energy Networks Australia
EWOQ	Energy and Water Ombudsman Queensland
ESO	Electrical Safety Office
EV	Electric Vehicle
NTS	Net Trust Score
FiT	Feed-in Tariff
GOC	Government Owned Corporations
GSL	Guaranteed Service Level
HSE	Health, Safety and Environment
ISO	International Organisation for Standardisation
ICT	Information and Communications Technology
IoT	Internet of Things
LED	Light Emitting Diode lighting
LGBTI+	Lesbian, Gay, Bisexual, Transgender, Intersex and other communities
MSS	Minimum Service Standard
nbn	National Broadband Network
NEM	National Electricity Market
MIST	Micro-grid and Isolated Systems Test facility
PHEV	Plug-in Hybrid EV
PV	Photovoltaic
QCA	Queensland Competition Authority
QESH	Queensland Electric Super Highway
QHES	Queensland Household Energy Survey
RFDS	Royal Flying Doctor Service
SAPS	Stand-alone power systems
SAP	System Applications and Products system
SES	Queensland State Emergency Services
STEAM	Science Technology Engineering Arts and Mathematics
STEM	Science Technology Engineering and Mathematics
TCP	Thriving Community Partnership
TSS	Tariff Structure Statements

Common measures

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

Energy Queensland Limited

Annual Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

ABN 96 612 535 583

Energy Queensland

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The Board of Directors of Energy Queensland Limited (the Company or Energy Queensland) is pleased to present their report together with the financial statements of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2023 and the auditor's report thereon.

DIRECTORS

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

	Date Appointed	Date ceased
• Sarah Zeljko (Chair)	1 October 2022	n/a
• Philip Garling AM (Chair)	30 June 2016	30 September 2022
• Mark Algie[1]	1 October 2016	n/a
• Teresa Dyson	1 October 2016	n/a
• Hugh Gleeson[1]	1 October 2016	n/a
• Helen Stanton	1 October 2016	n/a
• Vaughan Busby	12 October 2017	n/a
• Karen Lay-Brew	17 June 2021	n/a
• The Honourable Paul Lucas	17 June 2021	n/a

(1) Mark Algie and Hugh Gleeson's appointment as directors ceased on 30 September 2022. However, they were reappointed as directors from 13 October 2022.

Please refer to the 'Board profiles' section of the Company's annual report 2022/23 for details of Directors' qualifications, experience and special responsibilities.

COMPANY SECRETARY

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

Jane was appointed to the role of Company Secretary in May 2017. Jane has over 15 years senior leadership experience in the utilities industry including over 13 years as Company Secretary. Jane started her career as a property, planning and environmental lawyer.

REGISTERED OFFICE

420 Flinders Street
Townsville Queensland 4810

PRINCIPAL ACTIVITIES

The principal activities of the Group are the:

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

OPERATING AND FINANCIAL REVIEW

The Group's consolidated loss after income tax benefit is $213 million for the year (2022: profit after income tax expense of $378 million).

Revenue

Energy Queensland's total revenue for the year is $5,289 million (2022: $5,415 million) consisting predominantly of electricity Retail sales and revenue for the use of the Network of a combined $3,855 million (2022: $3,742 million).

Revenue for the use of the Network is marginally lower compared to 2022 as determined by mechanisms established by the Australian Energy Regulator, however Retail sales revenue increased due to higher Queensland Competition Authority published tariff prices for residential, commercial, and small business enterprise customers.

The Queensland Government's Community Service Obligation subsidy is $621 million (2022: $525 million).

Expenditure

The higher total expenses for the year (excluding income tax) of $5,589 million (2022: $4,876 million) reflect volatile wholesale electricity market conditions which led to fair value losses of $290 million (2022: income of $518 million). Increases in operational costs such as employee benefits, materials and services are the result of our ongoing costs in maintaining our network in an inflationary environment.

The Retail business experienced historical high electricity wholesale prices early in the year which generally reduced following the Federal Government price cap interventions, despite the final closure of Liddell power station in April 2023 and the continued delayed return to service for the damaged Callide Power Station units which preceded prices increasing in the last quarter of 2023. Electricity purchases were moderated by the hedging of the majority of purchases to deliver Retail electricity sales.

Depreciation, amortisation and impairments for the year of $1,061 million (2022: $1,033 million) continues to be a substantial expense due to the considerable capital employed in the provision of electricity distribution services.

The finance costs for the year of $714 million (2022: $625 million) include interest expense of $580 million (2022: $577 million) which largely correlates with the average debt balance and partial refinancing at prevailing interest rates.

Payments in respect of the Queensland Government's Solar Bonus Scheme increased to $263 million (2022: $238 million) as Queensland Competition Authority's published rates increased at the start of the year.

Financial Position

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

The Group delivered a $1,707 million (2022: $1,533 million) capital works program, which focused on undertaking network augmentation and connection, asset replacement, reliability improvements, customer initiated capital works and emerging technologies such as network battery energy storage systems. This investment contributes to maintaining a safe, reliable power supply in future years whilst continuing to meet the requirements of our customers and communities.

The Group's Interest Bearing Liabilities increased to $19,394 million (2022: $18,473 million) as additional borrowings of $921 million (2022: $321 million) were drawn down under the State Borrowing Program to fund Energy Queensland's capital expenditure program and other working capital requirements whilst ensuring an appropriate capital structure for an investment grade credit rating is maintained.

The cashflow hedge reserve reduced by $1,060 million before tax effect as electricity hedge contracts matured. The increase in electricity wholesale prices at the end of the prior year compared to historical prices contributed to an increase of $1,206 million before tax effect in the cashflow hedge reserve in 2022.

DIVIDENDS

No dividends were declared or paid during the financial year (2022: nil).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND FUTURE RESULTS

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

The Ergon Energy and Energex businesses are required to submit their regulatory proposals for the 2025 to 2030 Regulatory Control Period to the Australian Energy Regulator by 31 January 2024. The revenue determination process will determine the revenue that the networks are able to recover via network charges from customers over that period. The regulatory proposals will outline the networks' proposed investment and operating expenditure plans, proposed revenues, and tariff structures for the next regulatory period.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated under Federal, State and Local government laws.

There was one significant environmental incident reported to the Department of Environment and Science (DES) in the financial year. The incident occurred in July 2022 as a result of vandalism to a transformer on a vacant property in Brendale. A member of the public damaged the asset which subsequently released approximately 760L of non-polychlorinated biphenyl transformer oil to the ground from where an unknown quantity has travelled to the stormwater system. Energex flushed and removed approximately 15,000L of water from the stormwater pipes. The local Council was also notified and was satisfied with remediation activities. No fines or infringement notices were received.

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

Environmental obligations are from time to time subject to government agency audits, as well as internal and external audits undertaken as part of fulfilling environmental management requirements which ensures compliance. The Group's certifications to International Standard AS/ISO 14001 have been maintained.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Policies were held throughout the period to insure all Directors and Officers of the Group against liabilities incurred in their capacity as Director or Officer. Insurance premiums paid or agreed to be paid totalled $890,439 comprising of Directors and Officers Liability, Statutory Liability and Workplace Health and Safety Liability policies covering Energy Queensland Limited and its subsidiaries (2022: $802,850).

Energy Queensland indemnifies the Directors and Officers of the Company and its subsidiaries for all liabilities and expenses incurred by the Directors and Officers, arising out of or in connection with their role as a Director or Officer, other than: any liability or expense arising from conduct that was deliberately dishonest, deliberately fraudulent or not in good faith, a liability owed to an Energy Queensland Group Company, or any criminal or pecuniary penalty (this is consistent with the requirements of the *Corporations Act 2001*).

During or since the end of the 2022/23 financial year, the Group has not otherwise, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Group or any related body corporate against a liability incurred as such by an Officer or auditor.

DIRECTORS' SHAREHOLDING

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of the Board) and the number of meetings attended by each Director during the year ended 30 June 2023 are:

Energy Queensland Meetings	Board[1]		Audit Committee		Regulatory and Policy Committee		Risk and Compliance Committee		People, Safety and Environment Committee	
	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]
Sarah Zeljko (Chair)[3]	9	9	n/a	n/a	5	5	n/a	n/a	n/a	n/a
Philip Garling AM (Chair)[4]	3	3	n/a	n/a	1	1	n/a	n/a	n/a	n/a
Mark Algie	12	12	n/a	n/a	6	6	n/a	n/a	3	3
Vaughan Busby	12	12	5	5	n/a	n/a	4	4	n/a	n/a
Teresa Dyson	11	12	5	5	n/a	n/a	n/a	n/a	n/a	n/a
Hugh Gleeson	12	12	5	5	6	6	4	4	n/a	n/a
Karen Lay-Brew	12	12	n/a	n/a	n/a	n/a	4	4	4	4
The Hon Paul Lucas	12	12	5	5	6	6	n/a	n/a	4	4
Helen Stanton	12	12	5	5	n/a	n/a	4	4	4	4

(1) Location of Board meetings included: Townsville (2 meetings), Newstead (4 meetings), Greenslopes (1 meeting), Rocklea (1 meeting), Mackay (1 meeting), Toowoomba (1 meeting) and 2 held via video conference.

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

(3) Appointed as Director and Chair on 1 October 2022.

(4) Term as Director and Chair expired on 30 September 2022.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 88 and forms part of the Directors' report for the year ended 30 June 2023.

ROUNDING

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

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

Sarah Zeljko
Chair
24 August 2023

Queensland Audit Office
Better public services

AUDITOR’S INDEPENDENCE DECLARATION

To the Directors of Energy Queensland Limited

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

Independence declaration

As lead auditor for the audit of Energy Queensland Limited for the financial year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

B.P. Worrall

Brendan Worrall
Auditor-General
24 August 2023

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2023

In millions of dollars	Note	2023	2022
Revenue	2	**5,289**	4,897
Fair value gains	2	**-**	518
Expenses			
Transmission charges and electricity purchases	3	**1,495**	1,575
Solar photovoltaic feed in tariff		**263**	238
Employee expenses	3	**842**	739
Materials and services		**660**	449
Depreciation, amortisation and impairments		**1,061**	1,033
Net impairment losses on financial assets	6	**20**	3
Finance costs	3	**714**	625
Fair value losses	3	**290**	-
Other expenses		**244**	214
Profit/(loss) before income tax equivalent expense/(benefit)		**(300)**	539
Income tax equivalent expense/(benefit)	4	**(87)**	161
Profit/(loss) after income tax equivalent expense/(benefit)		**(213)**	378

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

In millions of dollars	Note	2023	2022
Profit/(loss) after income tax equivalent expense		**(213)**	378
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	15	**1,146**	(162)
Deferred income tax relating to the revaluation of property, plant and equipment		**(345)**	49
Actuarial gains/(losses) on defined benefit plans recognised directly in equity	18	**(41)**	122
Deferred income tax relating to actuarial gains/(losses) on defined benefit plans		**13**	(36)
Items that may be reclassified to profit or loss:			
Movement in cash flow hedge reserve - gains/(losses)	14	**(1,060)**	1,206
Deferred income tax relating to movement in cash flow hedge reserve – (gains)/losses		**318**	(362)
Other comprehensive income for the financial year, net of tax		**31**	817
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**(182)**	1,195

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

In millions of dollars	Note	2023	2022
CURRENT ASSETS			
Cash and cash equivalents	5	**25**	73
Trade and other receivables	6	**934**	947
Tax receivable		**113**	-
Inventories	7	**245**	212
Derivative financial instrument assets	8	**218**	1,174
Other assets		**30**	45
Total current assets		**1,565**	2,451
NON-CURRENT ASSETS			
Property, plant and equipment	15	**26,456**	24,689
Right-of-use assets	16	**149**	171
Intangible assets	17	**662**	652
Employee retirement benefits	18	**281**	320
Derivative financial instrument assets	8	**51**	141
Other assets		**8**	13
Total non-current assets		**27,607**	25,986
TOTAL ASSETS		**29,172**	28,437
CURRENT LIABILITIES			
Trade and other payables	9	**522**	645
Interest bearing liabilities	10	**14**	11
Lease liabilities	16	**22**	12
Employee benefits	19	**422**	359
Provisions		**1**	9
Current tax liabilities		**-**	42
Derivative financial instrument liabilities	11	**121**	8
Unearned revenue and contract liabilities	21	**143**	100
Other liabilities		**48**	57
Total current liabilities		**1,293**	1,243
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	**19,394**	18,473
Lease liabilities	16	**166**	185
Employee benefits	19	**27**	18
Provisions		**6**	4
Derivative financial instrument liabilities	11	**40**	15
Net deferred tax equivalent liability	20	**3,602**	3,671
Other liabilities		**2**	4
Total non-current liabilities		**23,237**	22,370
TOTAL LIABILITIES		**24,530**	23,613
NET ASSETS		**4,642**	4,824
EQUITY			
Share capital	22	**19,643**	19,643
Other transactions with owners	23	**(18,634)**	(18,634)
Reserves	23	**3,051**	3,011
Retained earnings	23	**582**	804
TOTAL EQUITY		**4,642**	4,824

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

In millions of dollars	Share capital (Note 22)	Other transactions with owners (Note 23)	Asset revaluation reserve (Note 23)	Retained earnings (Note 23)	Hedging reserve (Note 23)	Total equity
Changes in equity for 2022						
Balance at 1 July 2021	19,643	(18,634)	2,243	334	43	3,629
Transfer from reserves	-	-	(6)	6	-	-
Total comprehensive income for the financial year	-	-	(113)	464	844	1,195
Balance at 30 June 2022	19,643	(18,634)	2,124	804	887	4,824
Changes in equity for 2023						
Transfer from reserves	**-**	**-**	**(19)**	**19**	**-**	**-**
Total comprehensive income for the financial year	**-**	**-**	**801**	**(241)**	**(742)**	**(182)**
Balance at 30 June 2023	**19,643**	**(18,634)**	**2,906**	**582**	**145**	**4,642**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

In millions of dollars	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,808**	4,692
Receipts for community service obligations		**689**	587
Payments to suppliers and employees		**(3,966)**	(2,889)
Interest paid		**(693)**	(675)
Income tax equivalent payments		**(149)**	(91)
Net cash from operating activities	5	**689**	1,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**10**	14
Cash advances to other parties	6	**(18)**	(239)
Interest received		**8**	2
Payment for capitalised interest		**(19)**	(19)
Payments for property, plant and equipment and intangible assets		**(1,629)**	(1,467)
Net cash used in investing activities		**(1,648)**	(1,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**921**	321
Payment of lease liabilities		**(13)**	(19)
Repayable deposits paid		**3**	(1)
Dividends paid		**-**	(220)
Net cash from financing activities		**911**	81
Net decrease in cash and cash equivalents		**(48)**	(4)
Cash and cash equivalents at the beginning of the financial year		**73**	77
Cash and cash equivalents at the end of the financial year	5	**25**	73

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 1: Basis of Preparation

NOTE 1: BASIS OF PREPARATION

(A) General information

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

The consolidated financial statements of Energy Queensland for the year ended 30 June 2023 (including comparatives) comprises the Company and its subsidiaries (collectively referred to as the Group).

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

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

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

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

The financial statements were authorised for issue by the Directors on 24 August 2023. The Board members have the power to amend and reissue the financial statements after issue.

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

(B) Basis of preparation

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

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(i) Historical cost convention

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

(ii) Basis of consolidation

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

(C) Changes in accounting policies

There are no changes in accounting policies during the year. There are no new or revised standards effective for the year ended 30 June 2023 which resulted in any changes to accounting policies adopted in the Group's financial statements.

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

The Australian Accounting Standards Board (AASB) has published new or amended accounting standards and interpretations that are not mandatory for the 30 June 2023 reporting period and none of these have been early adopted by the Group. The following assessment includes those amendments which may have some impact on the Group's consolidated financial statements:

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

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

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the Statement of Financial Position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 30 June 2023, the taxable temporary difference in relation to the right-of-use asset is $149 million (Note 16) and the deductible temporary difference in relation to the lease liability is $188 million (Note 16), resulting in a net deferred tax asset of $12 million. Under the amendments, the Group will present a separate deferred tax liability of $45 million and a deferred tax asset of $57 million. There will be no impact on retained earnings on adoption of the amendments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 2: Profit or Loss Information

NOTE 2: REVENUE AND OTHER INCOME

In millions of dollars	2023	2022
REVENUE		
Revenue from contracts with customers		
Network use of system revenue	**1,959**	2,073
Retail sales revenue	**1,896**	1,669
Service charges	**615**	461
Non-refundable capital contributions	**103**	87
Revenue from sale of goods	**64**	59
Total revenue from contracts with customers	**4,637**	4,349
Government grant revenue		
Community service obligation	**621**	525
Other government grants	**4**	6
Total government grant revenue	**625**	531
Other revenue		
Interest received	**8**	2
Gain on disposal of property, plant and equipment	**3**	-
Other operating revenue	**16**	15
Total other revenue	**27**	17
Total revenue	**5,289**	4,897

FAIR VALUE GAINS		
Fair value gains on financial instruments at fair value	**-**	265
Hedge ineffectiveness gains	**-**	253
Total fair value gains	**-**	518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

In millions of dollars	2023	2022
Disaggregation of revenue from contracts with customers – timing of revenue recognition		
Revenue received over time:		
Network use of system revenue	**1,959**	2,073
Retail sales revenue	**1,896**	1,669
Service charges – connection and maintenance contracts	**513**	364
Total revenue received over time	**4,368**	4,106
Revenue received at a point in time:		
Service charges – fee for service contracts	**102**	97
Non-refundable capital contributions	**103**	87
Revenue from sale of goods	**64**	59
Total revenue received at a point in time	**269**	243
Total revenue from contracts with customers	**4,637**	4,349

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

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

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

(i) Network use of system (NUOS)

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

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

NUOS is billed to retailers, to be passed on to customers, based on a combination of customers' energy consumption, demand, capacity and fixed charges at the Australian Energy Regulator (AER) approved prices. The approved prices are calculated to recover the annual NUOS charges, plus other annual allowances approved by the AER (for example, Service Target Performance Incentive Scheme rewards or penalties). NUOS billed by Ergon Energy Corporation to the retailer Ergon Energy Queensland is eliminated on consolidation and not included in the Group Network use of system revenue as disclosed above. Refer note 26 for the accounting policy applied to the consolidation of subsidiaries.

NUOS revenue to retailers is recognised as the aggregate of invoices raised, together with the estimated used but not yet invoiced energy consumption.

The performance obligation is to provide customers with access to the network and revenue is recognised based on actual consumption, but this may vary from the regulated revenue cap due to variances compared to forecast consumption used in the determination of pricing. Any current period under or over recovery of the revenue cap is recovered from or returned to customers in future periods through an adjustment to prices. Where over recoveries occur, they are deducted from revenue in the period in which they are returned to customers. Under recoveries are recognised as revenue in the period in which they are billed to customers.

The customer simultaneously receives and consumes energy delivered to their premises as the Group performs under the contract. Therefore, the revenue is recognised over time. Payment terms for network billings to the majority of customers are 10 business days.

(ii) Retail sales revenue

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

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

Payment terms on invoices to customers are usually 14 business days and the recovery of these receivables is assessed through the impairment review of financial assets which applies the expected credit loss model as described in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(iii) Service charges – construction contracts

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

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

(iv) Service charges – maintenance and service contracts

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

Revenue is recognised at a point in time, when the service is provided (in the case of a simple fee based service such as de-energisations, re-energisations and metering reading) or, for ongoing services, over time as the customer receives and consumes the benefits from the underlying services. Billing usually occurs at the time the service is provided for fee for service contracts and on a monthly basis for ongoing service contracts.

(v) Non-refundable capital contributions

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

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

(vi) Revenue from sale of goods

Revenue for the sale of goods is recognised at a point in time, on delivery of the goods to the customer and transfer of control. This typically involves the sale of inventory such as transformers, cables, poles, electrical supplies, meters, and scrap. Major customers are property developers and payment terms are usually 30 days from date of invoice, with few exceptions.

(vii) Government grants

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

(viii) Community service obligation (CSO)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(ix) Interest received

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

(x) Contract assets and liabilities

Refer to Notes 6 and 21 for information about contract assets and contract liabilities arising from contracts with customers.

An amount of $72 million included in contract liabilities at 30 June 2022 has been recognised as revenue in this financial year (2022: $52 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Unbilled energy sales

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

(ii) Unbilled network charges

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

(iii) Construction contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: EXPENSES

In millions of dollars	2023	2022
Profit before income tax equivalent expense includes the following significant expenses:		
Transmission charges and electricity purchases		
Transmission use of system charges	**555**	617
Electricity purchases	**940**	958
Total transmission charges and electricity purchases	**1,495**	1,575
Finance costs		
Interest expense	**580**	577
Competitive neutrality fees	**105**	94
less capitalised financing costs	**(19)**	(19)
Other	**48**	(27)
Total finance costs	**714**	625
Employee expenses		
Wages and salaries	**571**	494
Employer contributions to defined contribution plans	**94**	77
Expenses related to post-employment defined benefit plans	**1**	18
Expenses related to annual and long-service leave	**123**	98
Termination benefits	**7**	20
Other	**46**	32
Total employee expenses	**842**	739
Fair value losses		
Fair value losses on financial instruments at fair value	**183**	-
Hedge ineffectiveness losses	**107**	-
Total fair value losses	**290**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: EXPENSES (CONTINUED)

ACCOUNTING POLICIES

Expenses

(i) Transmission charges and electricity purchases

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

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

(ii) Finance Costs

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

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

(iii) Employee Expenses

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: TAXATION

In millions of dollars	2023	2022
(A) INCOME TAX EQUIVALENT EXPENSE		
Current tax expense	**-**	218
Deferred tax benefit	**(87)**	(57)
Income tax equivalent benefit	**(87)**	161
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	**(77)**	(10)
Decrease in deferred tax liabilities	**(10)**	(47)
Deferred income tax benefit attributable to profit from continuing operations	**(87)**	(57)

(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE/(BENEFIT) TO PRIMA FACIE TAX PAYABLE		
Net (loss)/profit before income tax equivalent benefit/expense	**(300)**	539
Prima facie income tax equivalent (benefit)/expense on operating loss at 30% (2022: 30%)	**(90)**	162
Decrease in income tax equivalent (benefit)/expense:		
Other	**3**	(1)
Income tax equivalent (benefit)/expense	**(87)**	161

In millions of dollars	2023	2022
(C) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Revaluation property, plant and equipment	**345**	(49)
Recognition of defined benefit (decrement)/increment	**(13)**	37
Hedge accounting of derivatives	**(318)**	362
Deferred tax recognised directly in equity	**14**	350

Refer to Note 20 for accounting policies related to taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 3: Financial assets and financial liabilities

NOTE 5: CASH AND CASH EQUIVALENTS

In millions of dollars	2023	2022
Cash at bank	**25**	73
Total cash and cash equivalents	**25**	73

In millions of dollars	Note	2023	2022
RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX EQUIVALENT EXPENSES TO THE NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Profit/(loss) after income tax equivalent expense		**(213)**	378
NON-CASH FLOWS AND OTHER INCOME AND EXPENSE ITEMS IN PROFIT:			
Depreciation, amortisation and impairment		**1,081**	1,036
Net gain/(loss) on disposal of property, plant and equipment		**3**	(10)
Interest income classified as investing activities		**(8)**	(2)
Proceeds on sale of assets classified as investing activities		**(10)**	(14)
Provision for inventory obsolescence		**(18)**	1
Fair value (gain)/loss on financial instruments	3	**290**	(218)
CHANGES IN ASSETS AND LIABILITIES:			
(Increase)/decrease in trade and other receivables		**(8)**	59
(Increase)/decrease in inventory		**(15)**	(20)
(Increase)/decrease in other assets		**(150)**	268
(Decrease)/increase in trade and other payables		**(159)**	126
(Decrease)/increase in other liabilities		**31**	24
(Decrease)/increase in provisions and employee benefits		**102**	(73)
(Decrease)/increase in income tax payable		**(155)**	128
(Decrease)/increase in deferred income tax liability		**(82)**	(59)
Net cash flow provided by operating activities		**689**	1,624

ACCOUNTING POLICIES

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: TRADE AND OTHER RECEIVABLES

In millions of dollars	2023	2022
CURRENT		
Trade receivables	**527**	502
Less provision for impairment of receivables	**(39)**	(34)
Total net trade receivables	**488**	468
Advances facility[1]	**257**	239
Contract assets	**41**	16
Community service obligations receivable	**50**	43
Hedge receivable	**33**	125
Other receivables and prepayments	**65**	56
Total current trade and other receivables	**934**	947

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

IMPAIRED TRADE RECEIVABLES

In millions of dollars	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
AGEING OF IMPAIRED TRADE RECEIVABLES				
Unbilled revenue and current receivables	**106**	**1**	103	1
Less than one month overdue	**36**	**2**	32	2
One to two months overdue	**12**	**3**	11	4
Two to three months overdue	**8**	**3**	5	2
Over three months overdue	**37**	**30**	31	25
	199	**39**	182	34

In millions of dollars	2023	2022
MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:		
Carrying amount at the beginning of the financial year	**34**	41
Provision for impairment released during the financial year	**-**	(13)
Provision for impairment recognised during the financial year	**20**	16
Receivables written off during the financial year as uncollectible	**(15)**	(10)
Carrying amount at the end of the financial year	**39**	34

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: TRADE AND OTHER RECEIVABLES (CONTINUED)

ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. The recoverability of trade and other receivables is reviewed on an ongoing basis.

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

Contract assets

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Impairment of receivables

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

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

The impairment percentages applied have been determined based on historical experience, then re-assessed with regard to current conditions and reasonable forecasts of future events and economic conditions. The additional analysis to consider future events and economic conditions which impact retail and commercial customers includes a worsened economy due to high inflation and interest rates which affect real wages growth, tariff changes and regulatory intervention.

Assessment of the general provisioning for impaired receivables has taken expected economic conditions into account. The Group assisted customers experiencing financial hardship, including customers who have had drought status revoked during the year, with payment support options, hardship arrangements and government concessions.

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

NOTE 7: INVENTORIES

In millions of dollars	2023	2022
CURRENT		
Maintenance and construction stocks	**245**	212
Total inventories	**245**	212

Maintenance and construction stocks are valued at the lower of average cost and net realisable value, and include a provision for inventory obsolescence of $27 million (2022: $9 million) as a result of ongoing reviews to assess the net realisable value of inventory and identification of items that are subject to factors such as technological obsolescence or loss of service potential. The creation and release of this provision is included in materials and services.

Inventories of $151 million (2022: $129 million) were recognised as an expense during the year and included in materials and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: DERIVATIVE FINANCIAL INSTRUMENT ASSETS

In millions of dollars	2023	2022
CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**102**	236
Electricity derivative contracts – Cash Flow Hedges	**116**	938
Total current financial instrument assets	**218**	1,174

In millions of dollars	2023	2022
NON-CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**6**	2
Electricity derivative contracts – Cash Flow Hedges	**45**	139
Total non-current financial instrument assets	**51**	141

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

NOTE 9: TRADE AND OTHER PAYABLES

In millions of dollars	2023	2022
CURRENT		
Trade payables	**331**	490
Accrued interest	**49**	46
Electricity hedges payable	**18**	-
Other payables and accruals	**124**	109
Total current payables	**522**	645

ACCOUNTING POLICIES

Trade and other payables

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

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

No dividend was declared by the Board for the 2023 financial year, or the 2022 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: INTEREST BEARING LIABILITIES

In millions of dollars	2023	2022
CURRENT		
Unsecured liabilities		
Customer and other repayable deposits	**14**	11
Total current interest bearing liabilities	**14**	11
NON-CURRENT		
Unsecured liabilities		
Queensland Treasury Corporation loans	**19,394**	18,473
Total non-current interest bearing liabilities	**19,394**	18,473

(A) QUEENSLAND TREASURY CORPORATION LOANS

The fair value of Queensland Treasury Corporation (QTC) loans at 30 June 2023 was $18,598 million (2022: $17,920 million).

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

The Group does not anticipate it will make loan repayments in the next 12 months (2022: nil). There is no obligation to make repayments under current loan arrangements with the QTC.

In millions of dollars	2023	2022
(B) FINANCING ARRANGEMENTS		
The Group has access to the following short-term lines of credit:		
Working capital and credit facilities		
Facilities used at the end of the reporting period - unsecured loans	**3**	3
Facilities not utilised at the end of the financial year - unsecured loans	**732**	732
Total facilities available	**735**	735

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

The Group has access to debt and cash management facilities from the QTC and access to further borrowings from the QTC subject to approval of an annual State Borrowing Program limit. Additional borrowings under the State Borrowing Program amounted to $921 million (2022: $321 million)

As at 30 June 2023 the Group had approved borrowings of $19,394 million (2022: $18,473 million) with access to a further $700 million (2022: $700 million) in QTC facilities.

In millions of dollars	2022			2023
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows (1)	Non-cash changes	
Queensland Treasury Corporation loans	**18,473**	921	-	19,394
Customer and other repayable deposits	**11**	3	-	14
In millions of dollars	**2021**			**2022**
		Financing cash flows (1)	Non-cash changes	
Queensland Treasury Corporation loans	**18,152**	321	-	18,473
Customer and other repayable deposits	**12**	(1)	-	11

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: INTEREST BEARING LIABILITIES (CONTINUED)

ACCOUNTING POLICIES

Interest Bearing Liabilities

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

NOTE 11: DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES

In millions of dollars	2023	2022
CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**6**	-
Electricity derivative contracts – Cash Flow Hedges	**115**	8
Total current financial instrument liabilities	**121**	8
NON-CURRENT		
Electricity derivative contracts – fair value through the profit or loss	**27**	-
Electricity derivative contracts – Cash Flow Hedges	**13**	15
Total non-current financial instrument liabilities	**40**	15

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

NOTE 12: FINANCIAL RISK MANAGEMENT

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

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

(A) Credit risk

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

The Group manages credit risk by maintaining appropriate credit review processes.

The concentration of credit risk to retail customers is minimised due to transactions being with a large number of retail customers and limiting credit to any individual customer.

The concentration of credit risk related to distribution network customers is the risk of a retailer defaulting on their obligations. The Group operates in accordance with the Credit Support Guidelines issued by the Queensland Competition Authority, which align with the National Energy Customer Framework credit support arrangements. Under these guidelines, the ability to seek credit support is based on an assessment of the retailer's network charge liability compared to their credit allowance and payment history. As at 30 June 2023 the Group had trade receivables of $155 million (2022: $172 million) from third-party retailers. Four distribution network customers represented 81% of these trade receivables (2022: four distribution network customers represented 82% of these trade receivables).

Where appropriate, collateral in the form of a cash deposit or pre-payments are obtained from retail customers (other than limited by provisions outlined above) as a means of mitigating the risk of financial loss from defaults. At the end of the financial year, the Group held collateral of $14 million (2022: $11 million) from retail customers. Bank guarantees of $4 million were also held on behalf of Ergon Energy Retail customers at 30 June 2023 (2022: $4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Credit risk (Continued)

Note 25 provides details of bank guarantees from wholesale Over-The-Counter (OTC) counterparties held by the Group. The Group manages its credit settlement risk associated with electricity market hedging by following the Credit Risk Management guidelines in the Energy Commodity Risk Management Policy and Manual. Credit settlement risk is managed by maintaining approved counterparty credit limits. The values of counterparty credit limits are determined by reference to each counterparty's credit rating, as determined by a recognised credit rating agency or, if the counterparty does not have a credit rating, by reference to the results of a detailed credit analysis. Where considered appropriate, the Group requires wholesale counterparties to provide appropriate letters of credit or bank guarantees. A total of $5 million bank guarantees from wholesale OTC counterparties was held at 30 June 2023 (2022: $3 million).

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

The maximum exposure to credit risk by the Group is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

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

Counterparty classification	2023	2022
Queensland Government owned electricity entities	67%	85%
Entities with a credit rating AA[1]	1%	0%
Entities with a credit rating A[1]	14%	9%
Entities with a credit rating BBB[1]	5%	0%
Other entities	13%	6%

(1) Standard & Poor's or equivalent

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

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

(B) Interest rate risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) Interest rate risk (Continued)

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

In millions of dollars	Floating Interest Rate $	Fixed Interest Rate $	Weighted Average Interest Rate %
2023			
Financial assets			
Cash and cash equivalents	**25**	**-**	**3.13%**
Advances facility	**257**	**-**	**3.26%**
Total financial assets	**282**	**-**	
Financial liabilities			
Repayable deposits	**14**	**-**	**4.50%**
Lease liabilities	**-**	**188**	**1.83%**
Loans	**-**	**19,394**	**3.65%**
Total financial liabilities	**14**	**19,582**	
2022			
Financial assets			
Cash and cash equivalents	73	-	0.61%
Advances facility	239	-	0.47%
Total financial assets	312	-	
Financial liabilities			
Repayable deposits	11	-	1.85%
Lease liabilities	-	197	1.80%
Loans	-	18,473	3.65%
Total financial liabilities	11	18,670	

Sensitivity analysis – QTC Loans

At 30 June 2023, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit and equity would decrease by $12 million (2022: $11 million). If interest rates had been 100 basis points lower and all other variables held constant, the Group's net profit and equity would increase by $13 million (2022: $12 million).

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

(C) Price risk

Electricity

Electricity price risk is the risk of an adverse financial outcome resulting from a change in the price of electricity in the National Electricity Market. This can be a change in the electricity pool price or a change in the forward price of electricity. Exposures mainly arise from positions in wholesale contracts (electricity derivatives), franchise load or power purchase agreements (PPAs) associated with the Ergon Energy retail business (Ergon Energy Queensland Pty Ltd trading as Ergon Energy Retail). Wholesale contracts relating to franchise load are generally dealt over a period of less than three years.

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

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

The Group uses derivative financial instruments to manage its retail electricity price risk, consumer variable volume risk and associated cash flow risk as well as to hedge exposure to pool price fluctuations and against the committed and anticipated electricity purchases. The hedge portfolio consists predominantly of swaps, caps and option contract types. Caps and option contracts are valued at fair value through profit or loss. Hedge accounting is employed for swaps with unrealised gains and losses recognised in other comprehensive income and hedge ineffectiveness recognised in the profit or loss. Refer to Note 14 for further information regarding the application of hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) Price risk (Continued)

The following table details the Group's sensitivity to a 20% (2022: 20%) increase and decrease in the electricity forward price at balance date with all other variables held constant. Analysis of underlying forward price volatility is used as an indicator of potential forward price movement. Under the assumption that there will be no events causing significant step changes in the market such as the announcement of major electricity generation plant closures, Management have determined that 20% is considered a reasonably possible price movement.

	Electricity Forward Price			
	+20%	+20%	-20%	-20%
In millions of dollars	**2023**	**2022**	**2023**	**2022**
Profit/(loss) before tax	**47**	53	**(51)**	(52)
Hedging reserve	**235**	447	**(233)**	(447)
Equity	**282**	500	**(284)**	(499)

Movements in forward prices impact the hedge reserve for effective hedges, with the fair value movement being deferred to the reserve until the underlying transaction is realised. Changes in electricity forward prices would not have an impact on future profitability or the margin associated with these transactions as the instruments hedge the cash flows of the underlying transactions.

A derivative financial instrument could lead to profits and losses across different measurement periods depending on the forward price at measurement date. These instruments remain valid economic hedges and the financial impact on settlement will be partially offset by trading margins associated with electricity sales to customers at the time of settlement.

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

(D) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Available lines of funding are disclosed in Note 10.

QTC is the approved Eligible Provider for the purposes of the Australian Financial Services Licence of an entity in the Group and is required to provide funding on written demand when requested by the Group pursuant to an approved Eligible Undertaking. QTC has provided an eligible undertaking for $400 million (2022: $400 million).

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

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

The tables below disclose the Group's financial liabilities, including derivative financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual, undiscounted cash flows. For options contracts, the undiscounted cash flow represents the future premium payable. The maturities of derivative financial instruments are calculated on the basis that derivatives will be settled on a gross basis. The Group's long-term borrowings from QTC have an interest only in perpetuity repayment profile. The principal component of QTC borrowings are included in the over five years' time band with no interest included in respect of this facility for the period over five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Liquidity risk (Continued)

In millions of dollars	Less than 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
CONSOLIDATED					
2023					
Electricity hedges	**123**	**48**	**-**	**171**	**161**
Financial guarantees	**150**	**-**	**-**	**150**	**-**
Non-interest bearing liabilities	**521**	**1**	**-**	**522**	**522**
Repayable deposits	**14**	**-**	**-**	**14**	**14**
Lease liabilities	**25**	**154**	**20**	**199**	**188**
Loans	**631**	**2,536**	**19,394**	**22,561**	**19,394**
Total	**1,464**	**2,739**	**19,414**	**23,617**	**20,279**
2022					
Electricity hedges	15	17	-	32	24
Financial guarantees	300	-	-	300	-
Non-interest bearing liabilities	643	2	-	645	645
Repayable deposits	11	-	-	11	11
Lease liabilities	17	126	70	213	197
Loans	565	2,260	18,473	21,298	18,473
Total	1,551	2,405	18,543	22,499	19,350

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

(E) Capital management

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) Capital management (Continued)

The Group monitors capital on the basis of a key financial ratio for Net Debt to Standard Control Services Regulated Asset Base (RAB). At 30 June 2023 and 30 June 2022 this key financial ratio was as follows:

	2023	2022
Net Debt to RAB ratio	**67%**	69%

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

1) Fair value measurements

The Group uses the following fair value measurement hierarchy:

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

b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

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

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

In millions of dollars	Level 1	Level 2	Level 3	Total
2023				
Assets				
Electricity hedges	**35**	**199**	**35**	**269**
Large-scale generation certificates held for trading	**-**	**4**	**-**	**4**
Small-scale technology certificates held for trading	**-**	**33**	**-**	**33**
	35	**236**	**35**	**306**
Liabilities				
Electricity hedges	**12**	**39**	**110**	**161**
	12	**39**	**110**	**161**
2022				
Assets				
Electricity hedges	102	748	465	1,315
Large-scale generation certificates held for trading	-	6	-	6
Small-scale technology certificates held for trading	-	25	-	25
	102	779	465	1,346
Liabilities				
Electricity hedges	3	17	4	24
	3	17	4	24

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

2) Reconciliation of Level 3 fair value measurements

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

In millions of dollars	Electricity hedges held for trading	Total
2023		
Assets		
Opening balance	**465**	**465**
Purchases	**18**	**18**
Settlements	**(132)**	**(132)**
Movement recognised in Statement of Profit or Loss(1)	**(305)**	**(305)**
Movement in other comprehensive income(2)	**(11)**	**(11)**
Closing balance	**35**	**35**
Liabilities		
Opening balance	**(4)**	**(4)**
Purchases	**(57)**	**(57)**
Settlements	**102**	**102**
Movement recognised in Statement of Profit or Loss(1)	**(45)**	**(45)**
Movement in other comprehensive income(2)	**(106)**	**(106)**
Closing balance	**(110)**	**(110)**
2022		
Assets		
Opening balance	**-**	**-**
Transfers in	**464**	**464**
Movement recognised in Statement of Profit or Loss(1)	**1**	**1**
Closing balance	**465**	**465**
Liabilities		
Opening balance	**-**	**-**
Transfers in	**(4)**	**(4)**
Closing balance	**(4)**	**(4)**

(1) This is recognised in the Fair value gains/(losses) line in the Statement of Profit or Loss

(2) This is recognised in the Movement in cash flow hedge reserve in other comprehensive income

3) Transfers between level 2 and 3

Transfers between hierarchy levels are expected to occur when there is a change in the observability of a pricing input, or a change in valuation technique. The Group recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer has occurred. During 2023 there were no transfers of electricity derivatives between level 2 and level 3 (2022: refer to transfers noted below).

During FY2022 the Group implemented a change to the approach used to profile the electricity forward curve across trading intervals to determine the fair value of Over-The-Counter (OTC) electricity derivatives. The adopted valuation methodology combines the historical electricity pool price shape with an electricity pool price forecast to determine the characteristics and shape of the electricity forward curve. The ratio of historical and forecast electricity pool prices into the blended methodology is determined by Ergon Energy management and is assessed for reasonableness on an ongoing basis. Due to the unobservable input nature of the forecast electricity pool price input and the blended input ratio, electricity derivatives requiring a profiled forward curve for fair valuation were transferred to Level 3 from Level 2 during FY2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

4) Valuation policies and procedures, and changes in valuation techniques

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

The Group implemented a change in FY2022 to the approach used to profile the electricity forward curve across trading intervals to determine the fair value of OTC swaps. The adopted approach appropriately recognises the recent wholesale electricity market conditions.

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

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

Type	Methods and assumptions
Swaps[1]	Over-The-Counter swaps are valued using broker quoted forward curves. A profiling methodology is applied to derive the Over-The-Counter trading interval level forward curve, using a combination of historical and forecast electricity pool prices. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer Note 13(6)). Exchange traded swaps are valued using the Exchange quoted prices
Caps	$300 exchange traded caps are valued using the Exchange quoted prices. Over-The-Counter caps (e.g., $300 or $500 caps) are valued using a mean reversion jump diffusion model incorporating historical pool price outcomes and broker provided cap curves. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer to Note 13(6)).
Swaptions	Over-The-Counter swaptions are valued applying a Black Scholes 76 methodology incorporating broker quoted forward curves. Volatility is calculated based on market implied volatility. Exchange traded swaptions are valued applying the fair value on the exchange.
Large-scale generation certificates (LGCs)	LGC positions which are held for trading are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.
Small-scale technology certificates (STCs)	STC positions which are held for trading are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

6) Fair value valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Electricity hedges	The curve is sourced through broker quoted forward curves. A profiling methodology is applied to derive the OTC trading interval level forward curve. A combination of the historical and forecast electricity pool price is used to determine the forward curve profile. The forward curve is extended for the periods beyond the observable quoted pricing period by using CPI escalation.	For Fixed Multiplier Floating Rate Swaps, as there is no observable market price for the multiplier component, the valuation methodology derives an estimate of the multiplier from the current forward curve to adjust fair value. The forecast electricity pool price input, and blended ratio of historical to forecast electricity pool price inputs are unobservable as they are determined by Ergon Energy management. CPI escalation of forward curves beyond observable quoted pricing period.	A change in OTC trading interval level price may lead to higher or lower fair value. A 10% increase in the historical electricity pool price weighting in the blended profiling ratio would decrease the estimated fair value of the derivative instruments by approximately $20 million. The higher the CPI adjustment the higher the fair value of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

Master netting or similar agreements

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

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

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

In millions of dollars	Note	Gross amounts of financial instruments in the Statement of Financial Position	Related financial instruments that are not offset	Net amount
2023				
Financial assets				
Electricity hedges	8	**269**	**(152)**	**117**
Financial liabilities				
Electricity hedges	11	**(161)**	**152**	**(9)**
2022				
Financial assets				
Electricity hedges	8	1,315	(24)	1,291
Financial liabilities				
Electricity hedges	11	(24)	24	-

ACCOUNTING POLICIES

Financial instruments

Financial instruments held or issued for hedging franchise load are classified as derivative financial instruments and are recognised at fair value at the date that a derivative contract is entered into (trade date) and is subsequently measured at fair value at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount is reported as a liability. The resulting gain or loss is recognised in the Statement of Profit or Loss immediately, with the exception of cash flow hedges designated for hedge accounting where unrealised gains and losses are deferred in the cash flow hedge reserve. Any ineffective portion of hedge accounted instruments is recognised directly in the Statement of Profit or Loss. Refer to Note 14 for hedge accounting disclosures and accounting policies.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Electricity financial instruments measured at fair value

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: HEDGE ACCOUNTING

Cash flow hedges

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

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

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

During the year ended 30 June 2023 $2 million gains (2022: $33 million hedge gains) were reclassified to the Statement of Profit or Loss due to the hedges no longer being designated as hedging instruments and the underlying forecast transaction no longer being highly probable to occur as originally forecast.

Where an effective hedging instrument is closed out and the underlying forecast transaction remains highly probable to occur as originally forecast, the hedge contract is de-designated and any accumulated gain or loss which has been recognised in the hedge reserve is deferred to the reserve. As at year ended 30 June 2023, $89 million gains (2022: $169 million gains) remain in the cash flow hedge reserve due to de-designation and all underlying forecast transactions remain highly probable to occur.

Gains and losses recognised in the hedge reserve in the Statement of Comprehensive Income for electricity derivatives at the end of the reporting period will be released to the profit or loss in the period in which the underlying purchase or sale transactions are recognised.

(i) Nominal amount of electricity hedges outstanding

As at 30 June 2023, the average notional amount of electricity hedges outstanding over the next 4 years from FY 2024 to FY 2027 is approximately 3 million MWh (Megawatt hours) at an average strike rate of $145 per MWh (2022: average notional amount outstanding over 3 years from FY 2023 to FY 2025 of 4 million MWh at an average strike rate of $133 per MWh).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

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

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

In millions of dollars	Note	2023	2022
Financial Assets: Cash flow hedges - electricity derivatives	8	**161**	1,077
Financial Liabilities: Cash flow hedges - electricity derivatives	11	**(128)**	(23)

(iii) The impact of hedging instruments designated in hedge relationships as at 30 June 2023 is as follows:

In millions of dollars	2022	2021
Statement of profit or loss		
Gains/(losses) on unwinding of inception value of designated hedges	**162**	(163)
Cash flow hedge ineffectiveness gains/(losses) recognised in other income	**(207)**	395

In millions of dollars	2023	2022
Statement of comprehensive income		
Cash flow hedge reserve (CFHR)		
Opening balance	**1,267**	61
The effective portion recognised in CFHR (pre-tax)	**(608)**	1,714
Reclassification from CFHR to other income	**(129)**	(33)
Transfer from CFHR to electricity purchases	**(323)**	(475)
Closing balance (pre-tax)	**207**	1,267

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

In millions of dollars	2023	2022
Electricity Price Risk		
Changes in value of hedge instrument	**354**	1,714
Changes in value of hedged item	**335**	1,319
Cash flow hedge reserve	**207**	1,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

ACCOUNTING POLICIES

Derivative financial instruments and hedge accounting

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 13. Movements of the hedging reserve in shareholders' equity are shown in the Statement of Other Comprehensive Income.

The fair values of hedging derivatives are classified as current or non-current based on timing except for exchange traded derivatives which are classified as current.

Cash flow hedges

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

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

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

Certain derivative financial instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risk. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit or Loss, i.e., classified as fair value through profit or loss.

Refer to Note 13 for additional information in relation to accounting policies for financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 4: Operating assets and liabilities

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

In millions of dollars	2023	2022
SUPPLY SYSTEMS[1]		
Gross carrying amount	**40,629**	37,943
Less accumulated depreciation	**(16,025)**	(14,933)
Net carrying amount	**24,604**	23,010
POWER STATIONS		
Gross carrying amount	**468**	436
Less accumulated depreciation	**(246)**	(230)
Net carrying amount	**222**	206
LAND – NON-REGULATED		
Gross carrying amount	**19**	24
OTHER PLANT AND EQUIPMENT		
At cost	**1,506**	1,483
Less accumulated depreciation	**(884)**	(899)
Less accumulated impairment losses	**(32)**	(31)
Net carrying amount	**590**	553
WORK IN PROGRESS		
Work in progress	**1,021**	896
TOTAL PROPERTY, PLANT AND EQUIPMENT	**26,456**	24,689

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

In millions of dollars	2023	2022
If property, plant and equipment were stated on a historical basis, the carrying amount would have been:		
Supply systems	**19,890**	19,298
Power stations	**243**	227
Land	**16**	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Year ended 30 June 2023	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	37,943	436	24	1,483	896	**40,782**
Accumulated depreciation and impairment at start of financial year	(14,933)	(230)	-	(930)	-	**(16,093)**
Carrying amount at start of financial year	**23,010**	**206**	**24**	**553**	**896**	**24,689**
Additions	-	-	-	-	1,556	**1,556**
Capitalised interest	-	-	-	-	12	**12**
Transfer from work in progress	1,252	34	-	162	(1,448)	**-**
Transfers from/(to) intangible assets	-	-	-	5	5	**10**
Disposals	(1)	-	(5)	(3)	-	**(9)**
Revaluation increment/(decrement)	1,146	-	-	-	-	**1,146**
Depreciation expense	(803)	(18)	-	(125)	-	**(946)**
Net impairment losses	-	-	-	(2)	-	**(2)**
Carrying amount at end of financial year	**24,604**	**222**	**19**	**590**	**1,021**	**26,456**

Year ended 30 June 2022	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	37,282	419	19	1,434	881	**40,035**
Accumulated depreciation and impairment at start of financial year	(14,472)	(221)	-	(902)	-	**(15,595)**
Carrying amount at start of financial year	**22,810**	**198**	**19**	**532**	**881**	**24,440**
Additions	-	-	-	-	1,335	**1,335**
Capitalised interest	-	-	-	-	10	**10**
Transfer from work in progress	1,160	29	5	144	(1,338)	**-**
Transfers from/(to) intangible assets	-	-	-	-	8	**8**
Disposals	(13)	(2)	-	(3)	-	**(18)**
Revaluation increment/(decrement)	(162)	-	-	-	-	**(162)**
Depreciation expense	(782)	(19)	-	(120)	-	**(921)**
Net impairment losses	(3)	-	-	-	-	**(3)**
Carrying amount at end of financial year	**23,010**	**206**	**24**	**553**	**896**	**24,689**

Valuation of the Group's regulated supply system assets

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

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

In completing the valuation of property, plant and equipment of the Group as a going concern, future cash flows are captured beyond the explicit five year forecast period using a terminal value. The terminal value was derived with reference to a forecast regulated asset base (RAB) based on the current regulatory model. The valuation increments this year stem from inflationary uplift to the asset base which will be realised through higher future revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Unobservable inputs	Nature and range of inputs	Relationship of unobservable inputs to fair value
Revenue cash flows	Revenue cash flows have been determined per the Australian Energy Regulator (AER) Final Decision (2020-2025) and projected revenue cash flows for the years beyond the regulatory period.	A higher allowed rate of return increases the fair value.
Operating expenditure	Operating expenditures for the distribution network have been determined per the AER's Final Decision (2020-2025) and management forecasts for the years beyond the regulatory period.	A lower operating expenditure increases the fair value.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of the distribution network has been based on the most recent management forecasts available at the time of the valuation.	A higher future capital expenditure decreases the fair value.
Terminal value	Terminal value at 30 June 2028 has been determined with reference to a forecast RAB using management forecasts of future cash flows and a terminal value multiple of 1.00 has been applied. RAB is periodically adjusted for inflation.	A higher terminal value and multiple increases the fair value.
Weighted Average Cost of Capital (WACC) discount rate	A nominal WACC of 7.33% (2022:5.87%) has been employed in the valuation. The WACC discount rate has been determined in consultation with independent experts based on a long-term view of the market cost of capital.	The higher the nominal WACC, the lower the fair value.

The discount rate used by the Group to discount future cash flows is higher than the allowed rate of return as established by the regulator in its Final Decision for the regulatory control period 2020-2025 (which is the rate applied to the RAB to determine future cash flows). The use of a discount rate higher than the regulated rate of return leads to an estimated fair value below the value of the current year's RAB as determined by the regulator. When future capital expenditure is subject to a capital expenditure sharing scheme, then this higher expenditure can result in a lower valuation due to penalties imposed on the organisation in the form of reduced revenue allowances.

Valuation policies and procedures

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

The fair value measurement for the supply system and power stations of $24,826 million (2022: $23,216 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique applied.

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

Impairment review of property, plant and equipment

The annual impairment review across the Group's cash generating units (CGUs) resulted in $2 million (2022: $3 million) of property, plant and equipment impairment. There were no reversals of prior year impairment losses in the current year (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

Property, plant and equipment

(i) Recognition and measurement

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

Supply system and power station assets are measured at fair value less any subsequent depreciation. The fair value of these assets was determined as at 30 June 2023 using an income based approach as there was no market based evidence of fair value due to the specialised nature of the assets, and the items are rarely sold, except as part of a continuing business.

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

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

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

(ii) Depreciation

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

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

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

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

Major depreciation periods are:

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

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

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

(iv) Maintenance and repairs

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

(v) Contributed assets

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

(vi) Finance and related costs

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

Impairment of assets

All assets which are depreciated or amortised are reviewed for events or changes in circumstances that may indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: LEASES

LEASES AS LESSEE

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

The Group has four significant leasing arrangements, two in the greater Brisbane area and two in regional Queensland (Townsville and Cairns). The remaining lease terms range from 4 months to seven years and there are lease extension options on some of these leases as discussed below. The escalation applicable to each lease is a fixed annual rate or the greater of CPI and a fixed rate.

Right-of-use assets

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

In millions of dollars	2023	2022
Opening balance at start of financial year	**171**	273
Depreciation charge for the year	**(26)**	(33)
Additions to right-of-use assets	**4**	-
Derecognition of right-of-use assets	**-**	(69)
Total right-of-use assets at end of financial year	**149**	171

Lease Liabilities

In millions of dollars	2023	2022
Current lease liabilities	**22**	12
Non-current lease liabilities	**166**	185
Total lease liabilities	**188**	197

Amounts recognised in profit or loss

In millions of dollars	2023	2022
Interest on lease liabilities	**3**	4
Expenses relating to short-term leases	**1**	-
Expenses relating to low-value assets, excluding short-term leases of low-value assets	**-**	-

Amounts recognised in Statement of Cash Flows

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS		Financing cash flows[1]	Operating cash flows[1]	Non-cash changes	
In millions of dollars	**2022**				**2023**
Lease liabilities	**197**	(13)	(3)	7	188
In millions of dollars	**2021**				**2022**
Lease liabilities	**285**	(19)	(4)	(65)	197

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

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period in order to provide operational flexibility to the Group. The extension options held are exercisable only by the Group and not by the lessors. The Group reassess whether it is reasonably certain to exercise these options if there are any changes to the property strategy or other circumstances within its control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: LEASES (CONTINUED)

ACCOUNTING POLICIES

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Leases as a lessee

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

During the current financial year, a 12 month extension was applied to an existing minor lease and two new leases were entered into by Yurika, recognising an increase to the lease liability and right-of-use assets of $3.7 million. In the prior year, the financial effect of renegotiating lease terms on one of the Brisbane properties and exiting another Brisbane property lease was a decrease in lease liabilities of $68 million, a decrease in right-of-use assets of $69 million, and a net loss on derecognition of $1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17: INTANGIBLE ASSETS

In millions of dollars	2023	2022
COMPUTER SOFTWARE		
At cost	**1,112**	1,061
Less accumulated amortisation	**(757)**	(775)
Net carrying value	**355**	286
OTHER INTANGIBLES		
At cost	**43**	43
Less accumulated amortisation	**(40)**	(39)
Net carrying value	**3**	4
WORK IN PROGRESS		
Work In Progress	**304**	362
TOTAL INTANGIBLES	**662**	652

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

Year ended 30 June 2023	Computer Software $M	Other Intangibles $M	Software work in progress $M	Total $M
Gross carrying amount at start of financial year	1,061	43	362	**1,466**
Accumulated amortisation at start of financial year	(775)	(39)	-	**(814)**
Carrying amount at start of financial year	**286**	**4**	**362**	**652**
Additions	-	-	132	**132**
Capitalised interest	-	-	7	**7**
Transfer from work in progress	161	-	(161)	**-**
Transfers from/(to) property, plant and equipment	(5)	-	(5)	**(10)**
Disposals	-	-	-	**-**
Amortisation expense	(87)	(1)	-	**(88)**
Impairment losses	-	-	(31)	**(31)**
Carrying amount at end of financial year	**355**	**3**	**304**	**662**

Year ended 30 June 2022	Computer Software $M	Other Intangibles $M	Software work in progress $M	Total $M
Gross carrying amount at start of financial year	904	42	371	**1,317**
Accumulated amortisation at start of financial year	(703)	(37)	-	**(740)**
Carrying amount at start of financial year	**201**	**5**	**371**	**577**
Additions	-	-	179	**179**
Capitalised interest	-	-	9	**9**
Transfer from work in progress	189	-	(189)	**-**
Transfers from/(to) property, plant and equipment	-	-	(8)	**(8)**
Disposals	(1)	-	-	**(1)**
Amortisation expense	(103)	(1)	-	**(104)**
Carrying amount at end of financial year	**286**	**4**	**362**	**652**

ACCOUNTING POLICIES
Intangible assets

(i) Recognition and measurement
Internally generated intangible assets, including software, are measured at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge or understanding, is recognised in the Statement of Profit or Loss when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17: INTANGIBLE ASSETS (CONTINUED)

(i) Recognition and measurement (continued)

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

(ii) Amortisation

The cost of an intangible asset is amortised on a straight line basis over the estimated useful life of the asset unless such assets have an indefinite useful life. The estimated useful lives generally vary from 3 to 10 years.

(iii) Finance and related costs

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

Impairment of assets

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

The Group recognised a $31 million impairment loss this financial year related to legacy digital costs following assessment and replanning of its digital program (2022: Nil).

Software as a Service (SaaS) arrangements

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

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

NOTE 18: EMPLOYEE RETIREMENT BENEFITS
RECONCILIATION OF MOVEMENTS IN THE NET DEFINED BENEFIT ASSET/(LIABILITY)

In millions of dollars	Defined benefit obligation	Fair value of plan assets	Net defined benefit asset/(liability)
Year ended 30 June 2023			
Carrying amount at start of year	(594)	914	320
Included in profit or loss			
Current service cost	(15)	-	(15)
Interest income/(cost)	(29)	43	14
	(44)	43	(1)
Included in other comprehensive income			
Remeasurement gain/(loss):			
Actuarial gain/(loss) arising from:			
Changes in financial assumptions	(58)	-	(58)
Experience adjustments[1]	3	14	17
	(55)	14	(41)
Other			
Contributions by the employer	-	3	3
Contributions by Fund participants	(9)	9	0
Benefit payments and tax	52	(52)	-
	43	(40)	3
Carrying amount as at 30 June 2023	**(650)**	**931**	**281**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

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

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

DEFINED BENEFIT OBLIGATION

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

Brighter Super (formerly LGIAsuper) became the funds official name effective 19 September 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The major categories of plan assets are as follows:

In millions of dollars	2023	2022
Cash	**47**	36
Fixed interest	**316**	311
Australian shares	**84**	82
International shares	**186**	165
Alternatives	**158**	174
Property and infrastructure	**140**	146
Total fair value of plan assets	**931**	914

This portfolio exposes the Fund to market risk. All shares and fixed interest plan assets have quoted prices in active markets. The actual return on plan assets for 2023 was a gain of $57 million (2022: a gain of $1 million).

The defined benefit assets are invested in a balanced investment portfolio, to match the weighted average duration of the defined benefit obligation of 6 years (2022: 7 years).

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

	2023 %	2022 %
Expected rate of return on plan assets for one year	**5.4**	5.1
Pre-tax discount rate	**5.4**	5.1
Future salary increases – year one	**6.5**	6.0
Future salary increases – year two	**10.6**	3.0
Future salary increases – year three	**4.2**	3.0
Future salary increases – per annum thereafter	**3.0**	3.0

Sensitivity analysis:

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

In millions of dollars		Change in Assumption	2023	2022
Base Case	As above		650	594
Scenario A	5.4%	-0.5% discount rate	673	616
Scenario B	5.4%	+0.5% discount rate	629	574
Scenario C	Various	-0.5% salary increase rate	628	574
Scenario D	Various	+0.5% salary increase rate	673	616

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

In millions of dollars	2023	2022
Not later than one year	**81**	79
Later than one year and not later than five years	**320**	283
Following five years	**350**	311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Employer contributions

The Group contributes to both defined contribution and defined benefit superannuation plans. The Group made contributions to Brighter Super during the year of $159 million (2022: $120 million).

For the financial year ended 30 June 2023, the Group contributed 2% (2022: 2%) of defined benefit members' salaries. The Group expects to retain its contribution rate of 2% during the next financial year. Accordingly, the Group expects to contribute $2 million (2022/23: $2 million) to its defined benefit plan in 2023/24. Funding recommendations are made by the actuary based on their forecast of various matters including future plan asset performance, interest rates and salary increases.

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

ACCOUNTING POLICIES

Employee retirement benefits

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 19: EMPLOYEE BENEFITS

In millions of dollars	2023	2022
CURRENT LIABILITIES		
Employee benefits	**419**	354
Termination benefits	**3**	5
Total current employee benefits liability	**422**	359
NON-CURRENT LIABILITIES		
Employee benefits	**27**	18
Total non-current employee benefits liability	**27**	18

ACCOUNTING POLICIES

Employee benefits

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

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

For long service leave, consideration is also given to expected future wage and salary levels and periods of service. Expected future payments relating to such liabilities are discounted using market yields at the reporting date on high quality corporate bonds. In the current year the estimated long service leave liability increased as estimated discount rates were amended and estimated future salaries were increased.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Annual leave, vested long service leave and on-cost entitlements accrued but not expected to be taken within 12 months have been included as part of current liabilities as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Termination benefits

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: NET DEFERRED TAX EQUIVALENT LIABILITY

In millions of dollars	2023	2022
(A) DEFERRED TAX EQUIVALENT ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Provisions/accruals	**183**	137
Tax Losses	**6**	-
Derivatives	**12**	2
Unearned revenue	**34**	24
Other	**15**	10
	250	173
Amounts recognised directly in equity		
Hedge accounting of derivatives	**30**	5
	30	5
Deferred tax equivalent asset	**280**	178
(B) DEFERRED TAX EQUIVALENT LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Property, plant and equipment	**1,802**	1,797
Derivatives	**(22)**	(17)
Other	**62**	66
	1,842	1,846
Amounts recognised directly in equity		
Recognition of defined benefit surplus	**69**	81
Revaluation of property, plant and equipment	**1,879**	1,536
Hedge accounting of derivatives	**92**	386
	2,040	2,003
Deferred tax equivalent liabilities	**3,882**	3,849
(C) TOTAL NET DEFERRED TAX EQUIVALENT LIABILITY		
Deferred tax equivalent asset	**280**	178
Deferred tax equivalent liabilities	**(3,882)**	(3,849)
Net deferred tax equivalent liability	**(3,602)**	(3,671)

The Group has a closing current tax receivable of $113 million at 30 June 2023 (2022: $42 million tax payable).

ACCOUNTING POLICIES

Income taxes

(i) Tax equivalents

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

The National Tax Equivalents Regime (NTER) broadly utilises the provisions of the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and associated legislation, the NTER Manual as well as Rulings and other pronouncements by the Australian Taxation Office (ATO), in order to determine the tax payable by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: NET DEFERRED TAX EQUIVALENT LIABILITY (CONTINUED)

ACCOUNTING POLICIES (CONTINUED)

(ii) Current tax equivalents payable/receivable

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

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

(iii) Deferred tax equivalent assets and liabilities

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

Temporary differences are differences between the carrying amount of an asset and liability for financial reporting purposes and their tax bases. Tax bases are determined based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Movements in DTA and DTL balances are recognised as deferred tax equivalent expenses, except to the extent they relate to items recognised directly in equity, in which case that portion is recognised in equity.

DTAs and DTLs are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority.

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

(iv) Income tax equivalent expense

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

(v) Tax consolidation

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

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

The tax funding deed requires a notional current and deferred tax equivalents calculation for each entity as if it were a taxpayer in its own right, with the exception of distributions made and received within the tax consolidated group (e.g. intra-group dividends) which are treated as having no tax consequences.

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

(vi) Nature of tax funding deed and tax sharing agreements

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

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

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

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

(vii) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21: UNEARNED REVENUE AND CONTRACT LIABILITIES

In millions of dollars	2023	2022
CURRENT LIABILITIES		
Unearned revenue – government grant	**2**	1
Contract liabilities	**141**	98
Unearned revenue – other	**-**	1
Total current unearned revenue and contract liabilities	**143**	100

ACCOUNTING POLICIES

Unearned revenue – government grant

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

Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 5: Capital structure

NOTE 22: SHARE CAPITAL

	2023	2023	2022	2022
SHARE CAPITAL	**Shares**	**$M**	**Shares**	**$M**
Fully paid ordinary shares	**100**	**19,643**	100	19,643
Total share capital	**100**	**19,643**	100	19,643

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. The shares have no par value.

There were no changes in share capital during the year.

ACCOUNTING POLICIES

Share capital

Ordinary shares are classified as equity.

NOTE 23: OTHER TRANSACTIONS WITH OWNERS, RESERVES AND RETAINED EARNINGS

In millions of dollars	2023	2022
Other transactions with owners	**(18,634)**	(18,634)
Asset revaluation reserve	**2,906**	2,124
Hedging reserve	**145**	887
Retained earnings	**582**	804

ACCOUNTING POLICIES

Other transactions with owners

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

NATURE AND PURPOSE OF RESERVES

Asset revaluation reserve

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

Hedging reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

SECTION 6: Other notes

NOTE 24: COMMITMENTS

In millions of dollars	2023	2022
CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at the end of the financial year but not recognised as liabilities[1]	**376**	328

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

NOTE 25: CONTINGENCIES

(A) Legal claims

A number of common law claims are pending against the Group and liability is not admitted. The amount of claims due to litigation and associated legal fees is $3 million (2022: $3 million). These claims are disclosed on a gross basis and exclude possible reimbursement through insurance recoveries.

(B) Other possible claims

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

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

(C) Guarantees

(i) Third Parties

In order to participate in the electricity market, entities within the Group are required to deliver acceptable security as collateral to the Australian Energy Market Operator (AEMO) for their obligations to counter parties in the Electricity Market arising as a consequence of normal trading. Security, in the form of payment guarantees totalling $150 million (2022: $300 million), has been issued by QTC to the AEMO. EQL provides QTC with a Counter Indemnity up to the value of $150 million in respect of this guarantee.

In order to participate in the electricity market, entities within the Group are required to hold an Australian Financial Services Licence for which QTC provides the required Eligible Undertaking to the value of $400 million (2022: $400 million). EQL provides QTC with a Counter Indemnity up to the value of $400 million in respect of the eligible undertaking. The Group has in place a Bank Guarantee facility with Commonwealth Bank to the value of $100 million (2022: $100 million).

(ii) Subsidiaries – Wholly-owned

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

(D) Guarantees held

The Group holds bank guarantees from customers totalling $108 million (2022: $88 million) with the majority relating to the construction of capital assets.

There is $4 million in guarantees held with trading counterparties (2022: $3 million), as security to cover obligations arising from the trading of electricity.

(E) Environmental remediation

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

ACCOUNTING POLICIES

Contingent assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES

Consolidated entities

Energy Queensland Limited had 100% (2022: 100%) interest in the following subsidiaries. All entities were incorporated in Australia.

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

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

Investment in associates

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

Energy Queensland also holds an investment in Queensland Capacity Network Pty Ltd (QCN) (49% of voting shares), a communications company set up for the purpose of enabling faster and more reliable internet services in regional Queensland.

EQL is deemed to have significant influence over both Redback and QCN, and accounts for its investments in these associates using the equity method.

ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

CLOSED GROUP LEGISLATIVE INSTRUMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

Further information regarding guarantees is provided in Note 25.

NOTE 27: ENERGY QUEENSLAND LIMITED (THE PARENT)

In millions of dollars	2023	2022
Current assets	**1,197**	1,329
Non-current assets	**22,484**	21,459
Total assets	**23,681**	22,788
Current liabilities	**570**	540
Non-current liabilities	**19,527**	18,605
Total liabilities	**20,097**	19,145
Net assets	**3,584**	3,643
Issued capital	**19,643**	19,643
Other transactions with owners	**(16,267)**	(16,267)
Retained earnings	**208**	267
Total equity	**3,584**	3,643
Profit/(loss) of the Parent entity	**(31)**	192
Other Comprehensive Income		
Items that will not be classified to profit or loss:		
Actuarial gains/(losses) on defined benefit plan recognised directly in equity	**(41)**	122
Deferred income tax relating to actuarial gains/(losses) on defined benefit plans	**13**	(36)
Other comprehensive income for the financial year, net of tax	**(28)**	86
Total comprehensive income of the Parent entity	**(59)**	278

Parent entity contingencies

There are no common law claims pending against the Company (2022: nil).

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

During the year the Company entered into contracts to purchase plant and equipment for $47 million (2022: $91 million).

Parent entity guarantees in respect of the debts of its subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 28: CLOSED GROUP

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

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

Consolidated Closed Group Profit or Loss

In millions of dollars	2023	2022
Profit or loss before income tax	**12**	250
Income tax expense	**(5)**	(74)
Profit after tax	**7**	176
Retained earnings at the beginning of the year	**473**	155
Transfers to/(from) reserves	**(4)**	142
Retained earnings at the end of the year	**476**	473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 28: CLOSED GROUP (CONTINUED)

Consolidated Closed Group Statement of Financial Position

In millions of dollars	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	**9**	9
Trade and other receivables	**857**	1,201
Tax receivable	**113**	-
Inventories	**245**	212
Total current assets	**1,224**	1,422
NON-CURRENT ASSETS		
Property, plant and equipment	**26,433**	24,669
Right-of-use assets	**149**	171
Intangible assets	**649**	630
Investments in subsidiaries	**119**	119
Employee retirement benefits	**281**	320
Other assets	**8**	14
Total non-current assets	**27,639**	25,923
TOTAL ASSETS	**28,863**	27,345
CURRENT LIABILITIES		
Trade and other payables (including dividends payable)	**580**	1,117
Lease liabilities	**22**	12
Employee benefits	**422**	359
Provisions	**1**	1
Current tax liabilities	**-**	42
Unearned revenue and contract liabilities	**139**	95
Other liabilities	**-**	1
Total current liabilities	**1,164**	1,627
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**19,394**	18,473
Lease liabilities	**166**	185
Employee benefits	**27**	18
Provisions	**2**	2
Net deferred tax equivalent liability	**3,596**	3,312
Other liabilities	**2**	3
Total non-current liabilities	**23,187**	21,993
TOTAL LIABILITIES	**24,351**	23,620
NET ASSETS	**4,512**	3,725
EQUITY		
Share capital	**19,643**	19,643
Other transactions with owners	**(18,514)**	(18,514)
Reserves	**2,907**	2,123
Retained earnings	**476**	473
TOTAL EQUITY	**4,512**	3,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) Details of Shareholding Ministers

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

- Treasurer and Minister for Trade and Investment, and the
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

(B) Compensation – Shareholding Ministers

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

(C) Details of Directors

Directors of Energy Queensland as at 30 June 2023:		Term of appointment	Appointment expiry date
Sarah Zeljko	Chair	3 years	30 September 2025
Mark Algie	Non-Executive Director	11 months	30 September 2023
Teresa Dyson	Non-Executive Director	4 years	30 September 2023
Hugh Gleeson	Non-Executive Director	11 months	30 September 2023
Helen Stanton	Non-Executive Director	4 years	30 September 2023
Vaughan Busby	Non-Executive Director	3 years	30 September 2023
Karen Lay-Brew	Non-Executive Director	3 years	31 May 2024
Paul Lucas	Non-Executive Director	3 years	31 May 2024

(D) Compensation – Directors

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

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

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

In accordance with Ministerial Guidelines, details of compensation provided to Directors in office during the financial period ended 30 June 2023 by the Group are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(D) Compensation – Directors (Continued)

DIRECTORS' REMUNERATION	SHORT TERM BENEFITS Directors' Fees		POST EMPLOYMENT BENEFITS Superannuation		TOTAL	
In thousands of dollars	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Energy Queensland						
Sarah Zeljko[2]	155	-	16	-	**171**	**-**
Mark Algie	88	87	9	9	**97**	**96**
Karen Lay-Brew	85	85	9	9	**94**	**94**
Vaughan Busby	88	88	9	9	**97**	**97**
Teresa Dyson	80	83	8	8	**88**	**91**
Hugh Gleeson	95	94	10	9	**105**	**103**
Paul Lucas	92	91	10	9	**102**	**100**
Helen Stanton	92	92	10	9	**102**	**101**
Philip Garling AM[1]	52	207	5	21	**57**	**228**
Total	**827**	**827**	**86**	**83**	**913**	**910**

(1) Philip Garling term as Director and Chair expired on 30 September 2022.

(2) Sarah Zeljko was appointed as a Director and Chair of Energy Queensland Limited effective 1 October 2022.

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

(E) Compensation – Executives

Senior executive employment contracts

Remuneration and other terms of employment of executives are formalised in senior executive employment contracts.

Each of these employment contracts makes a provision for fixed remuneration and an 'at risk' performance incentive.

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment[3]	Other long-term benefits[4]	Termination benefits	Total
2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Peter Scott – Acting Chief Executive Officer[5]	140	-	4	19	-	**163**
Rod Duke – Chief Executive Officer[6]	849	111	25	88	637	**1,710**
Peter Scott – Executive General Manager Finance[7]	332	74	11	33	-	**450**
Armand Mahne – Acting Executive General Manager Finance[8]	77	-	4	8	-	**89**
David Malek – Chief Financial Officer[9]	172	-	8	20	-	**200**
Belinda Watton – Executive General Manager Yurika[10]	507	58	25	57	-	**647**
Karen Stafford – Acting Executive General Manager Services[11]	370	-	22	44	-	**436**
Peter Price – Chief Engineer	496	63	56	62	-	**677**
Paul Jordon – Executive General Manager Operations	539	64	56	63	-	**722**
Michael Dart – Executive General Manager Customer	389	48	25	46	-	**508**
Ayesha Razzaq – Executive General Manager Retail	432	49	25	51	-	**557**
Carly Irving – Executive General Manager Yurika[12]	47	51	11	5	-	**114**
Marianne Vosloo – Executive General Manager Digital	443	48	25	50	-	**566**
Nicola Roscoe – Acting Executive General Manager Regulation[13]	28	-	2	3	-	**33**
Total	**4,821**	**566**	**299**	**549**	**637**	**6,872**

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

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

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (in line with the maximum contribution base for defined contribution fund members and 10% as part of the fixed remuneration base for defined benefit fund members). Where superannuation contribution rate increases exceed the contribution cap, the excess amounts are paid to the employees as short term benefits. Refer to Note 18 for further information regarding the defined benefit obligations of the Group.

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

(5) Peter Scott commenced acting the role of Chief Executive Officer on 27 April 2023.

(6) Rod Duke discontinued office in the role of Chief Executive Officer effective 26 April 2023. The termination benefits disclosed were made in accordance with the entitlements under the senior executive employment contract as governed by the Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements. A termination benefit of $37 thousand is still payable and is not included in the amount disclosed above.

(7) Peter Scott resigned from the role of Executive General Manager Finance effective 31 December 2022.

(8) Armand Mahne was acting in the role of Executive General Manager Finance from 3 January until 28 February 2023. The amounts disclosed are only those earned by the individual during the period acting in that role.

(9) David Malek was appointed to the role of Chief Financial Officer effective 1 March 2023.

(10) Belinda Watton was acting in the role of Executive General Manager Yurika from 8 August 2022 and formally appointed on 23 January 2023. Prior to that Belinda was in the role of Executive General Manager Services. The amounts disclosed are for the full financial year.

(11) Karen Stafford is acting in the role of Executive General Manager Services from 8 August 2022. Amounts disclosed include those earned by the individual since commencing in that role.

(12) Carly Irving resigned from the role of Executive General Manager Yurika effective 6 August 2022.

(13) The role of Executive General Manager Regulation was created effective 30 May 2023 and Nicola Roscoe has been acting in the role.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment benefits[3]	Other long-term benefits[4]	Termination benefits	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke – Chief Executive Officer	905	-	24	95	-	**1,024**
Peter Scott – Executive General Manager Finance	564	-	24	61	-	**649**
Belinda Watton – Executive General Manager Services	457	-	24	52	-	**533**
Peter Price - Executive General Manager Engineering	477	-	51	58	-	**586**
Paul Jordon – Executive General Manager Operations	467	-	52	59	-	**578**
Michael Dart – Executive General Manager Customer	339	-	24	41	-	**404**
Ayesha Razzaq – Executive General Manager Retail	394	-	24	45	-	**463**
Carly Irving – Executive General Manager Yurika	382	-	24	45	-	**451**
Marianne Vosloo – Executive General Manager Digital	369	-	24	45	-	**438**
Total	**4,354**	**-**	**271**	**501**	**-**	**5,126**

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

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

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (in line with the maximum contribution base for defined contribution fund members and 10% as part of the fixed remuneration base for defined benefit fund members). Refer to Note 18 for further information regarding the defined benefit obligations of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(F) Fixed Remuneration Packages – Executives

Total Fixed Remuneration Package[1]	2023	2022
Energy Queensland	**$'000**	**$'000**
Chief Executive Officer	**1,052**	935
Chief Financial Officer[2]	**600**	599
Executive General Manager Operations	**617**	577
Executive General Manager Services	**479**	515
Chief Engineer[3]	**611**	571
Executive General Manager Customer	**450**	400
Executive General Manager Digital	**495**	440
Executive General Manager Retail	**500**	444
Executive General Manager Yurika	**554**	444
Executive General Manager Regulation[4]	**395**	-
Total	**5,753**	4,925

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

(2) The title of this position was renamed from Executive General Manager Finance to Chief Financial Officer effective 1 March 2023.

(3) The title of this position was renamed from Executive General Manager Engineering to Chief Engineer effective 30 May 2023.

(4) The position of Executive General Manager Regulation was created effective 30 May 2023.

(G) Compensation disclosures by category:

	2023	2022
	$'000	**$'000**
Short-term benefits	**6,214**	5,181
Post-employment benefits	**385**	354
Other long-term benefits	**549**	501
Termination benefits	**637**	-
Total	**7,785**	6,036

This table includes Directors and Executives remuneration.

(H) Transactions with related parties of key management personnel

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

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

- Rod Duke
- David Malek
- Peter Scott
- Jane Nant
- Belinda Watton
- Peter Price
- Marianne Vosloo
- Michael Dart
- Ayesha Razzaq

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(I) Loans to key management personnel

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

NOTE 30: RELATED PARTY TRANSACTIONS

Entities subject to common control

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

Transactions with State of Queensland controlled entities

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

	2023 $'000	2022 $'000
REVENUE		
Revenue from State of Queensland controlled entities	**477,452**	447,081
Pensioner rebate and Qld utility bill relief revenue from Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships	**195,379**	109,826
Electricity trading with State of Queensland controlled entities	**211,068**	651,205
Interest received from QTC	**4,468**	723
Community service obligation revenue received from Department of Energy and Public Works	**620,503**	524,648
EXPENSES		
Expenses incurred to State of Queensland controlled entities	**577,467**	633,569
Interest on QTC borrowings (includes administration fees)	**579,779**	577,087
Competitive neutrality fee paid to Queensland Treasury	**105,220**	93,751
Environmental certificate transactions with State of Queensland controlled entity counterparties	**3,047**	1,882
NTER, Payroll Tax and Land Tax paid to Queensland Treasury	**72,248**	283,333
ASSETS		
Advances facility held with Queensland Treasury	**257,363**	238,724
Community service obligations amounts receivable	**50,193**	43,481
Current tax receivable	**112,600**	-
Electricity trading with State of Queensland controlled entities	**6,170**	176,730
Trade and other receivables from State of Queensland controlled entities	**4,499**	6,068
LIABILITIES		
Accrued interest and fees payable to QTC	**48,850**	45,594
Trade payables to State of Queensland controlled entities	**45,822**	49,110
Current tax liability	**-**	41,963
Borrowings from QTC	**19,394,055**	18,472,800
Accrued competitive neutrality fee payable to Queensland Treasury	**26,758**	23,561
Unearned grant revenue	**1,353**	860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 30: RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Transactions with other related parties

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

Ultimate parent entity

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

Ownership interests in related parties

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

NOTE 31: AUDITOR'S REMUNERATION

	2023	2022
	$'000	$'000
Remuneration for audit and review of the financial reports of the Group and the Company:		
Audit services – Auditor-General of Queensland Audit and review of financial reports	**1,882**	1,871
Audit and review of regulatory reports	**609**	590
Other Non-financial review of regulatory reports	**114**	110
	2,605	2,571

NOTE 32: EVENTS AFTER REPORTING DATE

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

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and associated notes set out on pages 89-148;
   (i) Comply with the Australian Accounting Standards and Interpretations;
   (ii) Are in accordance with the *Corporations Act 2001*; and
   (iii) Give a true and fair view of the financial position of the Group as at 30 June 2023 and of its performance for the year ended on that date.
2. As at the date of this declaration there are reasonable grounds to believe:
   (i) That the Company will be able to pay its debts as and when they become due and payable; and
   (ii) The members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

Made in accordance with a resolution by the Directors.

Sarah Zeljko
Chair
24 August 2023

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Energy Queensland Limited

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the Group's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended

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

The financial report comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including material accounting policy information, and the directors' declaration.

Basis for opinion

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

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

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

Key audit matters

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

Queensland Audit Office
Better public services

Valuation of supply system assets ($24.6 billion)

Refer to note 15 in the financial report.

Key audit matter	How my audit procedures addressed this key audit matter
The fair value of the supply system assets has been determined using the discounted cash flow (DCF) technique (income approach). The fair value estimation involved significantassumptions and judgements for: • aggregating supply assets to units of account for valuation purposes. • estimating future cash inflows and outflows based on: - revenue forecasts - estimations of efficient and prudent operating and capital cash outflow amounts occurring beyond the current regulatory period - tax cash flow - additional capital expenditure spends - deriving a terminal value in Energy Queensland Limited's regulated environment - setting the rate used to discount the forecast cash inflows, cash outflows and terminal value to present value.	I engaged an auditor's expert to assist me in: • evaluating the appropriateness, with reference to common industry practice, of Energy Queensland Limited's identification of units of account and use of the income approach (having consideration for highest and best use and the principal market). • verifying the mathematical accuracy of the discounted cash flow models. • assessing the reasonableness of forecast revenue, operating expenditure, capital expenditure, and tax cash flows, by corroborating the key market related assumptions to relevant internal forecasts and historical external data. • evaluating the methodology used to derive terminal values with reference to common industry practice. • performing sensitivity analysis for the revenue cash flow growth rate, expenditure cash flow growth rate, discount rate, and terminal value to assess how management addressed estimation uncertainty. • agreeing the discount rate calculation methodology to industry range standards and available market information; and • assessing the reasonableness of the income approach valuation by performing valuation cross checks to comparable organisations and recent sales of similar entities. In assessing the work of the auditor's expert, I: • evaluated their qualifications, competence, capabilities, and objectivity. • considered the nature, scope and objectives of the work completed for appropriateness. • evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

Valuation of derivative financial assets ($269 million) and financial liabilities ($161 million), and designation of hedging instruments

Refer to notes 8, 11, 13 and 14 in the financial report.

Key audit matter	How the audit procedures performed addressed this key audit matter
The fair value measurement of Energy Queensland Limited (EQL) derivative financial instruments is inherently complex. Key factors contributing to this complexity include the use of internal financial models and judgement to estimate key inputs due to the absence of observable market data for some assumptions.	I engaged an auditor's expert to assist me in: • obtaining an understanding of the valuation techniques and financial models used, and assessing their design, integrity, and appropriateness with reference to common industry practices and requirements of the Australian accounting standards.

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Key audit matter	How the audit procedures performed addressed this key audit matter
	• challenging management assumptions used in the valuation process and assessing the reasonableness of inputs and valuation techniques in reference to industry specific practices. • testing, for a sample of derivative instruments, the reasonableness of the valuation calculations by agreeing key terms to supporting documents and counterparty confirmations, and recalculating the fair values based on an understanding of generally accepted valuation practices. In evaluating the work of the auditor's expert, I: • evaluated the qualifications, competence, capabilities, and objectivity of the auditor's expert. • assessed the nature, scope and objectives of the work completed by the auditor's expert. • evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.
EQL's application of hedge accounting is complex due to: • the specific requirements of AASB 9 *Financial Instruments* for an effective hedge relationship and deferral of fair value gains and losses to the cash flow hedge reserve • judgements required in assessing EQL's forecast load to support hedge relationships • use of an internally developed system to administer and account for hedge relationships.	With the assistance of an auditor's expert, my procedures included but were not limited to: • assessing EQL's hedge accounting process including exercise of management judgement in complying with the specific requirements of AASB 9 and testing the qualifying criteria for an effective hedge relationship and methodology to calculate hedge effectiveness. • evaluating the scope, competency and objectivity of the Company's external experts involved in the design, implementation, and operation of the hedge accounting system and by examining the work performed, their professional qualifications and experience. • for cash flow hedges, assessing the reasonableness of forecast information used to support the highly probable criterion required for an effective hedge relationship. • testing the reconciliation of the cash flow hedge reserve, and presentation of gains and losses in the income statement • validating the appropriateness of disclosures in the consolidated financial statements. In reviewing the auditor's expert work, I: • evaluated the qualifications, competence, capabilities, and objectivity of the auditor's expert. • assessed the nature, scope and objectives of the work completed for appropriateness. • evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

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Measurement of unbilled revenue ($258 million)

Refer to note 6 in the financial report.

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Energy Queensland Limited's annual report for the year ended 30 June 2023 was the directors' report.

Those charged with governance are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Responsibilities of the Company's Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

B.P. Worrall

25 August 2023

Brendan Worrall
Auditor-General

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Brisbane

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