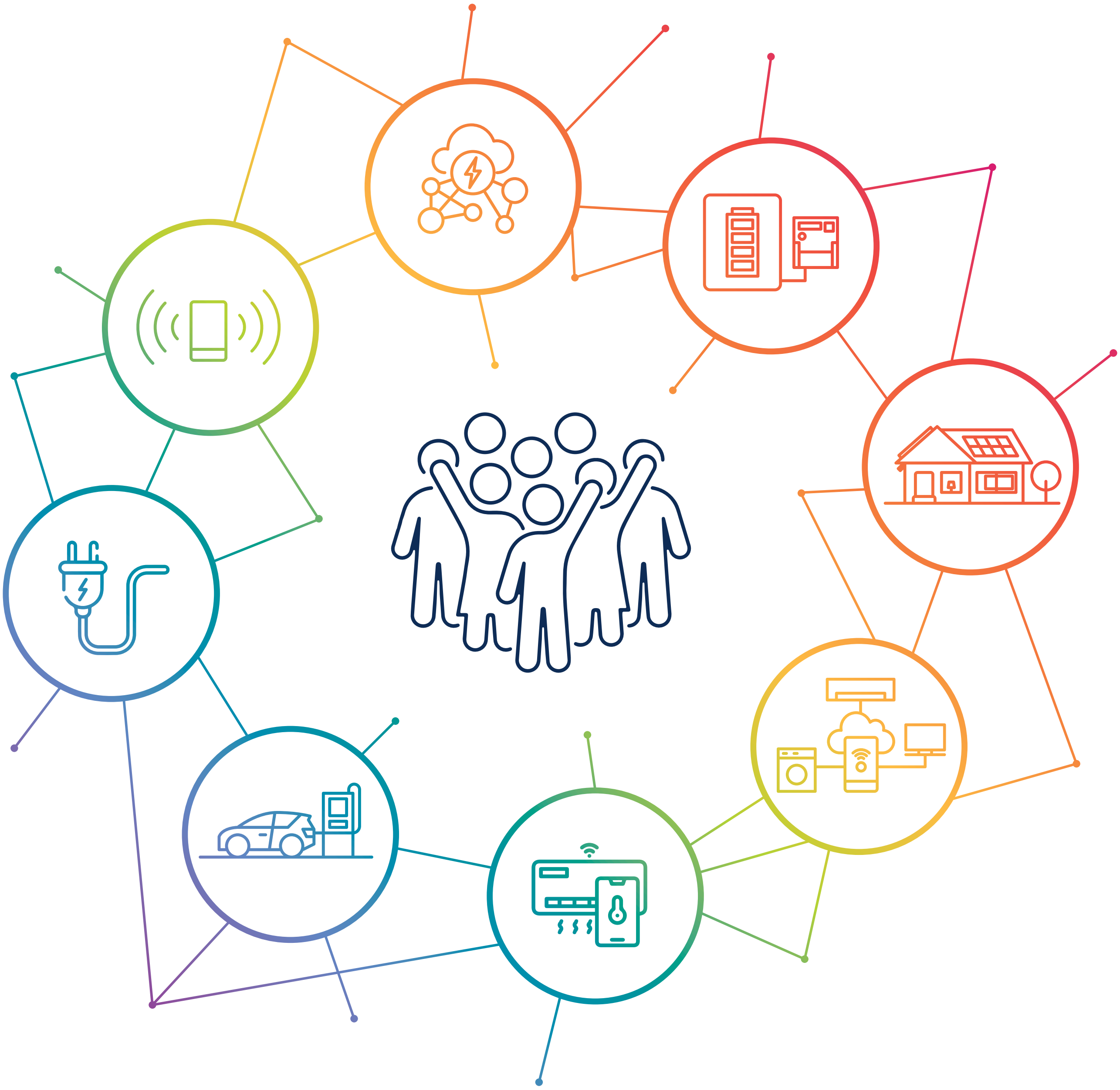


synergy

2021 ANNUAL REPORT

About this report

The 2020-21 Annual Report is a review of Synergy's performance for the financial year ended 30 June 2021.

This report is produced in accordance with the provisions of the *Electricity Corporations Act 2005*, which governs our operations.

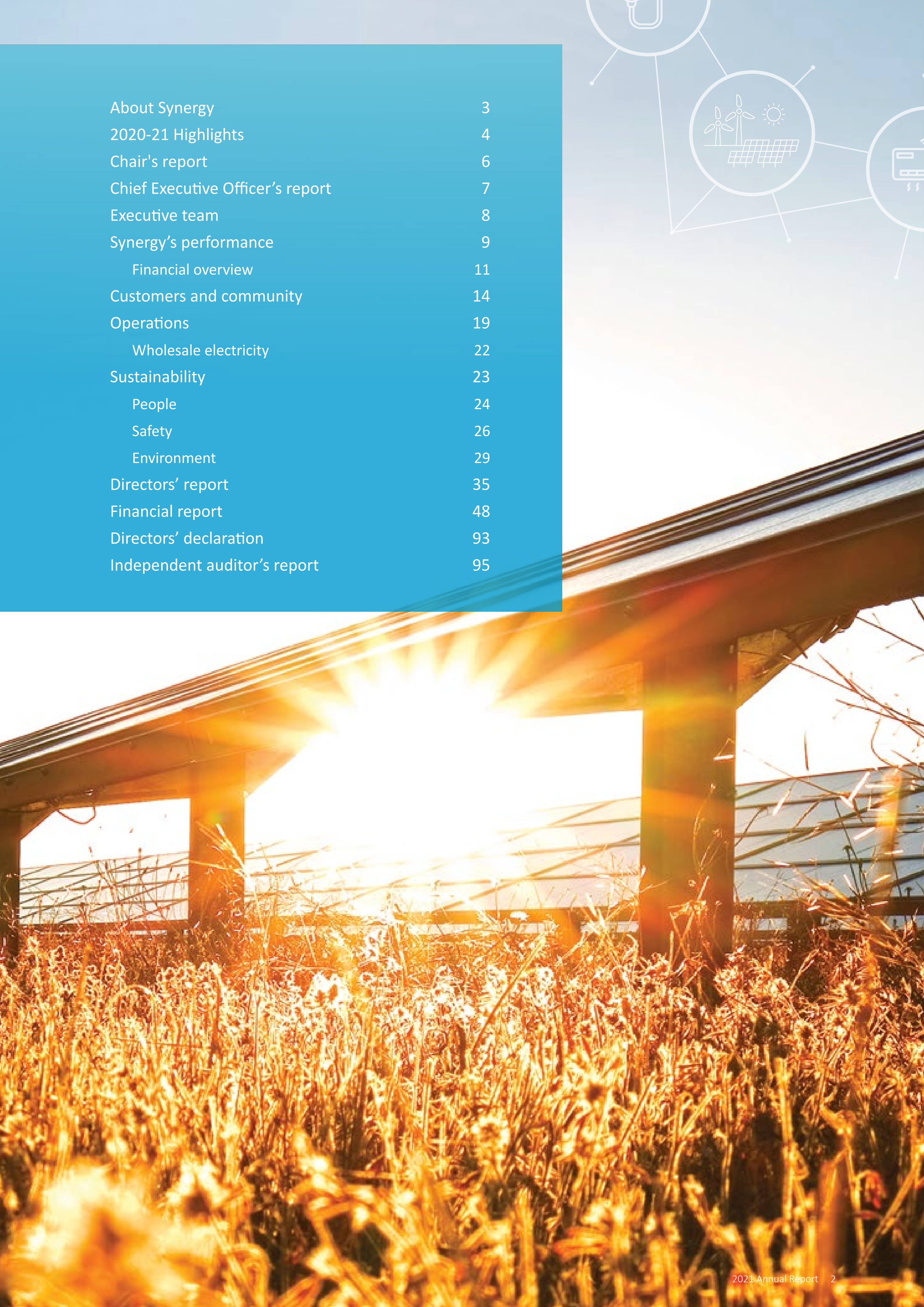
Provided to the Minister for Energy, the Hon. Bill Johnston MLA, the report is tabled in the Parliament of Western Australia.

To provide feedback on this report please email corporate.communications@synergy.net.au

Acknowledgement of Country

We acknowledge the Traditional Owners of the Land on which we operate and their continuing connection to the land, water and community. We pay our respects to Aboriginal and Torres Strait Islander communities, their cultures and to Elders past and present.

OWNED BY
THE PEOPLE
OF WA



About Synergy

synergy *noun*

The combined power of a group of things when they are working together is greater than the total power achieved by each working separately. From Greek sunergos = 'working together', (sun = 'together') + (ergon = 'work').

Legend

- South West Interconnected System (SWIS)
- Thermal power station
- Wind farm
- Gas turbine
- Battery

*Battery under construction

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 safe, 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.

We own and operate 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. Our primary area of operation is across the electricity network known as the South West Interconnected System (SWIS).

Through our partnerships we have participated in the development and construction of major renewable projects including the 180 Megawatt (MW) Warradarge Wind Farm, the Stage Two 30MW expansion of the Greenough River Solar Farm, and the refurbishment of the 35.4MW Albany Grasmere Wind Farm. We are currently progressing a 100MW battery in Kwinana to support the integration of more renewable energy sources and improve system security.

Western Australia is undergoing an energy transformation, and Distributed Energy Resources (DER) is increasingly becoming a major part of our energy system. DER includes home and business rooftop solar, domestic and community battery storage, electric vehicle charging stations, virtual power plants (VPP), stand-alone power systems, and micro-grid systems.

As this evolution continues Synergy will work adaptively with advancing technologies and our partners, customers, and communities, to enable them to unlock the exciting opportunities and benefits offered by DER.

Synergy's purpose is clear – to work together with Western Australians towards their intelligent energy future.

2020-21 Highlights

Western Australia's energy sector continues to rapidly evolve and we have been adapting right along with it. Over the financial year several key achievements and developments have taken place across our business.

New corporate strategy launched

- Completion of Australia's first large-scale battery trial within a residential community
- 10 schools to be transformed into virtual power plants
- Opening of Bright Energy Investments' 180MW Warradarge Wind Farm
- Lowest Recordable Injury Frequency Rate in five years
- #1 quartile nationally and #2 quartile globally for employee engagement
- #1 in Australian energy sector for positive graduate experience
- Reconciliation Action Plan launched
- WA's first big battery announced
- 500 customers to participate in WA's biggest virtual power plant


How to charge your
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your
electric
vehicle
here
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AUSTRALIA
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Chair's report

Although 2020-21 has presented considerable challenges, it has also been a period of significant achievement. This financial year Synergy has planned and progressed a new corporate strategy to transform the business into a “new Synergy” that will operate sustainably in the evolving and complex new energy market, and lead Western Australians to their intelligent energy future.

Synergy is the largest integrated electricity generator and retailer in the South West Interconnected System (SWIS), and our diverse large-scale renewable and traditional thermal generation portfolio plays a critical role in supplying reliable and efficient energy to wholesale and retail customers.

Reflecting the “new Synergy”, a highlight of 2020-21 was the opening of Bright Energy Investments’ 180MW Warradarge Wind Farm by the Hon. Bill Johnston MLA, Minister for Energy in October last year. Synergy is both an equity partner and energy off-taker from this impressive facility which provides clean, green, renewable power for the equivalent of 148,500 Western Australian homes.

While we are proud of this project, like many electricity utilities around the world, we are also facing significant disruption as our traditional business is challenged by the high uptake and investment in renewable energy at both a household level and larger scale.

Synergy is integral to the Western Australian State Government energy reform program and we are proactively working with Energy Policy WA and other agencies to deliver the actions and benefits of the DER Roadmap, which seeks to address the challenges and opportunities arising from this rapid decentralisation of the energy supply chain. We also continue to adapt our wholesale operations in anticipation of continued market change.

Our new corporate strategy has been developed in close consideration of the quickly evolving energy market, and positions Synergy to become a more customer-centric, proactive, energy-solutions provider than ever before.

A key aspect of our new strategy is to empower customers to successfully navigate the changing energy landscape.

At the same time, we are developing greater flexibility in our generation plant and building significant storage capacity – such as the 100MW/200MWh battery we plan to build at the Kwinana Power Station site. In this way we can continue to fulfil our critical role in supporting power system reliability, and contribute strongly to an energy future that is clean and affordable.

I am particularly pleased with the high degree of cooperation and quality of our relationships with our stakeholder partners, and the strong level of support from the Minister for Energy and the State Government for our corporate strategy and a more sustainable Synergy. Ongoing collaboration with the State Government, Western Power, the broader energy industry, and our customers and communities will be fundamental to the achievement of our goals.

Environmental sustainability is a key focus area as we adapt and evolve to support the current and emerging needs of our customers. As the global climate movement continues to gather momentum, so too will the transformation of Synergy’s business. This year, we made a commitment to support the State Government aspiration of reaching net zero greenhouse gas emissions by 2050, which will have a profound influence on our business going forward. This commitment builds on our existing drive to continually improve our environmental performance which is, and will remain, integral to the way Synergy operates.

We are further committed to increasing our transparency in relation to emissions and climate-related risks and actions. This is the first time we have included more details about our climate action in this report, particularly our strong performance to reduce greenhouse gas emissions against the 2005 baseline (page 31). Our disclosure is the first step in aligning to the recommendations of the international Task Force on Climate-related Financial Disclosures, which we intend to progress over coming years.

The next five years will be a critical transformational period for the energy sector – and Synergy in particular – as we prepare for a new energy future.

To ensure the stability of an increasingly DER-focused and enabled electricity network, significant investment will go into innovative product and service trials, as well as enhanced operation and management systems for our existing plant. We will also decommission, rehabilitate and repurpose retired assets such as the Kwinana Power Station.

This transformation places considerable financial pressure on Synergy, and as a government-owned trading enterprise we understand our obligations not only to our customers and owner, but also to the Western Australian community at large.

We acknowledge the State Government’s support through its commitment to a range of operating subsidy payments towards our provision of community service, social benefit and hardship concessions and discounts, and for the costs we incur through supporting other Government policy initiatives.

Finally, I would like to thank the people of Synergy, our partners and contractors, and the State Government, for the extraordinary response and management of the unprecedented impacts of COVID-19 on our customers and our own operations.

During 2020-21, due to the incredible dedication, skill and commitment of our people and partners we were able to safely maintain reliable energy supplies, and high levels of service to our customers. With the support of the State Government, we have also provided considerable collaborative and caring assistance to customers who have experienced, or are continuing to experience, financial hardship because of the pandemic and its effects.

Looking ahead, I have great confidence in the direction that Synergy and the Western Australian energy sector is heading, in a future that is both exciting and challenging. I look forward to executing our corporate strategy and to working collaboratively with the sector to realise broad-reaching benefits for the State and our customers.

Robert Cole
Chair

Chief Executive Officer's report

Customers are at the heart of everything we do at Synergy. As we continue to work with State Government, industry peers and partners to modernise the energy sector, our new corporate strategy will enable us to meet the varied energy needs of our customers – now and into the future.

At the core of our strategy and how we will achieve this, is by combining aggregation and orchestration of DER and energy management products and services, with improved generation and retailing activities.

The three guiding pillars of our new strategy are: anticipate and serve customer needs; quickly apply and integrate new energy solutions; and be a proactive and adaptable organisation focused on value. By keeping them front of mind, we will ensure the delivery of lower costs and increased reliability for customers, and long-term value for our business.

This report outlines some of the many changes, projects and initiatives we have at various stages of development along this journey. Our aim is to help as many Western Australians as possible enjoy the benefits of an intelligent energy future that is clean, affordable and reliable.

Some steps we have already taken includes our innovative work on the Australian-first PowerBank community battery storage trials, the $6 million Smart Energy for Social Housing initiative, WA's first virtual power plant (VPP) in schools and the industry-leading Project Symphony community VPP.

I will echo our Chair's thanks for the high degree of cooperation and quality of our relationships with our stakeholder partners, and for the strong level of support expressed by the Minister for Energy and the State Government for our corporate strategy. Likewise, I also recognise the complexity of Western Australia's energy market and the critical ongoing role we have to play in providing flexible and adaptable generation and storage capacity, as part of our State's Energy Transformation Strategy and DER Roadmap.

Our revised strategy sets out how we will develop a sustainable 'new' Synergy that helps our customers navigate Western Australia's evolving energy landscape, and gives more people access to affordable and energy efficient solutions.

As well as the opening of Bright Energy Investments' 180MW Warradarge Wind Farm, of which Synergy is both an investment partner and energy off-taker, another significant milestone for 2020-21 included the announcement of the 100MW 'big battery' to be constructed on part of the decommissioned (and currently being rehabilitated) Kwinana Power Station site. This project is underway and expected to be completed in early 2022-23. It is the first big battery for Western Australia and will improve the integration of intermittent renewable energy into the power system and provide additional security and stability.

As our generation mix evolves to more responsive, lower-carbon solutions, we have worked collaboratively with our people towards the closure dates for Muja C in 2022 and 2024, and all affected Synergy employees have long-term transition plans. We also continue to support the broader Just Transition Plan for the Collie region, and are working in partnership with the broader local workforce and community to help ensure the plan delivers its intended benefits.

The financial year result for 2020-21 was a net loss after tax of $263.5 million compared with a net loss of $27.2 million the previous year. The increase predominately arises from recognising an onerous contract provision and increased decommissioning costs, both matters directly linking to the transition underway in the electricity system.

Adjusted for these costs, we reported an underlying net profit of $3.2 million. This reflected the combined impact of improved revenue, lower bad debts and reliable generation plant performance during critical times.

Total revenue in 2020-21 grew by 2.3 per cent to $3.06 billion, supported by growth in retail sales. Total sales were 12,284GWh compared with 12,112GWh in 2019-20.

The unprecedented financial support from the State Government to residential and small business customers of approximately $950 million since the beginning of the COVID-19 pandemic, resulted in a reduction in bad debts by $32.6 million compared to 2019-20.

We achieved our strongest safety performance in five years, something everyone at Synergy can be rightly proud. Our positive trends in health and safety performance can be attributed to initiatives aligned to our enhanced health, safety and wellbeing strategy. Safety will always be a top priority and we remain ever vigilant, striving for continuous improvement in our safety awareness and performance in the years ahead.

Environmental sustainability is also a key focus area, and it is disappointing to have reportable environmental incidents which detract from our otherwise strong environmental performance in 2020-21. As outlined in the Chair's report and Environment section of this report, we are devoting considerable effort into improving our performance.

I would like to personally thank each and every one of our people for their commitment and compassion to our customers and fellow employees. The support provided through the continuing impacts of COVID-19 over 2020-21, where in many cases our people were in trying circumstances themselves, soundly illustrates their commendable dedication.

Finally, I thank our Chair and Board of Directors for their invaluable support, advice and oversight throughout a transformational 2020-21 for Synergy, and the Hon. Bill Johnston MLA, Minister for Energy and the State Government for their support and leadership in the development and implementation of Western Australia's Energy Transformation Strategy.

The past financial year has been significant for our business and the Western Australian energy sector, and I am eager to see the positive outcomes we are able to deliver for our customers and the State, as we progress our new, dynamic corporate strategy.

Jason Waters
CEO

Executive team

Jason Waters

Chief Executive Officer

Jonathan Cowper

Chief Financial Officer

Dion Paunich

General Manager Generation

Kurt Baker

General Manager Wholesale

Melanie Brown

General Manager Office of the General Counsel and Company Secretary

Colin Smith

General Manager Customer Experience

David Fyfe

General Manager Commercial

Angie Young

General Manager Sustainability

Gary Peel

General Manager Transformation and Technology

Synergy's performance

Synergy's performance is underpinned by its corporate strategy, which is based on three strategic pillars, that are supported by a portfolio of initiatives, linked to key performance indicators.

Corporate strategy

Working together with Western Australians to lead them to their intelligent energy future means building an intelligent *transition* to that energy future. We know that our customers' needs are changing rapidly and to be successful in the market, our new corporate strategy ensures we are able to continuously evolve and adapt with them, to create a financially sustainable future for Synergy.

The energy value chain is transitioning from a simple make and use system to a complex one, in which customers make, trade, store and use energy simultaneously. Our role is to connect and integrate solutions to meet the needs of all customers now and in the future. To achieve this, we will become a customer focused and proactive energy solutions provider.

1 Anticipate and serve customer needs.

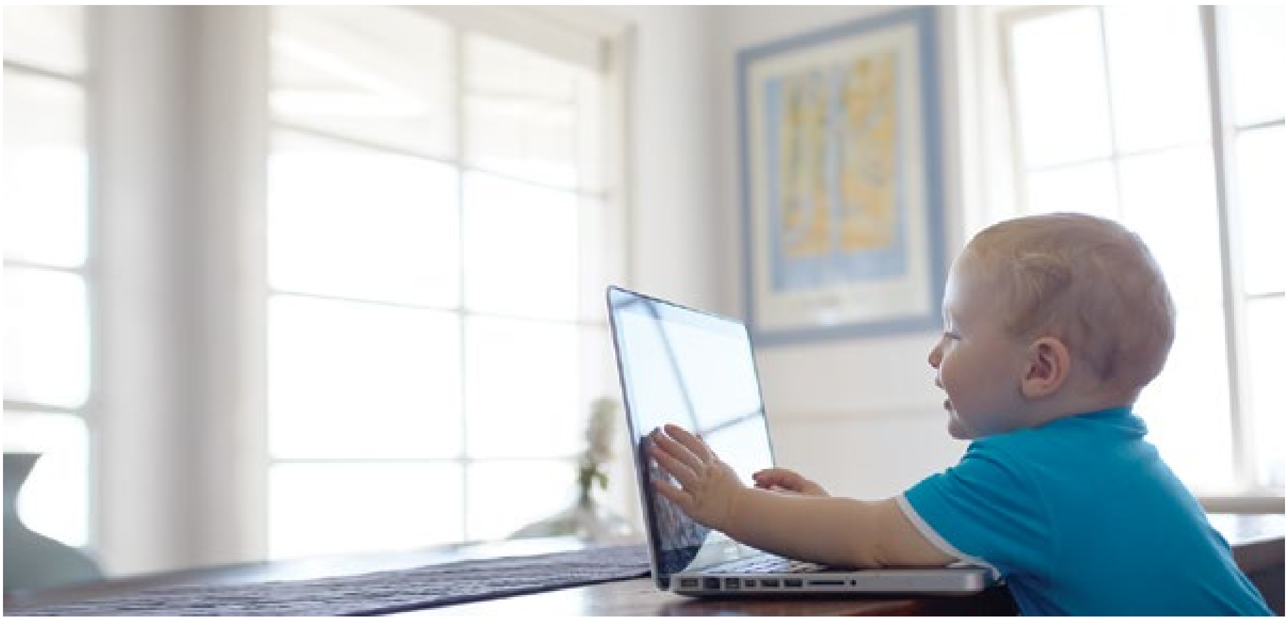
We will drive customer understanding at every level of our organisation and work together to develop personalised solutions.

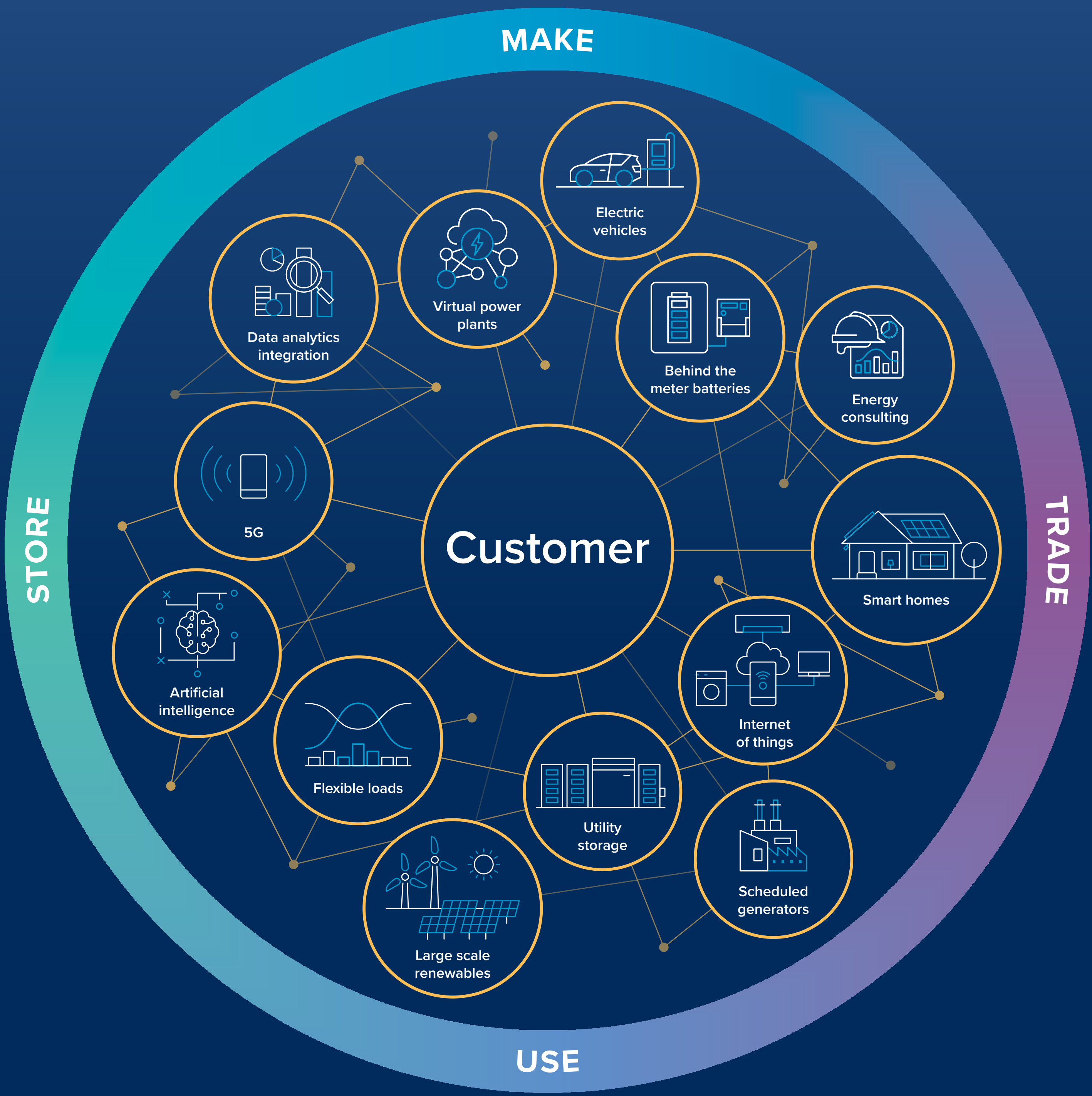
2 Quickly apply, scale and integrate energy solutions.

We will evolve our business and continuously be a step ahead in developing and providing energy solutions for our customers.

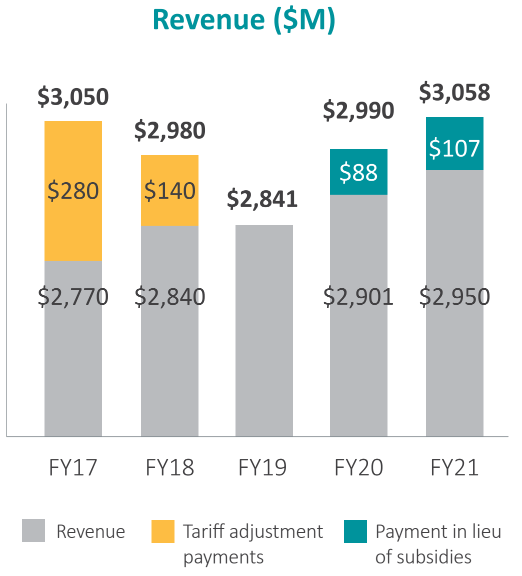
3 Be a proactive and adaptable organisation focused on value.

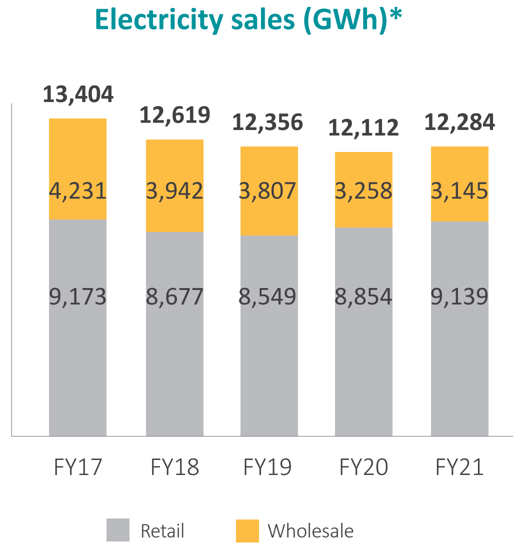
We will drive efficiencies, invest in data and analytics, leverage new technologies and be at the forefront advocating for market and regulatory reforms to drive value for our customers and our business.

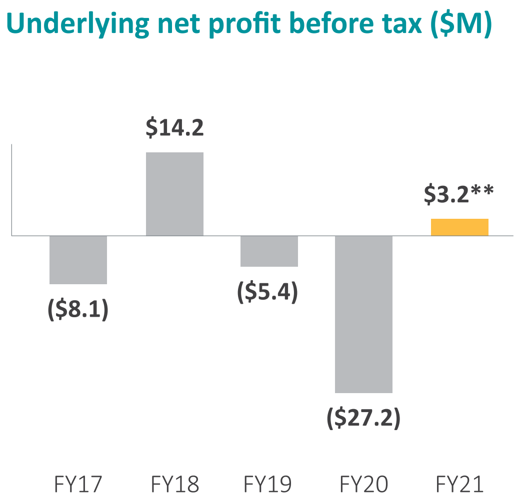


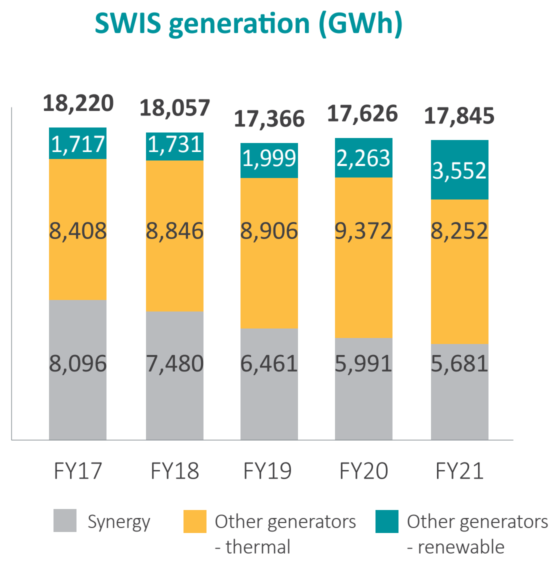

MAKE
TRADE
USE
STORE
Customer
Electric vehicles
Virtual power plants
Data analytics integration
Behind the meter batteries
Energy consulting
5G
Smart homes
Artificial intelligence
Internet of things
Flexible loads
Utility storage
Scheduled generators
Large scale renewables

Financial overview









Revenue growth of 2.3% has been achieved despite another record year of rooftop solar reducing demand for grid-based electricity. The increase is largely due to improved residential retail sales, a result of both favourable summer and winter weather conditions, as well as increased working from home arrangements related to COVID-19. Synergy's contestable retail market share also improved over 2020-21 through strong recontracting performance.

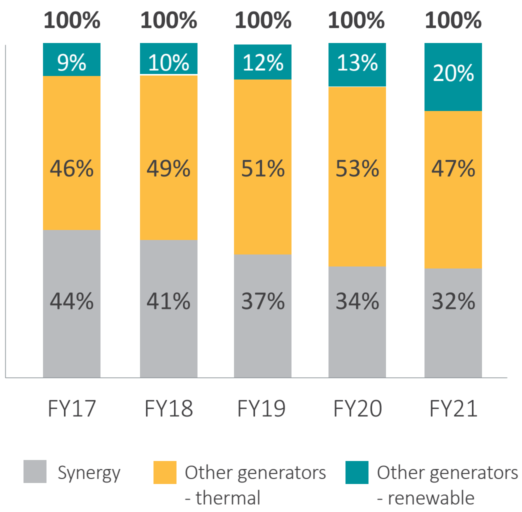
Since the start of COVID-19, the State Government has provided significant levels of support for Western Australian households and small businesses, totalling approximately $950 million. Synergy, in collaboration with the State Government, built on these initiatives further to further implement a series of additional hardship support measures for our customers. These included a suspension on all disconnection activities, waiving interest on deferred payments and providing extended payment plan options.

As a result, bad debt reduced by $32.6 million compared to the previous financial year.

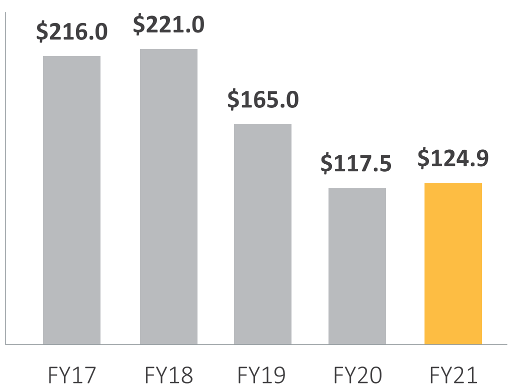
Despite an otherwise positive performance, Synergy recorded a net loss of $263.5 million for 2020-21. This has been primarily driven by non-cash provisions for an onerous contract, an increase in decommissioning costs, redundancy liabilities associated with the planned closure of Muja C. Adjusted for these, Synergy made a net profit of $3.2 million for 2020-21.

* Retail and wholesale sales are reported net and gross of line loss respectively.
**See operating results in the Directors' report (page 43) for further detail.

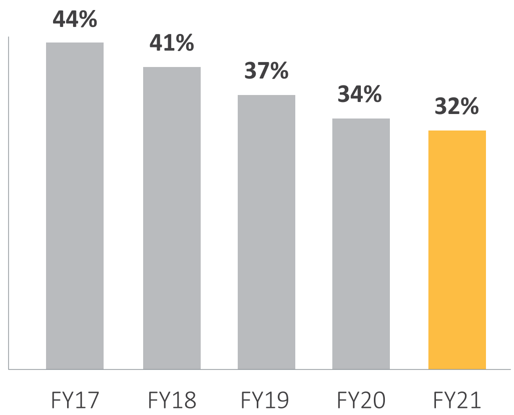
SWIS generation mix (%)



Underlying EBITDA ($M)*



Generation share of SWIS sent-outs (GWh)



The changing energy landscape

2020-21 saw unprecedented levels of renewable energy meeting the electricity demands of Western Australian homes and businesses. The completion of Warradarge and Yandin wind farms and Merredin solar farm saw large-scale renewable generation in the SWIS increase 56.8% to 3,552GWh. Rooftop solar also grew at record levels, with in excess of 345MW being added to the SWIS.

As a consequence, thermal generation was responsible for the dispatch of 1,430GWh less electricity than the previous year.

Reflective of the increase in large and small-scale solar energy, Synergy's sent-outs (dispatched generation) from its thermal fleet has declined by approximately 2,415GWh (30%) from financial 2016-17. Since financial year 2019-2020, sent-outs have reduced by 5.2%.

In turn, Synergy's generation share in the wholesale market has also reduced. This includes a decline of 12% since financial year 2016-17, and a 2% decrease from financial year 2019-2020. Underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) is $7.4 million higher than the previous financial year, reflecting the combined impact of revenue growth, operating cost savings and lower impairment of customer debt.

*Underlying EBITDA excludes the provision for onerous contracts ($160.5 million), the increase in the provision for the decommissioning of Kwinana Power Station ($92.1 million), the cost relating to the closure of Muja Stage C ($14.1 million), and the share of loss associated with joint ventures ($4.5 million).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Customers and community

Customers are at the heart of our new corporate strategy and we are committed to helping them better manage their energy use and contain their costs, without compromising the provision of reliable energy. We are driving customer understanding at every level of our organisation and working together to develop personalised solutions.

Over 2020-21, our focus has remained on providing our customers and the Western Australian community with the most helpful and relevant products, services and support to help them navigate their intelligent energy future during challenging times.

Customer support and the ongoing impact of COVID-19

Many of our customers have experienced – and some continue to experience – unprecedented hardship, so it has been more important than ever to communicate regularly and provide practical support to our community. Over 2020-21 we engaged in over 710,000 phone calls for customer support, and had approximately 71,000 online conversations through our seven-day-a-week webchat service.

Helping Hands program

The Helping Hands program was developed in collaboration with the State Government as a rapid response to the widespread economic impacts of COVID-19. Residential and business customers were offered a range of energy cost solutions including a freeze on household disconnections until 30 September 2020, no interest on deferred bill payments and two electricity account credit offsets of $2,500 (from 1 May 2020) and $500 (from 1 February 2021) for eligible small businesses and charities.

The WA Household Energy Credit Offset

In October 2020 the State Government announced the $600 WA Household Energy Credit Offset. This $600 one-off payment was credited to eligible accounts from 1 November 2020, enabling some customers to clear their bill debt, while others used the payment to stay ahead of future bills.

Ongoing hardship support

To further support customers experiencing financial hardship, in 2020-21 we built on existing support programs such as access to financial counsellors, to introduce a series of new initiatives. These included ensuring dedicated case managers for personalised support, and customer-led programs focused on energy literacy and behaviour change.

Family violence assistance

In February 2021 we launched our Fresh Start program to support customers experiencing, or recovering from, family violence. The initiative recognises that leaving an unhealthy relationship must sometimes be done suddenly and customers may be left with limited financial resources. By working with the Financial Counsellors' Association of Western Australia, Fresh Start has been designed to help our frontline team assist customers dealing with family violence by providing the ability to waive previous debt from a home a customer had to leave.

Synergy is committed to empowering customers to successfully manage their energy use. Our customer service team is available to chat on the phone or online, and there are a range of helpful tools and information available on our website.

Embracing WA's intelligent energy future

We're here to help our customers navigate Western Australia's changing energy landscape and give more people access to affordable and energy efficient solutions.

Bringing the DER Roadmap to life

DER collectively refers to 'behind-the-meter' technologies and can include rooftop solar systems, batteries, electric vehicles, microgrids and other small-scale energy technologies transforming local and global electricity systems.

Launched in April 2020, the DER Roadmap outlines the actions needed to address the network stability challenges caused by the rapid uptake of rooftop solar, and the opportunities to create a smarter and more integrated energy system in Western Australia. We continue to work with the State Government, Energy Policy WA and energy partners to deliver these actions for the benefit of our customers and the broader electricity network.

Key elements of the DER Roadmap and Western Australia's Energy Transformation Strategy include the PowerBank community battery storage trials, WA's first VPP and Project Symphony.

PowerBank

This joint initiative between Synergy and Western Power expanded in 2020-21 to provide eligible household customers in nine regions across the Perth metropolitan area, the South-West and Goldfields, access to a community battery. The battery stores electricity from local rooftop solar systems, removing the need for customers to invest in their own batteries.

WA's first virtual power plant

Establishing a VPP involves aggregating a network of DER, such as solar and battery power, then drawing from this network of resources to dispatch electricity based on demand.

The VPP for Schools project, will see ten WA schools transformed into smart, green and flexible VPPs, and was officially launched in August 2020 by the Western Australian Premier in Kalgoorlie.

Project Symphony

Project Symphony was announced in February 2021 and is a collaboration between the State Government, Synergy, Western Power, Energy Policy WA, and the Australian Energy Market Operator and is anticipated to involve around 500 homes and businesses.

The two-year pilot centres on the Perth region of Southern River, where almost 50 per cent of households already have rooftop solar. Project Symphony will aggregate the area's solar and other DER assets into a VPP to explore how this technology can benefit customers, the network and the energy market as a whole.

Exploring new renewable energy options and products

As part of delivering on the DER Roadmap, we are exploring ways to provide tangible incentives for our customers to positively change their energy use behaviour. One such initiative is the Distributed Energy Buy-back Scheme, which since September 2020 has provided payment to eligible customers who export excess energy from their household solar or batteries to the network.

As one of the recipients of Synergy's Community Solar Fund, Rocky Bay's Gosnells office received a fully installed solar system.

Smart Energy for Social Housing

The $6 million Smart Energy for Social Housing initiative was announced by the State Government in July 2020. It is part of a plan to install solar panels and hot water heat pumps on social housing properties, enabling a new group of Synergy customers to share in the benefits of solar.

Mirvac Affordability Experiment

Synergy is a key partner in the Mirvac Affordability Experiment which began in October 2020 with the building of a sustainable and affordable home. The Bennett Springs home is built to a 9.1-Star standard under the Nationwide House Energy Rating Scheme and features solar passive design and a range of energy efficient appliances. Synergy provided a 5.28 kilowatt (kW) solar system and a 8kW battery to help the family living in the home manage their energy use in the most efficient way possible.

Synergy Community Solar Fund

For the fourth consecutive year, the Synergy Community Solar Fund provided a range of not-for-profit organisations access to solar energy and ways to help reduce their electricity costs. Community Solar Fund recipients for 2020-21 were Foothills Information and Referral Service, Second Harvest, Communicare, Rocky Bay Ltd, Claremont Therapeutic Riding Centre and Spare Parts Puppet Theatre.

New products tailored to our customers' needs

Synergy is committed to providing our customers with access to more sustainable energy solutions, and continue to introduce new products to meet their changing needs. For example, our Business Flexi Plus option gives businesses access to cheaper energy in the middle of the day as well as the ability to track, monitor and forecast their energy use and gain an improved understanding of anticipated system peak periods.

The Midday Saver tariff trial launched in November 2020 is another new product. A two-year pilot, it is designed to incentivise residential customers with solar to shift more of their electricity use to the middle of the day, benefitting themselves and supporting the broader SWIS network.

Working collaboratively towards better energy management

During 2020-21 we undertook more than 10 co-creation workshops where teachers, financial counsellors, residential and business customers worked with Synergy teams to identify needs, generate ideas and develop prototype solutions.

In June 2021, we opened our purpose-built collaborative working space on the ground floor of our offices in central Perth. This facility allows us to continue to explore new possibilities with our customers, partners and employees. Engaging in such customer research, insights, data and design, helps Synergy foster its leadership and innovation, and helps us deliver practical, customer-centric solutions to real needs.

Ron and Johanna Withnell, one of three winners from Synergy's Nominate your Neighbour campaign outside their home in Halls Head.

The Synergy Schools Solar Challenge supports Science, Technology, Engineering and Maths (STEM) learning for students across metropolitan and regional Western Australia.

Inspiring future generations

The Synergy Schools Solar Challenge is an annual program hosted by Synergy and the Science Teachers' Association of Western Australia in which Year 6 and Year 8 students build and race solar-powered cars, learning about renewable energy along the way. The Synergy Schools Solar Challenge Grand Final 2021 was held in March at Bob Hawke College in Subiaco and won by Rockingham Lakes Primary School (Year 6) and Kingsway Christian College (Year 8).

Sharing the festive spirit

The Synergy Xmas Lights Trail 2020 was warmly welcomed and again supported the Lifeline WA Lights for Lifeline campaign. Through a web-based platform, the annual initiative connects the community with the best Christmas light displays across Perth and regional areas, and encourages community engagement with a friendly competition for best display.

Collie community support

Since the discovery of coal in 1893, Collie has been integral to the State's economy and energy landscape. In 1960 construction began on Muja Power Station and the town became the hub of the SWIS, with its electricity production underpinning the States' development. Today, we take great pride in continuing to be part of the fabric of the town.

We maintained our supportive presence in the Collie community during 2020-21 by participating in a range of local forums and meetings that enabled us to effectively engage with the community and local stakeholders.

Synergy has also been actively involved in the development of the State Government Just Transition Plan, which aims to support the community and workers impacted by Collie's transition away from coal. Engagement and activities now focus on the timely delivery of the Plan, in collaboration with government, industry and community stakeholders.

To help unlock economic opportunity and social benefits for Collie, Synergy sponsored the second annual Collie Labour Day Festival in February 2021. The two-day festival's popular program of events and activities once again attracted a significant number of visitors and locals to the region to celebrate and showcase the area's natural assets, further supporting the community as it transitions.

In its third year, the Synergy 2021 Collie Small Grants Program distributed $40,249 in grants to nine community groups. A range of projects were supported, including the restoration of the historical Geldert truck at the Coalfields and Historical Research Centre – providing science, technology, engineering and mathematics (STEM) education resources to the local library; a storage shed for the wood turners group; new carpet at the bowling club; disabled parking at the Collie Italian and Sporting Club; upgraded lighting at the football grounds; a secure ticket box at the racing club; a backup power source for the Collie community radio station; and support to host the 96th Collie to Donnybrook Cycling Classic, the longest-running handicap cycle road race in Western Australia.

Synergy's employee volunteering program at Muja Power Station assisted the former member for the Collie-Preston electorate to deliver the annual Christmas hamper campaign in the town, supporting community members experiencing hardship over the festive period.

Collie War Memorial was also refurbished thanks to the support of Synergy and other local stakeholders. The revamp of the 100-year-old cenotaph and surrounding Soldiers Memorial Park gardens enabled us to continue to demonstrate our support of activities that provide broader, social benefits to the Collie community. The project ensures the longevity of an important community asset that will be utilised by generations to come.

To better engage young people in the Collie community in STEM education, we again hosted a round of the Synergy Schools Solar Challenge. The activity attracted numerous local schools from Collie and surrounding districts and aims to give students a better understanding of renewable energy technology and insight into where STEM learning can lead.

Operations

In the face of a changing energy landscape and guided by Synergy's new corporate strategy, our focus is on a seamless and secure transition to the new energy future.

Our assets include traditional thermal generation at Muja and Collie power stations, gas turbines at Kwinana, Pinjar, Kalgoorlie-Boulder and Mungarra and significant renewable energy capacity at wind and solar farms from Coral Bay to Esperance and in the Great Southern region.

The future will see us continue to adapt our operations and explore the innovative use of DER and renewable energy.

Energy generation

As the Western Australian energy sector continues its significant transformation – with increased uptake of technologies such as household rooftop solar and battery storage- we face a range of challenges and opportunities in the way electricity is generated, managed and consumed.

Therefore, Synergy is moving away from a traditional centralised generation and network model, to a future that increasingly incorporates DER and new technology options including battery storage, at all levels in the electricity supply chain.

Our interest in Bright Energy Investments also plays an important role in developing our large-scale renewable energy generation capacity. To date, this has supported construction of the 180MW Warradarge Wind Farm and the 30MW Stage Two expansion of the Greenough River Solar Farm in the Mid-West. The Albany Grasmere Wind Farm has also been refurbished, extending its life well into the 2030s.

Flexible Operations Project and our new corporate strategy

Synergy's new corporate strategy requires flexible generation capacity that can respond to a rapidly changing market. The Flexible Operations Project involves ongoing work to adapt our existing generation plant and operations to reflect the new conditions of a DER future, and the upcoming new Wholesale Electricity Market rules.

The Project focuses on improving the flexibility of our people and generation plant to ensure maximum availability and production. It contributes significantly to achieving the aims of our new corporate strategy by supporting SWIS system reliability – an important role that traditional generation still has to play in the transition to our intelligent energy future.

Big battery at Kwinana Power Station

The project and planned construction of a 100MW/200MWh battery on part of the decommissioned Kwinana Power Station site is underway and currently expected to be completed in early 2022-23. The project has the potential to create around 100 jobs during the two-year construction and commissioning period. The battery will cover an area equivalent to 20 tennis courts, and its scale will store enough energy to power 160,000 homes for two hours.

Western Australia's first big battery is a significant part of Synergy's contribution to the State Government Energy Transformation Strategy and DER Roadmap. It can be charged during the day when residential solar generation is high and demand is lower, and then discharged during the afternoon and evening periods when energy demand is greatest. In this process it will provide additional security and stability to our power system.

Sustainability and efficiency

Risk reduction and sustaining generation plant capability was a continued focus over 2020-21. Our emphasis centred on process safety to drive cultural change through leadership commitment and awareness, and to complete risk evaluations for prioritised plant.

Work continued to update asset management plans for plant and associated infrastructure, and we initiated a project to review master data quality to support improved inventory and asset management practices. Defect elimination pilots were successfully conducted on selected plant and resulted in refined practices being implemented.

Ensuring the health of our assets is critical and major planned maintenance at Muja Power Station was successfully completed during COVID-19 restrictions. This included work on the turbine, boiler, balance of plant, power and control systems, and rotary air heater.

Routine outage maintenance was also conducted at Muja, Kwinana, and Pinjar power stations, which returned the units to a satisfactory condition for the next cycle of their operation.

Artist's impression of the big battery at Kwinana Power Station.

Western Australia's wholesale electricity market continues to evolve with a changing load shape, decreased predictability and increased complexity.

Project Zero

Work was completed to enable Muja Power Station Stage D generation units to be converted from using F60 oil to low sulphur diesel from early 2022-23. This will provide Muja with 'cold start' capability – allowing the station to shut down and restart from zero and mitigate the risks associated with single unit operation.

Decommissioning and rehabilitation

Kwinana Power Station decommissioning continued with the removal of cladding and insulation from site structures and equipment. Fuel oil storage tanks were also removed and the old administration building was demolished. Construction of a new gas turbine, distributed generation administration building and water treatment plant was completed. The interconnector system supplying power to Cockburn and Kwinana gas turbines was rerouted from the decommissioned main turbine hall.

At Muja Power Station, asset management plans were developed to ensure 'care and maintenance' activities on the retired stage AB units were conducted safely and efficiently. Asset transition plans were established to safely decommission the stage C unit 6 in October 2022.

Alkimos Battery Energy Storage Trial

In May 2021, the five-year Alkimos Battery Energy Storage Trial came to an end. This initiative was the first in Australia to test the feasibility of large-scale energy storage within a residential community, and was undertaken in collaboration with industry peers and the Australian Renewable Energy Agency.

Energy generation targets

Our generation availability was impacted by reliability issues with gas turbines at Pinjar and Kwinana power stations. As a result, our overall available capacity factor was 86.3 per cent: 1.5 per cent below our target of 87.8 per cent.

The planned outage factor (combined maintenance and other planned outages) was 10.8 per cent against a target of 9.2 per cent. Positively, the forced outage factor of 2.9 per cent was in line with our 3.0 per cent target.

Reflective of evolving market conditions including increased uptake of domestic solar, large-scale renewables, and mild weather patterns, our total generation (in Gigawatt hours) was 10.2 per cent below target.

Wholesale electricity

Western Australia's wholesale electricity market continues to evolve primarily due to increases in both large and small-scale renewables. This includes changes to load shape, decreased predictability and increased complexity.

In anticipation of these ongoing shifts in the energy market, Synergy is proactively adapting its wholesale operations.

Throughout 2020-21, various system and process improvements were implemented to better forecast market conditions and outcomes. Trading and dispatch strategies were also developed to help ensure the most efficient and lowest-cost generation option is dispatched to meet demand.

We have also started early planning for integrating the 'big battery' at Kwinana into our trading systems, which includes developing trading and dispatch strategies to ensure its optimal use.

Our Wholesale Energy Market Market Reform (WEMMR) Program was established to prepare Synergy for significant changes to the wholesale electricity market, as outlined in the State Government Energy Transformation Strategy. The changes are wide-ranging, and present us both with challenges and opportunities.

Our WEMMR Program team, as well as many additional experts from across our organisation, are actively working to understand what these changes could mean for our business and finding the best ways to appropriately align our operations.

For example, a new 24/7 control room is under construction at Pinjar Power Station and a back-up control room at Cockburn power station. These, and other initiatives, will allow us to be more agile and adaptive such as by allowing our generating facilities to enter the market individually, as opposed to a single bid of our entire fleet.

As a further benefit, the new Pinjar control room will provide improved career development opportunities for our people.

The WEMMR Program's ultimate objective is to ensure we are not only prepared for the energy market of the future – but equipped to thrive in it. With the work we have put in to date, and will continue until the new market 'goes live' in 2022-23, we are confident we will be both fully compliant and well-positioned to take advantage of the opportunities the new market will present for Synergy.

In the present, we also continue to actively engage with the distribution system operator and our suppliers to help prevent any potential energy network supply disruption resulting from uncertainties caused by COVID-19, and variations to electricity demand in Western Australia.

Sustainability

Synergy is dedicated to the continued provision of reliable and affordable energy services for our customers and the broader Western Australian community. Critical to this effort and underpinning all that we do, is our dedication to our people, their safety and development, the environment in which we operate, and sustainable operations and workplace practices.

People

Our people are the heart of Synergy and to empower them, we focus on creating an environment where diverse and talented people thrive. By prioritising culture transformation, workforce engagement, continuous learning practices and health and wellbeing ensures we continue to attract and retain people aligned to our purpose.

Our transition to an adaptive culture with customer at its core

For more than 40 years, Synergy has operated in a steady environment where the energy market and our customers' needs remained consistent and stable. Our culture in turn, was shaped to ensure we were able to consistently meet these expectations, and remain the safe pair of hands that is trusted by the Western Australian community.

The current and increasing industry disruption, new energy technologies and market changes, has meant our behaviours, processes and systems have had to adapt to ensure we are able to continue to meet the changing needs of our customers, and expectations of the community.

Our progressive new corporate strategy is designed to not only shift the way we do business, but our culture as well. We have begun a purposeful transition to an adaptive organisational culture, which we have defined as:

A culture that is collaborative and creative at its core and dedicated to delivering customer value now and beyond what is obvious, and able to respond to our environment with agility.

This new way of working will position us as a progressive, proactive market leader for our customers and community.

A culture review in November 2020 indicated a positive response to our aspirational adaptive state, particularly in relation to alignment of leader behaviours. This cultural transition is expected to add momentum to the execution of our corporate strategy and help us achieve our strategic objectives.

Engaged workforce

In 2020-21 we conducted employee engagement surveys for the fourth year in a row, using the Gallup platform. The results positively indicated that Synergy has sustained and improved employee engagement levels, strengthening our position as a top quartile organisation against the Australian benchmark, and as a second quartile organisation against the Gallup global benchmark.

Peer recognition

Our people have embraced recognising others through our system-supported employee recognition program. The average number of recognitions per person has more than doubled since 2017 from 10 to 22 each year.

There is a clear link between increased use of the program, our improved 'recognition' employee engagement score and overall performance of our people.

Developing capability for the future

An ever-changing energy market and our newly introduced corporate strategy demand a new way of working and leading. To ensure we have the leadership needed for the future, we have developed leader competencies and tailored learning and development programs to make certain our leaders are equipped to think strategically, manage organisational complexity, self-reflect and lead high performing teams.

Graduate and entry level programs

Over the past two years we have made additional investment to grow and improve our graduate and entry level programs. We employed 19 graduates in 2020 through our graduate program, which was ranked number one in the Australian energy sector and 29th nationally across major organisations. Our commitment to regional skills development is ongoing with four additional apprentices starting at Muja Power Station in 2020. The quality of the training and candidates was recently recognised with one of Synergy apprentices being named 3rd Year Apprentice Winner at the 2021 Collie Rotary Apprentice of the Year Awards.

We employed 19 graduates in 2020 through our graduate program, which was ranked number one in the Australian energy sector.

Our employees participated in an energised launch of our RAP which included a smoking ceremony, didgeridoo playing and dancing.

Proactive learning and development

We emphasise the importance of skills growth, and more than 95 per cent of our employees have actionable development plans incorporating on-the-job learning, coaching, mentoring and training.

LinkedIn Learning was also launched in September 2020 to support our people to be pro-active, inspired and self-directed in their growth and development. Online learning opportunities are aligned to the development needs of the organisation, such as the leader competencies, a new ways of working framework, diversity and inclusion and more. Consistent with our new corporate strategy, LinkedIn Learning provides our people with the tools for rapid upskilling and growth.

Diversity and inclusion

We recognise the social and business performance benefits of employing diverse talent and creating an environment where our people can bring their full selves to work. Synergy has made progress to better reflect our customers' diversity through initiatives to foster an inclusive workplace that welcomes difference. We have initiated a number of programs to support this including: a focus on employing people with disability, improved engagement and retention of women in senior leadership positions and the recognition of, and reconciliation with, Aboriginal and Torres Strait Islander people.

In 2020-21 we employed an additional 11 employees with a disclosed disability, and continued to build female representation in leadership with women accounting for 41% of these roles.

Reconciliation Action Plan

We launched our 'Reflect' Reconciliation Action Plan (RAP) in March 2021. The RAP recognises the special significance of Indigenous Australians, their ancient culture and continuous connection to the land on which we operate. Through the RAP pillars of respect, relationships and opportunities, we have committed to specific actions to better understand the experience of Aboriginal and Torres Strait Islander people, and to offer opportunities for greater economic participation. More than 200 of our employees engaged in Aboriginal cultural awareness training in 2020-21 and a further 200 have registered to undertake this training in the year ahead. Engaging Aboriginal and Torres Strait Islander businesses has been a priority for a number of years and in 2020-21 we spent just over $2.3 million with Indigenous businesses.

Supporting our people through change at Muja Power Station

We have taken a collaborative, people-first approach towards the known closure dates for Muja C in 2022 and 2024, and all affected Synergy employees have long-term transition plans in place.

We are also continuing to support the broader State Government Just Transition Plan in the Collie region through our membership of the plan's working group. The group meets monthly to ensure the deliverables from the plan are on track, looks at initiatives such as attracting new industry to the area, prepares workers for transitioning to other industries and celebrates Collie's history.

Safety

The health, safety and wellbeing of everyone at Synergy is central to everything we do and we are committed to conducting our business in a manner that protects our people, our partners, our customers and the communities in which we operate.

Over the past year, we delivered positive outcomes in two key health and safety performance metrics:

- A reduction of 34 per cent in the recordable injury frequency rate to 1.90 per million hours worked.
- A reduction of 38 per cent in the significant incident frequency rate to 1.52 per million hours worked.

There were no WorkSafe notices issued to Synergy for required improvements to health and safety practices in 2020-21.

These positive trends in health and safety performance can be attributed to initiatives aligned to our enhanced health, safety and wellbeing strategy. These include strengthening our approach to in-field leadership, improving the management of critical risks, and, in collaboration with our contract partners, an increased focus on health, safety and wellbeing during the planning and delivery of scheduled maintenance outages.

In 2020-21 we began preparing for the introduction of the new 'model' *Work Health and Safety (WHS) Act* and regulations in Western Australia. This included providing education and training about the legislative changes and introducing supporting due diligence activities that will help maintain both a safe working environment for our people and compliance with the new legislation.


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We are committed to providing and maintaining a work environment that supports and enhances the mental health and wellbeing of all our people.

To support our new health, safety and wellbeing strategy, an environmental, health and safety maturity assessment was conducted to determine our current level of maturity and develop a roadmap to progress it over an agreed timeframe. We were pleased to find that our current level of health and safety maturity was the most advanced for any baseline assessment conducted by our external consultants.

Process safety management

We are continuing our Process Safety Management (PSM) journey to align with the Energy Institute PSM framework. Our PSM maturity is enhanced by our approach to asset management excellence under which we are accelerating our asset management to enable our operations to quickly identify process hazards, effectively mitigate power generation process safety risks and ensure we are well prepared to respond to any potential process-related unwanted events safely and efficiently.

Our executives and senior leadership team support and promote a strong Process Safety and Asset Management (PSAM) commitment across the organisation and we have made significant progress in refining and strengthening our asset management systems, optimising asset planning processes and improving process safety risk management. Our strong PSAM capabilities enable us to deliver safe, reliable, efficient, and flexible power generation for Western Australians.

Health and our people's wellbeing

We are committed to providing and maintaining a work environment that supports and enhances the mental health and wellbeing of all our people and we recognise that an evolved health, safety and wellbeing strategy leads to improved productivity, greater staff engagement and enhanced recruitment and retention while meeting the applicable legislation obligations of employers.

We are embedding the identification and management of total health and wellbeing risks in the workplace through a leader-led proactive health, safety and wellbeing approach, which includes ongoing education and training to promote the importance of mental health across our operational sites and offices. We are committed to reviewing our work environments and practices to identify and manage risks of psychological injury and provide our staff with the skills to build resilience and help manage stress.

As part of our strategy, an annual calendar of health and wellbeing events is in place and based on the demographics and health needs of our diverse workforce. Events focus on increased education and support across a variety of areas and contribute to enhanced overall health and wellbeing. We supported the annual State Government 16 Days in WA to Stop Violence Against Women initiative to raise awareness about gender-based violence and its social, economic, health and welfare impacts on children, young people, individuals, families and communities.

Flexible work options support the health, wellbeing, inclusivity, and diversity of our workforce. We proactively promote flexible working arrangements with our employees currently accessing flexible work options, including part-time hours, compressed work cycles and the ability to work from home. We have also further evolved our evidence-based and practical resources that inform and enhance the experience of flexible working and provide strategies for workers, teams and managers to maximise the benefits and reduce the risks of flexible work.

This agile and adaptive approach ensures we maintain both the security of critical power supplies for Western Australia and the work-life balance of our people.

Environment

Environmental sustainability is a key focus area for Synergy as we adapt and evolve to support the current and emerging needs of our customers. We take our environmental responsibilities seriously and our goal is to address these needs while complying with relevant legal requirements and corporate commitments.

Managing the environmental aspects of our electricity generation operations and retail activities, and continually improving our environmental performance, are integral to the way we do business. Our environmental policy underpins our Environmental Management System (EMS), which is aligned to the international standard ISO14001.

The policy includes commitments to integrate environmental sustainability considerations into our business decisions and processes, to ensure our people and those working on our behalf have the necessary capability to fulfil their environmental responsibilities.

Climate change

As Western Australia's primary energy generator and retailer, we play a critical role in providing clean, green and affordable energy to communities and businesses.

Our long-term climate strategy sets the direction for our business as we head towards a more sustainable future, and as we adapt to an evolving and complex new energy market. Core to this, is that we understand how the physical and transitional risks of climate change are likely to impact our business, and how we can best respond.

We proudly support the State Government aspiration of reaching net zero greenhouse gas emissions by 2050. Fundamental to this is the action we take, and our collaboration with the Western Australian Government, Western Power, Horizon Power, the broader energy industry, and our customers and communities.

We have been working closely with the Energy Policy WA Energy Transformation Taskforce and other partners to deliver on the actions set out in the DER Roadmap.

Synergy will continue to explore cleaner, smarter ways to make, store, use, and trade energy as we move towards our intelligent energy future.

Implementing the recommendations of the Task Force on Climate-related Financial Disclosures

The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. It established the Task Force on Climate-related Financial Disclosures (TCFD) to guide meaningful disclosures on climate-related risks across businesses and organisations. Disclosures cover four broad themes: governance, risk management, strategy and metrics and targets.

Considering the significance of climate change to our business, in this report we have started to disclose climate-related risks in line with the recommendations of the TCFD and seek to increase our alignment over the coming years.

Governance

Our board acknowledges that strong corporate governance is essential to provide strategic guidance and effective oversight of our strategy, risks and business activities, including climate-related risks, impacts and opportunities.

The board is our governing body and is responsible to the Minister for Energy for overall business and strategic performance. Its roles and responsibilities are defined under the *Electricity Corporations Act 2005* and include overseeing strategy, stakeholder relationships, compliance and risk management, and operational and capital management. This includes governance of climate-related risk and opportunity.

Our board agenda includes a standing item for environment, which incorporates aspects relating to climate change. Our material risk profile is reported to the board Audit and Risk Committee and annually to our board.

Risk management

Risk management is a core function of our business and is carried out in accordance with our risk management policy. Our system of risk management is aligned to the international standard for risk management – ISO 31000 – and is reviewed annually by our board. These same practices apply to our climate risk management.

Our Sustainability Business Unit is responsible for leading the management of climate change and is supported by the Risk, Legal, Strategy and Asset Management and Procurement teams.

At a senior management level, our Executive Leadership team actively review and provide input to our environment strategic plan to support continuous improvement for our EMS, and sustainable solutions for our waste and climate change actions and risks.

Our Executive Environmental Committee is responsible for the oversight of environment and climate-related risk management, and reports directly to the Chief Executive Officer. This group meets at least twice a year to review environmental performance matters including:

- Changes to policies.
- Risk management, and the outcomes of audits and inspections.
- Compliance with our EMS Management Framework and procedures.
- Greenhouse gas emissions and metrics including *National Greenhouse and Energy Reporting Act 2007* and National Pollutant Inventory data and emission intensities.

Warradarge Wind Farm, located near Eneabba, has the capacity to meet the average annual electricity needs of 148,500 Western Australian homes.

The board has also committed to undertake an annual climate risk assessment to identify risks and opportunities relevant to our business and operations.

Strategy

To enable us to understand the full range of impacts that climate change may have on our business, and to better understand the resilience of our climate approach, we completed a climate risk analysis using future climate scenarios. The scenario analysis helped identify the transitional risks associated with the shift towards a low carbon future. Identified risks related to policy, markets, reputation, severe weather events and technology.

Climate change transition risks:

- Climate-conscious consumers being dissatisfied with the pace of our climate action.
- Assets are prematurely devalued or 'stranded'.
- We invest heavily in current technology which quickly becomes outdated.
- Policy uncertainty.

Climate change transition opportunities:

- As green energy demand is more certain, we can adapt to meet customer demands.
- Continued uptake of rooftop solar and behind-the-meter technologies, such as battery storage, presents further market opportunities.
- We transition to an aggregator role.
- Reductions in the cost of new technologies enable us to deliver a lower cost system overall.

A physical risk and opportunity screening was also considered, which identified that over time, Western Australia is likely to experience the following physical impacts from an increase in extreme weather events, hotter and drier days and less rainfall:

- Damage to assets from extreme weather events.
- An increase in power outages.
- Compromised efficiency of plant and equipment.
- Health impacts to our workforce.
- Changes to insurance premiums and capital requirements.
- Changes and/or variability in electricity demand.
- Project schedule delays.
- Potential water shortages and/or an increase in water-related costs.

Metrics and Targets

Every year, we report annual total greenhouse gas emissions, energy production and consumption to the Clean Energy Regulator in line with the *National Greenhouse and Energy Reporting Act 2007*.

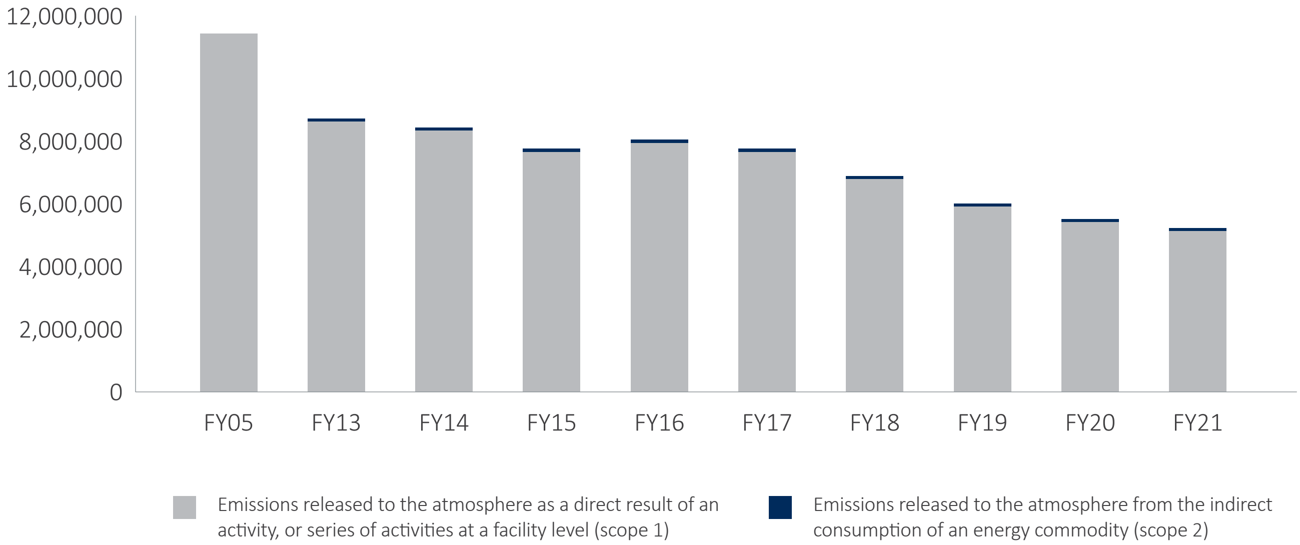
Our estimated annual greenhouse gas emissions have been decreasing over the past five years, and has declined notably since first measured in 2005.

The recent downward trend is driven by a reduction in the use of thermal generation, and an increase in the uptake of rooftop solar. Refer to graph below.

Other emissions to air

The National Pollutant Inventory is a public database that provides information on emissions from industrial facilities. All Australian industrial facilities that meet the reporting criteria are required to submit annual reports of their emissions for a number of substances. Details of our reported emissions for sulphur dioxide, oxides of nitrogen, particulates and metals are available at www.npi.gov.au.

Synergy's reportable greenhouse gas emissions (t CO_2-e)



Official opening of Warradarge Wind Farm. L-R Robert Cole, Synergy Chairman; the Hon. Bill Johnston MLA, Minister for Energy; Jason Waters, Synergy Chief Executive Officer; Malcolm Light, Bright Energy Investments Manager Projects.

Collie Air Shed Study

The Collie Air Shed Study, conducted to determine the environmental impact of sulphur dioxide (SO_2) emissions from coal burning in the Collie region, was completed this year. The study was undertaken by a consortium comprising Synergy, Bluewaters Power and South32, in consultation with the Department of Water and Environmental Regulation (DWER).

The study collected a comprehensive, high grade set of emissions, meteorological and monitoring data, which showed that levels of SO_2 have not exceeded the current National Environment Protection Measure air quality standards. The results of the study will be used by DWER to establish the most appropriate strategy for managing air quality in the Collie region into the future and to provide confidence that air quality standards are not being exceeded ensuring the protection of health and the environment.

Water management

Significant quantities of water are recycled at Kwinana and Cockburn power stations through their water recovery systems for re-use onsite. More than six million litres of water was recycled in this way during 2020, resulting in a substantial reduction in our bore water use.

Synergy holds active Licences to Take Water for gas turbines and thermal generation. Our bore water use in the previous annual reporting period was significantly below allocation, as per Table 1.

Contaminated sites program

Our contaminated sites program includes ongoing monitoring and investigation. Work during 2020-21 focused on investigations at the former fuel oil bulk storage tanks one to four at Kwinana Power Station to facilitate the development of the site for a 100MW battery, and also the strategic oil reserve tanks area.

Waste management

Continually improving waste management performance is important to meeting our environmental policy commitment to reduce waste, increase recycling and prevent pollution.

Table 1: Synergy bore water use

Groundwater abstraction licence	Muja Power Station[2]	Kwinana Power Station[1]	Pinjar Gas Turbine Station[2]
Allocation	12,000,000 kL	1,000,000 kL	10,000 kL
Actual usage	4,054, 000 kL	184,267 kL	2,909 kL

1 Based on 2020-21 financial year

2 Based on 2020 calendar year

Note: kilolitre (kL) 1,000 litres

This year, we carried out a climate risk assessment to identify and assess climate-related risks and opportunities relevant to our business and strategy.

We have started implementing our waste strategy, which is aligned to the Western Australian Government *Waste Avoidance and Resource Recovery Strategy 2030*. Some of the actions we undertook in 2020-21 included:

(a) Conducting a review of existing waste and recycling practices, waste and recycling data and reporting processes at all sites to identify opportunities for improvement.

(b) Developing site-specific waste management plans to build on our existing waste and recycling programs.

(c) Rolling out Synergy-wide communications during National Recycling Week about waste avoidance and recycling, aligned to the Western Australian Government 'GREAT Sort' campaign.

(d) Holding an online National Recycling Week event for all staff to showcase the importance of waste management and recycling and to outline how everyone can contribute.

We have also expanded our Simply Cups takeaway coffee cup recycling program, which sees cups 'upcycled' into higher-value products such as outdoor furniture and traffic management equipment. In 2020-21 over 20,000 cups that would previously have gone to landfill were recycled.

Environmental incidents

The following reportable environmental incidents occurred during the financial year:

Table 2: Synergy's reportable environmental incidents

Date	Incident details	Reporting
February 2021	A small banksia tree was removed from outside the approved native vegetation clearing permit area at Pinjar gas turbine during the installation of new groundwater monitoring wells	Reported to DWER and Department of Planning, Lands and Heritage as part of development approval conditions
February 2021	Licence requirement to obtain valid data from monitoring equipment at Muja Power Station for more than 90 per cent of every calendar month was not met during February 2021	DWER was notified. No impacts to the environment were identified
May 2021	Monthly ambient air report for Muja Power Station was provided to DWER one working day late	DWER was notified. No impacts to the environment were identified
2020-21 financial year	Two-surface water discharge point flow meter readings at Muja Power Station and weekly collection and analysis of saline disposal samples at Collie Power Station were incomplete for this financial year	Will be reported to DWER in the annual audit compliance report for each site

Directors' report

Corporate governance

The 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 for greater transparency with its valued stakeholders.

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

Board of directors

The directors of Synergy and their Synergy committee memberships, at any time during or since the end of 2020-21 financial year, are as follows:

Robert Cole

Chair since November 2017

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

Mr Cole has more than 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 the Western Australian Land Information Authority (Landgate) and Perenti Global Ltd. Mr Cole is also a non-executive director of Iluka Resources Ltd. He is also an advisor to the board of the Power and Water Corporation. 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.

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.

Bronwyn Barnes

Director since May 2019

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

Ms Barnes has broad, 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. Ms Barnes is also a non-executive chair of Scorpion Minerals Ltd and Aerison Holdings Pty Ltd. She is also a member of the Board of Management for the St Mary's Foundation and was inducted into the Western Australian Women's Hall of Fame in 2019.

Committee membership

Member of the Human Resources and Sustainability Committee.

Rob Bransby

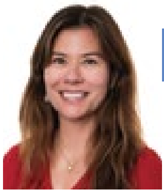
Director since July 2015

Independent, non-executive, A.Fin, FAIM

Mr Bransby is the chair of Australian Health Insurance Alliance, Commonwealth Private Bank Ltd, Commonwealth Financial Planning Ltd and Financial Wisdom Limited. He is a non-executive director of Whitecoats Holdings Pty Ltd, Racing and Wagering Western Australia and the Craig Mostyn Group. He is also a commissioner of the Insurance Commission of WA. Mr Bransby is a former managing director of HBF Health Ltd and a former director of HealthGuard Health Benefits Pty Ltd, HBF Insurance Pty Ltd and Pioneer Credit Ltd. Prior to joining 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 Ltd, a former ASX 50 company. Ms Broughton is a non-executive director of Resolute Mining Ltd, Wright Prospecting Pty Ltd, Western Areas Ltd and The Royal Automobile Club of WA (Inc.). She is also a commissioner of the Insurance Commission of Western Australia. In the not-for-profit sector, Ms Broughton is the chair of the 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 a professional company director, a certified practising accountant and former financial services CEO and senior executive. She is a former CEO of GESB and held senior executive positions at Bankwest, Westpac and Challenge Bank. Ms Dolin has held a number of directorships including AMP Superannuation Ltd, National Mutual Superannuation Pty Ltd, CPA Australia Ltd, St John of God Health Care and Water Corporation. She was also pro-chancellor of Curtin University. Her current appointments include being a non-executive director of St Andrew's Insurance Group and of Pathwest Labratory Medicine WA.

Committee membership

Chair of the Audit and Risk Committee.

Richard Watson

Director since May 2019

Non-executive, B.Econs (Hons), M.Phil

Mr Watson is currently the executive director, infrastructure and finance for the Western Australian Department of Treasury and a director ex officio of the Gold Corporation (the Perth Mint). He currently leads a team of 50 professionals who provide advice and analysis on the budgeting needs of WA's government trading enterprises and around 60 general government agencies. He was previously a senior manager in PwC's national economic and policy practice and a lecturer in economics at Murdoch University.

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.

Company secretary

On 3 February 2020, Melanie Brown was appointed Company Secretary and General Counsel of Synergy.

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.

Corporate governance checklist

Table 1: Summary of ASX principles and notes

Principle 1: Lay solid foundations for management and oversight		
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 delegated 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 an inclusion and 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 balanced 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.	N/A
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.

6.1-6.5 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 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 all board-level policies in accordance with the policy standard.

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

(j) Approving incentive plans, including the design and implementation of incentive schemes including performance hurdles and incentive pool amounts and reviewing of performance under those incentive schemes and corresponding incentive plan payment.

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) Monitoring the effectiveness of risk management by reviewing and approving the Synergy risk management framework and ratifying associated systems of risk management and internal compliance and control, codes of conduct and legal compliance.

(b) Reviewing and approving, at least annually, Synergy's material risks.

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

(d) Ensuring Synergy complies with all requirements under the Act and all other laws.

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.

Diversity and inclusion commitment

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 has a robust diversity and inclusion policy that sees the organisation embrace workforce diversity and inclusion as a source of strength. Synergy recognises diversity is not only about visible differences in the workforce, but more importantly, about 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 its 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 is 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, indigenous people, culturally diverse employees 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 diversity and inclusion.

(j) Measuring the effectiveness of ongoing strategies, initiatives and programs to promote diversity and inclusion 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 which is set out in Synergy's diversity management plan.

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.

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.

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 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.

Risk management

Risk management is a fundamental activity at Synergy, with risk management integrated into major business processes with strong engagement within the organisation. Engagement is further facilitated by real time access to risk information through the Compliance, Audit and Risk Enterprise Management System (CAREMS).

Synergy's CAREMS is enterprise-wide and provides a standardised and consistent process for the identification and management of material risk in accordance with Synergy's risk management policy. Synergy's enterprise risk management framework is aligned to ISO 31000, the international standard for risk management, and reviewed annually by the board.

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.

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 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.

Human Resources and Sustainability Committee

The purpose of the Human Resources and Sustainability Committee is to assist the board to fulfil its corporate governance oversight responsibilities in relation to Synergy's human resources and sustainability policies and practices. Sustainability includes matters relating to people, 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 the committee meetings during the reporting period are set out in table 4.

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.

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 2020-21 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.

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 2020-21 were set out in Synergy's SCI and are as detailed in table 3.

Review of operations

In 2020-21 Synergy launched a new corporate strategy featuring three core pillars designed to underpin its operations: anticipate and serve customer needs; quickly apply and integrate new energy solutions; and be a proactive and adaptable organisation focused on value.

This financial year Synergy also committed to align with the State Government's long-term aspiration of reaching net zero greenhouse gas emissions by 2050, and has started to disclose climate-related risks in line with the recommendations of the international Task Force on Climate-related Financial Disclosures.

Further detail on these developments, business strategies, financial position and other key operational aspects, can be found in the front section of this Annual Report including within the CEO report on page 7.

Table 3: Key performance indicators against SCI

Financial performance	2020-21 SCI targets	2020-21 result
Earnings before interest, depreciation, amoritisation and tax (EBITDA) ($ million)*	$57.47	$124.9
EBITDA margin (%)	1.99%	4.10%
Net profit after tax (NPAT) margin (%)**	(0.38%)	0.11%
Operational performance		
Various legislative compliance requirements***	Zero breaches	Zero breaches
Customers		
Grade of service	Greater than 80%	82.6%
Number of complaints referred to the Energy Ombudsman	<1,800	516
Customer Effort Score	67.5%	68%
Employee		
Safety recordable injury frequency rate	1.9	1.9

*Underlying EBITDA excludes the provision for onerous contracts ($160.5 million), the increase in the provision for the decommissioning of Kwinana Power Station ($92.1 million), the cost relating to the closure of Muja Stage C ($14.1 million), and the share of loss associated with joint ventures ($4.5 million).

**See operating results on page 43 for further detail.

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

Synergy's operating results

For the year ended 30 June 2021:

(a) Synergy's statutory loss after tax was $263.5 million compared to a loss of $27.2 million for 2019-20. The results include one-off charges associated with:

(i) provision for onerous contracts of $160.5 million where the unavoidable costs of meeting the obligations exceed the economic benefits;

(ii) increase in decommissioning costs by $92.1 million; and

(iii) recognition of the cost relating to the closure of Muja Stage C of $14.1 million.

Excluding the one-off changes, the profit before tax is $3.2 million.

(b) No dividends have been declared in relation to the current year or prior 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 responsibilities as follows:

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

(b) Wholesale – 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 – retail operations of Synergy, involving the pricing, sale and marketing of electricity and gas to end-user customers in the SWIS.

(d) Corporate shared services* – Underpins the above and are the remaining corporate support functions that 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. This includes 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 is required to comply with the *State Records Act 2000*. During 2020-21, Synergy:

- Reviewed and revised its retention and disposal schedule in relation to customer information.
- Reviewed its recordkeeping training program.
- Provided document and records management awareness training. Training is compulsory for all new staff, including contractors and consultants with mandatory refresher training for all staff every two years.
- Commenced reviewing and updating its approved record keeping plan for submission to the State Government for approval in 2021-22.

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	12	12	4**	N/A	5	5
Bronwyn Barnes	10	12	3	4	1**	N/A
Rob Bransby	12	12	4	4	1**	N/A
Yasmin Broughton	11	12	3	4	5	5
Peter Clough	12	12	N/A	N/A	5	5
Michele Dolin	12	12	1**	N/A	5	5
Kim Horne	12	12	4	4	N/A	N/A
Richard Watson	12	12	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.

* "Corporate shared services" is referred to as "shared services operations" under the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations.

** 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 consultancy to add value and improve Synergy's operations. It accomplishes 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) Carry out any special investigations, appraisals, inspections and examinations in areas having financial, operational or management impact.

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

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

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

(i) Provide probity assurance services and uphold the principles of Synergy's wider fraud, corruption, and control standard.

Table 5: Director remuneration*

Total Remuneration Band $	Number of Directors		Short term $'000				Post employment $'000				Total $'000	
			Salary & fees		Other		Super		Termination		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
0-24,999**	1	1	-	-	-	-	-	-	-	-	-	-
25,000-49,999	2	-	33	-	-	-	3	-	-	-	36	-
50,000-74,999	3	4	61	60	-	-	6	6	-	-	67	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	5	-	12	12	-	-	149	144

*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.

Table 6: Names and positions of executives as at 30 June 2021

Executives	
Jason Waters*	Chief Executive Officer
Jonathan Cowper*	Chief Financial Officer
Melanie Brown*	General Manager Office of General Counsel and Company Secretary
Kurt Baker*	General Manager Wholesale
Dion Paunich*	General Manager Generation
Gary Peel	General Manager Transformation and Technology
David Fyfe	General Manager Commercial
Colin Smith	General Manager Customer Experience
Angie Young	General Manager Sustainability

*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			
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
0-249,999	7	-	150	-	5	-	12	-	-	-	167	-
250,000-349,999	2	1	235	300	41	24	20	19	-	-	296	343
350,000-424,999	2	3	391	362	5	26	25	31	-	-	421	419
425,000-499,999	4	4	248	389	(104)	30	19	25	287	-	450	444
500,000-574,999	-	-	-	-	-	-	-	-	-	-	-	-
575,000-625,000	2	1	349	538	(47)	61	19	25	274	-	595	624

*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. Negative values in 2020 arise from termination of employment and subsequent reversal of leave accruals.

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.

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.

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.

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.

Matters subsequent to the end of the reporting year

The impact of COVID-19 is ongoing, and it has impacted the Group as outlined in the notes to the financial report. The situation is continuously changing, which creates uncertainty of the scale and duration of the pandemic and the associated government response.

Accordingly, it is not possible to reliably estimate the impact, positive or negative, after the reporting date.

Except for this, there were no significant events after the reporting date that in the opinion of the directors', are likely to affect Synergy's operations significantly, 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

Greenough River Solar Farm consists of 450,000 solar panels and provides the SWIS with the equivalent to more than the average electricity use of 19, 800 households.

Consolidated statement of profit or loss

For the year ended 30 June 2021

		Group		Corporation	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Sales revenue	3.1	2,950,363	2,901,233	2,950,361	2,901,231
Other revenue	3.1	107,432	88,456	107,432	88,456
Total revenue		**3,057,795**	**2,989,689**	**3,057,793**	**2,989,687**
Fuel, networks and other direct costs	3.3	(2,687,144)	(2,402,346)	(2,687,073)	(2,402,269)
Materials and services	3.3	(95,181)	(107,406)	(95,181)	(107,406)
Employee expenses	3.3	(125,809)	(105,697)	(125,186)	(105,075)
Other expenses	3.3	(305,288)	(220,848)	(305,051)	(220,628)
Depreciation and amortisation	5.1/5.2/5.3	(83,374)	(105,639)	(83,374)	(105,639)
Other impairment losses	3.3	(12,646)	(66,759)	(14,545)	(66,759)
Total expenses		**(3,309,442)**	**(3,008,695)**	**(3,310,410)**	**(3,007,776)**
Other operating income	3.2	26,507	30,856	25,710	29,973
Finance income		2,179	3,933	2,179	3,920
Finance costs		(36,092)	(42,273)	(36,092)	(42,470)
Net finance costs	3.4	**(33,913)**	**(38,340)**	**(33,913)**	**(38,550)**
Share of loss from joint ventures	6.5	(4,465)	(666)	-	-
Loss before tax		**(263,518)**	**(27,156)**	**(260,820)**	**(26,666)**
Income tax benefit/(expense)	3.5	64	(54)	-	(1)
Loss for the year		**(263,454)**	**(27,210)**	**(260,820)**	**(26,667)**

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

Consolidated statement of comprehensive income

For the year ended 30 June 2021

		Group		Corporation	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loss for the year		**(263,454)**	**(27,210)**	**(260,820)**	**(26,667)**
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	6.1	(210)	85	(210)	85
Share of joint venture entities other comprehensive income, net of tax	6.5	5,332	(12,765)	-	-
Items that will not be reclassified subsequently to profit or loss					
Re-measurement gains on defined benefit plans, net of tax	6.1	6,040	(1,577)	6,040	(1,577)
Other comprehensive income/(loss) for the year, net of tax		**11,162**	**(14,257)**	**5,830**	**(1,492)**
Total comprehensive loss for the year		**(252,292)**	**(41,467)**	**(254,990)**	**(28,159)**

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

Consolidated statement of financial position

As at 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000	Corporation 2021 $'000	Corporation 2020 $'000
Cash and short-term deposits	4.2	389,075	534,797	387,778	533,363
Trade and other receivables	4.3	454,456	371,049	454,555	371,187
Inventories	4.4	121,946	146,002	121,946	146,002
Derivative financial instruments	5.5	7,571	9,390	7,569	9,390
Intangible assets	5.2	29,670	21,671	29,670	21,671
Total current assets		**1,002,718**	**1,082,909**	**1,001,518**	**1,081,613**
Property, plant and equipment	5.1	754,212	756,865	754,212	756,865
Intangible assets	5.2	39,857	44,857	39,857	44,857
Right of use assets	5.3	85,285	97,034	85,285	97,034
Derivative financial instruments	5.5	42,300	57,850	42,300	57,850
Investment in subsidiaries	6.5	-	-	1,462	1,462
Investment in joint ventures	6.5	28,797	9,121	41,271	24,360
Deferred tax assets	3.6	3,344	3,278	-	-
Total non-current assets		**953,795**	**969,005**	**964,387**	**982,428**
Total assets		**1,956,513**	**2,051,914**	**1,965,905**	**2,064,041**
Trade and other payables	4.5	661,459	655,443	661,490	655,476
Current tax liabilities		-	-	-	37
Derivative financial instruments	5.5	287	-	287	-
Interest bearing loans and borrowings	5.6	-	2,634	-	2,634
Lease liabilities	5.3	18,982	17,098	18,982	17,098
Employee benefits	6.3	35,447	32,740	35,418	32,709
Provisions	5.4	226,116	188,112	226,116	188,112
Deferred income	4.6	17,522	3,418	17,522	3,418
Total current liabilities		**959,813**	**899,445**	**959,815**	**899,484**
Trade and other payables	4.5	2,330	2,400	2,330	2,400
Interest bearing loans and borrowings	5.6	218,363	225,696	218,363	225,696
Lease liabilities	5.3	204,459	222,978	204,459	222,978
Employee benefits	6.3	29,788	36,660	29,788	36,660
Provisions	5.4	590,081	458,020	590,081	458,020
Deferred income	4.6	3,645	6,389	3,645	6,389
Total non-current liabilities		**1,048,666**	**952,143**	**1,048,666**	**952,143**
Total liabilities		**2,008,479**	**1,851,588**	**2,008,481**	**1,851,627**
Net assets/(liabilities)		**(51,966)**	**200,326**	**(42,576)**	**212,414**
Contributed equity	6.1	1,292,744	1,292,744	1,292,744	1,292,744
Accumulated losses	6.1	(1,337,189)	(1,079,775)	(1,335,232)	(1,080,452)
Reserves	6.1	(7,521)	(12,643)	(88)	122
Total equity/(deficit)		**(51,966)**	**200,326**	**(42,576)**	**212,414**

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Contributed equity $'000	Accumulated losses $'000	Reserves $'000	Total $'000
Group					
Balance at 1 July 2019		**1,292,744**	**(1,048,168)**	**37**	**244,613**
Loss for the year		-	(27,210)	-	(27,210)
Other comprehensive loss for the year	6.1	-	(1,577)	(12,680)	(14,257)
Total comprehensive loss for the year, net of tax		-	(28,787)	(12,680)	(41,467)
Dividend paid	6.1	-	(2,820)	-	(2,820)
Balance at 30 June 2020		**1,292,744**	**(1,079,775)**	**(12,643)**	**200,326**
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)**
Corporation					
Balance at 1 July 2019		**1,292,744**	**(1,049,388)**	**37**	**243,393**
Loss for the year		-	(26,667)	-	(26,667)
Other comprehensive loss for the year	6.1	-	(1,577)	85	(1,492)
Total comprehensive loss for the year, net of tax		-	(28,244)	85	(28,159)
Dividend paid	6.1	-	(2,820)	-	(2,820)
Balance at 30 June 2020		**1,292,744**	**(1,080,452)**	**122**	**212,414**
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 for the year	6.1	-	6,040	(210)	5,830
Total comprehensive income/(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)**

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

Consolidated statement of cash flows

For the year ended 30 June 2021

		Group		Corporation	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Operating activities					
Cash receipts from customers		2,242,616	2,829,754	2,241,855	2,828,928
Government stimulus received on behalf of customers		598,465	300,424	598,465	300,424
Payment in lieu of subsidies		119,192	135,870	119,192	135,870
Energy purchase and network access costs		(2,623,565)	(2,561,122)	(2,594,263)	(2,548,819)
Payments to suppliers and employees		(386,893)	(413,837)	(415,298)	(443,127)
Interest received		2,409	3,812	2,410	3,799
Interest paid		(4,944)	(3,315)	(4,944)	(4,396)
Income tax refund		(37)	3,942	(37)	4,090
Net cash flows (used in)/from operating activities	4.2	**(52,757)**	**295,528**	**(52,620)**	**276,769**
Investing activities					
Investments in joint ventures		(18,810)	(19,470)	(18,810)	(19,470)
Repayment of loans by subsidiaries		-	-	-	35,300
Payment for property, plant and equipment		(53,074)	(51,081)	(53,074)	(51,081)
Payment for intangible assets		(12,070)	(17,082)	(12,070)	(17,082)
Proceeds from disposal of assets		956	64	956	64
Net cash flows used in investing activities		**(82,998)**	**(87,569)**	**(82,998)**	**(52,269)**
Financing activities					
Proceeds from borrowings		-	225,566	-	225,566
Repayment of borrowings		(9,967)	(24,405)	(9,967)	(37,273)
Dividend paid		-	(2,820)	-	(2,820)
Net cash flows (used in)/from financing activities		**(9,967)**	**198,341**	**(9,967)**	**185,473**
Net (decrease)/increase in cash and cash equivalents		(145,722)	406,300	(145,585)	409,973
Cash and cash equivalents at 1 July		534,797	128,497	533,363	123,390
Cash and cash equivalents at 30 June	4.2	**389,075**	**534,797**	**387,778**	**533,363**

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

Notes to the financial statements

For the year ended 30 June 2021

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 2021.

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 24 August 2021.

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 an 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 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 2020 that are relevant to the Group have been adopted, including the following, which did not have a significant impact on the Group:

AASB 101 *Presentation of Financial Statements*

Amendments to AASB 101 and AASB 108 *Accounting policies, changes in accounting estimates and errors* align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

AASB 3 *Business Combinations*

Amendments to the definition of a business under AASB 3 help determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, add guidance to help assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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 5.3- 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 2021 and 30 June 2020, and the following key accounting estimates include estimated impacts of COVID-19:

- note 3.1- revenue;
- note 4.3- trade and other receivables;
- note 4.5- trade and other payables;
- note 5.4- provisions; and
- note 5.6- interest bearing loans and borrowings.

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 2020 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 2021	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Group $'000
Revenue						
External customers	13,948	286,165	2,744,004	13,678	-	3,057,795
Inter-segment	374,600	918,601	-	-	(1,293,201)	-
Total revenue	**388,548**	**1,204,766**	**2,744,004**	**13,678**	**(1,293,201)**	**3,057,795**
Cost of sales	(364,092)	(1,282,884)	(2,350,727)	(241)	1,293,131	(2,704,813)
Operating costs	(325,931)	(5,692)	(67,863)	(109,193)	70	(508,609)
Impairment losses	(5,429)	-	(7,212)	(5)	-	(12,646)
Other income	489	25	235	25,758	-	26,507
(Loss)/ earnings before interest, tax, depreciation and amortisation	**(306,415)**	**(83,785)**	**318,437**	**(70,003)**	**-**	**(141,766)**
Depreciation and amortisation	(51,133)	(14,198)	(2,732)	(15,311)	-	(83,374)
Finance income	-	-	-	2,179	-	2,179
Finance costs	(1,943)	(29,133)	-	(5,016)	-	(36,092)
Net finance costs	**(1,943)**	**(29,133)**	**-**	**(2,837)**	**-**	**(33,913)**
Segment (loss)/ profit	**(359,491)**	**(127,116)**	**315,705**	**(88,151)**	**-**	**(259,053)**
Unallocated items						
Share of loss from joint ventures and associate						(4,465)
Income tax benefit						64
Loss for the year						**(263,454)**

Section 3 - Financial performance

3.1 Revenue

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Sale of energy- retail customers	2,625,760	2,555,182	2,625,760	2,555,183
Sale of energy- wholesale customers	263,622	278,953	263,622	278,950
Products and services	40,472	43,458	40,470	43,458
Account fees and charges	20,509	23,640	20,509	23,640
Total sales revenue	**2,950,363**	**2,901,233**	**2,950,361**	**2,901,231**
Payment in lieu of subsidies	104,150	88,343	104,150	88,343
Contract works and grants	20	13	20	13
Government grants	3,262	100	3,262	100
Total other revenue	**107,432**	**88,456**	**107,432**	**88,456**

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

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.

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.

Account fees and charges

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.

Payment in lieu of subsidies

Payment in lieu of subsidies received from the State Government includes the Tariff Equalisation Contribution (TEC) which is embedded in Western Power's network tariffs, under recovery of account fees and charges from eligible concession card holders and costs incurred in administering government initiatives. This is recognised as other revenue when received.

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 2021.

3.2 Other operating income

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revaluation of electricity derivatives	-	28,054	-	28,054
Development fee income	20,280	-	20,280	-
Other operating income	6,227	2,802	5,430	1,919
Total other operating income	**26,507**	**30,856**	**25,710**	**29,973**

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, which was contingent amongst other things, on timely completion and final construction costs. With the completion of the construction during the year, the 'at-risk' component has been fair valued at $20.28 million and recognised as other income and a receivable.

3.3 Expenses

		Group		Corporation	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
Fuel, electricity, gas and other purchases	(i)	(892,775)	(906,325)	(892,775)	(906,325)
Network access costs		(1,249,158)	(1,171,735)	(1,249,087)	(1,171,658)
Renewable energy certificates	(ii)	(172,232)	(150,986)	(172,232)	(150,986)
Market participant costs		(89,997)	(82,766)	(89,997)	(82,766)
Commodity charges	(iii)	(282,982)	(90,534)	(282,982)	(90,534)
Total fuel, networks and other direct costs		**(2,687,144)**	**(2,402,346)**	**(2,687,073)**	**(2,402,269)**

(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 $33.7 million (2020: $40.9 million).

(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 the year, the Group achieved compliance by paying the CER a shortfall penalty of $27.4 million (2020: $33.2 million) in lieu of surrendering 422,007 (2020: 513,049) LGCs. The penalty, which has been fully expensed in the profit or loss, is expected to be recovered through the surrender of surplus LGCs from the renewable power purchase agreement or market purchases at a price lower than the current market rate over the next two years.

(iii) Provision for onerous contract

Included in commodity charges is an amount of $44.6 million (2020: $94.3 million) which has been unwound as a credit to the profit or loss in the current year, and the additional provision recognised of $160.5 million (2020: nil). Refer to note 5.4 for details.

3.3 Expenses (continued)

		Group		Corporation	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Materials		(37,841)	(48,471)	(37,841)	(48,471)
Maintenance services		(57,340)	(58,935)	(57,340)	(58,935)
Total materials and services		**(95,181)**	**(107,406)**	**(95,181)**	**(107,406)**
Wages and salaries		(98,387)	(94,709)	(97,815)	(94,136)
Termination benefits		(15,588)	-	(15,588)	-
Post employment benefits		(11,834)	(10,988)	(11,783)	(10,939)
Total employee expenses		**(125,809)**	**(105,697)**	**(125,186)**	**(105,075)**
Audit services- Office of Auditor General		(453)	(504)	(420)	(482)
Bank fees and charges		(3,300)	(5,286)	(3,299)	(5,286)
Communication and advertising		(8,291)	(9,761)	(8,289)	(9,759)
Commissions		(2,150)	(2,921)	(2,150)	(2,921)
Contractors and consultants		(137,444)	(157,139)	(137,379)	(157,047)
Insurance		(10,414)	(7,390)	(10,408)	(7,384)
Legal fees		(7,770)	(4,756)	(7,770)	(4,751)
Metering		(8,518)	(9,472)	(8,518)	(9,472)
Rental expense		(5,921)	(3,551)	(5,918)	(3,546)
Printing		(1,287)	(1,240)	(1,287)	(1,240)
Decommissioning expense	5.4	(92,097)	-	(92,097)	-
Revaluation of electricity derivatives		(8,419)	-	(8,419)	-
Other expenses		(19,224)	(18,828)	(19,097)	(18,740)
Total other expenses		**(305,288)**	**(220,848)**	**(305,051)**	**(220,628)**
Allowance for impairment of receivables	4.3	(9,117)	(41,672)	(9,117)	(41,672)
Allowance for inventory obsolescence	4.4	(3,529)	(25,087)	(3,529)	(25,087)
Impairment of investment in joint ventures		-	-	(1,899)	-
Impairment losses		**(12,646)**	**(66,759)**	**(14,545)**	**(66,759)**

A decommissioning expense of $92.1 million (2020: nil) was recognised this year primarily as a result of the additional costs associated with the Kwinana Power Station. Refer to note 5.4 for further information.

Total other expenses includes $1.7 million (2020: $2.9 million) of expenditure to manage COVID-19 risks. This is mainly comprised of temporary accommodation at generation sites, additional personal protective equipment and cleaning supplies and services.

3.4 Net finance costs

	Note	Group 2021 $'000	Group 2020 $'000	Corporation 2021 $'000	Corporation 2020 $'000
Interest income		2,179	3,933	2,179	3,920
Total finance income		2,179	3,933	2,179	3,920
Interest on loans and borrowings		(4,904)	(4,206)	(4,904)	(4,403)
Lease interest expense		(27,718)	(28,902)	(27,718)	(28,902)
Unwinding of discount on provisions		(3,185)	(8,699)	(3,185)	(8,699)
Interest on defined benefit fund	6.3	(285)	(466)	(285)	(466)
Total finance costs		(36,092)	(42,273)	(36,092)	(42,470)
Net finance costs		**(33,913)**	**(38,340)**	**(33,913)**	**(38,550)**

3.5 Income tax expense

Reconciliation of income tax expense to the effective tax rate:

	Group 2021 $'000	Group 2020 $'000	Corporation 2021 $'000	Corporation 2020 $'000
Loss before income tax	**(263,518)**	**(27,156)**	**(260,820)**	**(26,666)**
Income tax using the Corporation tax rate of 30%	79,055	8,147	78,246	8,000
Effect of:				
Non-deductible items	(8,917)	(10,093)	(9,487)	(10,002)
Other allowable deductions	(1,381)	91	(4)	91
Under provided tax benefit in respect of prior year	181	(1)	181	(1)
Current year tax losses not recognised	(11,485)	(25,331)	(11,485)	(24,386)
Deductible temporary differences not recognised	(57,389)	27,133	(57,451)	26,297
Income tax benefit/(expense)	**64**	**(54)**	**-**	**(1)**
Income tax (expense)/ benefit includes:				
Current tax expense	-	(60)	-	(1)
Origination and reversal of temporary differences	36	-	-	-
Write-down of previously recognised deferred tax assets	-	(7)	-	-
Tax loss current year	28	13	-	-
Income tax benefit/(expense) in statement of profit or loss	**64**	**(54)**	**-**	**(1)**

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade and other receivables	24,378	28,363	24,378	28,363
Intangible assets	4,682	6,627	4,682	6,627
Property, plant and equipment	27,768	36,713	27,768	36,713
Trade and other payables	5,615	2,699	5,603	2,689
Lease liabilities	67,032	66,628	67,032	66,627
Employee benefits	24,781	21,412	24,772	21,412
Provisions	150,727	97,561	150,727	97,561
Business related costs	10	294	-	273
Carried forward tax losses and R&D credits	71,995	59,813	68,682	56,528
Total deferred tax asset	**376,988**	**320,110**	**373,644**	**316,793**
Inventories	(16,172)	(23,083)	(16,172)	(23,083)
Derivative financial instruments	(14,875)	(20,172)	(14,875)	(20,172)
Right of use asset	(25,581)	(23,710)	(25,581)	(23,710)
Total deferred tax liability	**(56,628)**	**(66,965)**	**(56,628)**	**(66,965)**
Total de-recognition of deferred tax asset	**(317,016)**	**(249,867)**	**(317,016)**	**(249,828)**
Net deferred tax asset	**3,344**	**3,278**	**-**	**-**

3.6 Deferred tax (continued)

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
The (increase)/ decrease in deferred tax balance relates to:				
Trade and other receivables	(3,986)	8,144	(3,986)	8,144
Derivative financial instruments	5,234	(7,254)	5,234	(7,254)
Right of use asset	(1,871)	(23,710)	(1,871)	(23,710)
Intangible assets	(1,946)	(3,041)	(1,946)	(3,041)
Trade and other payables	2,916	(3,852)	2,915	(3,857)
Lease liabilities	404	212	405	211
Employee benefits	5,181	(46,554)	5,172	(46,554)
Provisions	53,166	16,672	53,166	16,672
Business related costs	(284)	(285)	(273)	(303)
Inventories	6,910	9,051	6,910	9,051
Property, plant and equipment	(8,944)	27,565	(8,944)	27,566
Carried forward tax losses and R&D credits not recognised	12,183	25,459	12,154	25,445
De-recognition of deferred tax asset	(68,899)	(2,401)	(68,936)	(2,370)
Amounts recognised in the statement of profit and loss	**64**	**6**	**-**	**-**
Derivative financial instruments	64	(53)	64	(53)
Defined benefit re-measurement	(1,812)	473	(1,812)	473
De-recognition of deferred tax asset	1,748	(420)	1,748	(420)
Amounts recognised in OCI	**-**	**-**	**-**	**-**
Total movement	**64**	**6**	**-**	**-**

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 2021, deferred tax assets have not been recognised in respect of capital temporary differences of $14.8 million for the Group (2020: $13.3 million) and $19.6 million for the Corporation (2020: $19.0 million), and in the form of tax losses and R&D credits of $68.7 million for the Group (2020: $56.5 million) and $68.7 million for the Corporation (2020: $56.5 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

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.

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets	105,000	240,000	105,000	240,000
Financial liabilities	(377,413)	(400,630)	(377,413)	(400,630)
Total fixed rate instruments	**(272,413)**	**(160,630)**	**(272,413)**	**(160,630)**
Financial assets	284,075	294,797	282,778	293,363
Financial liabilities	(64,391)	(67,776)	(64,391)	(67,776)
Total variable rate instruments	**219,684**	**227,021**	**218,387**	**225,587**

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 - 2020					
Cash and cash equivalents	294,797	(737)	-	737	-
Unsecured loans and borrowings	(67,776)	169	-	(169)	-
Group - 2021					
Cash and cash equivalents	284,075	(710)	-	710	-
Unsecured loans and borrowings	(64,391)	161	-	(161)	-
Corporation - 2020					
Cash and cash equivalents	293,363	(733)	-	733	-
Unsecured loans and borrowings	(67,776)	169	-	(169)	-
Corporation - 2021					
Cash and cash equivalents	282,778	(707)	-	707	-
Unsecured loans and borrowings	(64,391)	161	-	(161)	-

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).

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 2021 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 0.7483 (2020: USD 0.6990).

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

	USD	
Group and Corporation	2021 $'000	2020 $'000
Estimated forecast purchases	9,515	4,635
Forward exchange contracts	(9,515)	(4,635)
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.

4.1 Key operating and financial risks (continued)

		-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
2020					
Embedded electricity derivatives	67,118	6,986	-	(6,986)	-
2021					
Embedded electricity derivatives	49,672	6,805	-	(6,805)	-

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 to 12 months	1 to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Year ended 30 June 2020					
Interest-bearing loans and borrowings	(2,634)	-	(130)	(225,566)	(228,330)
Trade and other payables	(367,614)	(284,512)	(4,117)	(1,600)	(657,843)
Lease liabilities	(11,162)	(33,485)	(181,434)	(188,355)	(414,436)
Total financial liabilities	**(381,410)**	**(317,997)**	**(185,681)**	**(415,521)**	**(1,300,609)**
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)**
Corporation					
Year ended 30 June 2020					
Interest-bearing loans and borrowings	(2,634)	-	(130)	(225,566)	(228,330)
Trade and other payables	(367,646)	(284,512)	(4,118)	(1,600)	(657,876)
Lease liabilities	(11,162)	(33,485)	(181,434)	(188,355)	(414,436)
Total financial liabilities	**(381,442)**	**(317,997)**	**(185,682)**	**(415,521)**	**(1,300,642)**
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)**

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash at bank and on hand	284,075	294,797	282,778	293,363
Short-term deposits equal to and less than 3 months	105,000	240,000	105,000	240,000
Total cash and cash equivalents	**389,075**	**534,797**	**387,778**	**533,363**

4.2 Cash and short-term deposits (continued)

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loss for the year	(263,454)	(27,210)	(260,820)	(26,667)
Adjustments for:				
Profit on disposal of plant and equipment	(956)	(64)	(956)	(64)
Depreciation and amortisation	83,374	105,639	83,374	105,639
Impairment loss on trade receivables	9,117	41,672	9,117	41,672
Impairment loss on inventories	3,529	25,087	3,529	25,087
Impairment of other assets	-	-	1,899	-
Non cash interest expense	3,185	8,699	3,185	8,699
Share of loss from joint ventures	4,465	666	-	-
	(160,740)	154,489	(160,672)	154,366
Changes in trade and other receivables	(295,490)	55,145	(295,461)	55,183
Changes in inventories	20,527	(6,715)	20,527	(6,715)
Changes in intangible assets	(7,999)	6,101	(7,999)	6,101
Changes in derivative financial instruments	30,469	(24,231)	17,445	(24,268)
Changes in tax assets and liabilities	(66)	3,996	(37)	4,091
Changes in trade and other payables	204,494	212,772	210,094	194,026
Changes in provisions and others	156,048	(106,029)	163,483	(106,015)
Net cash (used in)/from operating activities	**(52,757)**	**295,528**	**(52,620)**	**276,769**

4.3 Trade and other receivables

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables	132,498	114,135	132,621	114,343
Unbilled receivables	216,279	200,591	216,274	200,528
Inter-group receivables	-	-	-	18
Other receivables	92,639	30,986	92,639	30,986
Prepayments	13,040	25,337	13,021	25,312
Total current trade and other receivables	**454,456**	**371,049**	**454,555**	**371,187**

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.

4.3 Trade and other receivables (continued)

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 impact of COVID-19 in the prior year resulted in an additional provision of $21.3 million for 2020. During the current year, the state government announced a number of stimulus measures and there has been an improvement of the broader state economy. The on and off nature of the pandemic and resulting government response, has resulted in management assessing COVID-19 as an ongoing macro environmental factor and is no longer measured separately. However, observable changes to customer behaviour arising from the government stimulus measures offset by the state government mandated measures such as reduced disconnections have been taken into account in the assessment of the expected losses for the current year. As the on and off nature of the 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.

Ageing of trade and inter-group receivables

			Past due		
Group	Total $'000	Current $'000	< 30 days $'000	30-90 days $'000	>90 days $'000
2020					
Gross carrying amount	185,678	97,533	24,132	20,201	43,812
Expected credit losses	(71,543)	(6,951)	(7,300)	(13,588)	(43,704)
Trade receivables	**114,135**	**90,582**	**16,832**	**6,613**	**108**
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**

Corporation					
2020					
Gross carrying amount	185,904	97,759	24,132	20,201	43,812
Expected credit losses	(71,543)	(6,951)	(7,300)	(13,588)	(43,704)
Trade and inter-group receivables	**114,361**	**90,808**	**16,832**	**6,613**	**108**
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**

4.3 Trade and other receivables (continued)

Allowance for expected credit losses

As at 30 June 2021, an allowance for expected credit losses on trade receivables of $76.4 million (2020: $71.5 million) and $25.8 million (2020: $23.3 million) on unbilled receivables was recognised in the Group and in the Corporation.

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Allowance for impairment of receivables				
Balance at 1 July	(94,819)	(67,609)	(94,819)	(67,609)
Charge for the year, net of recoveries	(9,117)	(41,672)	(9,117)	(41,672)
Amounts written-off during the year	2,179	14,462	2,179	14,462
Balance as at 30 June	**(101,757)**	**(94,819)**	**(101,757)**	**(94,819)**

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. 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Fuel	99,337	123,519	99,337	123,519
Spares and consumables, net of provision	22,609	22,483	22,609	22,483
Total inventories	**121,946**	**146,002**	**121,946**	**146,002**

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 an allowance for impairment losses of $37.9 million (2020: $36.5 million).

The continued disruption in the utilisation of the generating units due to uptake of solar PVs and the decision to retire Muja C units in October 2022 and October 2024 have resulted in the additional provision of $3.5 million (2020: $25.1 million) for inventory obsolescence.

4.5 Trade and other payables

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables and accruals	624,038	613,295	624,071	613,329
Other payables	31,904	37,722	31,902	37,721
Accrued salaries	4,592	3,461	4,592	3,461
Interest accrued	925	965	925	965
Total current trade and other payables	**661,459**	**655,443**	**661,490**	**655,476**
Deferred costs	2,330	2,400	2,330	2,400
Total non-current trade and other payables	**2,330**	**2,400**	**2,330**	**2,400**

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 (2020: $300.4 million). 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 2021, trade payables and accruals includes an amount of $88.6 million (2020: $168.9 million), representing the credit balance on customer accounts for the unutilised portion of the stimulus.

4.6 Deferred income

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current	17,522	3,418	17,522	3,418
Non-current	3,645	6,389	3,645	6,389
Deferred income	**21,167**	**9,807**	**21,167**	**9,807**
Represented by:				
Deferred lease income	3,897	4,309	3,897	4,309
Unearned revenue	17,270	5,498	17,270	5,498
Deferred income	**21,167**	**9,807**	**21,167**	**9,807**

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	Note	Land $'000	Buildings $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At Cost						
Balance at 1 July 2019		6,334	152,172	2,642,894	37,286	2,838,686
Additions		-	490	25,234	33,279	59,003
Transfers	5.2	-	848	12,840	(22,124)	(8,436)
Disposals/ write-off		-	-	(170,628)	-	(170,628)
Decommissioning adjustment	5.4	-	-	19,848	-	19,848
Balance at 30 June 2020		**6,334**	**153,510**	**2,530,188**	**48,441**	**2,738,473**
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**
Depreciation and impairment						
Balance at 1 July 2019		(2,064)	(107,407)	(1,956,465)	(12,151)	(2,078,087)
Annual depreciation charge		-	(2,661)	(74,269)	-	(76,930)
Transfers		-	(890)	(3,813)	7,500	2,797
Disposals/ write-off		-	-	170,612	-	170,612
Balance at 30 June 2020		**(2,064)**	**(110,958)**	**(1,863,935)**	**(4,651)**	**(1,981,608)**
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)**
Carrying amount						
At 30 June 2020		4,270	42,552	666,253	43,790	756,865
At 30 June 2021		**4,270**	**47,410**	**649,542**	**52,990**	**754,212**

5.1 Property, plant and equipment (continued)

Corporation	Note	Land $'000	Buildings $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At Cost						
Balance at 1 July 2019		6,334	152,173	2,472,570	37,286	2,668,363
Additions		-	489	25,234	33,279	59,002
Transfers	5.2	-	848	12,840	(22,124)	(8,436)
Disposals/ write-off		-	-	(304)	-	(304)
Decommissioning adjustment	5.4	-	-	19,848	-	19,848
Balance at 30 June 2020		**6,334**	**153,510**	**2,530,188**	**48,441**	**2,738,473**
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**
Depreciation and impairment						
Balance at 1 July 2019		(2,064)	(107,406)	(1,786,142)	(12,151)	(1,907,763)
Annual depreciation charge		-	(2,661)	(74,269)	-	(76,930)
Transfers		-	(891)	(3,812)	7,500	2,797
Disposals/ write-off		-	-	288	-	288
Balance at 30 June 2020		**(2,064)**	**(110,958)**	**(1,863,935)**	**(4,651)**	**(1,981,608)**
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)**
Carrying amount						
At 30 June 2020		4,270	42,552	666,253	43,790	756,865
At 30 June 2021		**4,270**	**47,410**	**649,542**	**52,990**	**754,212**

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 probably. Assets held for sale are measured at the lower of carrying value and fair value less cost to sell.

In June 2021, the Minister for Energy announced an expression of interest process for the sale of the South Fremantle Power Station in North Coogee. The site has significant heritage value and was recently listed on the State Register of Heritage Places. The expression of interest process closes in July 2021, and subject to board approval, the Group expects to announce the successful bidder in September 2021.

The South Fremantle Power Station has a carrying value of nil at 30 June 2021.

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 2021 (2020: increase of $1.8 million).

5.1 Property, plant and equipment (continued)

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.

During 2021, the Group has reassessed the indicators of impairment and has undertaken a similar exercise to prior years to test the assets for impairment. The determination of the CGU and the methodology has remained consistent with the prior year.

The recoverable amount for the Electricity CGU comprising electricity generation and retail and wholesale electricity sales, through the Group's portfolio of generating assets and power purchase agreements have been determined using value-in-use models. The key assumptions include:

- operational assumptions: customer demand, fuel consumption and renewable energy requirements; and
- financial assumptions: tariff rates, fuel prices, operating costs in changing markets and continued government funding support.

Cash flow forecasts are based on the strategic long term model for the period 2021 to 2041.

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

Key input	Assumption	Sensitivity of the input
Franchise tariff prices	Prices as approved by the State Government until 2025, 3.9% increase in tariff in the years 2026 and 2027 to achieve cost reflectivity, then 2.5% increase in subsequent years.	2.5% increase in retail tariff rates each year after 2025 instead of a 3.9% increase in 2026 and 2027 and 2.5% after that would decrease the NPV of CGU by $428.6 million.
Discount rate	The current market assessment of the risks specific to the Electricity CGU.	0.25% increase would result in a decrease in the NPV of CGU by $20.1 million.

The interrelationship of the key assumptions is very complex. Any change in the external operating environment, (rapid increase in rooftop PV uptake, market rules around wholesale energy prices, early plant retirements, or new entrants on the system) could change the market prices and subsequently compensation for energy trading and essential system services, which may give rise to an impairment. No other reasonably possible changes in key assumptions have been identified, which may cause the carrying amount to exceed its recoverable amount.

The assessment in the current year has resulted in no impairment or reversal of impairment.

5.2 Intangible assets

Group and Corporation	Note	Computer software $'000	Environment certificates $'000	Sale agreements $'000	Total $'000
At Cost					
Balance at 1 July 2019		188,238	27,772	17,524	233,534
Additions		8,646	106,868	-	115,514
Transfers from WIP	5.1	8,436	-	-	8,436
Disposals/ surrenders		(2)	(112,969)	-	(112,971)
Balance at 30 June 2020		**205,318**	**21,671**	**17,524**	**244,513**
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**
Amortisation and impairment					
Balance at 1 July 2019		(150,775)	-	(8,224)	(158,999)
Annual amortisation charge		(13,176)	-	(3,015)	(16,191)
Transfers		(2,797)	-	-	(2,797)
Disposals		2	-	-	2
Balance at 30 June 2020		**(166,746)**	**-**	**(11,239)**	**(177,985)**
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)**
Carrying amount- current					
Balance at 30 June 2020		-	21,671	-	21,671
Balance at 30 June 2021		**-**	**29,670**	**-**	**29,670**
Carrying amount- non-current					
Balance at 30 June 2020		38,572	-	6,285	44,857
Balance at 30 June 2021		**36,587**	**-**	**3,270**	**39,857**

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.

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.

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 2019	-	256,792	-	256,792
Adoption of AASB 16 Leases	21,906	28,468	864	51,238
Additions	84	-	347	431
Disposals/ write-off	(12)	-	-	(12)
Balance at 30 June 2020	**21,978**	**285,260**	**1,211**	**308,449**
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**
Depreciation and impairment				
Balance at 1 July 2019	-	(176,935)	-	(176,935)
Adoption of AASB 16 Leases	(7,703)	(14,203)	(68)	(21,974)
Annual depreciation charge	(2,283)	(9,779)	(456)	(12,518)
Disposals/ write-off	12	-	-	12
Balance at 30 June 2020	**(9,974)**	**(200,917)**	**(524)**	**(211,415)**
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)**
Carrying amount				
At 30 June 2020	12,004	84,343	687	97,034
At 30 June 2021	**9,942**	**74,564**	**779**	**85,285**

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.

5.3 Right of use assets and lease liabilities (continued)

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.

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current	18,982	17,098	18,982	17,098
Non-current	204,459	222,978	204,459	222,978
Total lease liability	**223,441**	**240,076**	**223,441**	**240,076**

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 $110.4 million (2020: $86.6 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

Group and Corporation	Note	Decom. provision $'000	Commodity swaps $'000	Renewable energy certificates $'000	Onerous contracts $'000	Other provisions $'000	Total $'000
Balance at 1 July 2019		326,273	203,328	37,970	152,391	5,996	725,958
Recognised in profit or loss		-	(41,359)	117,295	21,300	19,928	117,164
Utilised		(15,732)	2,307	(112,816)	(94,342)	(4,270)	(224,853)
Change in assumptions in PPE	5.1	19,848	-	-	-	-	19,848
Reversed during the year		-	-	-	-	(1,621)	(1,621)
Unwinding of discount		4,710	3,907	-	1,019	-	9,636
Balance at 30 June 2020		**335,099**	**168,183**	**42,449**	**80,368**	**20,033**	**646,132**
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**
2020							
Current		32,591	27,246	42,449	65,793	20,033	188,112
Non-current		302,508	140,937	-	14,575	-	458,020
		335,099	**168,183**	**42,449**	80,368	**20,033**	**646,132**
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**

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 $160.5 million was recognised in 2021 (2020: $21.3 million).

Other provisions

The Group is in a contractual dispute with a supplier which was the subject of litigation. In June 2020 the Supreme Court made a declaration consistent with the supplier's construction of the payment obligation under the contract. Synergy has appealed against the declaration and is awaiting the decision of the Court of Appeal. Although the ruling is not an enforceable order for payment, a provision of $25.5 million was recognised in light of the Supreme Court decision.

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 2019 the Group engaged an independent expert to estimate the future decommissioning costs. 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.

In the current year the Group engaged an independent expert to estimate the future decommissioning costs for Kwinana Power Station. This resulted in $92.1 million of decommissioning expense being recognised as a result of the additional costs identified.

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 on 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Forward exchange contracts- cash flow hedge	199	122	197	122
Total current financial assets through OCI	**199**	**122**	**197**	**122**
Electricity derivatives- embedded current	7,372	9,268	7,372	9,268
Electricity derivatives- embedded non-current	42,300	57,850	42,300	57,850
Total financial assets through profit or loss	**49,672**	**67,118**	**49,672**	**67,118**
Total financial assets at fair value	**49,871**	**67,240**	**49,869**	**67,240**
Forward exchange contracts- cash flow hedge	287	-	287	-
Total financial liabilities through OCI	**287**	**-**	**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.

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.

5.5 Derivative financial instruments (continued)

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 are 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.

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

	Total	Level 1	Level 2	Level 3
2020	$'000	$'000	$'000	$'000
Electricity derivatives- embedded	67,118	-	-	67,118
Forward exchange contracts- cash flow hedge	122	-	122	-
2021				
Electricity derivatives- embedded	49,672	-	-	49,672
Forward exchange contracts- cash flow hedge	(88)	-	(88)	-

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

	2021	2020
Reconciliation of Level 3 financial instruments	$'000	$'000
Opening balance	67,118	42,940
Amount recognised in profit or loss	(17,446)	24,178
Closing balance	49,672	67,118

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 $6.8 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 $5.0 million.

5.6 Interest bearing loans and borrowings

			Group		Corporation	
	Interest rate	Maturity	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Unsecured borrowings	2.55%- 2.57%	Sept-20	-	2,634	-	2,634
Total current interest-bearing loans and borrowings			**-**	**2,634**	**-**	**2,634**
Unsecured borrowings	0.21%- 1.84%	Jan-30	218,236	225,566	218,236	225,566
Secured borrowings	3.13%	Jun-30	127	130	127	130
Total non-current interest-bearing loans and borrowings			**218,363**	**225,696**	**218,363**	**225,696**
Total interest-bearing loans and borrowings			**218,363**	**228,330**	**218,363**	**228,330**

Unsecured borrowings

This loan has been drawn down under a Master Lending Agreement with WATC. 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 2021, the Group had an approved borrowing limit of $300.4 million (2020: $228.2 million), of which $218.2 million has been utilised (2020: $228.2 million).

In addition, the Group also had $125.0 million of undrawn committed working capital facility from WATC (2020: $125.0 million).

COVID-19

The revenue and expected credit loss impacts on future cashflows is uncertain at this stage and continues to evolve as the full impact of COVID-19 unfolds.

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 2021, the non-current unsecured borrowings of $218.2 million included an amount of $29.3 million that will become due and payable during the 2022 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 2021 Western Australian State Budget Mid-Year Review handed down in December 2020.

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

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Contributed equity	1,292,744	1,292,744	1,292,744	1,292,744
Accumulated losses	(1,337,189)	(1,079,775)	(1,335,232)	(1,080,452)
Reserves	(7,521)	(12,643)	(88)	122
Total equity/(deficit)	**(51,966)**	**200,326**	**(42,576)**	**212,414**

6.1 Contributed equity, accumulated losses and reserves (continued)

As at 30 June 2021, Synergy incurred a loss of $263.5 million and Synergy's financial position indicates net current assets of $42.9 million and net asset deficiency of $52.0 million.

The net asset deficiency is primarily driven by the onerous contract provision and increase in decommissioning provision (note 5.4). Although the impact of changes to these long-term provisions is reflected in the consolidated profit or loss for the year ended 30 June 2021, 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 forecasted to return positive supported by additional government subsidies and equity contributions.

Contributions

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

The initial contribution by the 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.

Dividends

There were no dividends paid during the 2021 financial year. A special dividend of $2.8 million was paid in 2020.

Other reserves

Included in the reserve are the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged 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.

Other comprehensive income, net of tax

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

	Accumulated losses	Reserves	Total
Group	$'000	$'000	$'000
Changes in fair value of cash flow hedges, net of tax	-	(12,680)	(12,680)
Re-measurement on defined benefit plans, net of tax	(1,577)	-	(1,577)
As at 30 June 2020	**(1,577)**	**(12,680)**	**(14,257)**
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**
Corporation			
Changes in fair value of cash flow hedges, net of tax	-	85	85
Re-measurement on defined benefit plans, net of tax	(1,577)	-	(1,577)
As at 30 June 2020	**(1,577)**	**85**	**(1,492)**
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**

6.2 Commitments and contingencies

Capital and other commitments

As 30 June 2021 the Group has commitments relating to the future purchase of renewable energy certificates, energy purchase agreements, information technology and contact centre support services of $9.4 billion (2020: $10.1 billion), and other committed capital expenditure of $16.7 million (2020: 23.7 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.

Asbestos management contingency

The Group operates a portfolio of thermal power stations of varying ages. Many of these power stations utilised 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 May- June 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 2021 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Annual leave	17,845	16,358	17,816	16,327
Long service leave	17,602	16,382	17,602	16,382
Total current liability	**35,447**	**32,740**	**35,418**	**32,709**
Long service leave	2,721	2,381	2,721	2,381
Defined benefit plan obligation	27,067	34,279	27,067	34,279
Total non-current liability	**29,788**	**36,660**	**29,788**	**36,660**

6.3 Employee benefits (continued)

Amounts not expected to be settled within the next 12 months

Annual and long service leave benefits are reported as current because Synergy does not have an unconditional right to defer settlement. Amounts not expected to be taken or paid within the next 12 months are presented below:

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Annual leave:				
Annual leave expected to be settled < 12 months	10,523	9,629	10,494	9,598
Annual leave expected to be settled > 12 months	7,322	6,729	7,322	6,729
	17,845	**16,358**	**17,816**	**16,327**
Long service leave:				
Long service leave expected to be settled < 12 months	17,602	16,382	17,602	16,382
Long service leave expected to be settled > 12 months	2,721	2,381	2,721	2,381
	20,323	**18,763**	**20,323**	**18,763**

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.

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 2021 using the membership data as at 30 April 2021, as it is not expected that the membership data will be materially different as at 30 June 2021.

6.3 Employee benefits (continued)

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance at 1 July 2020	34,279	34,112	34,279	34,112
Interest cost	285	466	285	466
Benefits paid	(1,457)	(1,876)	(1,457)	(1,876)
Actuarial changes in assumptions	(6,040)	1,577	(6,040)	1,577
Balance at 30 June 2021	**27,067**	**34,279**	**27,067**	**34,279**

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 1.50% (2020: 0.85%), expected future salary increase of 2.00% (2020: 3.50%) and expected pension increase of 1.75% (2020: 2.00%).

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 $1.7 million (2020: $2.4 million).

6.4 Key management personnel compensation

	2021	2020
	$'000	$'000
Short-term employee benefits	4,275	4,129
Post-employment benefits	285	337
Termination benefits	-	1,695
Total compensation paid to key management personnel	**4,560**	**6,161**

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	
			2021	2020
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:

	2021	2020
	$'000	$'000
Net carrying value		
Balance at 1 July	1,462	36,762
Return of capital	-	(35,300)
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.

6.5.2 Interest in associates and joint arrangements

The financial statements of the Group include:

	Principal activity	Report Date	Country of incorporation	% Equity	
				2021	2020
Associates					
Premier Coal Limited [(i)]	Coal mining	31 Dec	Australia	-	-
Joint arrangements					
Collie Basin SO_2 Modelling Study	SO_2 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, unless it is repaid by PCL, converted into equity or forgiven by Synergy at an earlier time.

There were no reported contingent liabilities as at 30 June 2021 (2020: nil), in relation to these investments.

	Group		Corporation	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Investment in joint ventures	28,797	9,121	41,271	24,360
	28,797	**9,121**	**41,271**	**24,360**
Loss from operations of joint ventures	(4,465)	(666)	-	-
Share of other comprehensive income	5,332	(12,765)	-	-
Total comprehensive income	**867**	**(13,431)**	**-**	**-**

6.5 Group structure (continued)

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

Group	BEI $'000	Collie $'000	Total $'000
Balance at 1 July 2019	2,990	92	3,082
Investment	18,808	662	19,470
Share of losses for the year	(363)	(303)	(666)
Share of other comprehensive income	(12,765)	-	(12,765)
Balance at 30 June 2020	**8,670**	**451**	**9,121**
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**

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.

6.6 Related parties (continued)

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:
  - $104,150,000 of other revenue relating to payment in lieu of subsidies (2020: $88,343,000); $17,880,000 of which was repayable at 30 June 2021 (2020: nil);
  - $182,871,000 of reimbursement of the cost of CSOs included in fuel, electricity, gas and other purchases, (2020: $173,329,000); $16,626,000 of which was receivable at 30 June 2021 (2020: nil); and
  - $647,042,000 of COVID-19 stimulus payments (2020 $300,423,000) of which $14,418,000 was receivable at 30 June 2021 (2020: $36,004,000 payable). 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 $218,236,000 (2020: $225,566,000) of borrowings at 30 June 2021, and repaid $9,964,000 during the year (2020: $24,000,000); and
  - incurred interest charges of $3,861,000 during the year (2020: $2,619,000); $464,000 of interest was accrued at 30 June 2021 (2020: $532,000);
- 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 2021. 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
30 June 2020	$'000	$'000	$'000	$'000	$'000
Associate	-	151,617	-	13,596	-
Joint Ventures and Operations	3,337	10,165	30,952	340	809,607
Government Related Entities					
Water Corporation	8,667	50	803	-	-
Regional Power Corporation	29,414	889	1,963	127	-
Electricity Networks Corporation	8,842	1,266,689	3,425	194,096	-
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

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 2020-8 *Interest Rate Benchmark Reform* Effective 1 January 2021 Application date 1 July 2021	Reform program that focuses on issues that might affect financial reporting upon replacement of existing interest rate benchmarks, and amends the requirements in AASB 7, AASB 9, AASB 139 *Financial Instruments*, and AASB 16 *Leases*. The objective of the amendments is 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. These amendments apply retrospectively. The impact of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.
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.
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.

6.8 Events after the reporting date

The impact of COVID-19 is ongoing, and it has impacted the Group as outlined in note 1. The situation is continuously changing, which creates uncertainty of the scale and duration of the pandemic and the associated government response. Accordingly, it is not possible to reliably estimate the impact, positive or negative, after the reporting date.

Except for the above, 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 2021 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: 24 August 2021
Perth

The Alkimos Beach Energy Storage Trial was the first of its kind in Australia. The five-year initiative was undertaken by Synergy in collaboration with DevelopmentWA and Lendlease, with support from the Australian Renewable Energy Agency.

Auditor General

INDEPENDENT AUDITOR'S OPINION

2021

Electricity Generation Retail Corporation trading as Synergy

To the Parliament of Western Australia

Opinion

I have audited the financial statements of Electricity Generation Retail Corporation trading as Synergy (the Corporation), which comprises the Statement of Financial Position as at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In my opinion, the accompanying financial statements of the Corporation is prepared in accordance with Schedule 4 the *Electricity Corporation Act 2005* including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2021 and of its performance for the year then ended; and
- complying 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 Statements section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence Standards)* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Contingent liability

I draw attention to note 6.2 of the financial statements, which describes the status of the investigation by the Economic Regulation Authority into the Corporation's pricing in balancing submissions made in the Western Australian Wholesale Electrical Market. My opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Corporation's annual report for the year ended 30 June 2021, but does not include the financial statements and my auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The directors of the Corporation are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and Schedule 4 of the *Electricity Corporation Act 2005* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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 statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 statements. 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 statements is located at the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Matters relating to the electronic publication of the audited financial statements

This auditor's report relates to the financial statements of Electricity Generation Retail Corporation trading as Synergy for the year ended 30 June 2021 included 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 statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on the website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
27 August 2021

Working with Western Australians towards our **intelligent energy future**


synergy
Kambaran

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

Synergy Annual Report 2021 ABN 58 673 830 106