Leading Western Australia to a sustainable energy future

Annual Report 2022

synergy

About this report

The 2021-22 Annual Report is a review of Synergy's performance for the financial year ended 30 June 2022. This report is produced in accordance with the provisions of the *Electricity Corporations Act 2005* and other relevant legislation, which governs our operations.

Provided to the Minister for Energy, the Hon. Bill Johnston MLA, the report is tabled in the Parliament of Western Australia.

The objective of this report is to provide our customers, community and stakeholders, and our owner, the Western Australian Government, with information about our operational and financial performance for the 2021-22 financial year.

To provide feedback on this report, please email media@synergy.net.au

Acknowledgement of Country

We acknowledge the Traditional Owners throughout Western Australia and their continuing connection to the land, water and community. We pay our respects to all members of Aboriginal communities, to their cultures, and to Elders past, present and emerging.

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OWNED BY THE PEOPLE OF WA

Artist: Salena Abdullah

Statement of compliance

For the year ended 30 June 2022

To the Hon. Bill Johnston MLA, Minister for Energy

In accordance with the provisions of the *Electricity Corporations Act 2005* (Act), I hereby submit for your information and presentation to Parliament, the 2022 Annual Report of the Electricity Generation and Retail Corporation, trading as Synergy.

Robert Cole
Chair

Contents

Greenough River Solar Farm is a Bright Energy Investment (BEI) asset which is a joint venture between Synergy, CBUS and DIF.

About Synergy

Synergy is proud to be Western Australia's largest electricity generator and energy retailer. Our objective is to work together with our more than one million household and business customers towards an intelligent energy future of reliable, low-emission power at the lowest sustainable cost.

Established under the *Electricity Corporations Act 2005* and owned by the State Government of Western Australia, Synergy's board and management report to the Minister for Energy, the Hon. Bill Johnston MLA. Synergy operates both thermal power stations and renewable electricity generation facilities from Coral Bay in the north, to Kalgoorlie in the east, and to Esperance in the south. The primary area of operation is across the electricity network known as the South West Interconnected System (SWIS).

Legend

- South West Interconnected System (SWIS)
- Coal-fired power station
- Wind farm
- Gas turbine
- Battery
- Solar

*Being decommissioned

BEI – Bright Energy Investments

Synergy Snapshot

1,051,767
NUMBER OF CUSTOMERS
RESIDENTIAL

104,128
NUMBER OF CUSTOMERS
BUSINESS

1,010
NUMBER OF
EMPLOYEES

6,696 GWh
TOTAL
ENERGY GENERATION

862 GWh
TOTAL ENERGY GENERATION
FROM RENEWABLES

13,686 GWh
TOTAL CUSTOMER
ENERGY USAGE

27
NUMBER OF
GENERATION ASSETS

7
NUMBER OF RENEWABLE
GENERATION ASSETS

From the Chair

Built on the foundation of several major decisions over the past year, I have never felt more optimistic and confident about the future of both Synergy and the Western Australian electricity industry.

Sustainability is a key focus for the organisation over the next decade and is the driving force behind the State Government's decision, announced on 14 June, to close Synergy's coal-fired power stations. Collie Power Station is scheduled to close in 2027 and Muja in 2029. This may have come as a surprise to some, but others may have been aware of the acute operational and economic challenges facing coal-fired generation due to the strong and continuing growth in generation from rooftop solar and renewables. During this period of transition, Synergy will support those affected through its industry leading Workforce Transition Program, enabling them to decide their future career path. Synergy and its predecessors have been part of the Collie community for over 100 years, and I would like to acknowledge the outstanding contribution of the town to WA.

A major challenge for the organisation now is to deliver a pipeline of renewable assets to replace coal-fired generation by 2030. The work being undertaken focuses on developing, building, and acquiring wind farms as well as commercial sized batteries and exploring long duration storage solutions like pumped hydro. Synergy is well placed to lead this major program of renewable developments, with the Bright Energy Investments (BEI) Warradarge Wind Farm having produced its first terawatt hour of energy in March 2022 and the Kwinana Big Battery due to become operational at the end of 2022.

Substantially increasing our portfolio of renewables will see Synergy's carbon emissions reduced by 80% by 2030, as well as a 40% reduction in overall emissions in the SWIS, compared to 2020-21 levels. This is a major step forward in mitigating our climate-related transition risks and supporting the State's aspiration to reach net zero greenhouse gas emissions by 2050.

During this time of rapid change we will work closely with the broader energy industry to achieve our shared goals. I am particularly pleased with our relationships with our stakeholder partners, and the high level of trust from the Minister for Energy and the State Government. In another major decision during the year, the board recently signed off on an updated corporate strategy which sets out the goals we need to achieve over the next five to ten years. It ensures that as a business we become more adaptive and resilient and provide clarity and direction for our workforce as we deliver a secure and affordable energy supply.

Our commitment to support customers and the community in which we operate is key to our evolved strategy. The last two years have been very challenging for WA households struggling with the impact of covid and other rising living costs. We continue to actively support those experiencing genuine financial hardship through individual case managers and programs such as the Household Energy Efficiency Scheme, Solar Energy for Social Housing, and the development of an energy consumption app for customers in hardship.

In May this year the board appointed David Fyfe as CEO after a rigorous recruitment process. David joined Synergy in 2020 as General Manager Commercial and has a wealth of knowledge in the sector. David has made an excellent start in the role, and I am confident he will guide the business to success. On behalf of the board, I would also like to acknowledge and thank long serving former CEO Jason Waters, who had spent his entire working life at Synergy and its predecessors. During his eight-year tenure as CEO Jason has left an admirable legacy and made an immeasurable contribution to the Western Australian electricity sector. I wish Jason the very best in his new role as CEO of Gold Corporation.

I'm excited about the future, not just for the energy sector but also for the people of Western Australia. I look forward to working closely with the State Government, our stakeholder partners, and customers to realise our joint vision, of a more sustainable future for all.

Robert Cole
Chair

From the CEO

It was a privilege to be appointed as Synergy's new CEO during the financial year, and to work with the board to consider our future ambitions and strategic choices. We recognised that support for a more sustainable Western Australia continues to grow, and proactively took the opportunity to reassess our position and evolve our corporate strategy.

The revised strategy provides focus and sets out our long-term vision to become a greener and more financially robust energy generator and retailer (gentailer). Our core plan will see us achieve an 80 per cent reduction in carbon emissions by 2030, but we aim to go beyond this, and help larger energy users achieve their own decarbonisation ambitions.

It was a bittersweet moment when I stood alongside Premier Mark McGowan in June as he announced the staged retirement of our coal-fired power stations to our workforce. This announcement will see us achieve our core plan, and is backed by a $3.8 billion State Government investment, through Synergy, in replacement renewable generation. These retirements however will have an impact on our people, and the wider Collie community and we will need to continue to work with the State Government to support a smooth transition away from coal. We will remain an active participant in the Collie Just Transition Working Group and renew our efforts to support the community through a diverse community investment program.

Our own Workforce Transition Program is considered world-leading and will be expanded. This program will assist each affected individual through career planning, financial counselling, training programs and job placement to find the best pathway forward for them. Our motto is 'nobody gets left behind'. With a strong people first approach we have been progressing in the areas of inclusion and diversity to fully recognise what our uniqueness as individuals brings to the workplace.

This past year Synergy expanded its suite of development programs to support the career advancement of women and embarked on the next phase of our Reconciliation journey, with an "Innovate" level Reconciliation Action Plan (RAP). We will work towards having our Innovate RAP endorsed by Reconciliation Australia, by late 2022. These are all steps in the right direction, but we have much more to do, and are committed to advancement in these areas.

We must also continue to improve our health, safety and wellbeing performance, which is critical now more than ever as our risk profile changes. In 2021-22, there was a 26% reduction in the recordable injury frequency rate to 1.4 per million hours worked and a 38% increase in the significant incident frequency rate to 2.1 per million hours worked. As we construct new wind farms and large-scale batteries at varied locations, decommission our coal-fired power station sites and maintain core operations we must get the basics right when it comes to safety. This is something I am incredibly passionate about and maintain as a priority.

Synergy's financial year result for 2021-22 was a net loss before tax of $429.2 million compared with a net loss before tax of $263.5 million the previous year. The increased loss predominately arose from an impairment following the State Government's decision, announced on 14 June and other economic factors. Adjusted for these costs, we reported an underlying net profit before tax of $ 192.5 million.

Our future vision is now clear and exciting, and I look forward to working in partnership with the broader energy sector, government and customers as we realise the far-reaching benefits of the energy generation transformation. We have an incredible future ahead of us, and I am grateful to everyone at Synergy for embracing our updated corporate strategy and new opportunities that lie ahead. I also acknowledge the efforts of my colleagues to manage the ongoing impacts of COVID-19. Supply chain management has been challenging particularly in the renewables space, but we have managed to limit the impact on our business.

I thank Rob and the board of directors for their commitment and engagement, and the Hon. Bill Johnston MLA, Minister for Energy and his office for their support as we transition to a more sustainable energy future.

David Fyfe

David Fyfe
CEO

Executive Team

Mark Chambers
Acting General Manager Wholesale

David Fyfe
Chief Executive Officer

Kurt Baker
Acting General Manager Commercial

Dion Paunich
General Manager Generation

Melanie Brown
General Manager Office of the General Counsel and Company Secretary

Gary Peel
General Manager Transformation and Technology

Jonathan Cowper
Chief Financial Officer

Angie Young
General Manager Sustainability

Colin Smith
General Manager Customer Experience
(absent)

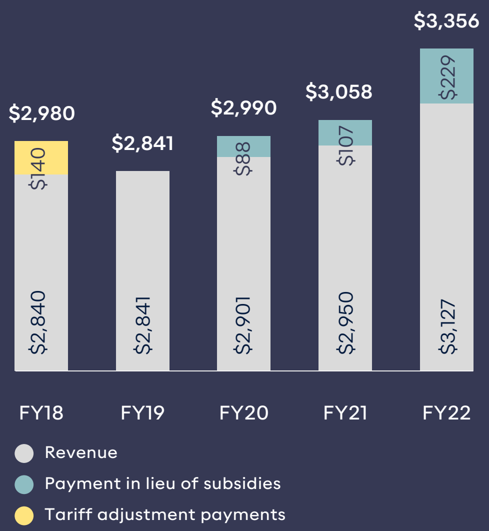
Financial Overview

Synergy's underlying financial result benefitted from strong sales demand, with revenue growth of 9.7% underpinned by improved contestable recontracting rates and favourable weather conditions. Increased generation from Synergy's assets enabled the organisation to efficiently meet this demand.

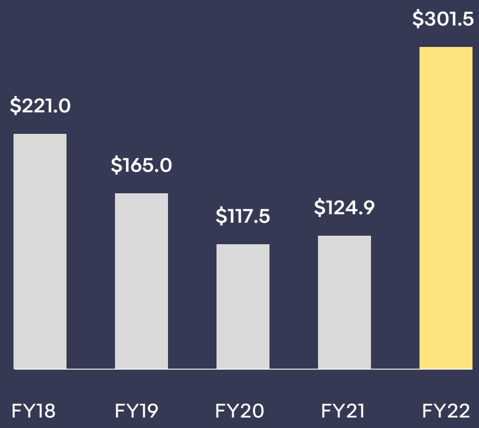
Strong demand resulted from a hot summer which increased cooling requirements and spring rainfall which decreased solar output. High Synergy plant availability during summer, unplanned outages by Independent Power Producers (IPPs) and a change in dispatch bidding by competitors have resulted in the higher dispatch of Synergy assets, enabling more efficient use of the plant.

Despite an otherwise positive performance, Synergy recorded a statutory net loss before tax of $429.2 million for the financial year 2021-22. This has been driven by a non-cash impairment to reflect the State Government's decision, announced on 14 June. Key highlights entail the early retirement of Synergy's coal assets, investment in renewable generation and energy storage, tariffs capped at Consumer Prince Index (CPI) and other economic factors.

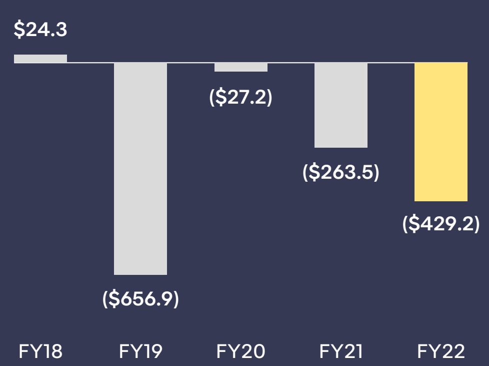
Revenue ($M)



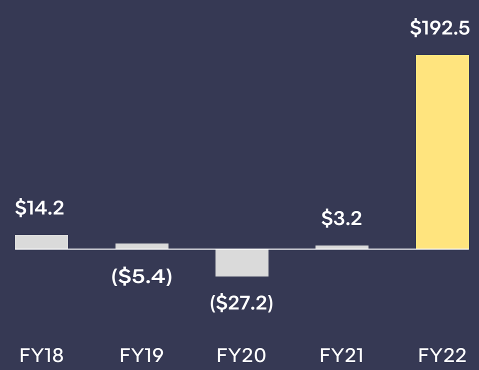
Underlying EBIDTA ($M)*



Statutory net profit / (loss) before tax ($M)



Underlying net profit / (loss) before tax ($M)*



Underlying excludes one-off charges associated with the State Government's decision, announced on 14 June and other economic factors resulting in impairment of non-current assets of $569.5 million, restructuring costs of $34.7 million, an allowance for inventory obsolescence of $11.8 million and a provision for onerous contracts of $6.1 million and share of profit from joint ventures of $0.4 million.

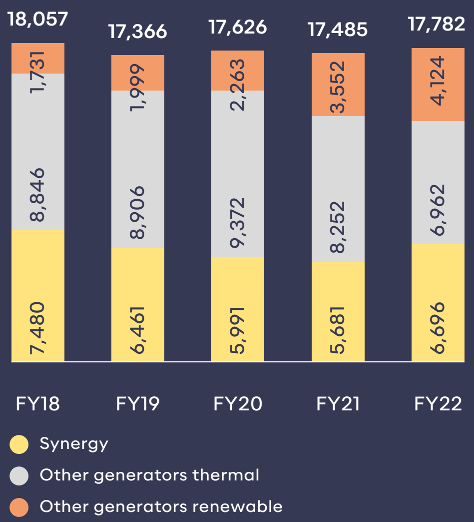
The changing energy landscape

Financial Year 2021-22 saw increasing levels of renewable energy meeting the energy demands of Western Australian homes and businesses. Large-scale renewable generation in the SWIS increased 16% to 4,124 GWh, following the first full year of operations from Warradage and Yandin wind farms and Merridin solar farm. Rooftop solar also grew at record levels, with more than 274 MW of capacity added to the SWIS. As a consequence, thermal generation declined by 275 GWh from the financial year 2020-21.

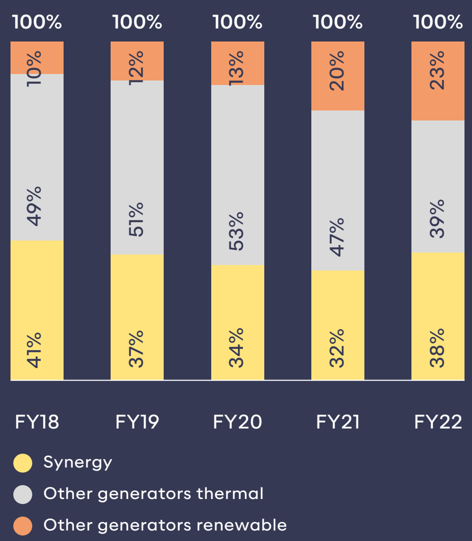
Despite the increase in large and small-scale renewable energy, Synergy's sent-outs (dispatched generation) from its coal-fired fleets have increased by approximately 1,014 GWh (18%) from financial year 2020-21.

This increased level of generation resulted in Synergy increasing its share of the wholesale market by 6% from financial year 2020-21.

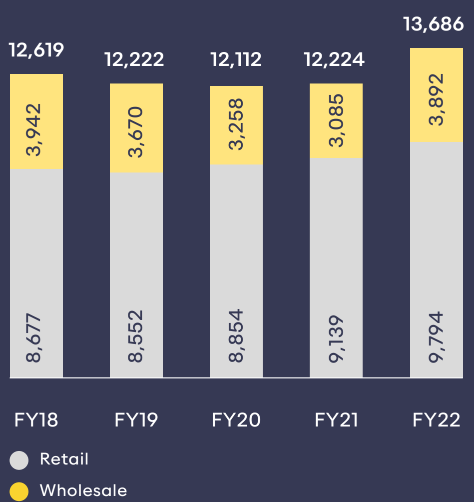
SWIS generation (GWh)



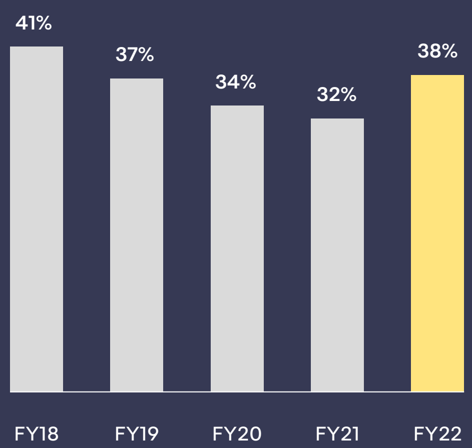
SWIS generation mix (%)



Electricity sales (GWh)



Generation share of SWIS sent-outs (%)



Our Community

Across Western Australia more than one million customers rely on Synergy to live, work and play.

Customers are at the core of everything Synergy does, and we are dedicated to helping people access affordable and efficient energy solutions, make empowered decisions about energy management, and navigate WA's changing energy landscape.

Support through hardship

Synergy is committed to supporting its customers through a range of specialised services.

The Case Management program provides tailored hardship assistance options to customers experiencing severe financial difficulty and is made up of seven specially trained case managers who work one-on-one with customers. Customers make payments based on their capacity to pay and Synergy works with them to reduce their energy consumption in tandem with paying down any debt they may have.

Hon. Sue Ellery MLC, Hon. Mark McGowan MLA and Synergy's General Manager Customer Experience Colin Smith at Schools VPP Pilot Project launch

To date, Synergy has serviced 4,266 customers through the Case Management program with 538 successful completions (zero balance or in credit). 2,737 customers remain on the program. An additional 10 case managers joined Synergy in April 2022 and are forecast to support over 6,800 customers throughout the next financial year.

A $6 million Solar Energy for Social Housing initiative was announced by the State Government in July 2020. So far, over 300 customers have been recruited, with 170 rooftop solar installations complete on social housing properties, with anticipated savings of 10 per cent on average.

A virtual symphony

Project Symphony is an exciting and innovative pilot, which aims to explore how a Virtual Power Plant (VPP) could contribute to a sustainable, affordable and reliable energy future for WA.

A VPP organises and aggregates selected distributed energy resources (DER) space between resources and DER to generate and store electricity at a local level.

A VPP can bring together roof-top solar photo voltaic batteries and electric vehicles, or larger generation systems installed at commercial and industrial facilities and even community-scale batteries, which are shared across an area.

Project Symphony is a collaboration between Synergy, Western Power and the Australian Energy Market Operator with support from Energy Policy WA. The project has also received funding from the Australian Renewable Energy Agency (ARENA) as part of its Advancing Renewables program.

In May 2022 an exciting milestone was reached with the $35 million Project Symphony aggregating its first package of residentially generated energy and successfully participating in a simulated two-way wholesale electricity market.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SCHOOLS SOLAR CHALLENGE
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SOLAR CHALLENGE

Power to the people

Powerbank is a joint initiative between Synergy and Western Power that gives eligible residential customers access to a community battery to store exported energy from their rooftop solar systems. In the past year, nine locations across WA were added to the pilot, with over 300 customers participating and experiencing a typical average $40 per month savings on energy costs. The Powerbank pilot in Meadow Springs ends in September 2022.

Powering schools

Synergy has joined with the State Government and Department of Education to create opportunities to transform schools into smart and flexible Virtual Power Plants (VPPs) to optimise renewable energy sources. In Stage 1 of the Schools VPP pilot, batteries were installed and commissioned at ten schools to store energy from rooftop solar panels. This stage is due for completion in June 2023 and will test how a VPP can help schools better understand and manage energy use, as well as improve the grid's overall stability and reliability. This pilot will extend into seven regional schools for Stage 2.

Driving forward

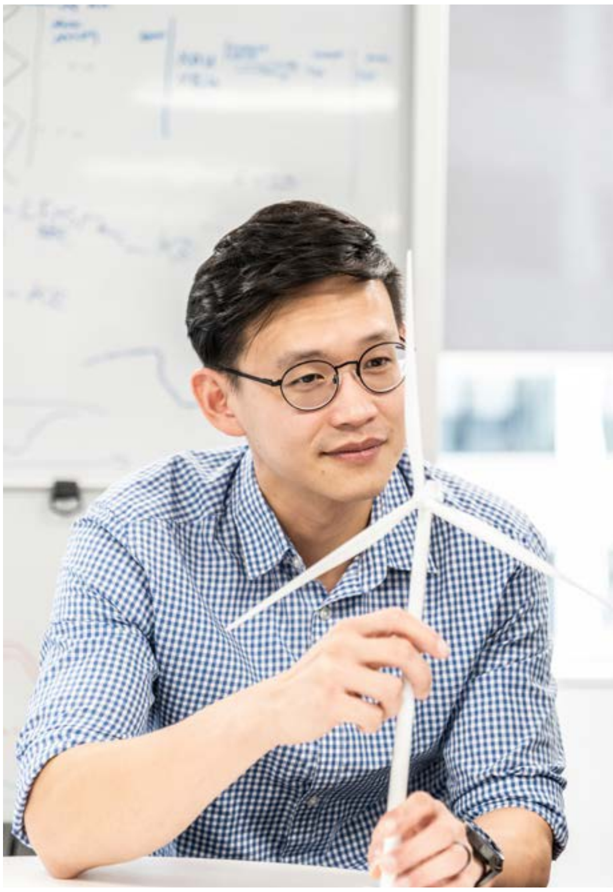
As announced in August 2021 as part of the State Government's $21 million Electric Vehicle Strategy, the Electric Vehicle (EV) Highway project aims to deliver a network of 49 EV fast charging stations across WA by February 2024.

Providing options

New products and services aim to meet customers' changing energy needs. The Midday Saver program was launched as a two-year pilot in November 2020, incentivising eligible residential customers to shift a portion of their electricity use to the middle of the day by providing lower pricing for use in off peak times. This benefits both customers and the broader electricity network.

To support the needs of business customers, NaturalPower is Synergy's accredited green energy product, which offsets a percentage of their electricity use with renewable energy. When a customer purchases NaturalPower from Synergy, they purchase large-scale generation certificates from nationally accredited sources, giving them official recognition of their investment.

Advanced Metering Infrastructure (AMI) provides customers with half-hourly energy use data to allow more informed decisions regarding their energy behaviours. AMI will reduce the reliance on manual meter readings and avoid the impact of estimated bills. Approximately 400,000 advanced meters have been installed on the SWIS with remote re-energisation capabilities commissioned in April 2022.



Synergy constantly explores new opportunities and introduces programs to benefit customers and support local communities.

Community Solar Fund

The 2021 Synergy Community Solar Fund awarded the Constable Care Foundation, Crossways Community Services and Directions Disability Support Services with fully installed rooftop solar systems. These are projected to help them save more than $11,000 collectively on their annual electricity costs.

Eligible SCSF applicants are also offered a free energy audit to build their knowledge of energy and help them better manage their energy use and costs. More than 200 energy audits have been conducted since the fund began.

Synergy Christmas Lights Trail

For Christmas 2021, over 300 customers joined the Synergy Xmas Lights Trail platform to share their lights display, raise donations for Lifeline WA and enjoy the chance to win a share in $6,500 worth of electricity credits. Three community heroes nominated by their neighbours had their homes decorated in festive lights and their electricity bills paid for three months.

Inspiring the customers of tomorrow

Now in its sixth year, the Synergy Schools Solar Challenge gives students the opportunity to learn about solar energy and battery technology in an engaging and hands-on program. While COVID-19 protocols meant the challenge could not take place in a physical format this year, 180 schools accessed our free online teacher's portal and resources, including guided lesson plans for Year 6 and 8 students.

Working with the Collie community

We continue to invest in the social, economic and environmental strength of the Collie community through various initiatives. The Collie Community Investment Program continues to deliver economic and social benefits to the region, targeting a diverse range of projects and initiatives. Theh Collie Small Grants Program was run for the fourth year, distributing about $30,000 to seven community groups. Many projects were supported, including volunteer emergency and health services, sporting clubs and heritage groups.

We continue to invest in the social, economic and environmental strength of the community

A partnership supporting the Collie River Mountain Bike Marathon race leveraged the State Government's $10 million spend on upgrading local tracks and trails, aiming to promote Collie and increase tourism numbers in the region.

Support of education initiatives included delivery of the annual school awards and scholarships program at local schools, support of apprenticeship pathways for high school students via the Collie Education Training Alliance and funding the youth driver development program aimed at teaching road safety to local students.

Muja Power Station's employee volunteering program assisted Collie-Preston member Jodie Hanns MLA to deliver the annual Christmas hamper campaign within the town, supporting community members experiencing hardship over the festive period. Additionally, the program has employees assist with maintenance works at the local Police and Community Youth Centre as well as support the Tom Quilty endurance horse riding event.

Our Energy

The Western Australian energy sector is on a significant transformation to a new energy future.

Synergy is innovating and adapting its operations for the market while continuing to provide safe and reliable energy.

Synergy's generating assets include coal-fired generation at Muja and Collie power stations and gas turbines at Cockburn, Pinjar, Kalgoorlie and Mungarra.

Synergy's electricity production was higher than predicted due to Western Australia's hottest summer on record and above target availability from the Muja and Collie Power Stations. Total generation of 6,831 Gigawatt hours (GWh) was 23% per cent above target.

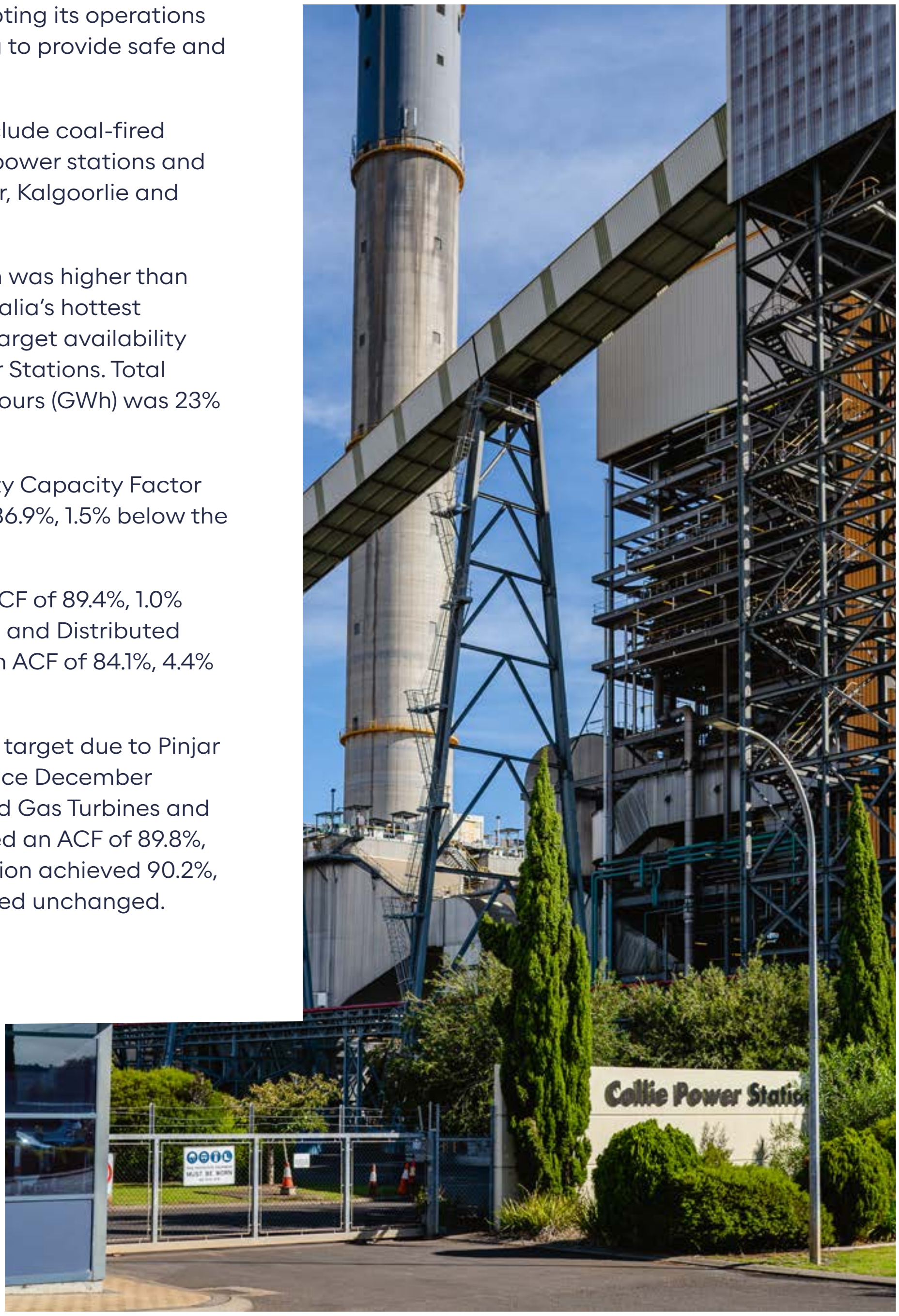
Synergy's generation Availability Capacity Factor (ACF) across the portfolio was 86.9%, 1.5% below the target of 88.4%.

Coal generation achieved an ACF of 89.4%, 1.0% above target, and Gas Turbines and Distributed Generation (GTDG) achieved an ACF of 84.1%, 4.4% below target.

The generation ACF was below target due to Pinjar 10 being on a forced outage since December 2021. If this outage is discounted Gas Turbines and Distributed Generation achieved an ACF of 89.8%, 1.4% above target, and generation achieved 90.2%, 1.8% above target. Coal remained unchanged.

The Flexible Operations program has continued to improve flexibility in Synergy's traditional generation assets. Reducing the minimum load of Synergy's biggest assets is one of many ways to contribute to reliable delivery of electricity to customers in a rapidly changing market. In the last financial year, Synergy achieved a reduction in minimum load across Collie and Pinjar Power Stations.

Both demand and supply are becoming less predictable with variance often exceeding 300 MW each way from one trading interval to the next. This can be an issue when looking to optimise the use of thermal generation.



Challenges with thermal generation include:

- Low daytime demand load
- Demand and supply becoming less predictable
- Solar rooftop generation varying depending on weather conditions

A record low operational load of 761 MW occurred on 14 November 2021 and this downward trend is expected to continue due to the strong uptake of rooftop solar. This means that to ensure system security, we are more reliant on fast response gas generation units.

The reduction in operational demand, along with climate changes has resulted in the rapid escalation in the amount of trading intervals at negative prices. These intervals persist at prices that are well below the marginal running costs of thermal generators. This results in thermal generators having little economic incentive to remain online, apart from the ability to service evening peak when prices are higher. This is producing prices that do not reflect the value of producing electricity. With low loads, fewer thermal generators can remain online, which presently provide ancillary services.

Generation transformation

As announced by the WA Government in 2019, Synergy has been working towards the staged retirement of Muja Power Station's two C units. Through the WA Government's Collie Just Transition Program, Synergy has worked closely with local industry and the community to lay the groundwork for this transition.

In June 2022 the Premier, Hon. Mark McGowan MLA and Energy Minister Hon. Bill Johnston MLA announced the retirement of Muja and Collie power stations by 2030. Collie Power Station will retire in late-2027 and Muja D in late 2029.

The State Government has committed to investing $3.8 billion through Synergy to continue building windfarms and large scale batteries and transitioning to more sustainable energy solutions.

We are working closely with our people affected on their transition journey as part of a best-practice Workforce Transition Program (WTP).

Opening the new Pinjar control centre named Kaya meaning 'hello' in Noongar.

The energy landscape continues to evolve, and Synergy is committed to delivering a secure and cost effective supply of electricity.

Opening of Collie Power Station. 1931

Big Battery Kwinana

Developing new energy solutions

As part of the State Government's energy market reforms, some tangible deliverables have been instigated by Synergy including at Pinjar and Kwinana power stations.

Synergy's new control centre at the Pinjar Power Station was officially opened in May 2022. The building was constructed to accommodate an open cycle gas turbine control room that will operate 24/7 once the Wholesale Energy Market (WEM) reforms come into effect in 2023.

Synergy is currently undertaking a study into the feasibility of blending hydrogen into existing gas turbines.

As well as supporting the gas turbines at Pinjar, Kwinana and Kemerton, the centre will support new energy solutions such as battery energy storage.

Large-scale battery storage will enable the ongoing development of large-scale renewables and provide a more cost-efficient method for the delivery of essential system services. Synergy is working in partnership with energy storage specialist, NHOA and Western Power to deliver the battery facility, known as the Kwinana Battery Energy Storage System, or KBESS. This lithium-ion iron phosphate battery will help ensure a safe and reliable power supply for our customers and enable the continued uptake of rooftop residential solar. The battery is being built on the decommissioned Kwinana power station. The 100 MW battery will have the capacity to power the equivalent of 160,000 homes for two hours.

SynergyRED

Synergy Renewable Energy Developments Pty Ltd (SynergyRED) is a wholly owned subsidiary of Synergy whose purpose is to explore and develop renewable energy solutions for an intelligent energy future. The company plays an important role in Synergy's renewable energy strategy by developing new large scale renewable electricity generation and energy storage projects.

In April 2018, Synergy partnered with the Dutch Infrastructure Fund (DIF) and the Construction and Building Unions Superannuation (CBUS) to create Bright Energy Investments (BEI). Synergy holds a 19.9% interest in BEI.

Through BEI, Synergy financed 210 MW of new renewable energy generation and 45 MW of operating renewable assets. All 255 MW of large-scale renewable generation is now operational on the South West Interconnected System (SWIS). The BEI operating facilities include the Greenough River Solar Farm (40 MW), the Albany Grasmere Wind Farm (35 MW) and the Warradarge Wind Farm (180 MW).

SynergyRED provides asset management services to the BEI facilities and corporate support services to the BEI group of companies. It also facilitates and provides technical support on renewables and storage for Synergy's contestable customers, an area that has seen increased demand in the last 12 months.

Warradarge Wind Farm generated its first terawatt hour of energy since it began operation in August 2020. The 180 megawatt wind farm reached the milestone in March 2022.

Our Environment

Synergy is committed to continually improving our environmental management.

Synergy has created an Environment Strategic Plan for the financial years 2022-25. Synergy's is committed to achieving an 80% reduction in carbon emissions by 2030 and net zero by 2050.

The plan outlines three main pillars:

Protect:
Care for the environment

Meeting our customers' environmental expectations, delivering environmentally sustainable assets, and communication of environmental performance.

Remediate:
Respect and restore our land

Creating sustainable solutions for waste, remediating the land we have impacted and managing contamination liability.

Inspire:
Net-zero by 2050

Understanding the pathway to net-zero, creating new opportunities for communities, and remaining transparent with all reporting.

Protect

Synergy is managing the environmental aspects of electricity generation for its customers. Regular inspections, monitoring, governance and environmental support, means we are focussed on compliance with our environmental approval licence conditions.

In 2021-22 there were three reportable environmental incidents that occurred which are outlined in Table 1. The learnings we have applied from these incidents will help to further improve our environmental performance.

Table 1.
Reportable environmental incidents

Date	Location	Incident details	Reporting
August 2021	Collie Power Station	Saline line disposal quarterly results had an exceedance of iron	Department of Water & Environmental Regulation (DWER)
October 2021	Muja Power Station	Availability of ambient air quality monitoring data for September 2021 was below the licence condition (more than 90% of data is required for every calendar month)	Department of Water & Environmental Regulation (DWER)
May 2022	Kwinana Power Station	Damage to the integrity of the overflow pond at Kwinana Power Station, resulting in no direct environmental impact	**Department of Water & Environmental Regulation (DWER)**

Table 2.
Synergy bore water use

Groundwater abstraction licence	Muja Power Station	Kwinana Power Station	Pinjar Gas Turbine Station
Allocation	12,000,000 kL	1,000,000 kL	10,000 kL
Actual use	5,811,750 kL	137,659 kL	6,436 kL

To encourage the protection of the environment and recognise the good work of our people to raise environmental awareness and performance, a new environmental category was added to our peer recognition scheme. There have been 79 nominations in this new category since it was introduced in September 2021.

Remediate

Respecting and restoring the land we own can create sustainable opportunities. Synergy has a dedicated environmental remediation team creating capability to address legacy environmental impacts so that land can be restored back to a form where its value is maximised.

Fly and bottom ash are a generation by-product created through the combustion of coal to generate electricity. Synergy currently collects fly and bottom ash and stores it in large dam areas. Synergy has engaged with CSIRO and other organisations to characterise, investigate, and cost the potential for ash re-use as a waste derived material. This study aimed to unlock the value in ash waste, transforming it into a product that can be utilised in multiple applications such as concrete, road base infill, paving, bricks, noise barriers and retaining walls.

Following successful trials, Synergy recently poured its first concrete slab using approximately 30 tonnes of high-volume fly ash from Muja Power Station. Not only has Synergy developed an innovative use for fly ash, the concrete created will also reduce carbon dioxide emissions from concrete production. Concrete contributes approximately 7% of carbon emissions globally. Synergy's new concrete has so far saved 27 tonnes of carbon dioxide emission.

Revitalising waste and using it as a resource is an example of Synergy embedding environmental sustainability across its business, while also investing in opportunities that have the potential to support the Workforce Transition program.

Inspire

Climate change is a pressing global issue, and the impacts of this in Western Australia, include changes in seasonal weather patterns, increasing temperatures, and changing water availability. Core to Western Australia's energy transformation is understanding climate change risks and opportunities and how to shape Synergy's assets in response.

Every year, Synergy reports Scope 1 and Scope 2 greenhouse gas emissions, energy production and use to the Clean Energy Regulator. Synergy's reportable annual greenhouse gas emissions has increased this financial year due to a month on month increase in generation across Synergy's assets caused by higher demand during the hottest summer on record.

Climate change

Climate change will continue to be a material issue for Synergy, and in 2021-22 the first steps were taken to incorporate the Task Force on Climate-related Financial Disclosures (TCFD) framework within the business to assist in assessing, mitigating and disclosing climate-related risks and opportunities effectively and consistently.

Working closely throughout the financial year with specialist external advisers, we have continued to mature our approach and actively implement the framework. This update builds on previous disclosures and provides details on our approach to understanding firstly the physical climate-related risks to our current assets.

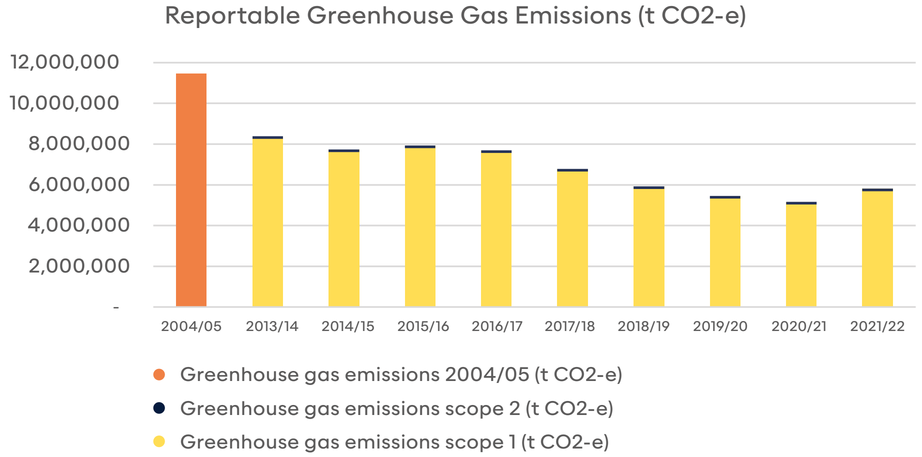


Figure 1 Synergy greenhouse gas emissions.

High-volume fly ash concrete is a significant achievement for Synergy and highlights a commitment to delivering efficient and sustainable operations.

Scientific evidence shows that the world is rapidly heating, with surface air temperature 1.1°C higher over the period 2011-2019 compared with 1850-1900, with a more significant increase over land at 1.6°C. This and increasing temperatures into the future, increases the risk of unpredictability and extreme weather events. Over time, the projected increase in frequency and intensity of extreme weather events has the potential to directly impact Synergy's assets and operations. Understanding the potential risks has required a range of people to come together to assess how future conditions may impact assets and their locations.

As recommended by the TCFD framework, scenario analysis was utilised to define possible futures and associated physical climate-related risks. Detailed modelling was conducted, and the worst-case physical climate impacts were modelled per location, including Mungarra, Pinjar, Kalgoorlie, Cockburn, Kwinana, Collie and Muja.

Identified risks were aligned with the Synergy risk management framework to ensure a systematic and integrated approach to climate-related risk. These risk categories included:

1. Health, safety and well-being
2. Community
3. Environment
4. Financial (including production loss)
5. Legal and compliance
6. Reputation and customer confidence

This work has enabled Synergy to develop an appropriate process to identify and further understand potential material physical climate-related risks, incorporate them into strategic considerations, and ensure reliability of operations and worker safety.

We will continue to monitor developments and evolve our approach to identify and manage both physical and transitional climate-related risks and opportunities in 2022-23.

Flying high

Carnaby cockatoos are a rare and endangered bird and are only found in Western Australia. They were discovered in 1948 by naturalist Ivan Carnaby. They breed in large tree hollows in the Wheatbelt during winter and move to the Swan Coastal Plain to feed on native seeds and insect larvae for the rest of the year.

Carnaby black cockatoos are losing their breeding and feeding habitats at an alarming rate. Synergy is protecting these endangered species by not building any assets on the cockatoos' habitats.

This area near the Pinjar Power Station is a protected nature conservation zone known as "Bush Forever".

Our People

Synergy prides itself on its 'people first' culture.

We are committed to providing an exceptional place to work where people are engaged, enthusiastic, have opportunities to learn and grow, experience a sense of belonging and are invested in a shared purpose to positively contribute to leading Western Australians to their intelligent energy future.

An engaged workforce and positive employee experience is an important part of Synergy. In 2021-22 employee engagement surveys were conducted for the fifth year in a row using Gallup's global platform. The results positively indicated that Synergy has strength in engagement maintaining its second quartile (63rd percentile) rank when compared to the Gallup global database and the Australian database (71st percentile).

Peer recognition is a core part of Synergy's people first approach and is well entrenched in every part of our organisation. This platform enables individual and team recognition for achievements and contributions against shared values and focus areas. The average number of recognitions per person has increased 21% from the previous year and increased by 213% since the program was first introduced in 2017. There is a clear link between peer recognition, engagement, and overall organisational performance.

Synergy was awarded a platinum employer by disability employment specialist EDGE Employment Solutions.

A welcome workplace for all

To understand how inclusive we are as a workplace, Synergy took part in the Diversity Council of Australia (DCA) Inclusion Index survey. Synergy's employee responses were compared with over 25,000 other employees from across Australia. Based on the strength of the results and exceeding the national employer benchmark results in five of six areas, Synergy was recognised as a DCA Inclusive employer for 2021-22.

Synergy progressed with its commitment to employ candidates of all abilities. This commitment resulted with nine new hires where the candidate disclosed a disability at the time of application. Synergy now has employees with a lived experience of disability working at entry level roles all the way through to executive positions. Our work in this space was recognised with Synergy being awarded a platinum employer by disability employment specialist EDGE Employment Solutions.

Synergy's Executive and Board approved a new two-year Inclusion and Diversity Plan in August 2021. This plan sets clear objectives to improve performance in the priority areas of reconciliation, women in leadership, employment of candidates with disability and fostering inclusion. The Plan details a range of deliverables and targets for each of the priority areas.

Synergy initiated a range of improvement measures to increase the representation of women in leadership roles. A female leadership program, delivered in collaboration with the Tower Group, launched in May 2022. The program looks to support and inspire female leaders to reflect and build on their career goals. A review of recruitment processes to better manage the impact of unconscious bias has also been undertaken.

Workforce Transition Program (WTP)

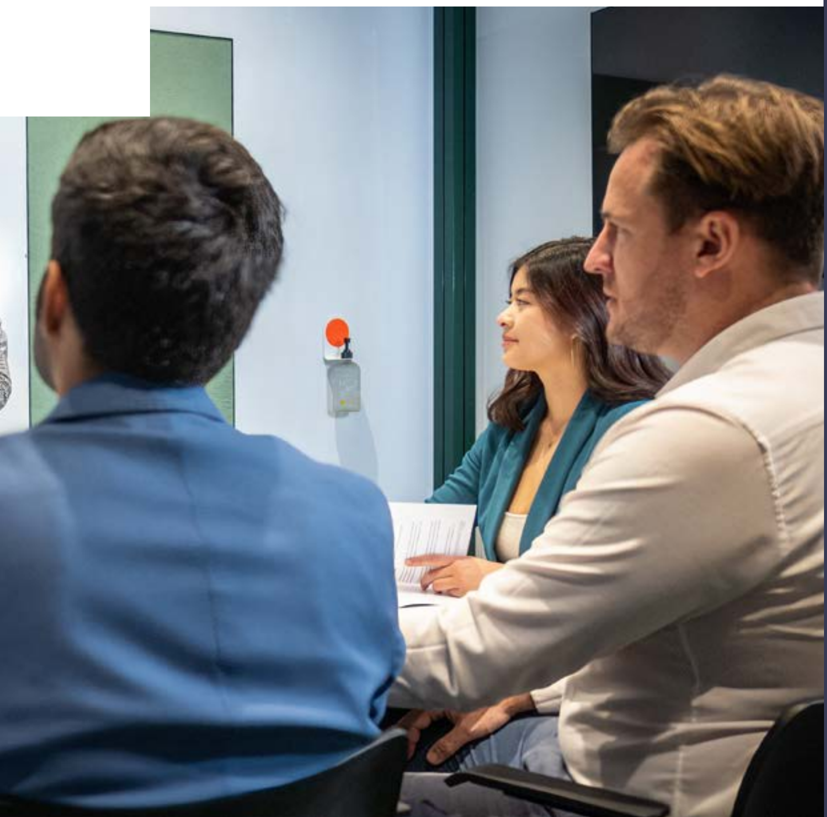
Synergy has taken a collaborative, people-first approach toward the State Government scheduled coal-fired power station retirements, and is working with all affected employees on long-term transition plans. The WTP is guided by three foundational pillars to ensure that no one is left behind through this transition:

- Support for Synergy's people
- Support for the Collie community
- Creating sustainable opportunities

Tailored support, services and resources are available to help our people achieve their individual transition plans across several different pathways including:

- Retirement
- A new role within Synergy
- Further opportunities beyond Synergy

The WTP is delivering benefits and building capacity within the workforce with 20 Muja employees recently becoming fully qualified trainers and assessors. The nationally recognised Certificate IV in Training and Assessing (TAE) course was offered to people requesting upskilling as part of their individual transition training plans, with participants hailing from a cross-section of the station including maintenance and operations. Phoenix Academy delivered the program on site, with a focus on industry-relevant content and context.



RAP

Synergy delivered against its first Reconciliation Action Plan (RAP). The RAP detailed 39 commitments covering areas of respect, relationships and opportunities.

Some notable milestones in 2021-22:

- Initiated an Aboriginal employment pilot where we have employed five Aboriginal candidates across various business units.
- Continued commitment to cultural awareness training with 10 full day workshops delivered across sites. Expanded education to include on country experiences in Kings Park with elder Kerry Anne Winmar and around significant sites in the Perth Central Business District with Curtin University Centre for Aboriginal studies.
- We commissioned Jatu Clothing to design and produce a RAP polo shirt and high-visibility uniforms.
- Our new Kamberang and Kaya administration buildings at Kwinana and Pinjar sites featured First Nations naming and cultural engagements for the opening ceremonies.

People with spirit

Synergy Spirit raises money for charity and helps partner people with local volunteering opportunities. It is driven by a committee of enthusiastic volunteer employees. Everyone is welcome to get involved - from making regular donations through payroll or attending a fundraising activity. Employees elect charities to support over each financial year. During 2021-22 these charities received $23,000 from workplace giving and $38,000 from fundraising activities.

The donations have a significant impact on the services these charitable organisations can offer the community. Whether they are animal welfare agencies, disaster recovery organisations or charities supporting people in hardship, Synergy's people are eager to do what they can to help.

Supporting our people

Synergy is committed to establishing a learning academy to focus on and enhance the development of new capabilities needed now and in the future.

Its graduate program was recognised in Australia's top 75 by the Australian Association of Graduate Employers with Synergy ranked 32 overall, and the top performer in the electricity industry. There are 19 employees in our graduate program across a range of disciplines.

We continue to support and invest in the development of our people with around 40,000 hours of training undertaken in 2021-22.

Synergy assisted in tailored study support with 14 employees undertaking undergraduate, postgraduate and professional study programs. Internal leadership development opportunities were undertaken by 106 employees (48 female and 58 male).

Safety first

Synergy is committed to providing and maintaining a work environment that supports and enhances both the physical and psychological health and safety of all workers. There was an increase of 38% in the significant incident frequency rate to 2.1 per million hours worked but there was a 26% reduction in the recordable injury frequency rate to 1.4 per million hours worked. During the reporting period, there were no WorkSafe notices issued to Synergy for required improvements to health and safety practices.

Synergy has continued to review and amend its health, safety and management systems and processes to align with the *Work Health and Safety Act 2020* and accompanying regulations, which came into effect on 31 March 2022. During the year regular education and training was provided.

Synergy's Process Safety Asset Management (PSAM) program continues progressing its safety culture and asset management excellence in power generation operations. The increased maturity of the PSAM culture throughout Synergy enables the safe, reliable, efficient, and flexible operation of all assets. Key achievements over the financial year include:

Delivery of a comprehensive training program in the management of process safety risks

Enhanced processes, tools, and visualisations for the assessment of process safety risks and effectiveness of critical controls

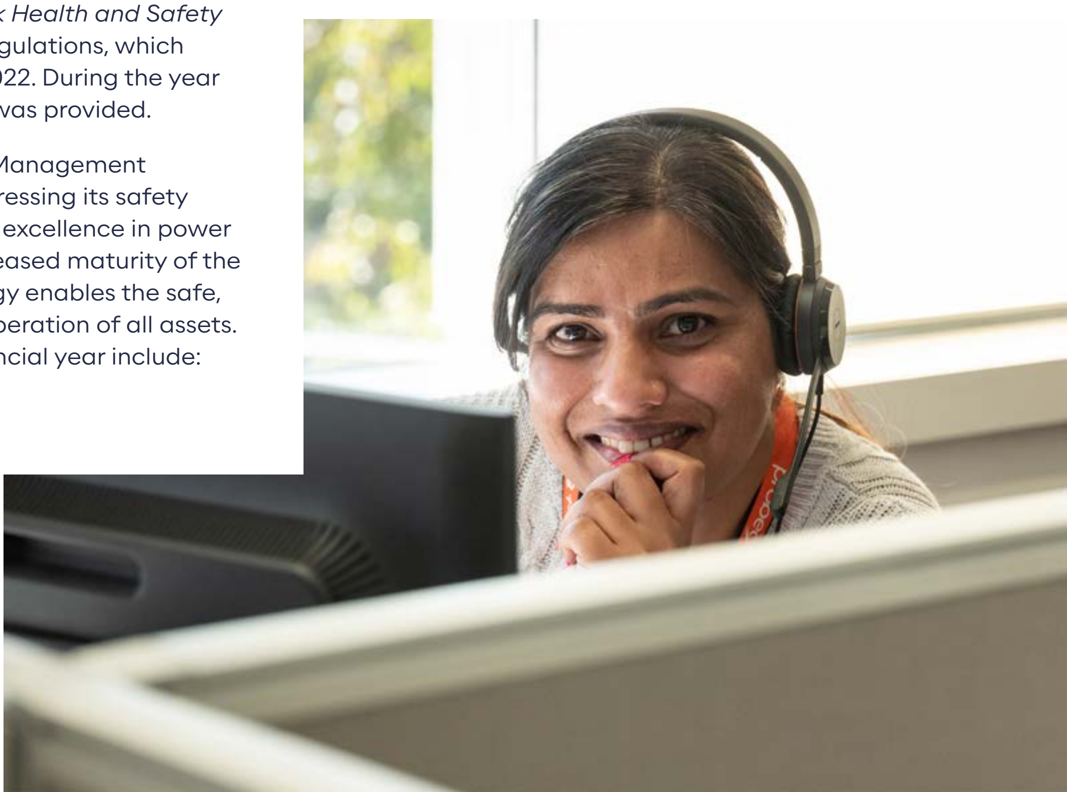
Implementation of a management of change process to capture and manage the risks of technical changes such as the installation of new or upgraded equipment

Completion of a comprehensive set of asset management plans to support the capital and annual works program for energy generation assets

A defect elimination program to manage plant defects on power generation sites to embed a 'fix forever, rather than forever fixing culture'

Synergy continues proactive collaboration and consideration of its peoples' health and wellbeing. Our Pandemic Response Committee provided timely and informed advice and direction to maintain the security of critical power supplies in relation to the COVID 19 pandemic. Employees have a broad range of flexible work options, including part-time hours, compressed work cycles and the ability to work from home.
We host a calendar of health and wellbeing events based on the demographics and health needs of our diverse workforce enabling our people to bring their whole self to work

Synergy has partnered with White Ribbon Australia to become an accredited workplace in recognition of the important role the workplace holds in providing safe environments for women, driving social change and eliminating men's violence against women



Directors' Report

Corporate governance

Electricity Generation and Retail Corporation, trading as Synergy, is a WA Government Trading Enterprise (GTE) established under the *Electricity Corporations Act 2005* (Act), which specifies its powers, functions and operational restrictions.

As a GTE, Synergy is not listed on the Australian Securities Exchange (ASX) but seeks to comply with the ASX principles of corporate governance and recommendations, to the extent applicable and consistent with the requirements of the Act.

Synergy's core values of innovation, accountability, collaboration and trust guide the actions and behaviours of all its employees.

Board of Directors

The directors of Electricity Generation and Retail Corporation trading as Synergy, at any time during or since the end of 2021-22 financial year, are listed on the following two pages.

Company Secretary

In February 2020, Ms Melanie Brown was appointed Company Secretary and General Counsel of Synergy. This executive role includes management of secretariat, legal, regulation and compliance, risk, internal audit and corporate governance areas of the business.

The Company Secretary is responsible for ensuring that board procedures are complied with and governance matters are addressed. All directors have access to the Company Secretary's advice and services.

Robert Cole

Chair since November 2017

Independent,
non-executive,
BSc,
LLB (Hons)

Mr Cole has 35 years' experience in the energy and resources industry. He is a former executive director on the board of Woodside Petroleum Ltd and former managing director of Beach Energy Ltd. He is also a former chair of the Australian Petroleum Production and Exploration Association. Prior to joining the oil and gas industry, he had an extensive legal career with King and Wood Mallesons. He is currently chair of Landgate, Perenti Global Ltd and Iluka Resources Ltd, and an advisor on gas industry matters to the board of Power and Water Corporation in the Northern Territory. In the not for profit sector, Mr Cole is on the board of St Bartholomew's House Inc.

Committee membership
Member of the Audit and Risk Committee.

Bronwyn Barnes

Director since May 2019

Independent,
non-executive,
BA,
Grad Dip (Mgmt)

Ms Barnes is an experienced director with broad and strategic experience across a range of board positions and industries. She has more than 20 years' experience in the mining and resources sector with companies ranging from BHP Billiton to emerging juniors in director, leadership and operational roles. She is currently Executive Chair of Indiana Resources Ltd and Scorpion Minerals Ltd, and Non-Executive Chair of Aerison Group Ltd and Finder Energy Ltd. Ms Barnes is also a member of the board of management for The St Mary's Foundation. Ms Barnes was inducted into the WA Women's Hall of Fame in 2019.

Committee membership
Member of the Human Resources and Sustainability Committee.

Kim Horne

Deputy chair since July 2015;
Director since October 2014

Independent,
non-executive,
AM

Mr Horne has extensive experience in the minerals industry working in a number of high-level roles at Alcoa in the areas of mine development and management, human resources, corporate affairs, strategy and government relations both in Australia and overseas. He is currently the deputy chair of Fremantle Ports. He is a graduate of the University of Western Australia's management education program and was appointed as a Member of the Order of Australia in January 2014 for his services to the mining industry.

Committee membership
Chair of the Human Resources and Sustainability Committee

Rob Bransby

Director since July 2015

Independent,
non-executive,
A.Fin,
FAIM

Mr Bransby is the chair of Australian Health Services Alliance, Commonwealth Private Bank Ltd, Commonwealth Financial Planning Ltd, Financial Wisdom Limited, He is also a commissioner (Deputy Chair) of the Insurance Commission of WA. He is a former managing director of HBF Health Limited and a former director of HealthGuard Health Benefits Pty Ltd, HBF Insurance Pty Ltd and Pioneer Credit Ltd. Prior to HBF, Mr Bransby held various executive positions throughout 25 years at the National Australia Bank Ltd.

Committee membership
Member of the Human Resources and Sustainability Committee.

Yasmin Broughton

Director since November 2017

Independent, non-executive, BComm PG Dip Law FAICD

Ms Broughton is a corporate lawyer with significant experience working as both a director and senior executive in a diverse range of industries, including electricity and gas, and was previously the acting general counsel and company secretary of Alinta Limited, a former ASX 50 company. Ms Broughton is a non-executive director of Wright Prospecting Pty Ltd, Western Areas Limited, The Royal Automobile Club of WA (Inc) and RAC Insurance Pty Ltd. In the not for profit sector, Ms Broughton is Chair of Presbyterian Ladies College Foundation.

Committee membership
Member of the Human Resources and Sustainability Committee and Audit and Risk Committee.

Michele Dolin

Director since October 2014

Independent, non-executive, MBA, MA, BA, FCPA, FAICD

Ms Dolin is an experienced independent company director, an experienced chair of audit and risk committees and a certified practising accountant. She is a former CEO of GESB Superannuation and held senior executive positions at Bankwest, Westpac and Challenge Bank. Ms Dolin has held a number of independent directorships, was pro chancellor of Curtin University and a Senate Member of The University of Western Australia. Ms Dolin is currently chair of Jacana Energy, board member of PathWest and chair of the PathWest Finance, Audit and Risk Committee. She also chairs the Sisters of St John of God Investment and Finance Advisory Committee.

Committee membership
Chair of the Audit and Risk Committee.

Richard Watson

Director since May 2019

Ex Officio,
B.Econs (Hons),
M.Phil

Mr Watson is currently the Assistant Under Treasurer, Agency Budgeting and Governance for the Western Australian Department of Treasury. He currently leads a team of 70 professionals who provide advice and analysis on the budgeting needs of WA's government trading enterprises and around 60 general government agencies.

Committee membership
Member of the Audit and Risk Committee

Peter Clough

Director since November 2019

Independent,
non-executive,
BCE

Mr Clough has over 30 years of experience in the energy and resources sectors. He was most recently the general manager of government affairs at Woodside Petroleum, but during his career has provided consulting services to a number of Western Australia's biggest firms including Alcoa, BHP Billiton, Santos and Telstra. Following his early career working for the Western Australian Government primarily in resources development, he became the executive officer of government affairs at the Chamber of Minerals and Energy WA, and later the general secretary of that industry association. He has also served as the deputy chairman of commissioners at the City of Joondalup.

Committee membership
Member of the Audit and Risk Committee.

Corporate governance checklist

While Synergy is not a listed company on the ASX and is not subject to ASX listing rules, it seeks to comply with the ASX corporate governance principles and recommendations (ASX principles), where relevant and appropriate.

Table 1:
Summary of ASX principles and notes

Principle 1:
Lay solid foundations for management

Recommendation

1.1	Have and disclose a board charter setting out: (a) the board and management respective roles and responsibilities; and (b) matters reserved to the board and deleted to management.	Y
1.2	Undertake appropriate checks before proposing and appointing a director or senior executive and provide security holders with all relevant information relevant to a decision.	N/A*
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Y
1.4	The company secretary should be accountable directly to the board on matters regarding the proper functioning of the board.	Y
1.5	Have a diversity policy with measurable objectives, assess it annually and disclose the policy and progress towards objectives.	N*
1.6	Have a process for periodically evaluating the performance of the board, its committees, and individual directors, and disclose whether the process was periodically undertaken.	Y
1.7	Have a process for evaluating senior executive performance at least once every reporting period and disclose whether a performance evaluation was undertaken in the reporting period.	Y

Principle 2:
Structure the board to add value

Recommendation

2.1	A board should have a nomination committee of at least three members, mostly independent and chaired by an independent director, and disclose the charter, members' names, and committee meetings.	N/A*
2.2	Have and disclose a boards' skills matrix.	N*
2.3	Disclose the names of independent directors, interests, position, or relationship and length of service.	Y
2.4	A majority of the board should be independent directors.	Y
2.5	The chair of the board should be an independent director and not the same person as the CEO.	Y
2.6	Provide an induction program for new directors and provide professional development opportunities and skills and knowledge periodically.	Y

Principle 3:
Act ethically and responsibly

Recommendation

3.1	Disclose and articulate its values.	Y
3.2	Have and disclose a code of conduct for its directors, senior executives and ensure that the board or committee is informed of any material breaches of that code.	Y
3.3	Have and disclose a whistleblower policy and ensure that the board or a committee is informed of any material incidents reported under that policy.	N*
3.4	Have and disclose an anti-bribery and corruption policy and ensure that the board or a committee is informed of any material breaches of that policy.	N*

Principle 4:
Safeguard integrity in corporate reporting

Recommendation

4.1	Have an audit committee and disclose its charter and members' qualifications and experience, as well as meeting attendances.	Y
4.2	Prior to board approval, the CEO and CFO should declare financial statements have been properly maintained and comply with appropriate accounting standards.	Y
4.3	Disclose its process to verify the integrity of any periodic corporate report that is not audited or reviewed by an external auditor.	N/A*

Principle 5:
Make timely and balance disclosure

Recommendation

5.1	Have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1.	N/A*
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	N/A*
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials.	N/A*

Principle 6:
Respect the rights of security holders

Recommendation

6.1	Provide information about itself and its governance to investors via its website.	Y
6.2	Have an investor relations program to facilitate effective two-way communication with investors.	N/A*
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	N/A*
6.4	Ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	N/A*
6.5	Give security holders the option to receive communications from, and send communications to the entity and its security registry electronically.	N/A*

Principle 7:
Recognise and manage risk

Recommendation

7.1	Have a committee which overseas risk, and the charter, members and meetings held by the committee should be disclosed.	Y
7.2	The board or a committee should review its risk management framework at least annually and disclose whether such a review has occurred. It should also ensure the entity is operating with due regard to the risk appetite set by the board.	Y
7.3	Disclose its internal audit function, how the function is structured and what role it performs.	Y
7.4	Disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Y

Principle 8:
Remunerate fairly and responsibly

Recommendation

8.1	Have a remuneration committee and disclose the charter, members and number of meetings held.	Y
8.2	Separately disclose its policies and practices regarding the remuneration of non-executive and executive directors and senior executives.	Y
8.3	Make certain disclosures about any equity-based remuneration scheme.	N/A*

Principle 9:
Additional recommendations that apply only in certain cases

Recommendation

9.1	A listed entity with a director who does not speak the language should disclose the processes it has in place to ensure the director understands and contributes to discussions and is aware of their obligations.	N/A*
9.2	A listed entity outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	N/A*
9.3	A listed entity established outside Australia, and holds an AGM, should ensure that is external auditor attends and is available to answer queries from security holders.	N/A*

Notes:
Disclosure under the corporate governance principles is consistent with Synergy's obligations under the Electricity Corporations Act 2005. The following notes are relevant to Synergy's decision not to comply with the ASX Corporate Governance Principles and Recommendations as outlined in Table 1.

1.2 Has no relevance to Synergy as the corporation does not have security holders.

1.5 Synergy has a diversity policy and outlines its diversity commitment in this Annual Report. However, Synergy does not disclose the diversity policy.

2.1 The corporation has not established a nomination committee. As required by the Act, persons are appointed to the board of Synergy by the Governor on the nomination of the Minister for Energy. Where a vacancy occurs in the membership of the board, the board may recommend a candidate to the Minister. The board ensures that any candidate nominated to the Minister has an appropriate balance of skills, knowledge, experience, independence, and diversity to enable the board to discharge its duties and responsibilities effectively.

2.2 Synergy has a board skills matrix. The board does not believe that disclosure of the matrix is appropriate due to Synergy's ownership structure.

3.3 Synergy has a speaking up standard and a public interest disclosure and whistleblower procedure. However, Synergy does not disclose this standard or procedure.

3.4 Synergy has a speaking up standard and a fraud and corruption control standard. However, Synergy does not disclose these standards.

4.3 Has no relevance to Synergy as the corporation is not a publicly listed company and is not required to release to the market any periodic corporate reporting.

5.1-5.3 Has no relevance to Synergy as the corporation is not a publicly listed company and therefore not bound by the ASX listing rules.

6.2-6.5 Has no relevance to Synergy as it does not have investors.

8.3 Has no relevance to Synergy as it does not have an equity-based remuneration scheme.

9.1 Has no relevance to Synergy as all members of the board speak and understand English.

9.2-9.3 Has no relevance to Synergy as it not established outside Australia.

Roles and responsibilities of board and management

As a statutory corporation, the respective duties and responsibilities of Synergy's board and executive officers are substantially set out in the Act. The board of directors is Synergy's governing body and responsible to the Minister for Energy for its performance. Subject to the Act, the board has the authority to perform the functions, determine policies and control the affairs of Synergy. Its central role is to set Synergy's strategic direction and to oversee its management and commercial activities. In addition to matters required by law to be approved by the board, a board charter (available on Synergy's website) details its role, power, duties and function. The following matters are reserved for the board:

Strategy

(a) Approving and guiding management in the development of Synergy's annual strategic development plan and statement of corporate intent (SCI).

(b) Providing input into and final approval of management's development of corporate strategy and performance objectives.

(c) Further developing planning processes, including Synergy's strategic plan.

(d) Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available.

Governance and oversight of management

(a) Appointing and removing the CEO, including approving remuneration and conditions of service of the CEO and remuneration policy and succession plans for the CEO.

(b) Appointing and, where appropriate, removing the company secretary or company secretaries.

(c) Approving the appointment or removal of a member of staff as an executive officer.

(d) Noting any material change to the role of the senior executive.

(e) Noting succession plans for senior executives.

(f) Approving performance objectives for the CEO and monitoring performance against those objectives.

(g) Approving measurable objectives for achieving gender diversity and Synergy's progress in achieving those objectives.

(h) Approving material changes to board level policies.

(i) Approving Synergy's remuneration framework and annual budgeted remuneration increases.

(j) Approving incentive plans, including the design and implementation of incentive schemes.

Stakeholders

Monitoring and overseeing Synergy's stakeholder relationship strategy and its implementation.

Board membership, committees and performance

(a) Consulting with the Minister in relation to the appointment of any person as a director of Synergy in accordance with section 8(4) of the Act.

(b) Reviewing the process for evaluating the performance of the board, its committees and directors.

(c) Handling any other matters for which the board is responsible under the Synergy committee charters.

Oversight of financial, operational and capital management

(a) Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

(b) Approving operating budgets and monitoring financial performance against the approved budget.

(c) Approving annual financial accounts and reports, including the director's report.

Compliance and risk management

(a) Ensuring Synergy complies with all requirements under the Act and applicable laws, including compliance with duties and obligations under work, health and safety (WHS) laws.

(b) Monitoring the effectiveness of risk management by reviewing and approving the Synergy risk management framework and risk appetite statement.

(c) Reviewing and approving, at least annually, Synergy's top material risks (including WHS risks).

(d) Monitoring internal compliance and control, including with respect to the code of conduct and legal compliance.

(e) Approving and monitoring the effectiveness of Synergy's system of corporate governance practices.

The responsibility for the management of Synergy's day-to-day operations is delegated to the CEO, who is accountable to the board. The purpose of Synergy's executive officers is to assist the CEO in the overall leadership and oversight of Synergy's business and operations.

Inclusion and Diversity

Synergy is committed to its vision of being a preferred and trusted supplier of energy, innovative products and services, and being an employer of choice. Synergy embraces workforce diversity and inclusion as a source of strength. This is not only about visible differences in the workforce, but more importantly about recognising the strategic advantage that comes from incorporating a wide variety of capabilities, ideas and insights in its decision-making, problem solving, policy development and service delivery.

Synergy believes that to continually improve its business performance, and to achieve its strategic objectives, it needs to harness the ideas and abilities of all our people and create an environment that enables superior service delivery. Synergy recognises that varied backgrounds and experiences contribute to new perspectives and fresh ideas, and we are committed to creating a workplace in which differences are valued and respected. Synergy facilitates this by:

(a) Treating all employees, prospective employees, contractors, consultants and suppliers fairly and equitably regardless of their gender, age, sexuality, culture/ ethnicity, language and religious beliefs, and regardless of any disability or flexible workplace practices.

(b) Fostering a diverse and inclusive working environment by promoting an organisational culture that values respect, diversity and inclusiveness and by developing and offering working arrangements that help meet the needs of a diverse workforce.

(c) Proactively promoting and advancing equality and equity through improved employment and career development opportunities for women, Aboriginal and Torres Strait Islanders, culturally diverse employees, youth and LGBTQ+ communities and people with disabilities.

(d) Driving strategies and a commitment to target, retain and create development opportunities for disadvantaged groups in order to successfully attract and retain a diverse workforce.

(e) Providing awareness across all staff of their rights and responsibilities with regards to equity, integrity and respect for aspects of diversity.

(f) Supporting managers to develop employees that continually strive to deliver excellent results and to perform their duties with diligence to the very best of their ability.

(g) Nurturing and developing the skills and experience of employees.

(h) Implementing diversity strategies and seizing organisational and market opportunities to achieve our diversity goals and objectives.

(i) Developing management systems, policies and procedures that promote equity and diversity.

(j) Measuring the effectiveness of ongoing strategies, initiatives and programs to promote equity and diversity across the organisation.

The CEO has overall accountability for the implementation of this policy. The board approves measurable objectives for achieving diversity in our organisation as set out in Synergy's Inclusion and Diversity strategy.

Performance evaluation

The Human Resources and Sustainability Committee is responsible for reviewing and making recommendations to the board on matters pertaining to board performance and capability including in consultation with the board chair, the process for evaluating the performance of the board, its committees and directors. The board is then responsible for reviewing that process.

In 2021-22 the board conducted an internal board effectiveness and director performance evaluation and review. The reviews included consideration of the structure, role and responsibilities of the board and its committees; the skills, experience and participation of directors; and the conduct of board meetings and deliberations.

The board also reviewed the performance of each of its committees against the committee charters.

Board composition

In accordance with the Act, the board must comprise not less than four and not more than eight directors appointed by the Governor of Western Australia on the nomination of the Minister. Currently, three of Synergy's eight directors are female.

Director independence, conflicts of interest and length of service

The board charter outlines the criteria to be considered in assessing director independence. These criteria are based on the premise that a director must be independent of management and free of any business or other relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgement. Directors must keep the board advised on an ongoing basis of any interest that could potentially conflict with Synergy's interests. In July 2019, Synergy adopted a conflicts of interest guideline for directors. Under the Act, a director holds office for such period, not exceeding three years, as is specified in the instrument of his or her appointment and is eligible for re-appointment. Periods of appointment are structured to ensure approximately one third of directors retire each year. Table 2 sets out the details of each director including their length of service.

Table 2: Details of directors

Name of Director	Length of service
Robert Cole	Chairman and director since November 2017.
Kim Horne	Deputy chair since July 2015 and director since October 2014.
Bronwyn Barnes	Director since May 2019.
Rob Bransby	Director since July 2015.
Yasmin Broughton	Director since November 2017.
Peter Clough	Director since November 2019.
Michele Dolin	Director since October 2014.
Richard Watson	Director since May 2019.

Code of conduct

The Board provides a report to the Minister for Energy on compliance with the Code of Conduct.

Synergy's Code of Conduct (the Code) sets out standards for appropriate ethical and professional behaviour for Synergy staff. Staff includes directors and employees; whether permanent, temporary, part-time, full-time, fixed-term contract or casual and contractors engaged to provide services to Synergy. The Code sets out the fundamental values that form the basis of and underpin Synergy's business relationships. All staff are all responsible for ensuring their behaviour reflects the standards within the Code.

Managers and the executive have a special responsibility to support staff in achieving these standards through leading by example and raising awareness of the Code. Managers and the executive also have a duty to investigate and act accordingly where allegations of breaches of the Code are raised or suspected. The board has an oversight responsibility to ensure that management establishes and maintains proper frameworks, systems and processes to enable the effective implementation of the objectives underlying the Code.

It is every staff member's responsibility to report any breach of the Code or any matter of serious concern. It is mandatory that any breach involving fraud, corruption, collusion, dishonesty, maladministration or misuse of Synergy funds, assets or information (including the suppression of information) be reported immediately. Any breach of the Code may be grounds for disciplinary action to be taken, up to and including termination of employment. Matters involving potential criminal conduct may be reported to the relevant authority.

Synergy is committed to promoting a culture of speaking up and has introduced a speaking up standard and framework and strengthened controls on reporting. The speaking up standard details a number of different options available for staff to raise concerns including informal, formal and anonymous pathways as well as detailing external bodies with which issues may be raised. As at 30 June 2022, there were 8 reported incidents of a breach of Synergy's code of conduct.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the board to fulfil its corporate governance oversight responsibilities relating to financial reporting, legal and regulatory requirements, risk management and internal control, compliance and audit.

Synergy's website includes a link to the charter that governs the Audit and Risk Committee. The members of the Audit and Risk Committee and individual attendances at the committee meetings during the reporting period are set out in table 4.

Risk management

Risk management is a fundamental activity at Synergy, with risk management integrated into major business processes and there is engagement at all levels within the organisation to minimise risks in all activities. Engagement is further facilitated by real time access to risk information through the Audit, Risk and Compliance Enterprise Management System (Empower).

Synergy operates an enterprise-wide risk management system which provides a standardised and consistent process for the identification and management of material risk in accordance with Synergy's risk management policy and framework. Synergy has a 'three lines of defence' model of risk governance and management that sets out the roles and responsibilities for effective and efficient risk management. Risks are assessed using a consequence-likelihood matrix, and the management of risk is dependent on an inherent risk rating. Every material risk is assigned to an appropriate risk owner. Material risks are reviewed annually by the risk owner and the material risk profile is reported monthly to the executive leadership team, and to the board Audit and Risk Committee.

The Audit and Risk Committee and the board are responsible for overseeing and approving the risk management policy, framework and risk appetite statement, and for ensuring that management has developed and implemented an effective and integrated risk management system.

Management at all levels has responsibility for managing risk in their area of control. Support is provided by Synergy's risk function to ensure the framework and risk appetite are consistently and effectively applied.

Key performance indicators

Synergy manages its day-to-day performance through the use of a wide range of operational key performance indicators. The measures and targets for these operational key performance indicators for 2021-22 were set out in Synergy's Statement of Corporate Intent (SCI) and are as detailed in table 3.

Table 3:
Key performance indicators against SCI

Financial performance	**2021-22 SCI targets**	**2021-22 result**
Earnings before interest, depreciation, amoritisation and tax (EBITDA) ($ million)*	$219.7	$301.5
EBITDA margin (%)	6.8%	9.0%
Net profit after tax (NPAT) margin (%)**	3.0%	5.8%
Employee engagement		
Employee engagement survey result	4.4	4.2
Employee		
Safety recordable injury frequency rate	1.9	1.4
Regulatory compliance		
Various legislative compliance requirements***	Nil	Nil
Customers		
Customer Effort Score	68.2%	66.4%

*
Underlying excludes one-off charges associated with the State Government's decision, announced on 14 June and other economic factors resulting in impairment of non-current assets of $569.5 million, restructuring costs of $34.7 million, an allowance for inventory obsolescence of $11.8 million and a provision for onerous contracts of $6.1 million and share of profit from joint ventures of $0.4 million.

**
See operating results on page 44 for further detail.

***
Refers to legislative compliance requirements that could result in a material regulatory breach.

Review of operations

To avoid duplication of content, please refer to the front section of this Annual Report, including the 'CEO's report', for information on the operations and financial position of Synergy, and its business strategies.

Environmental regulation

To avoid duplication of content, please refer to the front section of this Annual Report, specifically the Our Environment section, for information on our performance relating to our environmental obligations.

Synergy's operating results

For the year ended 30 June 2022:

(a) Synergy's statutory loss before tax was $429.2 million compared to a loss of $263.5 million for 2021-22. The results include:

(i) one-off charges associated with the State Government's decision, announced on 14 June and other economic factors resulting in impairment of non-current assets of $569.5 million, restructuring costs of $34.7 million, an allowance for inventory obsolescence of $11.8 million and a provision for onerous contracts of $6.1 million; and

(ii) share of profit from joint ventures of $0.4 million. Excluding the one-off charges, the profit before tax was $192.5 million.

(b) No dividends have been declared in relation to the current year.

Principal activities

In line with the requirements of the Act and the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013, Synergy is functionally organised to deliver on its key purpose as follows:

(a) Generation – responsibility for the management of Synergy's generating assets, including the safe and reliable operations and maintenance of Synergy's power stations and associated infrastructure.

(b) Wholesale – responsibility for the wholesale trading of electricity and gas. Wholesale manages the dispatch of Synergy's generation fleet and independent power producer contracts, as well as fuel contracts. Wholesale buys electricity and related products and sells to retail and wholesale market participants under ring-fenced arrangements.

(c) Retail – carries out the retail operations of Synergy, involving the pricing, sale and marketing of electricity and gas to end-user customers in the SWIS. Underpinning the core functional roles fulfilled by the business are the remaining corporate support functions which undertake a large range of activities designed to ensure that the optimal level of service provision is delivered for the benefit of the overall business.

(d) Shared services operations – undertakes the functions of corporate planning, strategy and transformation, organisational development, finance, legal, people management, environment, health and safety, information technology and management, regulatory and compliance.

State Records Act 2000

Synergy has an approved record keeping plan consistent with State Records Act 2000 and the State Records Commission standards. Consistent with Synergy's approach to continuous records management and improvement initiatives, Synergy undertook a comprehensive review of its records during 2021-2022.

(a) Reviewed, updated and received State Government approval of its revised record keeping plan. (The plan also proposes a number of records management improvements for 2022-23).

(b) Upgraded its OpenText document management system (DM) to utilise new and improved functionality to improve business efficiency and records governance.

(c) Implemented enterprise controlled document workflows to automate key document review and approval processes and improve retention and disposal management.

(d) Appointed a new offsite storage provider with improved archived file access across generation sites and head office.

(d) Facilitated a cross agency workshop with representatives from six agencies, including the State Records Office. Exponential data was collected enabling Synergy to develop shared procedures to help agencies resolve a common problem with managing information stored in MS Teams and One Drive.

(e) Updated Synergy's cloud strategy to ensure recordkeeping compliance requirements are addressed when new cloud systems are planned and established.

(f) Created disaster recovery bins for each of Synergy's generation sites to minimise damage to hard copy records due to a water or fire damage.

(g) Provided recordkeeping training to 1,500 new or existing staff and contractors to ensure staff understand roles and responsibilities regarding record governance. All staff are required to complete mandatory recordkeeping training when they join Synergy and undertake periodic refresher training.

(h) Facilitated, via the information management team, 2,300 requests for records management advice and supported more than 300,0000 documents being registered in DM.

Effectiveness of Synergy's Training and Induction Programs

Synergy employees undertake mandatory online record keeping training at induction and then yearly refresher training. Synergy is currently reviewing and revising this program to ensure employees understand their record keeping responsibilities in all business systems that store data and records. The effectiveness of the revised training program is measured by way of annual surveys, DM usage and participation and compliance.

Table 4:
Directors, committee membership and directors' attendance at meetings during the reporting period.

	Board		**human resources and sustainability committee**		**Audit and risk committee**	
	A	**B**	**A**	**B**	**A**	**B**
Robert Cole	11	11	5*	N/A	5	5
Bronwyn Barnes	10	11	4	5	N/A	N/A
Rob Bransby	11	11	5	5	1*	N/A
Yasmin Broughton	11	11	5	5	4	5
Peter Clough	11	11	1*	N/A	5	5
Michele Dolin	11	11	1*	N/A	5	5
Kim Horne	11	11	5	5	1*	N/A
Richard Watson	11	11	N/A	N/A	5	5

A – number of meetings attended.

B – number of meetings eligible to attend at the time the director held office during the year.

** Attendance in an ex-officio/observer capacity*

Internal audit function

Synergy has an independent, in-house internal audit team which is supplemented by external professional services firms. The independence and role of the internal audit function is governed by the Synergy internal audit charter which is approved by the Audit and Risk Committee. The head of internal audit has direct access to the Audit and Risk Committee members if required.

The internal audit function is an integral component of Synergy's governance process. Its primary objective is to provide independent and objective assurance and consulting activity designed to add value and improve Synergy's operations. Internal audit assists in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of Synergy's control and governance processes.

The role of Synergy's internal audit function is to:

(a) Periodically review compliance with policies, operating principles and codes of conduct to determine whether adequate controls are in place to ensure the requirements are met.

(b) Conduct periodic assessment of the structure and effectiveness of the internal control framework in place over the operations to provide information for financial reporting.

(c) Conduct periodic assessment of management systems and processes for generating significant and/or material disclosures.

(d) Independently evaluate and monitor the adequacy of Synergy's internal identification, management and reporting of risk.

(e) Conduct periodic, independent assessments of organisational culture.

(f) Carry out any special investigations, appraisals, inspections and examinations in areas having financial, operational or management impact.

(g) Independently maintain and uphold Synergy's public interest disclosure and whistle-blower protection frameworks.

(h) Undertake consultancy work either requested by management or identified by internal audit and report to the relevant management team the observations and recommendations.

(i) Highlight to management any failure to take remedial action on audit issues previously raised.

Human Resources and Sustainability Committee

The purpose of the Human Resources and Sustainability Committee is to review and approve or make recommendations to the board in relation to Synergy's human resources and sustainability duties and responsibilities. Sustainability also includes matters relating to health, safety, environment and community relations.

Synergy's website includes a link to the charter that governs the Human Resources and Sustainability Committee. The members of the Human Resources and Sustainability Committee and individual attendances at committee meetings during the reporting period are set out in table 4.

Technology Advisory Group

In December 2020, Synergy formed a technology advisory group comprising a subset of board members and the executive team with the purpose of providing oversight and direction for significant technology decisions to be made by Synergy and programs impacting Synergy's technology landscape, including supporting recommendations to the board with respect to key technology investment decisions. The technology advisory group meets at a minimum of 3 times per year or as frequently as required to fulfil its responsibilities.

Remuneration report

The remuneration report details the remuneration arrangements for persons having authority and responsibility for planning, directing and controlling the major activities of Synergy; directly or indirectly, including any director.

Table 5:
Director remuneration

Total Remuneration Band	**Number of Directors**		**Short term $'000**				**Post Employment $'000**				**Total $'000**	
			Salary & fees		Other		Super		Termination		Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
0-24,999**	1	1	-	-	-	-	-	-	-	-	-	-
25,000-49,999	-	-	-	-	-	-	-	-	-	-	-	-
50,000-74,999	4	4	60	60	-	-	6	6	-	-	66	66
75,000-99,999	2	2	69	69	-	-	7	7	-	-	76	76
100,000-124,999	-	-	-	-	-	-	-	-	-	-	-	-
125,000-150,000	1	1	132	132	-	-	12	13	-	-	144	145

Note:
Where there is more than one director in a remuneration band the average remuneration is shown.

***Not eligible for remuneration by Synergy due to being a representative of the Western Australian State Government.*

Remuneration governance

The Human Resources and Sustainability Committee has delegated decision-making authority in relation to various matters including the remuneration arrangements for executives other than the CEO and is required to make recommendations to the board on other matters including CEO remuneration. The Minister determines total remuneration for the CEO.

The Human Resources and Sustainability Committee meets regularly through the year. The CEO is not present during any discussions related to his own remuneration arrangements.

Table 6:
Names and positions of executives as at 30 June 2022

Executives	
David Fyfe*	Chief Executive Officer effective from 16 May 2022 (previously acting CEO from 10/02/22 and appointed General Manager Commercial from 21/09/21)
Jason Waters*	Chief Executive Officer (departed 10/02/22)
Jonathan Cowper	Chief Financial Officer
Melanie Brown	General Manager Office of General Counsel and Company Secretary
Kurt Baker*	General Manager Wholesale (commenced Acting General Manager Commercial 10/02/22)
Mark Chambers	Acting General Manager Wholesale (from 10/02/22)
Dion Paunich*	General Manager Generation
Gary Peel*	General Manager Transformation and Technology
Colin Smith	General Manager Customer Experience
Angie Young	General Manager Sustainability

Note:
**Denotes the five highest paid executives*

Table 7:
Executive remuneration

Total Remuneration Band	**Number of Staff**		**Short term $'000**				**Post Employment $'000**				**Total $'000**	
			Salary & fees		**Other		Super		Termination		Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
0-249,999	-	1	-	97	-	-	-	10	-	-	-	107
250,000-349,999	1	-	300	-	24	-	19	-	-	-	343	-
350,000-424,999	3	1	362	390	26	5	31	27	-	-	419	422
425,000-499,999	4	7	389	388	30	25	25	28	-	-	444	441
500,000-574,999	-	1	-	454	-	21	-	27	-	-	-	502
575,000-625,000	1	-	538	-	61	-	25	-	-	-	624	-

Notes:
Where there is more than one executive in a remuneration band the average remuneration is shown. In accordance with government policy, salaries have not been increased. Variations in total remuneration are caused by factors including leave accrual and other adjustments.

***"Other" includes leave accruals and reportable fringe benefits.*

Director remuneration arrangements

The Minister sets remuneration for directors in accordance with the Act. Directors do not receive any retirement benefits (apart from statutory superannuation) nor do they participate in any incentive programs. Details of the nature and emolument of directors of Synergy are set out in table 5.

Executive remuneration arrangements

Synergy's executive remuneration approach is designed to attract and retain high performing individuals who consistently demonstrate exemplary behaviours consistent with Synergy's values. Total remuneration for executives consists of fixed remuneration comprising base salary (which is calculated on a total cost basis, including accrued annual leave and long service leave entitlements) as well as Synergy's contribution to superannuation funds.

Synergy sets key performance indicators (KPIs) for the CEO and other executives each year which has both a target and stretch outcome. The CEO KPIs and Corporate KPIs are reviewed and approved by the board at the beginning of the financial year.

At the end of 12 months, an assessment against these KPIs and performance is undertaken, and development plans agreed. The CEO performance plan outcomes are discussed and approved by the board.

Executives do not participate in any incentive plans. Remuneration levels for executives are considered annually through a review process that considers market data, the performance of Synergy and the individual, and the broader economic environment.

In May 2017, the State Government announced changes to its wages and remuneration policy including a four-year wage freeze for all positions comparable to those covered by the Salaries and Allowances Tribunal. In 2021/22 at the end of the four-year wage freeze, Synergy's executive's remuneration was increased by $1,000 per annum in line with all Synergy employees . Details of the nature and emolument of Synergy executives are set out in table 7.

Contracts of employment for executives are unlimited in term but are generally capable of termination on 13 weeks' notice for poor performance and redundancy or 26 weeks' for any other reason. In the event of redundancy, Synergy provides for a capped payment including notice, of up to 52 weeks. Executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave together with any superannuation benefits. The CEO has a contract of employment that commenced on 1 July 2014. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the board and CEO will, early in each financial year, consult and agree on the objectives for achievement during that year. The contract can be terminated either by Synergy or the CEO with 26 weeks' notice.

Indemnification of directors and officers

During the reporting period, a directors' and officers' liability insurance policy was maintained to ensure that the directors and officers had adequate coverage. The policy indemnifies directors and officers of the corporation from losses arising from a claim or claims made against them, jointly or severally during the period of insurance by reason of any wrongful act (as defined in the policy) in their capacity as a director or officer of the corporation. At the date of this report no successful claims have been made against the directors' and officers' component of the policy.

Matters subsequent to the end of the reporting year

There are no matters or circumstances that have arisen that are likely, in the opinion of the directors, to affect significantly the operations of Synergy, the results of those operations, or the state of affairs of Synergy in subsequent reporting years.

Robert Cole
Chair

Kim Horne
Deputy Chair

Financial Report 2022

Financial statements

For the year ended 30 June 2022

For the Electricity Generation and Retail Corporation
trading as Synergy ABN 58 673 830 106

Contents

Statement of profit or loss

For the year ended 30 June 2022

		Group		Corporation	
	Note	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Sales revenue	3.1	3,127,122	2,950,363	3,127,122	2,950,361
Other revenue	3.1	228,780	107,432	234,122	107,432
Total revenue		**3,355,902**	**3,057,795**	**3,361,244**	**3,057,793**
Fuel, networks and other direct costs	3.3	(2,602,428)	(2,687,144)	(2,602,378)	(2,687,073)
Materials and services	3.3	(80,745)	(95,181)	(80,744)	(95,181)
Employee expenses	3.3	(152,726)	(125,809)	(152,015)	(125,186)
Other expenses	3.3	(254,830)	(305,288)	(254,130)	(305,051)
Depreciation and amortisation	5.1 / 5.2 / 5.3	(77,911)	(83,374)	(77,911)	(83,374)
Other impairment losses	3.3	(594,590)	(12,646)	(594,591)	(14,545)
Total expenses		**(3,763,230)**	**(3,309,442)**	**(3,761,769)**	**(3,310,410)**
Other operating income	3.2	8,817	26,507	8,081	25,710
Finance income		1,017	2,179	1,017	2,179
Finance costs		(32,155)	(36,092)	(32,155)	(36,092)
Net finance costs	3.4	**(31,138)**	**(33,913)**	**(31,138)**	**(33,913)**
Share of profit/(loss) from joint ventures	6.5	419	(4,465)	-	-
Loss before tax		**(429,230)**	**(263,518)**	**(423,582)**	**(260,820)**
Income tax benefit	3.5	218	64	-	-
Loss for the year		**(429,012)**	**(263,454)**	**(423,582)**	**(260,820)**

The above statement of profit or loss should be read in conjunction with the accompanying notes.

Statement of comprehensive income

For the year ended 30 June 2022

		Group		Corporation	
	Note	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loss for the year		**(429,012)**	**(263,454)**	**(423,582)**	**(260,820)**
Other comprehensive income (OCI)					
Items that may be reclassified subsequently to profit or loss					
Changes in fair value of cash flow hedges, net of tax		(504)	(210)	(504)	(210)
Share of joint venture entities other comprehensive income, net of tax	6.5	12,639	5,332	-	-
	6.1	**12,135**	**5,122**	**(504)**	**(210)**
Items that will not be reclassified subsequently to profit or loss					
Re-measurement gains on defined benefit plans, net of tax	6.1	1,475	6,040	1,475	6,040
Other comprehensive income for the year, net of tax		**13,610**	**11,162**	**971**	**5,830**
Total comprehensive loss for the year		**(415,402)**	**(252,292)**	**(422,611)**	**(254,990)**

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

Statement of financial position

As at 30 June 2022

		Group		Corporation	
		2022	2021	2022	2021
	Note	$'000	$'000	$'000	$'000
Cash and short-term deposits	4.2	446,956	389,075	445,916	387,778
Trade and other receivables	4.3	411,522	454,456	411,979	454,555
Inventories	4.4	96,526	121,946	96,526	121,946
Derivative financial instruments	5.5	5,703	7,571	5,703	7,569
Intangible assets	5.2	53,794	29,670	53,794	29,670
Assets held for sale	5.1	5,357	-	5,357	-
Total current assets		**1,019,858**	**1,002,718**	**1,019,275**	**1,001,518**
Property, plant and equipment	5.1	416,954	754,212	416,954	754,212
Intangible assets	5.2	11,149	39,857	11,149	39,857
Right of use assets	5.3	22,847	85,285	22,847	85,285
Derivative financial instruments	5.5	22,965	42,300	22,965	42,300
Investment in subsidiaries	6.5	-	-	1,462	1,462
Investment in joint ventures	6.5	36,287	28,797	41,043	41,271
Deferred tax assets	3.6	3,562	3,344	-	-
Total non-current assets		**513,764**	**953,795**	**516,420**	**964,387**
Total assets		**1,533,622**	**1,956,513**	**1,535,695**	**1,965,905**
Trade and other payables	4.5	601,258	661,459	601,207	661,490
Derivative financial instruments	5.5	993	287	993	287
Lease liabilities	5.3	21,344	18,982	21,344	18,982
Employee benefits	6.3	38,351	35,447	38,294	35,418
Provisions	5.4	144,896	226,116	144,896	226,116
Deferred income	4.6	4,656	17,522	4,656	17,522
Total current liabilities		**811,498**	**959,813**	**811,390**	**959,815**
Trade and other payables	4.5	1,918	2,330	1,918	2,330
Interest bearing loans and borrowings	5.6	161,253	218,363	161,253	218,363
Lease liabilities	5.3	183,821	204,459	183,821	204,459
Employee benefits	6.3	27,549	29,788	27,549	29,788
Provisions	5.4	656,173	590,081	656,173	590,081
Deferred income	4.6	3,077	3,645	3,077	3,645
Total non-current liabilities		**1,033,791**	**1,048,666**	**1,033,791**	**1,048,666**
Total liabilities		**1,845,289**	**2,008,479**	**1,845,181**	**2,008,481**
Net liabilities		**(311,667)**	**(51,966)**	**(309,486)**	**(42,576)**
Contributed equity	6.1	1,448,445	1,292,744	1,448,445	1,292,744
Accumulated losses		(1,764,726)	(1,337,189)	(1,757,339)	(1,335,232)
Reserves		4,614	(7,521)	(592)	(88)
Total deficit		**(311,667)**	**(51,966)**	**(309,486)**	**(42,576)**

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

Statement of changes in equity

For the year ended 30 June 2022

	Note	Contributed equity	Accumulated losses	Reserves	Total
		$'000	$'000	$'000	$'000
Group					
Balance at 1 July 2020		**1,292,744**	**(1,079,775)**	**(12,643)**	**200,326**
Loss for the year		-	(263,454)	-	(263,454)
Other comprehensive income for the year	6.1	-	6,040	5,122	11,162
Total comprehensive income/(loss) for the year, net of tax		**-**	**(257,414)**	**5,122**	**(252,292)**
Balance at 30 June 2021		**1,292,744**	**(1,337,189)**	**(7,521)**	**(51,966)**
Balance at 1 July 2021		**1,292,744**	**(1,337,189)**	**(7,521)**	**(51,966)**
Equity contribution	6.1	155,701	-	-	155,701
Loss for the year		-	(429,012)	-	(429,012)
Other comprehensive income for the year	6.1	-	1,475	12,135	13,610
Total comprehensive income/(loss) for the year, net of tax		**-**	**(427,537)**	**12,135**	**(415,402)**
Balance at 30 June 2022		**1,448,445**	**(1,764,726)**	**4,614**	**(311,667)**
Corporation					
Balance at 1 July 2020		**1,292,744**	**(1,080,452)**	**122**	**212,414**
Loss for the year		-	(260,820)	-	(260,820)
Other comprehensive income/(loss) for the year	6.1	-	6,040	(210)	5,830
Total comprehensive loss for the year, net of tax		**-**	**(254,780)**	**(210)**	**(254,990)**
Balance at 30 June 2021		**1,292,744**	**(1,335,232)**	**(88)**	**(42,576)**
Balance at 1 July 2021		**1,292,744**	**(1,335,232)**	**(88)**	**(42,576)**
Equity contribution	6.1	155,701	-	-	155,701
Loss for the year		-	(423,582)	-	(423,582)
Other comprehensive income/(loss) for the year	6.1	-	1,475	(504)	971
Total comprehensive loss for the year, net of tax		**-**	**(422,107)**	**(504)**	**(422,611)**
Balance at 30 June 2022		**1,448,445**	**(1,757,339)**	**(592)**	**(309,486)**

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

Statement of cash flows

For the year ended 30 June 2022

	Note	Group 2022 $'000	Group 2021 $'000	Corporation 2022 $'000	Corporation 2021 $'000
Operating activities					
Cash receipts from customers		3,030,660	2,242,616	3,029,549	2,241,855
Government stimulus received on behalf of customers		11,848	598,465	11,848	598,465
Payment in lieu of subsidies		214,814	119,192	214,814	119,192
Energy purchase and network access costs		(2,642,093)	(2,623,565)	(2,641,541)	(2,594,263)
Payments to suppliers and employees		(487,911)	(386,893)	(487,096)	(415,298)
Interest received		865	2,409	865	2,410
Interest paid		(3,383)	(4,944)	(3,383)	(4,944)
Income tax refund		-	(37)	-	(37)
Net cash flows from/ (used in) operating activities	4.2	**124,800**	**(52,757)**	**125,056**	**(52,620)**
Investing activities					
Investments in joint ventures		-	(18,810)	-	(18,810)
Distribution received from investments	6.5	5,342	-	5,342	-
Return of capital from joint ventures	6.5	226	-	226	-
Payment for property, plant and equipment		(160,117)	(53,074)	(160,116)	(53,074)
Payment for intangible assets		(11,189)	(12,070)	(11,189)	(12,070)
Proceeds from disposal of assets		228	956	228	956
Net cash flows used in investing activities		**(165,510)**	**(82,998)**	**(165,509)**	**(82,998)**
Financing activities					
Repayment of borrowings		(57,110)	(9,967)	(57,110)	(9,967)
Equity received	6.1	155,701	-	155,701	-
Net cash flows from/(used in) financing activities		**98,591**	**(9,967)**	**98,591**	**(9,967)**
Net increase/(decrease) in cash and cash equivalents		57,881	(145,722)	58,138	(145,585)
Cash and cash equivalents at 1 July		389,075	534,797	387,778	533,363
Cash and cash equivalents at 30 June	4.2	**446,956**	**389,075**	**445,916**	**387,778**

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

Notes to the financial statements

For the year ended 30 June 2022

Section 1 - About this report

Corporate information

The Electricity Generation and Retail Corporation, trading as Synergy (the Corporation) is a not-for-profit entity incorporated under the *Electricity Corporations Act 2005*. The financial statements comprise the financial results of the Corporation and its subsidiaries (collectively the Group), for the year ended 30 June 2022.

The Group is primarily involved in the generation and supply of electricity, retail and wholesale sales of electricity and gas, trading of energy, and provision of ancillary services.

The financial statements were authorised for issue in accordance with a resolution of directors on 30 August 2022.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of Schedule 4 of the *Electricity Corporations Act 2005* and the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*.

The Corporation has applied not-for-profit elections available in Australian Accounting Standards where applicable.

The financial statements have been prepared on a historical cost basis, except for the derivative financial instruments and certain other financial assets and liabilities, which have been measured at fair value.

All values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Accounting policies

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control. The financial statements of subsidiaries are prepared for the same reporting period as the Corporation, using consistent accounting policies. All intercompany balances and transactions have been eliminated.

A summary of the recognition and measurement basis used for significant accounting policies and policies that are relevant to understanding of the Group's position are disclosed throughout the notes to the financial statements.

New and amended accounting standards and interpretations

All new and amended Australian Accounting Standards and Interpretations effective 1 July 2021 that are relevant to the Group have been adopted, including the following, which did not have a significant impact on the Group:

AASB 2020-8 *Interest Rate Benchmark Reform*

This reform program amended the requirements in *AASB 7, AASB 9, AASB 139 Financial Instruments*, and *AASB 16 Leases* to minimise financial reporting consequences of a change in benchmark interest rates that Australian Accounting Standards may otherwise require, such as the derecognition or remeasurement of financial instruments, and the discontinuation of hedge accounting.

March 2019 *'Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud'* and April 2021 *'Configuration or Customisation Costs in a Cloud Computing Arrangement'.*

IFRS Interpretation Committee has recently issued two decisions relating to software as a service arrangements. The decisions determine how an entity should account for configuration or customisation costs where the arrangement is considered to be a service contract. This change has no significant impact on the current financial position of the Group.

Key judgements and estimates

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to management. Actual results may differ from those judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

- note 3.1 - revenue;
- note 3.6 - deferred tax;
- note 4.3 - trade and other receivables;
- note 5.1 - property, plant and equipment;
- note 5.2 - intangible assets;
- note 5.3 - right of use assets and lease liabilities;
- note 5.4 - provisions;
- note 5.5 - derivative financial instruments;
- note 6.2 - commitments and contingencies; and
- note 6.3 - employee benefits.

COVID-19 impacts

The COVID-19 outbreak was declared a pandemic by the World Health Organization in 2020, with the outbreak and Government response to the pandemic, impacting the community and the operations of the Group.

The financial statements have been prepared taking into account the conditions and known trends existing at 30 June 2022, and the following key accounting estimates include estimated impacts of COVID-19:

- note 3.1 - revenue; and
- note 4.3 - trade and other receivables.

Whilst the best estimates of the known impacts have been reflected in the financial statements, the uncertainty of the scale and duration of the pandemic remains, and the long-term financial impacts remain difficult to predict.

Currency

The functional and presentation currency of the Group and its subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency using the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates on that date. Exchange differences are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the date of the initial transaction.

Goods and services tax (GST)

Amounts shown in the financial statements are net of GST with the exception of trade receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position, and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow. Non-recoverable GST is either recognised as part of the cost of an asset or expensed as incurred.

Comparatives

Comparatives for 30 June 2021 have been adjusted to disclose them on the same basis as the current year.

Section 2 - Segment information

The Group is required to present segment information under Part 2 of *The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* (the Regulations). The Regulations do not require comparative information to be presented.

For management purposes, the Group is organised into business units based on functions and activities. The Group has four reportable operating segments detailed as follows:

- **Generation business unit (GBU)** - manages operations involving the construction or operation of generating works (as defined in the *Electricity Industry Act 2004* section 3).
- **Wholesale business unit (WBU)** - manages operations involving the wholesale supply of energy and related products (including pricing in respect of such acquisition or supply).
- **Retail business unit (RBU)** - manages operations involving the pricing, sale and marketing of energy and related products to customers.
- **Corporate shared services (CSS)** - manages operations relating to the following activities: corporate development and strategy; accounting, finance, compliance and legal matters; human resources; information technology support; and any other operations undertaken in connection with two or more business units. CSS includes the operations of the South West Solar Development Holdings Pty Ltd and its subsidiary Synergy Renewable Energy Development Pty Ltd which is in the business of providing asset management services and vehicle management services.

Inter-segment revenues are eliminated upon consolidation. No operating segments have been aggregated in arriving at the reportable segments of the Group. Formal arrangements exist between:

- WBU and RBU whereby WBU sells energy to RBU in accordance with the Regulations; and
- WBU and GBU whereby GBU is compensated by WBU for both maintaining and making available a fleet of plant, as well as the efficient utilisation of that plant.

Segment information (continued)

Year ended 30 June 2022	GBU	WBU	RBU	CSS	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External customers	13,001	405,962	2,922,754	14,185	-	3,355,902
Inter-segment	406,451	995,741	-	-	(1,402,192)	-
Total revenue	**419,452**	**1,401,703**	**2,922,754**	**14,185**	**(1,402,192)**	**3,355,902**
Cost of sales	(387,810)	(1,127,950)	(2,512,114)	-	1,402,142	(2,625,732)
Operating costs	(251,671)	(6,962)	(81,839)	(125,730)	50	(466,152)
Impairment losses	(501,589)	(44,236)	(23,040)	(25,725)	-	(594,590)
Other income	488	2,577	20	6,887	-	9,972
Earnings before interest, tax, depreciation and amortisation	**(721,130)**	**225,132**	**305,781**	**(130,383)**	**-**	**(320,600)**
Depreciation and amortisation	(46,851)	(14,111)	(2,407)	(14,542)	-	(77,911)
Finance income	-	-	-	1,017	-	1,017
Finance costs	(728)	(27,054)	-	(4,373)	-	(32,155)
Net finance costs	**(728)**	**(27,054)**	**-**	**(3,356)**	**-**	**(31,138)**
Segment (loss)/ profit	**(768,709)**	**183,967**	**303,374**	**(148,281)**	**-**	**(429,649)**
Unallocated items						
Share of profit from joint ventures and associate						419
Income tax benefit						218
Loss for the year						**(429,012)**

Section 3 - Financial performance

3.1 Revenue

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Sale of energy - retail customers	2,792,186	2,625,760	2,792,186	2,625,760
Sale of energy - wholesale customers	272,472	263,622	272,472	263,622
Products and services	39,414	40,472	39,414	40,470
Account fees and charges	23,050	20,509	23,050	20,509
Total sales revenue	**3,127,122**	**2,950,363**	**3,127,122**	**2,950,361**
Payment in lieu of subsidies	216,362	104,150	216,362	104,150
Contract works and grants	13	20	13	20
Government grants	12,405	3,262	12,405	3,262
Distribution received	-	-	5,342	-
Total other revenue	**228,780**	**107,432**	**234,122**	**107,432**

Recognition and measurement

Revenue is recognised when or as each performance obligation is satisfied at the amount of the transaction price allocated to that performance obligation.

Sale of energy and account fees and charges

Energy sales represents the sale of gas and electricity to retail (residential and business) and wholesale customers. Residential sales consist of short term, day-by-day contracts and revenue is recognised on a day-by-day basis upon the delivery of energy to customers. Business and wholesale customers are on longer contracts and the supply of energy is considered to be a single performance obligation, and revenue is recognised when the supply of energy has been delivered to the customer. If consideration includes a variable component, it is adjusted for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

Revenue from account fees and charges is not considered a separate performance obligation and is therefore recognised immediately along with revenue from sale of energy to customers.

Products and services

Revenue from the sale of products and services is recognised at a point in time when the goods or services have been transferred to the customer.

Payment in lieu of subsidies

Payment in lieu of subsidies is recognised as other revenue when received and includes the Tariff Equalisation Contribution (TEC) and System Security Transition Payment (SSTP), which represent payments to equalise network tariffs across the state and provide support for running plant in an uneconomical manner, under recovery of account fees and charges from eligible concession card holders and costs incurred in administering government initiatives.

3.1 Revenue (continued)

Key estimates

A portion of the Group's retail energy revenue is based on estimated unread energy consumption. Unread energy consumption represents the estimated value of electricity and gas provided to customers but not invoiced. This assessment is based on historical data adjusted for measurable changes in consumption patterns during the estimation period. COVID-19 has had an impact on the Group's electricity demand generally with varying impact on different classes of customers. The observable trend for the different classes of customers has been taken into account when estimating the unread revenue as at 30 June 2022.

3.2 Other operating income

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Development fee income	3,657	20,280	3,657	20,280
Other operating income	5,160	6,227	4,424	5,430
Total other operating income	**8,817**	**26,507**	**8,081**	**25,710**

In 2019, the Group sold Warradarge Wind Farm (WWF) to Bright Energy Investments (BEI). The consideration (development fee) for the transaction included an 'at-risk' component payable to Synergy. In November 2021, WWF achieved practical completion and paid the development fee and contingent consideration to Synergy, including an additional $3.7 million that was recognised as other income in the current year.

3.3 Expenses

		Group		Corporation	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fuel, electricity, gas and other purchases	(i)	(911,475)	(892,775)	(911,474)	(892,775)
Network access costs		(1,289,269)	(1,249,158)	(1,289,220)	(1,249,087)
Renewable energy certificates	(ii)	(192,860)	(172,232)	(192,860)	(172,232)
Market participant costs		(109,370)	(89,997)	(109,370)	(89,997)
Commodity charges	(iii)	(99,454)	(282,982)	(99,454)	(282,982)
Total fuel, networks and other direct costs		**(2,602,428)**	**(2,687,144)**	**(2,602,378)**	**(2,687,073)**

i. Community service obligations

The State Government reimburses the Corporation for the cost of community service obligations (CSOs), including feed in tariff rebates (FiT) and energy assistance payments (EAP). This entitlement to reimbursement is recognised in the statement of profit or loss when the right to receive the payment is established. Where CSOs are not fully reimbursed, the cost is included in fuel, electricity, gas and other purchases.

The total cost of unfunded FiT, renewable energy buyback scheme (REBS), and distributed energy buyback scheme (DEBS) costs included above is $37.5 million (2021: $33.7 million).

i. Contractual dispute

Included in fuel, electricity, gas and other purchases is the reversal of a provision for a contractual dispute with a supplier of $24.6 million. Refer to note 5.4 for details.

ii. Renewable energy certificates

The *Renewable Energy (Electricity) Act 2000* requires certain purchasers to surrender a specified number of renewable energy certificates for the electricity that they acquire during the year. Compliance is achieved by either surrendering the required number of Large-scale Generation Certificates (LGCs) to the Clean Energy Regulator (CER), or by paying a penalty for the shortfall in surrendered certificates. The legislation provides a three-year window whereby a generator may surrender certificates and receive a refund for any shortfall charge previously paid.

During 2021 the Group achieved compliance by paying the CER a shortfall penalty of $27.4 million in lieu of surrendering LGCs. The penalty was expensed in the profit or loss but is expected to be recovered through the surrender of surplus LGCs from the renewable power purchase agreements or market purchases over the next two years.

iii. Provision for onerous contract

Included in commodity charges is an amount of $29.3 million (2021: $44.6 million) in relation to the onerous contract which has been unwound as a credit to the profit or loss in the current year, and the additional provision recognised of $6.1 million (2021: $160.5 million). Refer to note 5.4 for details.

3.3 Expenses (continued)

		Group		Corporation	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Materials		(44,024)	(37,841)	(44,024)	(37,841)
Maintenance services		(36,721)	(57,340)	(36,720)	(57,340)
Total materials and services		**(80,745)**	**(95,181)**	**(80,744)**	**(95,181)**
Wages and salaries		(104,024)	(98,387)	(103,380)	(97,815)
Termination benefits		(34,715)	(15,588)	(34,715)	(15,588)
Post employment benefits		(13,987)	(11,834)	(13,920)	(11,783)
Total employee expenses		**(152,726)**	**(125,809)**	**(152,015)**	**(125,186)**
Audit services - Office of Auditor General		(681)	(453)	(651)	(420)
Bank fees and charges		(4,299)	(3,300)	(4,298)	(3,299)
Communication and advertising		(8,883)	(8,291)	(8,882)	(8,289)
Commissions		(2,828)	(2,150)	(2,828)	(2,150)
Contractors and consultants		(160,387)	(137,444)	(159,881)	(137,379)
Insurance		(10,814)	(10,414)	(10,808)	(10,408)
Legal fees		(4,757)	(7,770)	(4,757)	(7,770)
Metering		(9,215)	(8,518)	(9,215)	(8,518)
Rental expense		(5,296)	(5,921)	(5,295)	(5,918)
Printing		(1,329)	(1,287)	(1,329)	(1,287)
Computer software		(5,822)	(339)	(5,822)	(310)
Decommissioning expense	5.4	(5,624)	(92,097)	(5,624)	(92,097)
Revaluation of electricity derivatives	5.5	(14,033)	(8,178)	(14,033)	(8,178)
Other expenses		(20,862)	(19,126)	(20,707)	(19,028)
Total other expenses		**(254,830)**	**(305,288)**	**(254,130)**	**(305,051)**
Allowance for impairment of receivables	4.3	(13,344)	(9,117)	(13,344)	(9,117)
Allowance for inventory obsolescence	4.4	(11,762)	(3,529)	(11,762)	(3,529)
Impairment of investment in joint ventures		-	-	(1)	(1,899)
Impairment of non-current assets	5.1-3	(569,484)	-	(569,484)	-
Impairment losses		**(594,590)**	**(12,646)**	**(594,591)**	**(14,545)**

A decommissioning expense of $5.6 million (2021: $92.1 million) was recognised this year primarily as a result of the additional costs associated with the Muja Power Station. Refer to note 5.4 for further information.

3.4 Net finance costs

		Group		Corporation	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest income		1,017	2,179	1,017	2,179
Total finance income		**1,017**	**2,179**	**1,017**	**2,179**
Interest on loans and borrowings		(3,243)	(4,904)	(3,243)	(4,904)
Lease interest expense		(26,156)	(27,718)	(26,156)	(27,718)
Unwinding of discount on provisions		(2,365)	(3,185)	(2,365)	(3,185)
Interest on defined benefit fund	6.3	(391)	(285)	(391)	(285)
Total finance costs		**(32,155)**	**(36,092)**	**(32,155)**	**(36,092)**
Net finance costs		**(31,138)**	**(33,913)**	**(31,138)**	**(33,913)**

3.5 Income tax expense

Reconciliation of income tax expense to the effective tax rate:

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loss before income tax	**(429,230)**	**(263,518)**	**(423,582)**	**(260,820)**
Income tax using the Corporation tax rate of 30%	128,769	79,055	127,075	78,246
Effect of:				
Non-deductible items	246	(8,917)	246	(9,487)
Other allowable deductions	(279)	(1,381)	1,418	(4)
Under provided tax benefit in respect of prior year	426	181	426	181
Utilisation of prior year tax losses previously not recognised	36,080	-	36,080	-
Current year tax losses not recognised	-	(11,485)	-	(11,485)
Deductible temporary differences not recognised	(165,024)	(57,389)	(165,245)	(57,451)
Income tax benefit	**218**	**64**	**-**	**-**
Income tax benefit includes:				
Current tax expense	(36,080)	-	(36,080)	-
Origination and reversal of temporary differences	-	36	-	-
Write-back of previously derecognised deferred tax assets	36,080	-	36,080	-
Tax loss current year	218	28	-	-
Income tax benefit in statement of profit or loss	**218**	**64**	**-**	**-**

The tax rate used in the reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

3.5 Income tax expense (continued)

Recognition and measurement

The Corporation operates under the National Taxation Equivalent Regime (NTER). While tax equivalent payments are remitted to the Department of Treasury, the Corporation's tax is subject to Australian Taxation Office (ATO) administration. The calculation of the liability in respect of income tax is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

Income tax equivalent expense comprises current and deferred tax. Income tax equivalent expense, referred to as income tax in these financial statements, is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Income tax expense includes tax adjustments for permanent and timing differences. Permanent differences represent the differences for transactions which will never be included in taxable income or loss, although they are recognised in the accounting profit or loss. Timing differences represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for tax purposes.

Income tax expense is calculated based on amounts of income which are assessable for tax and amounts of expenditure which are deductible for tax, irrespective of when that assessment or deduction arises. Income tax payable reflects amounts which are assessable or deductible in the current year, which does not always align with the timing of recognition in the statement of profit or loss.

Synergy has not formed a tax consolidated group. The tax losses of the subsidiaries cannot be used to offset against the Group's taxable income. Therefore, the income tax liability of the Group will represent the income tax liability of the Corporation and each subsidiary.

3.6 Deferred tax

	Group		Corporation	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax relating to:				
Trade and other receivables	30,966	24,378	30,966	24,378
Intangible assets	13,927	4,682	13,927	4,682
Property, plant and equipment	134,901	27,768	134,901	27,768
Trade and other payables	1,306	5,615	1,292	5,603
Lease liabilities	59,931	67,032	59,931	67,032
Employee benefits	33,921	24,781	33,904	24,772
Provisions	157,382	150,727	157,382	150,727
Business related costs	-	10	-	-
Carried forward tax losses and R&D credits	37,440	71,995	33,909	68,682
Total deferred tax asset	**469,774**	**376,988**	**466,212**	**373,644**
Inventories	(6,677)	(16,172)	(6,677)	(16,172)
Derivative financial instruments	(8,303)	(14,875)	(8,303)	(14,875)
Right of use asset	(5,344)	(25,581)	(5,344)	(25,581)
Total deferred tax liability	**(20,324)**	**(56,628)**	**(20,324)**	**(56,628)**
Total de-recognition of deferred tax asset	**(445,888)**	**(317,016)**	**(445,888)**	**(317,016)**
Net deferred tax asset	**3,562**	**3,344**	**-**	**-**

3.6 Deferred tax (continued)

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
The (increase)/ decrease in deferred tax relates to:				
Trade and other receivables	6,588	(3,986)	6,588	(3,986)
Derivative financial instruments	6,421	5,234	6,421	5,234
Right of use asset	20,237	(1,871)	20,237	(1,871)
Intangible assets	9,245	(1,946)	9,245	(1,946)
Trade and other payables	(4,309)	2,916	(4,311)	2,915
Lease liabilities	(7,101)	404	(7,101)	405
Employee benefits	9,583	5,181	9,575	5,172
Provisions	6,655	53,166	6,655	53,166
Business related costs	(10)	(284)	-	(273)
Inventories	9,495	6,910	9,495	6,910
Property, plant and equipment	107,133	(8,944)	107,133	(8,944)
Carried forward tax losses and R&D credits	(34,555)	12,183	(34,773)	12,154
De-recognition of deferred tax asset	(129,164)	(68,899)	(129,164)	(68,936)
Amount recognised in statement of profit and loss	**218**	**64**	**-**	**-**
Derivative financial instruments	151	64	151	64
Defined benefit re-measurement	(443)	(1,812)	(443)	(1,812)
De-recognition of deferred tax asset	292	1,748	292	1,748
Amount recognised in OCI	**-**	**-**	**-**	**-**
Total movement	**218**	**64**	**-**	**-**

3.6 Deferred tax (continued)

Recognition and measurement

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes at the reporting date.

Deferred income tax liabilities and assets are recognised for all temporary differences except for the following:

- temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled;
- where it is probable that the temporary differences will not reverse in the foreseeable future; or
- where taxable profit will not be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Key estimates

The Group and Corporation have tax losses and research and development (R&D) credits that are available indefinitely for offsetting against future taxable profits. As at 30 June 2022, deferred tax assets have not been recognised in respect of capital temporary differences of $14.9 million for the Group (2021: $14.8 million) and $19.6 million for the Corporation (2021: $19.6 million), and in the form of tax losses and R&D credits of $34.0 million for the Group (2021: $68.7 million) and $34.0 million for the Corporation (2021: $68.7 million) as there are no tax planning opportunities or other evidence of recoverability in the near future.

Section 4 - Operating capital

4.1 Key operating and financial risks

The Group is exposed to operational, market, credit and liquidity risks.

The board of directors oversee the management of these risks, supported by an audit and risk committee (ARC) that advises on financial risks and the appropriate financial risk governance framework for the Group.

The ARC is assisted in its governance oversight role by an internal audit function. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.

The board of directors approves policies for managing risk, which are summarised below.

4.1.1 Operational risk management

Operational risk is made up of the following:

- single source supply risk; and
- climate risk.

Single source supply risk

The Group is exposed to single sources of supply in relation to both its coal and gas commodity purchases and networks access. As such these suppliers represent a significant source of failure risk and the Group seeks to protect itself by endeavouring to include protective rights under its supply contracts. Despite these contractual rights, the Group cannot entirely ensure that the supplier will continue to supply. From time to time, the Group enters into discussions with its suppliers to address any potential interruptions to supply.

Climate risk

The Group is exposed to climate risk. Whilst the demand for new technologies and carbon management are expected to grow to support decarbonisation, climate risk impacts the demand for fossil fuels and cost of insurance.

The state government has committed to decarbonisation outcomes in the SWIS by 2030, with the replacement of coal by renewables and storage to support emission reductions.

Coal currently plays a critical role for baseload supply, but with an ageing fleet and growing renewables driving down average prices and increasing intra-day volatility, the role of coal is reduced. As coal is retired and use of renewables increases, the market will require investment for reliability. The Group is looking at strategies, including batteries and other technologies to improve flexibility and capacity.

4.1 Key operating and financial risks (continued)

4.1.2 Market risk management

Market risk is made up of the following:

- interest rate risk;
- foreign currency risk; and
- commodity price risk.

The Group enters into derivatives in order to manage market risks. All such transactions are carried out within approved guidelines. Generally, the Group seeks to apply hedge accounting in order to manage volatility in the statement of profit or loss.

All derivative activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision. It is the Group's policy that no speculative trading in derivatives may be undertaken.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to financial instruments with floating interest rates including long-term debt obligations and cash and short-term deposits.

The Group manages its interest rate risk by a mix of fixed and variable rate borrowings, based on management's best estimates of future market conditions. The Group's policy is to limit its exposure to changes in interest rates on borrowings to certain percentages in accordance with the duration of the borrowing.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets	210,000	105,000	210,000	105,000
Financial liabilities	(321,277)	(377,413)	(321,277)	(377,413)
Total fixed rate instruments	**(111,277)**	**(272,413)**	**(111,277)**	**(272,413)**
Financial assets	236,956	284,075	235,916	282,778
Financial liabilities	(45,142)	(64,391)	(45,142)	(64,391)
Total variable rate instruments	**191,814**	**219,684**	**190,774**	**218,387**

4.1 Key operating and financial risks (continued)

For variable rate instruments, a change of 25 basis points in interest rates at the reporting date, with all other variables held constant, would have increased/ (decreased) profit or loss and other comprehensive income by the amounts shown below.

		- 25 basis points		+ 25 basis points	
	Carrying amount	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	$'000	$'000	$'000	$'000	$'000
Group - 2021					
Cash and cash equivalents	284,075	(710)	-	710	-
Unsecured loans and borrowings	(64,391)	161	-	(161)	-
Group - 2022					
Cash and cash equivalents	236,956	(592)	-	592	-
Unsecured loans and borrowings	(45,142)	113	-	(113)	-
Corporation - 2021					
Cash and cash equivalents	282,778	(707)	-	707	-
Unsecured loans and borrowings	(64,391)	161	-	(161)	-
Corporation - 2022					
Cash and cash equivalents	235,916	(590)	-	590	-
Unsecured loans and borrowings	(45,142)	113	-	(113)	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating and capital expenditure. The currency giving rise to this risk is primarily the United States Dollar (USD).

4.1 Key operating and financial risks (continued)

The Group manages its foreign currency risk by hedging transactions. When the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness. The Group hedges its exposure to fluctuations by using foreign currency swaps and forward exchange contracts. At 30 June 2022, the Group hedged 100% of its foreign currency purchases for which highly probable forecasted transactions existed at the reporting date; the average deal rates were USD 0.7176 (2021: USD 0.7483) and EUR 0.6251 (2021: nil).

The Group's exposure to foreign currency risk at end of the reporting period was as follows, based on notional amounts:

	USD		EUR	
Group and Corporation	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Estimated forecast purchases	23,632	9,515	8,018	-
Forward exchange contracts	(23,632)	(9,515)	(8,018)	-
Net exposure	-	-	-	-

A 10% strengthening or weakening of the Australian dollar against the above currencies at the reporting date, with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

Commodity price risk

Commodity price risk arises from an electricity commodity derivative. A change of 10% in the market price of the commodity would have increased/ (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

		-10%		+10%	
	Carrying amount	**Effect on profit before tax**	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
Group and Corporation	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2021					
Embedded electricity derivatives	49,672	6,805	-	(6,805)	-
2022					
Embedded electricity derivatives	28,267	5,867	-	(5,867)	-

4.1 Key operating and financial risks (continued)

4.1.3 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed under the Group's established policy, procedures and control relating to customer credit risk management.

The Group has credit policies under which the creditworthiness of contestable retail and wholesale customers is assessed before credit is offered. The Group's review includes external ratings, where available. Purchase limits are established for each customer and customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or with a security in an acceptable form. The Group regularly reviews the creditworthiness of its counterparties.

An impairment analysis is performed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 4.3.

4.1.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity position of the Group is managed to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the WATC loan facility.

4.1 Key operating and financial risks (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	< 3 months	3-12 months	1-5 years	> 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
Year ended 30 June 2021					
Interest-bearing loans and borrowings	-	-	(64,264)	(154,099)	(218,363)
Trade and other payables	(443,449)	(214,741)	(4,068)	(1,531)	(663,789)
Lease liabilities	(11,264)	(33,791)	(177,251)	(125,089)	(347,395)
Derivatives	(287)	-	-	-	(287)
Total financial liabilities	**(455,000)**	**(248,532)**	**(245,583)**	**(280,719)**	**(1,229,834)**
Year ended 30 June 2022					
Interest-bearing loans and borrowings	-	-	(45,018)	(116,235)	(161,253)
Trade and other payables	(491,092)	(107,031)	(3,880)	(1,173)	(603,176)
Lease liabilities	(11,365)	(34,094)	(171,647)	(108,066)	(325,172)
Derivatives	(993)	-	-	-	(993)
Total financial liabilities	**(503,450)**	**(141,125)**	**(220,545)**	**(225,474)**	**(1,090,594)**
Corporation					
Year ended 30 June 2021					
Interest-bearing loans and borrowings	-	-	(64,264)	(154,099)	(218,363)
Trade and other payables	(443,480)	(214,741)	(4,068)	(1,531)	(663,820)
Lease liabilities	(11,264)	(33,791)	(177,251)	(125,089)	(347,395)
Derivatives	(287)	-	-	-	(287)
Total financial liabilities	**(455,031)**	**(248,532)**	**(245,583)**	**(280,719)**	**(1,229,865)**
Year ended 30 June 2022					
Interest-bearing loans and borrowings	-	-	(45,018)	(116,235)	(161,253)
Trade and other payables	(491,041)	(107,031)	(3,880)	(1,173)	(603,125)
Lease liabilities	(11,365)	(34,094)	(171,647)	(108,066)	(325,172)
Derivatives	(993)	-	-	-	(993)
Total financial liabilities	**(503,399)**	**(141,125)**	**(220,545)**	**(225,474)**	**(1,090,543)**

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. These amounts may be settled gross or net, however the impact is not material on the Group.

4.2 Cash and short-term deposits

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash at bank and on hand	236,956	284,075	235,916	282,778
Short-term deposits equal to and less than 3 months	210,000	105,000	210,000	105,000
Total cash and cash equivalents	**446,956**	**389,075**	**445,916**	**387,778**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits earn interest at fixed rates based on bank deposit rates at the inception of the term deposit. Term deposits are for varying periods of up to three months.

Reconciliation of loss for the year to net cash flows from operating activities

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loss for the year	(429,012)	(263,454)	(423,582)	(260,820)
Adjustments for:				
Profit on disposal of plant and equipment	1,384	(956)	1,384	(956)
Depreciation and amortisation	77,911	83,374	77,911	83,374
Impairment loss on trade receivables	13,344	9,117	13,344	9,117
Impairment loss on inventories	11,762	3,529	11,762	3,529
Impairment of other assets	569,484	-	569,485	1,899
Non cash interest expense	2,365	3,185	2,365	3,185
Share of (profit)/loss from joint ventures	(419)	4,465	-	-
	246,819	**(160,740)**	**252,669**	**(160,672)**
Changes in trade and other receivables	(71,885)	(295,490)	(72,245)	(295,461)
Changes in inventories	13,658	20,527	13,658	20,527
Changes in intangible assets	(24,045)	(7,999)	(24,045)	(7,999)
Changes in derivative financial instruments	21,406	30,469	21,406	17,445
Changes in tax assets and liabilities	(181)	(66)	37	(37)
Changes in trade and other payables	(26,548)	204,494	(13,991)	210,094
Changes in provisions and others	(34,424)	156,048	(52,433)	163,483
Net cash from/(used in) operating activities	**124,800**	**(52,757)**	**125,056**	**(52,620)**

4.3 Trade and other receivables

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade receivables	168,672	132,498	169,064	132,621
Unbilled receivables	215,510	216,279	215,605	216,274
Other receivables	12,636	92,639	12,639	92,639
Prepayments	14,704	13,040	14,671	13,021
Total current trade and other receivables	**411,522**	**454,456**	**411,979**	**454,555**

Recognition and measurement

Trade and other receivables that do not have a significant financing component are initially recognised at their transaction price and subsequently measured at amortised cost less an allowance for expected credit losses.

Other financial assets, including commodity swaps, that do not satisfy the contractual cash flow and business model tests are subsequently measured at fair value. Subsequent fair value movements are recognised in the income statement.

The Group applies the 'simplified approach' to trade receivable balances. Uncollectable amounts are determined using the expected loss impairment model. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against impairment losses in the statement of profit or loss.

The Group's customers are required to pay in accordance with agreed payment terms. Trade receivables are not interest-bearing and are generally on terms of 7 to 30 days. For terms and conditions relating to related party receivables, refer to note 6.6.

Trade, unbilled and inter-group receivables are shown net of expected credit loss allowances.

Key estimates

Allowance for expected credit losses

The Group applies judgement when assessing expected credit losses on trade receivables. Evidence of a requirement for an allowance may include indications that the customer is experiencing significant financial difficulty, and observable data indicating a decrease in the estimated future cash flows, such as changes in arrears or economic conditions (including COVID-19) that correlate with defaults.

The following factors have been considered by the Group in assessment of expected losses for the current year:

- observable changes to customer behaviour arising from government stimulus measures and those mandated measures such as reduced disconnections; and
- the $400 electricity credit for residential households, announced by the state government as part of the 2022-23 state budget in May 2022.

As the on and off nature of the COVID-19 pandemic is not capable of being forecast, the provision does not take into account the impact of any future events.

Commodity swaps

The Group has entered into an agreement to deliver gas to a counterparty which will be returned at a future date. The fair value of the commodity swap asset is estimated at the present value of future commodity receipts.

4.3 Trade and other receivables (continued)

Ageing of trade and inter-group receivables

	Total	Current	Past due < 30 days	Past due 30-90 days	Past due >90 days
	$'000	$'000	$'000	$'000	$'000
Group					
2021					
Gross carrying amount	208,869	98,697	29,991	19,356	60,825
Expected credit losses	(76,371)	(6,231)	(6,083)	(9,709)	(54,348)
Trade receivables	**132,498**	**92,466**	**23,908**	**9,647**	**6,477**
2022					
Gross carrying amount	250,019	112,497	36,225	26,685	74,612
Expected credit losses	(81,347)	(5,291)	(5,206)	(9,349)	(61,501)
Trade receivables	**168,672**	**107,206**	**31,019**	**17,336**	**13,111**
Corporation					
2021					
Gross carrying amount	208,992	98,893	30,222	19,136	60,741
Expected credit losses	(76,371)	(6,231)	(6,083)	(9,709)	(54,348)
Trade and inter-group receivables	**132,621**	**92,662**	**24,139**	**9,427**	**6,393**
2022					
Gross carrying amount	250,411	112,889	36,225	26,685	74,612
Expected credit losses	(81,347)	(5,291)	(5,206)	(9,349)	(61,501)
Trade and inter-group receivables	**169,064**	**107,598**	**31,019**	**17,336**	**13,111**

Allowance for expected credit losses

As at 30 June 2022, an allowance for expected credit losses on trade receivables of $81.3 million (2021: $76.4 million) and $22.1 million (2021: $25.8 million) on unbilled receivables was recognised in the Group and in the Corporation.

	Group		Corporation	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Allowance for impairment of receivables				
Balance at 1 July	(101,757)	(94,819)	(101,757)	(94,819)
Charge for the year, net of recoveries	(13,344)	(9,117)	(13,344)	(9,117)
Amounts written-off during the year	11,658	2,179	11,658	2,179
Balance as at 30 June	**(103,443)**	**(101,757)**	**(103,443)**	**(101,757)**

The Group's expected credit loss allowance for receivables is made up of items that have been individually assessed to be impaired and items that have been collectively assessed to be impaired.

4.3 Trade and other receivables (continued)

The model provides a specific provision for customers who are already assessed to be impaired, and a collective provision for the balance of the portfolio utilising a statistical approach to predict an eventual loss event based on the:

- probability of default: likelihood that a customer will not be able to meet their obligation to pay;
- loss given default: for customers in default - the exposure likely to be lost; and
- exposure default: exposure at the point when a customer enters default.

This methodology is forward looking and enables the use of early warning detection techniques to identify emerging risks in the portfolio driven by systematic and unsystematic factors.

4.4 Inventories

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fuel	79,624	99,337	79,624	99,337
Spares and consumables	16,902	22,609	16,902	22,609
Total inventories	**96,526**	**121,946**	**96,526**	**121,946**

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs. Spares and consumables include adjustments to revalue at the lower of cost and realisable value of $48.4 million (2021: $37.9 million).

The decision to retire coal-fired power stations by 2030 has resulted in the additional provision of $11.8 million (2021: $3.5 million) for inventory obsolescence.

4.5 Trade and other payables

	Group		Corporation	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade payables and accruals	591,335	624,038	591,284	624,071
Other payables	3,695	31,904	3,695	31,902
Accrued salaries	5,442	4,592	5,442	4,592
Interest accrued	786	925	786	925
Total current trade and other payables	**601,258**	**661,459**	**601,207**	**661,490**
Deferred costs	1,918	2,330	1,918	2,330
Total non-current trade and other payables	**1,918**	**2,330**	**1,918**	**2,330**

Recognition and measurement

Trade and other payables are recognised initially at fair value net of transaction costs and subsequently at amortised cost. For terms and conditions relating to related party payables, refer to note 6.6.

During 2021 the Corporation received $647.0 million (net of GST) from the State Government in COVID-19 stimulus payments to be applied towards customers' accounts. The stimulus comprised of $614.0 million for residential customers in the form of Western Australian government household electricity credit offset (WAGHECO) and a $33.0 million offset for eligible small business and charity customers (SBCTO). At 30 June 2022, trade payables and accruals include an amount of $22.3 million (2021: $88.6 million), representing the credit balance on customer accounts for the unutilised portion of the stimulus.

4.6 Deferred income

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current	4,656	17,522	4,656	17,522
Non-current	3,077	3,645	3,077	3,645
Deferred income	**7,733**	**21,167**	**7,733**	**21,167**
Represented by:				
Deferred lease income	3,488	3,897	3,488	3,897
Unearned revenue	4,245	17,270	4,245	17,270
Deferred income	**7,733**	**21,167**	**7,733**	**21,167**

Recognition and measurement

Deferred lease income

The Group received an upfront lease payment in relation to the Emu Downs Wind Farm (EDWF) off-take agreement, which was recorded at cost, deferred and recognised as revenue on a straight-line basis over the term of the lease.

Unearned revenue

The Group received an upfront payment in relation to long-term sales contract, which was recorded at cost, deferred and recognised as revenue in line with estimated sales volumes over the term of the contract. The Group also received government grants to construct an asset, which is recorded at cost, deferred and recognised as revenue in line with construction timeframe.

Section 5 - Invested capital

5.1 Property, plant and equipment

Group and Corporation	Note	Land	Buildings	Plant and equipment	Work in progress	Total
		$'000	$'000	$'000	$'000	$'000
At Cost						
Balance at 1 July 2020		6,334	153,510	2,530,188	48,441	2,738,473
Additions		-	1,379	17,580	38,270	57,229
Transfers	5.2	-	6,474	20,950	(32,492)	(5,068)
Disposals/ write-off		-	(189)	(5,617)	-	(5,806)
Decommissioning adjustment	5.4	-	-	(1,196)	-	(1,196)
Balance at 30 June 2021		**6,334**	**161,174**	**2,561,905**	**54,219**	**2,783,632**
Balance at 1 July 2021		6,334	161,174	2,561,905	54,219	2,783,632
Additions		-	1,453	13,091	165,830	180,374
Transfers	5.2	-	2,473	(2,678)	(28,779)	(28,984)
Disposals/ write-off		-	-	(49,782)	-	(49,782)
Decommissioning adjustment	5.4	-	-	37,744	-	37,744
Balance at 30 June 2022		**6,334**	**165,100**	**2,560,280**	**191,270**	**2,922,984**
Depreciation and impairment						
Balance at 1 July 2020		(2,064)	(110,958)	(1,863,935)	(4,651)	(1,981,608)
Annual depreciation charge		-	(2,747)	(50,908)	-	(53,655)
Transfers		-	(222)	(2,917)	3,422	283
Disposals/ write-off		-	163	5,397	-	5,560
Balance at 30 June 2021		**(2,064)**	**(113,764)**	**(1,912,363)**	**(1,229)**	**(2,029,420)**
Balance at 1 July 2021		(2,064)	(113,764)	(1,912,363)	(1,229)	(2,029,420)
Annual depreciation charge		-	(3,204)	(46,553)	-	(49,757)
Impairment		-	(33,228)	(460,302)	-	(493,530)
Transfers		-	-	17,132	1,229	18,361
Disposals/ write-off		-	-	48,316	-	48,316
Balance at 30 June 2022		**(2,064)**	**(150,196)**	**(2,353,770)**	**-**	**(2,506,030)**
Carrying amount						
At 30 June 2021		4,270	47,410	649,542	52,990	754,212
At 30 June 2022		**4,270**	**14,904**	**206,510**	**191,270**	**416,954**

5.1 Property, plant and equipment (continued)

Recognition and measurement

Property, plant and equipment

Property, plant and equipment (PPE) is stated at cost, net of accumulated depreciation and impairment losses.

Costs include costs of purchase, delivery, and installation, and borrowing costs for long-term construction projects. When significant parts of PPE are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in the statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 5.4) for further information about the decommissioning provision.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leased assets and leasehold improvements are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 10 – 40 years
- Plant and equipment 2 – 45 years

Land is not depreciated. Work in progress (WIP) is not amortised until the assets are completed and ready for use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Assets held for sale

Assets are held for sale when value is recovered through sale rather than continued use. They must be immediately available for sale, and a sale must be highly probable. Assets held for sale are measured at the lower of carrying value and fair value less cost to sell. Where fair value is less than the asset's carrying value an impairment loss is recognised in the statement of profit or loss.

There are several assets held for sale at 30 June 2022, with contracts still under negotiation for the following assets:

- in December 2021 the Group entered into a conditional contract for the sale of South Fremantle Power Station in North Coogee. The asset has a nil carrying value at 30 June 2022;
- in December 2021 the Group entered into a conditional contract for the sale of land in Hope Valley. The asset has a nil carrying value at 30 June 2022; and
- in January 2022 the Group advised the Minister for Energy of its intention to sell wind farm assets not located in the SWIS to Horizon Power, negotiations are still underway. These assets had a carrying value of $5.4 million at 30 June 2022.

5.1 Property, plant and equipment (continued)

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Plant and equipment	5,357	-	5,357	-
Total assets held for sale	**5,357**	**-**	**5,357**	**-**

Key estimates

Property, plant and equipment

In determining the useful lives of the Group's generation assets, assumptions and estimates are made in relation to the period over which an asset is expected to be available for use. Judgement extends to include the intended design life and the operating and maintenance regime of the fleet, and notional plant retirement dates.

When there are changes in the assumptions on plant retirement dates, the Group has determined that either an extension or reduction in the useful life of certain generation assets is required to align with the current management assumptions, as used in the decommissioning provision. There was no change in the annual depreciation expense in 2022 (2021: no change).

Impairment

The Group assesses at each reporting date, whether there is an indication of impairment or, where an impairment has previously been recognised, an indication of impairment reversal. If any indication of impairment or impairment reversal exists, or where annual impairment testing is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset or cash-generating unit's (CGU) fair value less costs of disposal (FVLCD) and its value in use (VIU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The principal changes since the last assessment at 30 June 2021 are:

- WA State Government's announcement to retire state-owned coal power stations by 2030;
- state government's commitment to invest $3.0 billion towards green power infrastructure (wind and storage);
- estimated regulated electricity price increases capped at consumer price index; and
- the discount rate as a consequence of increasing interest rates.

Considering these indicators, management determined the recoverable amounts of the following CGUs:

- Electricity CGU comprises electricity generation and retail and wholesale electricity sales, through the Group's portfolio of generating assets and power purchase agreements. VIU was used to determine the recoverable amount of the Electricity CGU of $401.8 million. It is not possible to determine FVLCD of the Electricity CGU.

5.1 Property, plant and equipment (continued)

The VIU was calculated using a 20-year discounted cashflow model incorporating the dispatch profile of each generating unit in the portfolio, and a terminal value. The pre-tax discount rate used in the VIU calculation is 8.6%.

- Gas Trading CGU comprises trading of gas in the retail and wholesale market. As there are no assets allocated to the Gas Trading CGU, an impairment assessment is not required.

As a result of management's assessment, an impairment loss of $569.5 million (30 June 2021: nil) was recognised in impairment expenses. The impairment is applied pro-rata based on the carrying amount of each asset or class of asset in the CGU (including intangible assets, refer to note 5.2 and right of use assets, refer to note 5.3).

There are significant assumptions and estimates used in the preparation of the VIU calculation used for assessing impairment. These include franchise electricity prices and the discount rate.

Significant assumption		**Sensitivity of the input**
Franchise tariff prices	Prices are capped at consumer price index.	1.0% increase in FY27 would result in a decrease in impairment of $153.2 million.
Discount rate	The current market assessment of the risks specific to the Electricity CGU.	0.50% increase would result in a increase in impairment of $149.3 million.
Capital expenditure	An estimated $3 billion will be invested to replace the capacity lost by the retirement of coal power stations with wind and storage assets.	2.5% increase in the construction costs would result in an increase in impairment of $54.6 million.
Long-term growth rates	No growth rate used to extrapolate cash flows beyond 2042, consistent with growth rate assumptions for mature industries.	2.5% growth rate beyond 2042 would result in a decrease in impairment of $153.8 million.

Impact of climate change related risk

The estimated recoverable amount used in the impairment analysis considers climate change risk through the adjustment of cash inflows associated with the planned closure of all coal fired generation assets. Any further change to the planned closure dates of coal and gas-fired generation plants as a result of climate change or any change in climate policy may have a material impact on the SWIS and may result in a material change to Synergy's estimated cashflows.

5.2 Intangible assets

Group and Corporation	Note	Computer software	Environment certificates	Sale agreements	Total
		$'000	$'000	$'000	$'000
At Cost					
Balance at 1 July 2020		205,318	21,671	17,524	244,513
Additions		7,002	149,336	-	156,338
Transfers from WIP	5.1	5,068	-	-	5,068
Disposals/ surrenders		-	(141,337)	-	(141,337)
Balance at 30 June 2021		**217,388**	**29,670**	**17,524**	**264,582**
Balance at 1 July 2021		217,388	29,670	17,524	264,582
Additions		6,404	200,300	-	206,704
Transfers from WIP	5.1	5,422	-	-	5,422
Disposals/ surrenders		(26,374)	(176,256)	-	(202,630)
Balance at 30 June 2022		**202,840**	**53,714**	**17,524**	**274,078**
Amortisation and impairment					
Balance at 1 July 2020		(166,746)	-	(11,239)	(177,985)
Annual amortisation charge		(14,055)	-	(3,015)	(17,070)
Balance at 30 June 2021		**(180,801)**	**-**	**(14,254)**	**(195,055)**
Balance at 1 July 2021		(180,801)	-	(14,254)	(195,055)
Annual amortisation charge		(12,254)	-	(3,016)	(15,270)
Transfers		(13)	-	-	(13)
Disposals		26,229	-	-	26,229
Impairment		(24,852)	-	(174)	(25,026)
Balance at 30 June 2022		**(191,691)**	**-**	**(17,444)**	**(209,135)**
Carrying amount-current					
Balance at 30 June 2021		-	29,670	-	29,670
Balance at 30 June 2022		**-**	**53,714**	**80**	**53,794**
Carrying amount-non-current					
Balance at 30 June 2021		36,587	-	3,270	39,857
Balance at 30 June 2022		**11,149**	**-**	**-**	**11,149**

5.2 Intangible assets (continued)

Recognition and measurement

Intangible assets acquired separately are measured, on initial recognition, at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Environmental certificates purchased from external sources are recognised at the weighted average cost of purchase.

Internally generated intangible assets include costs that meet the recognition criteria for development costs only, as research costs are expensed as incurred. Development costs include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

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

Where the Group has entered into a cloud computing or software as a service arrangement, costs relating to licencing, configuration and customisation are expensed as incurred unless increasing the future economic benefits flowing from the Group's existing assets.

Amortisation and impairment

Intangible assets with finite lives are amortised on a straight-line basis over the period of expected future benefits.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives for the current and comparative periods are as follows:

- Software 2 – 10 years
- Sales and purchase agreements 10 – 15 years

The Group's environmental certificates are not amortised.

The Group assesses, at each reporting date, whether there is an indication of impairment or impairment reversal for those assets which have previously been impaired. If any indication exists, or where annual impairment testing is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Key estimates

Software as a service arrangements

When determining if a cloud computing or software as a service arrangement contains an asset, judgement is required around control of the software and the treatment of customisation and configuration costs.

5.3 Right of use assets and lease liabilities

5.3.1 Right of use assets

Group and Corporation	Buildings	Power purchase agreements	Other	Total
	$'000	$'000	$'000	$'000
At Cost				
Balance at 1 July 2020	21,978	285,260	1,211	308,449
Additions	295	-	618	913
Disposals/ write-off	(37)	-	(80)	(117)
Balance at 30 June 2021	**22,236**	**285,260**	**1,749**	**309,245**
Balance at 1 July 2021	22,236	285,260	1,749	309,245
Additions	304	-	1,070	1,374
Balance at 30 June 2022	**22,540**	**285,260**	**2,819**	**310,619**
Depreciation and impairment				
Balance at 1 July 2020	(9,974)	(200,917)	(524)	(211,415)
Annual depreciation charge	(2,344)	(9,779)	(526)	(12,649)
Disposals/ write-off	24	-	80	104
Balance at 30 June 2021	**(12,294)**	**(210,696)**	**(970)**	**(223,960)**
Balance at 1 July 2021	(12,294)	(210,696)	(970)	(223,960)
Annual depreciation charge	(2,498)	(9,779)	(607)	(12,884)
Impairment	(5,348)	(44,722)	(858)	(50,928)
Balance at 30 June 2022	**(20,140)**	**(265,197)**	**(2,435)**	**(287,772)**
Carrying amount				
At 30 June 2021	9,942	74,564	779	85,285
At 30 June 2022	**2,400**	**20,063**	**384**	**22,847**

The Group has lease contracts for office buildings, power purchase agreements (PPA), motor vehicles and office equipment. The Group also has leases of equipment with terms of less than 12 months or with low value, to which the Group applies the short-term and lease of low-value recognition exemptions.

Recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right of use (ROU) assets at the commencement date of the lease. ROU assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

5.3 Right of use assets and lease liabilities (continued)

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings and other 2 – 10 years
- Power purchase agreements 15 – 25 years

5.3.2 Lease liabilities

	Group		Corporation	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Current	21,344	18,982	21,344	18,982
Non-current	183,821	204,459	183,821	204,459
Total lease liability	**205,165**	**223,441**	**205,165**	**223,441**

Recognition and measurement

Lease liabilities are initially measured at the present value of future fixed lease payments net of cash lease incentives that are not paid at the balance date. To calculate the present value, where the implicit interest rate is not readily determinable, payments are discounted using the Group's incremental borrowing rate. Subsequently, lease liabilities are remeasured when there is a modification or change in lease terms.

Variable lease payments are recognised as an expense in the period in which the condition that triggers the payment occurs. Total variable lease payments of $121.2 million (2021: $110.4 million) are included in cost of sales.

Lease payments on short-term or low value leased assets are recognised as expense on a straight-line basis over the lease term.

Key estimates

Lease term options

Judgement is applied when determining if it is reasonably certain whether or not to exercise an option to renew or terminate a lease. Factors considered include economic incentives, operational risk and strategic objectives. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Interest rates

Where the Group cannot readily determine the interest rate implicit in the lease it uses discount rates sourced from the WATC as its incremental borrowing rate to measure lease liabilities.

5.4 Provisions

	Note	Decom. provision	Commodity swaps	Renewable energy certificates	Onerous contracts	Other provisions	Total
Group and Corporation		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2020		335,099	168,183	42,449	80,368	20,033	646,132
Recognised in profit or loss		92,097	2,212	145,960	160,523	23,515	424,307
Utilised		(23,883)	(23,008)	(141,333)	(44,577)	(582)	(233,383)
Change in assumptions in PPE	5.1	(1,196)	-	-	-	-	(1,196)
Reversed during the year		(1,540)	-	-	(21,300)	(718)	(23,558)
Unwinding of discount		1,943	1,868	-	84	-	3,895
Balance at 30 June 2021		**402,520**	**149,255**	**47,076**	**175,098**	**42,248**	**816,197**
Balance at 1 July 2021		402,520	149,255	47,076	175,098	42,248	816,197
Recognised in profit or loss		5,624	(8,208)	194,546	6,600	37,820	236,382
Utilised		(31,757)	(20,254)	(176,253)	(29,340)	(2,649)	(260,253)
Change in assumptions in PPE	5.1	37,744	-	-	-	-	37,744
Reversed during the year		-	-	(1,171)	(500)	(30,163)	(31,834)
Unwinding of discount		727	964	-	1,142	-	2,833
Balance at 30 June 2022		**414,858**	**121,757**	**64,198**	**153,000**	**47,256**	**801,069**
2021							
Current		70,244	38,350	47,076	28,198	42,248	226,116
Non-current		332,276	110,905	-	146,900	-	590,081
		402,520	**149,255**	**47,076**	**175,098**	**42,248**	**816,197**
2022							
Current		48,323	19,901	64,198	7,631	4,843	144,896
Non-current		366,535	101,856	-	145,369	42,413	656,173
		414,858	**121,757**	**64,198**	**153,000**	**47,256**	**801,069**

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Decommissioning provision

The Group has recognised a provision for decommissioning obligations associated with the facilities owned by the Group. Recognition of a provision is consistent with the Group's policies and applicable legal requirements.

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The unwinding of the discount is recognised in the statement of profit or loss as a finance cost. Changes in the estimated future costs, useful lives or in the discount rate applied are added to or deducted from the cost of the asset or in the income statement for assets that have reached the end of life.

5.4 Provisions (continued)

Commodity Swaps

Under long-term gas swap agreements entered into from 2012, the Group has been receiving gas from various counterparties and is obliged to return gas in the future. The gas agreements are entered into for the purpose of providing flexibility in managing the Group's fuel requirements.

Provision for commodity swaps is recognised at the present value of expected costs to settle the obligation using estimated cash flows. The unwinding of the discount is recognised in the statement of profit or loss as a finance cost. Changes in the estimated future costs are recognised as an expense in the statement of profit or loss.

Renewable energy certificates

The *Renewable Energy (Electricity) Act 2000* requires electricity wholesale purchasers to source specified amounts of electricity from renewable energy sources and imposes an annual liability on the Group.

The provision for renewable energy certificates (RECs) is measured at the estimated cost of settling the obligation, being the weighted average cost of RECs held at the date of surrender, less any internally generated RECs on hand. At period end any shortfall in certificates is measured at market value. The liability is expensed in the statement of profit or loss as cost of sales.

Onerous contracts

The Group currently has certain supply agreements and sales contracts where the unavoidable costs of meeting the obligations under the agreements exceed the economic benefits the Group is expected to receive. A provision for onerous contracts has been recognised as the net present value of unavoidable net costs i.e. the difference between expected revenue from the use or sale of the physical commodity and the costs to fulfil the agreements.

Additional provision for onerous contracts of $6.1 million was recognised in 2022 (2021: $160.5 million).

Other provisions

The Group was in a contractual dispute with a supplier during 2021 which was the subject of litigation and carried a provision of $25.5 million at 30 June 2021. In January 2022 the Court of Appeal issued a unanimous decision in the Group's favour, resulting in a full reversal of the provision in 2022.

Following the WA State Government's announcement to retire state-owned coal power stations by 2030, the Group recognised an additional redundancy provision of $34.2 million (2021: $14.9 million).

5.4 Provisions (continued)

Key estimates

Decommissioning provision

In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to decommission the site, and the expected timing of those costs. Judgement extends to include the anticipated removal date, impact of future environmental legislation, extent of reclamation activities required, engineering methodology for estimating costs, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

During 2022 the Group engaged an independent expert to estimate the future decommissioning costs. This resulted in an additional $5.6 million in costs being recognised due to the increased cost of labour and earlier retirement dates of coal generation assets (2021: $92.1 million). The mid-point of the estimate range, which represents the probability weighted average of the possible scenarios, estimated by the expert, was adopted as the basis for calculating the provision. Because of the long-term nature of the liability, there is significant estimation risk around the estimated decommissioning costs that will be incurred. The Group has assumed the sites will be restored using the technology and materials that are currently available.

Commodity Swaps

The commodity swap liability represents the value of the obligation to return gas. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, future commodity prices and the expected timing of the gas returns.

Onerous contracts

In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected revenue and costs of excess quantity not used, and the expected timing of these cash flows. The Australian government bond rate has been used to discount the cashflows.

5.5 Derivative financial instruments

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Forward exchange contracts- cash flow hedge	401	199	401	197
Total current financial assets through OCI	**401**	**199**	**401**	**197**
Electricity derivatives - embedded current	5,302	7,372	5,302	7,372
Electricity derivatives - embedded non-current	22,965	42,300	22,965	42,300
Total financial assets through profit or loss	**28,267**	**49,672**	**28,267**	**49,672**
Total financial assets at fair value	**28,668**	**49,871**	**28,668**	**49,869**
Forward exchange contracts - cash flow hedge	993	287	993	287
Total financial liabilities through OCI	**993**	**287**	**993**	**287**

The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks.

Forward exchange contracts

When the Group has expected foreign currency denominated purchases, foreign exchange forward contracts are entered into and designated as hedging instruments in cash flow hedges. These expected transactions are highly probable, and they comprise 100% of the Group's total expected purchases in foreign currencies. Where the period of the underlying transaction is less than 12 months, foreign exchange forward contracts are not generally designated as cash flow hedges.

The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through the statement of profit or loss.

Electricity derivatives

Electricity derivatives are the contract-for-difference component of some electricity trading contracts the Group has entered into. These electricity derivatives have been separated and are carried at fair value through profit or loss. These financial instruments reflect the change in fair value of electricity derivatives that are not designated in hedge relationships but are nevertheless intended to reduce the level of commodity price risk.

5.5 Derivative financial instruments (continued)

Recognition and measurement

Derivative financial instruments are classified, at initial recognition, as either financial assets or liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets and liabilities at fair value through profit or loss are measured at fair value with net changes in fair value presented as finance costs or finance income in the statement of profit or loss.

Hedging

Derivatives that are designated within qualifying hedge relationships are initially recognised at fair value on the date the contract is entered into.

For relationships designated as fair value hedges, subsequent fair value movements are recognised in the statement of profit or loss. For relationships designated as cash flow hedges, subsequent fair value movements for the effective portion of the hedge are recognised in other comprehensive income and accumulated in reserves; fair value movements for the ineffective portion are recognised immediately in the statement of profit or loss.

Fair value

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When the fair values cannot be measured using quoted prices in active markets, it is measured using valuation techniques considered appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs.

Fair value of derivative financial instruments

The following were used to estimate the fair values of the Group's derivative financial instruments:

- fair values of foreign exchange forward contracts are determined using the deal rates and the forward curve rates to maturity, discounted using the base currencies discount curve. Curves used are those published by financial institutions at the end of the reporting period; and

- fair value of electricity derivatives is determined using the discounted cash flow method. Internally projected forward electricity price is used to calculate the forward price curve. These are discounted using the market yields on corporate bonds as published by the Group of 100 for fixed long-term borrowings of similar durations.

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

5.5 Derivative financial instruments (continued)

The following table provides the hierarchy of the Group's financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
2021				
Electricity derivatives - embedded	49,672	-	-	49,672
Forward exchange contracts - cash flow hedge	(88)	-	(88)	-
2022				
Electricity derivatives - embedded	28,267	-	-	28,267
Forward exchange contracts - cash flow hedge	(592)	-	(592)	-

For recurring assets and liabilities, there were no transfers between Level 1 and Level 2 during the reporting period.

	2022	2021
Reconciliation of Level 3 financial instruments	**$'000**	**$'000**
Opening balance	49,672	67,118
Unwinding	(7,372)	(9,268)
Revaluation	(14,033)	(8,178)
Closing balance	**28,267**	**49,672**

Key estimates

Electricity derivatives

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates of the forward electricity price and the discount rate. The inputs to these models are taken from observable markets where possible, but where this is not feasible a degree of judgement is required by management in establishing fair values. Changes in assumptions could affect the reported fair value of financial instruments. The following are the significant unobservable inputs in the electricity derivatives:

- internally projected forward electricity price – a 10% increase/ (decrease) would result in a decrease/ (increase) in fair value by $5.9 million.
- discount rate – a 1% increase/ (decrease) would result in an insignificant change in fair value.
- internally projected sales volumes – a 10% increase/ (decrease) would result in a decrease/ (increase) in fair value by $2.8 million.

5.6 Interest bearing loans and borrowings

			Group		Corporation	
			2022	2021	2022	2021
	Interest rate	Maturity	$'000	$'000	$'000	$'000
Unsecured borrowings	0.21% - 1.84%	Jan-30	161,130	218,236	161,130	218,236
Secured borrowings	3.13%	Jun-30	123	127	123	127
Total interest-bearing loans and borrowings			**161,253**	**218,363**	**161,253**	**218,363**

Unsecured borrowings

This loan has been drawn down under a Master Lending Agreement with WATC. The fair value of the unsecured borrowings at 30 June 2022 is $150.2 million (2021: $220.8 million). There is no fixed term on this facility. The loans drawn under the facility are repayable at dates designated at drawdown and are classified as short-term or long-term based on each loan's maturity as at the reporting date.

At 30 June 2022, the Group had an approved borrowing limit of $280.0 million (2021: $300.4 million), of which $161.1 million has been utilised (2021: $218.2 million).

In addition, the Group also had $125.0 million of undrawn committed working capital facility from WATC (2021: $125.0 million).

Based on the best estimate at the balance date taking into account the cash and bank balances and the undrawn balance available from the above facilities, the Group is in a position to pay its debts as and when they fall due for payment.

Classification

As at 30 June 2022, the non-current unsecured borrowings of $161.1 million included an amount of $0.9 million that will become due and payable during the 2023 reporting year. It is the Group's expectation and discretion that this amount will be refinanced under the master lending agreement with the WATC rather than repaid, and therefore has been classified as non-current.
This is supported by:

- a master lending agreement with the WATC that allows the Group to refinance all or any part of maturing debt at regular intervals; and
- the approval of the Group's forecast borrowing requirements for the next four years, including no repayment of amounts classified as non-current above, in the 2023 Western Australian State Budget Mid-Year Review handed down in May 2022.

Recognition and measurement

Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost.

Section 6 - Other items

6.1 Contributed equity, accumulated losses and reserves

Contributed equity

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Contributed equity	1,448,445	1,292,744	1,448,445	1,292,744

Contributed equity comprises contributions by the owner, the State Government of Western Australia.

The initial contribution by owner was made on 1 April 2006 and comprised assets and liabilities transferred from Western Power Corporation. On 1 January 2014, an additional contribution was received in the form of a transfer of the assets and liabilities from the former Electricity Retail Corporation. Contributions of assets and liabilities, under a restructure of administrative arrangements, are recognised at their carrying values through equity as capital contribution by owner.

During the year, the Group received $155.7 million in additional equity contributions for construction of a 100 MW battery in the SWIS and other renewable projects.

Net assets

As at 30 June 2022, the Group incurred a loss of $429.0 million (2021: $263.5 million) and its financial position indicates current net assets of $208.4 million (2021: $42.9 million) and a net asset deficiency of $311.7 million (2021: $52.0 million). The net asset deficiency is primarily driven by impairment (note 5.1). Although the long-term impacts of early retirement and decarbonisation are reflected in the loss for the year, there is no impact to the Group's short-term liquidity position or its ability to pay its debts as and when they fall due for payment. Net assets are expected to return positive once the equity funding for the wind and storage assets is received.

Accumulated losses and reserves

The reserve includes the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to transactions that have not yet occurred, and the Group's share of other comprehensive income that will subsequently be reversed through the profit or loss statement from its investment in joint ventures.

There were no dividends paid during the 2022 financial year (2021: nil).

6.1 Contributed equity, accumulated losses and reserves (continued)

The disaggregation of changes of other comprehensive income by each type of reserve is shown below:

Group	Accumulated losses $'000	Reserves $'000	Total $'000
Changes in fair value of cash flow hedges, net of tax	-	5,122	5,122
Re-measurement on defined benefit plans, net of tax	6,040	-	6,040
As at 30 June 2021	**6,040**	**5,122**	**11,162**
Changes in fair value of cash flow hedges, net of tax	-	12,135	12,135
Re-measurement on defined benefit plans, net of tax	1,475	-	1,475
As at 30 June 2022	**1,475**	**12,135**	**13,610**
Corporation			
Changes in fair value of cash flow hedges, net of tax	-	(210)	(210)
Re-measurement on defined benefit plans, net of tax	6,040	-	6,040
As at 30 June 2021	**6,040**	**(210)**	**5,830**
Changes in fair value of cash flow hedges, net of tax	-	(504)	(504)
Re-measurement on defined benefit plans, net of tax	1,475	-	1,475
As at 30 June 2022	**1,475**	**(504)**	**971**

6.2 Commitments and contingencies

Capital and other commitments

As 30 June 2022 the Group has commitments relating to the future purchase of renewable energy certificates, energy purchase agreements, information technology and contact centre support services of $8.4 billion (2021: $9.4 billion), and other committed capital expenditure of $93.3 million (2021: $16.7 million).

In determining the value of commitments, assumptions and estimates are made in relation to the future output of generating assets and renewable energy certificate prices.

Site restoration contingency

The Group provides for the restoration of its power station sites including any environmental rehabilitation as required by various environmental regulations (and as disclosed in note 5.4). Based on management's best estimates and assumptions, the Group has made adequate provision to cover these anticipated restoration costs.

However, many of these costs will be incurred at some time in the future and as such, the provisions will be subject to changes due to significant estimation risk surrounding such estimates and assumptions.

In addition, there may be residual environmental obligations on sites which have been declared rehabilitated, and to the extent that these may arise, represent contingent liabilities to the Group. Management does not have any means of quantifying this residual exposure.

6.2 Commitments and contingencies (continued)

Asbestos management contingency

The Group operates a portfolio of thermal power stations of varying ages. Many of these power stations used asbestos for its insulation and fire-resistant qualities prior to the market becoming aware of the dangers of asbestos. The Group has a current asbestos management process in place and addresses these risks on an ongoing basis.

However, diseases which emanate from asbestos, such as asbestosis may take many years to develop. As such, the Group may have a liability to those workers and other contractors who came in contact with asbestos at one of its power stations in the past.

The Group has a contingent liability for undiagnosed illnesses which may arise from exposure to asbestos at one of its sites. The quantum of this contingent liability is extremely uncertain and cannot be estimated with any accuracy.

Investigation by the Economic Regulation Authority

In 2021, the Corporation appeared before the Electricity Review Board (ERB) to defend an application by the Economic Regulation Authority (ERA) for orders that in 11,012 trading intervals from April 2016 to July 2017 the Corporation breached a provision in the WEM rules prohibiting a market participant from offering prices in its balancing submissions that are above its reasonable expectation of the short run marginal cost of generating electricity, when such behaviour relates to market power. Following the hearing, the ERB reserved its decision.

No provision is made as at 30 June 2022 as the Corporation denies any wrongdoing or liability in this regard and is defending the ERA's claims before the ERB. In the event the ERB finds that the Corporation has breached the WEM rules, the ERB has a wide discretion as to the amount of any penalty, and hence it is not possible at this stage to estimate any liability.

6.3 Employee benefits

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Annual leave	20,036	17,845	19,979	17,816
Long service leave	18,315	17,602	18,315	17,602
Total current liability	**38,351**	**35,447**	**38,294**	**35,418**
Long service leave	2,845	2,721	2,845	2,721
Defined benefit plan obligation	24,704	27,067	24,704	27,067
Total non-current liability	**27,549**	**29,788**	**27,549**	**29,788**

Annual and long service leave benefits are reported as current because Synergy does not have an unconditional right to defer settlement.

6.3 Employee benefits (continued)

The amount of annual and long service leave expected to be taken or paid within and after the next 12 months are presented below:

	Group		Corporation	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Annual leave:				
Annual leave expected to be settled < 12 months	11,830	10,523	11,773	10,494
Annual leave expected to be settled > 12 months	8,206	7,322	8,206	7,322
	20,036	**17,845**	**19,979**	**17,816**
Long service leave:				
Long service leave expected to be settled < 12 months	1,084	1,042	1,084	1,042
Long service leave expected to be settled > 12 months	17,231	16,560	17,231	16,560
	18,315	**17,602**	**18,315**	**17,602**

Recognition and measurement

Provision is made for benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave.

Liabilities expected to be wholly settled within one year after the end of the period are classified as short-term and measured at the amount due to be paid. Liabilities that are not expected to be wholly settled within one year after the end of the period are classified as long-term and measured at the present value of the estimated future cash outflow, using the projected unit credit method.

The Group's employees are entitled to benefits upon retirement, disability or death from any number of superannuation plans, which may include a defined contribution pension plan, a defined benefit pension plan, or both. The cost of providing benefits under the defined contribution plan is recognised in the statement of profit or loss as incurred. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

With respect to the defined benefit plan, re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recognised, along with changes in the present value of defined benefit obligations resulting from plan amendments or curtailments, in the statement of profit or loss as past service costs.

Key estimates

Long service leave

Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

6.3 Employee benefits (continued)

Defined benefit plan obligations

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions including the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

An actuarial review was conducted for the year ended 30 June 2022 using the membership data as at 30 April 2022, as it is not expected that the membership data will be materially different as at 30 June 2022.

Defined benefit plan obligation

The Corporation participates in two defined benefit plans consisting of the Pension Scheme and the prior service component of the Gold State Scheme, in which members receive pension benefits on retirement, death or invalidity, or a lump sum benefit on resignation. The schemes, which are now closed to new members, are wholly unfunded. The schemes have no assets. The schemes operate under the *State Superannuation Act 2000 (Western Australia)* and the *State Superannuation Regulations 2001 (Western Australia).*

Although not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken to operate the schemes in accordance with the SIS legislation. As an exempt public sector superannuation scheme (as defined in the SIS legislation), the schemes are not subject to any minimum funding requirements. As a constitutionally protected scheme, the schemes are not required to pay tax.

The Government Employees Superannuation Board (GESB) is the schemes' trustee and is responsible for the governance of the schemes.

A reconciliation of the movement in the present value of the obligation recognised in the statement of financial position is shown below.

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at 1 July 2021	27,067	34,279	27,067	34,279
Interest cost	391	285	391	285
Benefits paid	(1,279)	(1,457)	(1,279)	(1,457)
Actuarial changes in assumptions	(1,475)	(6,040)	(1,475)	(6,040)
Balance at 30 June 2022	**24,704**	**27,067**	**24,704**	**27,067**

The significant actuarial assumptions used at valuation date include the discount rate based on the yield on the federal government bonds maturing in 2030 of 3.35% (2021: 1.50%), expected future salary increase of 3.50% (2021: 2.00%) and expected pension increase of 2.50% (2021: 1.75%).

Sensitivity analysis was performed on the defined benefit obligation using a 0.5% increase/decrease in the assumptions above, whilst retaining all other obligations, and the variances had a maximum impact on the statement of comprehensive income of $1.4 million (2021: $1.7 million).

6.4 Key management personnel compensation

	2022	2021
	$'000	$'000
Short-term employee benefits	4,375	4,275
Post-employment benefits	314	285
Total compensation paid to key management personnel	**4,689**	**4,560**

The amounts disclosed in the table are the amounts paid during the reporting period related to key management personnel of the Group.

6.5 Group structure

6.5.1 Information relating to subsidiaries

The financial statements of the Group include:

	Principal activity	Country of incorporation	% Equity interest	
			2022	2021
South West Solar Development Holdings Pty Ltd	Renewable energy development	Australia	100%	100%

The movement in the net carrying value of the subsidiaries is shown below:

	Group		Corporation	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Net carrying value				
Balance at 1 July	-	-	1,462	1,462
Balance 30 June	**-**	**-**	**1,462**	**1,462**

Recognition and measurement

Subsidiaries are all the entities over which the Group has the power over the investee such that the Group is able to direct the relevant activities, has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

6.5 Group structure (continued)

6.5.2 Interest in associates and joint arrangements

The financial statements of the Group include:

	Principal Activity	Report Date	Country of Incorporation	% Equity	
				2022	2021
Associates					
Premier Coal Limited (i)	Coal mining	31 Dec	Australia	-	-
Joint arrangements					
Collie Basin SO2 Modelling Study (ii)	SO2 emission research	30 June	NA	64.3%	64.3%
Bright Energy Investments Trust (BEI)	Renewable energy construction and operation	30 June	NA	19.9%	19.9%

(i). Under the Amended Coal Supply Agreement and the Convertible Loan Agreement (Loan) with Premier Coal Limited (PCL), the Loan automatically converts into a 25% equity stake in PCL at the end of the term of the Loan on 30 June 2030, unless it is repaid by PCL, converted into equity or forgiven by Synergy at an earlier time.

(ii). The Collie Basin Joint Venture completed its research and de-registered in 2022.

There were no reported contingent liabilities as at 30 June 2022 (2021: nil), in relation to these investments.

	Group		Corporation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Investment in joint ventures	**36,287**	**28,797**	**41,043**	**41,271**

6.5 Group structure (continued)

The movement in the net carrying value of investments is shown below:

Group	BEI	Collie	Total
	$'000	$'000	$'000
Balance at 1 July 2020	8,670	451	9,121
Investment	19,838	-	19,838
Distributions	(1,029)	-	(1,029)
Share of losses for the year	(4,240)	(225)	(4,465)
Share of other comprehensive income	5,332	-	5,332
Balance at 30 June 2021	**28,571**	**226**	**28,797**
Balance at 1 July 2021	28,571	226	28,797
Distributions	(5,342)	(226)	(5,568)
Share of profit for the year	419	-	419
Share of other comprehensive income	12,639	-	12,639
Balance at 30 June 2022	**36,287**	**-**	**36,287**

Investments in associates and joint arrangements including summarised financial information:

	Group	
	2022 $'000	2021 $'000
Cash and cash equivalents	17,711	117,232
Other current assets	8,467	4,153
Non-current assets	663,526	679,066
Current financial liabilities	77,824	112,627
Other current liabilities	1,125	1,263
Non-current financial liabilities	376,203	446,250
Other non-current liabilities	51,380	95,913
Net assets of joint venture	**183,172**	**144,398**
Carrying value of interest in JV	**36,287**	**28,571**
Revenue	56,533	42,682
Depreciation and amortisation	25,411	20,337
Income tax expense / (benefit)	3	63
Net profit / (loss) after tax	**2,104**	**(21,307)**
Share of profit / (loss)	**419**	**(4,240)**
Other comprehensive income	63,514	26,791
Share of other comprehensive income	**12,639**	**5,332**

6.5 Group structure (continued)

Recognition and measurement

Joint arrangements

Joint arrangements are arrangements in which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation, and as such the Group recognises its share of the operations assets, liabilities, revenue and expenses, including those incurred jointly. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

Joint arrangements acquired which are deemed to be carrying on a business are treated as business combinations and are accounted for under AASB 3 *Business Combinations*. Joint arrangements which are not deemed to be carrying on a business are treated as asset acquisitions.

Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

6.6 Related parties

The Group is a wholly owned public sector entity, controlled by the State Government of Western Australia, and so related parties of the Group include:

- all Ministers and key management personnel (KMP) and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB). GESB is responsible for the governance of the Group's pension schemes, further details of which are disclosed in note 6.3.

Transactions with related parties

Transactions with State Government related entities include the retail sale of electricity in the ordinary course of business on normal commercial terms. Other significant transactions include:

- Department of Treasury:
    - » $216,362,000 of other revenue relating to payment in lieu of subsidies (2021: $104,150,000); $16,330,000 of which was repayable at 30 June 2022 (2021: $17,880,000);
    - » $153,931,000 of reimbursement of the cost of CSOs included in fuel, electricity, gas and other purchases, (2021: $182,871,000); $28,757,000 of which was receivable at 30 June 2022 (2021: $16,626,000); and

6.6 Related parties (continued)

   - $12,919,000 reversal of COVID-19 stimulus payments (2021: $647,042,000) of which $4,850,000 was repayable at 30 June 2022 (2021: $14,418,000 receivable). The stimulus comprised of the Western Australian Household Energy Credit and an additional SBCTO (2020 EAP boost and SBCTO).

- WATC
   - borrowings under a Master Lending Agreement (note 5.6); the Group has drawn down $161,130,000 (2021: $218,236,000) of borrowings at 30 June 2022, and repaid $57,110,000 during the year (2021: $9,964,000); and
   - incurred interest charges of $3,208,000 during the year (2021: $3,861,000); $407,000 of interest was accrued at 30 June 2022 (2021: $464,000);
- network access and metering services from the Electricity Networks Corporation; and
- energy sales to the Regional Power Corporation and the Water Corporation.

The Group is not aware of any material transactions with the KMP or their close family members or controlled entities, or the Premier of Western Australia or any of the Cabinet Ministers during the year ended 30 June 2022. Remuneration and benefits received by directors and KMP are disclosed in the directors' report and in note 6.4.

Transactions with joint ventures and operations and associates include sale, purchase and service transactions in the ordinary course of business on normal commercial terms.

	Sales	Purchases	Amounts owed by	Amounts owed to	Commitments outstanding
	$'000	$'000	$'000	$'000	$'000
30 June 2021					
Associate	-	137,904	-	4,932	-
Joint Ventures and Operations	1,759	26,547	31,988	2,466	703,051
Government Related Entities					
Water Corporation	11,312	34	442	-	-
Regional Power Corporation	23,662	536	1,606	-	-
Electricity Networks Corporation	10,230	1,264,553	4,624	265,675	139
30 June 2022					
Associate	-	139,561	-	5,137	-
Joint Ventures and Operations	53,821	41,599	357	3,521	562,373
Government Related Entities					
Water Corporation	8,589	46	330	-	-
Regional Power Corporation	25,365	23	720	-	-
Electricity Networks Corporation	5,453	1,314,069	2,986	303,692	4,889

6.7 Accounting standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may materially impact the entity in the period of initial application, have been issued but are not yet effective:

Reference and application date	**Summary**
AASB 2014-10 *Sale or contribution of assets between investor and its associate of joint venture* Effective 1 January 2022 Application date 1 July 2022	The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments are applied prospectively. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.
AASB 116 *Property, Plant and Equipment* Effective 1 January 2022 Application date 1 July 2022	Under AASB 116, net proceeds from selling items produced while constructing an item of PPE are deducted from the cost of the asset. These amendments prohibit an entity from deducting from the cost of an item of PPE from the proceeds of selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 112 *Inventories*. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards. These amendments are applied retrospectively. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.

6.7 Accounting standards and interpretations issued but not yet effective (continued)

Reference and application date	Summary
AASB 137 *Onerous Contracts* Effective 1 January 2022 Application date 1 July 2022	Amendments have been made to clarify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises all costs that relate directly to the contract, which includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments will apply to contracts for which have not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Comparative information is not restated, instead the cumulative effect of initially applying the amendments is recognised as an adjustment to the opening balance of retained earnings or other component of equity. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.
AASB 2020-1 *Classification of Liabilities as Current vs Non-current* Effective 1 January 2023 Application date 1 July 2023	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. Amends to AASB 101 *Presentation of Financial Statements* clarify the requirements for classifying liabilities as current vs non-current and require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.
AASB 2021-5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* Effective 1 January 2023 Application date 1 July 2023	AASB 112 *Income Taxes* requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. In specific circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.
AASB 108 *Accounting policies, changes in accounting estimates and errors* Effective 1 January 2023 Application date 1 July 2023	The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty'. The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.

6.8 Events after the reporting date

There were no significant events after reporting date.

Directors' declaration

In accordance with a resolution of the directors of Electricity Generation and Retail Corporation (the Corporation), we declare that:

In the opinion of the directors:

(a). the financial statements of the Corporation are in accordance with Schedule 4, Division 3 of the *Electricity Corporations Act 2005* and the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* including;

   (i). giving a true and fair view of the financial position of the Group and the Corporation as at 30 June 2022 and of its performance for the year ended on that date; and

   (ii). complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Electricity Corporations Act 2005;*

(b). there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the board

Robert Cole
Chair

Kim Horne
Deputy Chair

Date: 30 August 2022

Perth

Independent auditor's report

Auditor General

INDEPENDENT AUDITOR'S REPORT
2022
Electricity Generation and Retail Corporation trading as Synergy

To the Parliament of Western Australia

Opinion

I have audited the financial report of the Electricity Generation and Retail Corporation trading as Synergy (the Corporation) and its controlled entities (the Group), which comprises:

- the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- notes comprising a summary of significant accounting policies
- the directors' declaration.

In my opinion, the financial report of the Corporation and the Group is prepared in accordance with Schedule 4 of the *Electricity Corporations Act 2005,* and:

- presents fairly, in all material respects, the financial position at 30 June 2022 and of its performance for the year then ended
- in accordance with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

Emphasis of Matter

I draw attention to the two matters below. My opinion is not modified in respect of these matters.

Impairment loss
I draw attention to notes 3.3 and 5.1 to 5.3 of the financial report which discloses that the Group has recognised an impairment loss of $569.5 million.

Contingent liability
I draw attention to note 6.2 of the financial report, which describes the status of the investigation by the Economic Regulation Authority on the Corporation's pricing in its balancing submission made in the Western Australian Wholesale Electricity Market.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

Independent auditor's report (continued)

Responsibilities of the directors for the financial report

The directors of the Corporation are responsible for:

- preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Schedule 4 of the *Electricity Corporations Act 2005*
- such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for:

- assessing the Corporation's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. 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.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other Information

The directors are responsible for the other information. The other information is the information in the Corporation's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

Independent auditor's report (continued)

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. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Corporation and the Group for the year ended 30 June 2022 included in the annual report on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report is concerned with the inherent risks arising from publication on the website, they are advised to contact the Corporation to confirm the information contained in the website version.

Sandra Labuschagne
Deputy Auditor General
Delegate of the Auditor General for Western Australia
Perth, Western Australia
5 September 2022

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Forrest Centre
219 St Georges Terrace Perth WA 6000
GPO Box F366 Perth WA 6841

synergy.net.au

For the Electricity Generation and Retail Corporation
trading as Synergy ABN 58 673 830 106