Annual Report

2012/2013

Contents

About CS Energy's Annual Report

The 2012/2013 Annual Report provides a detailed review of our financial and non-financial performance for the financial year from 1 July 2012 to 30 June 2013. The Annual Report aims to provide our key stakeholders with information on our performance against our strategies, objectives and targets. This report does not include long term comparisons of measures as CS Energy was restructured by its owner, the Queensland Government, on 1 July 2011 and results for years prior to 1 July 2011 were for a significantly different portfolio.

About CS Energy

CS Energy is an electricity generator, trader and retailer, and a supplier of coal for electricity generation. We have a unique mix of technology and an innovative approach that is powered by experienced, skilled and talented people.

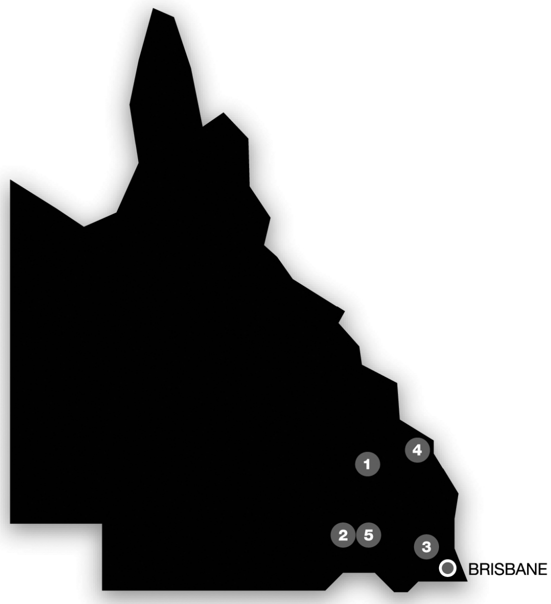
As at 30 June 2013, 454 people were employed across our three power station sites and corporate office in Brisbane. We own and operate the:

- Callide B Power Station, near Biloela in Central Queensland;
- Kogan Creek Power Station, near Chinchilla in South West Queensland; and
- Wivenhoe Power Station, near Esk in South East Queensland.

CS Energy owns the Callide C Power Station in a joint venture with InterGen and provides operations and maintenance services to the power station. Our Callide A Power Station is the home of the Callide Oxyfuel Project. We own the Kogan Creek Mine, which supplies thermal black coal to the Kogan Creek Power Station, as well as the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla.

We are a party to the Interconnection and Power Pooling Agreement which entitles us to trade the output of Gladstone Power Station in excess of the requirements of the Boyne Aluminium Smelter.

Our corporate office provides a range of support services and functions for the management and operation of these power station sites.



Power generation
1 Callide Power Station (1,630 MW)*
2 Kogan Creek Power Station (750 MW)
3 Wivenhoe Power Station (500 MW)

4 **Trading rights**
Gladstone Power Station (1,680 MW)

5 **Coal assets**
Kogan Creek Mine (MDL 335 – 400 Mt)
Glen Wilga (MDL 382 – undeveloped)
Haystack Road (MDL 383 – undeveloped)

*The 810 MW Callide C Power Station is a 50 per cent joint venture with InterGen

Key performance outcomes	2011/2012	2012/2013
Lost time injury rate	4.26	2.58
Employee numbers (full time equivalent)	491	454
Employee retention (%) [1]	89.9	91.9
Apprentices, trainees and graduates	27	31
Total energy sent out (GWhso)	17,138	16,664
Availability (%)	82.8	77.4
Reliability (%)	89.7	85.4
Greenhouse intensity (kg$CO_{2\text{-}e}$/MWhso)	959	971
Significant environmental incidents	0	0
Profit (loss) after tax ($000)	(51,458)	(47,875)
Return on productive assets (%)[2]	(0.4)	0.4
Queensland average pool price ($/MWh)[3]	29.07	67.02
Gearing (%)	60.2	66.2

1. Excludes voluntary redundancies.
2. 2011/2012 figure corrected.
3. Increase partially due to the introduction of a carbon price.

2012/2013 in review

Our 2012/2013 Amended Statement of Corporate Intent set the key objectives, targets and strategies to be achieved by CS Energy. The following table outlines progress against CS Energy's operational objectives included in our 2012/2013 Amended Statement of Corporate Intent.

Operational objective	Key initiatives and performance measures	Result
Reduce operational expenditure along with a debt reduction strategy.	• Continue the critical review of operating and capital expenditure. • Implement a debt reduction strategy subject to discussion and agreement with Queensland Treasury Corporation.	Partially achieved
Consider opportunities to improve revenue outcomes and ensure forecast revenue is achieved.	• Continue to diversify channels to market, increasing commercial and industrial sales volume. • Meet reliability targets. • Optimise the operation of the portfolio to achieve forecast gross margin.	Predominantly achieved
Review forward estimates and identify ongoing cost controls to achieve positive EBIT and EBITDA.	• Prioritise capital and only proceed with critical expenditure. • Adhere to the investment and capital approval thresholds set by shareholders. • Eliminate all non-essential and non-committed entertainment, hospitality, consultancies and corporate office contractors.	Achieved through significant site and corporate cost savings
Provide a detailed plan to monetise surplus coal assets in the coming year.	• Coal commercialisation strategy developed and approved by Board by 31 December 2012 and progressively implemented.	Achieved
Reduce the organisation's size while ensuring management's capability to deliver.	• Reduce corporate office full time equivalent employees by a minimum of 60 (from 180.5 to 120.5) by 31 December 2012. • Simplify systems and processes to achieve further efficiency gains.	Target met with extended timeframe
Adopt Employment and Industrial Relations practices consistent with the new *GOC Wages Policy*.	• Amend the Employment and Industrial Relations Plan to reflect the new *GOC Wages Policy* and ensure compliance.	Achieved

Business transformation

2012/2013 was a year of significant change for CS Energy. We embarked on a program of transformation. A renewed Board of Directors and new Executive Leadership Team have developed the foundations to reform the organisation.

To achieve this reform we established a set of reform objectives in late 2012. These reform objectives will be the key driver in returning CS Energy to a profitable and sustainable position.

The reform objectives provide an immediate focus on business transformation and are characterised as either core or enabling objectives. Core objectives will directly and measurable improve our performance. Enabling objectives involve the work required to support the attainment of core reform objectives.

Detailed bodies of work have been developed under each reform objective. The reform program commenced implementation in 2012/2013 and will continue through 2013/2014.

Core Reform Objectives

OBJECTIVE 1: BEST PRACTICE SAFETY, HEALTH AND ENVIRONMENT

OBJECTIVE 2: INCREASING REVENUE

OBJECTIVE 3: TARGETED PLANT PERFORMANCE

OBJECTIVE 4: ASSET LEADERSHIP

OBJECTIVE 5: OPTIMAL COSTS

Enabling Reform Objectives

OBJECTIVE 6: BEST TEAM

OBJECTIVE 7: VALUE ENHANCING PROCESSES

OBJECTIVE 8: RIGHT SYSTEMS, ROBUST DATA

OBJECTIVE 9: VALUE ADDING STEP CHANGE PROJECTS

OBJECTIVE 10: LICENCE TO OPERATE

Chairman's review

In 2012/2013, we established the foundations for transforming CS Energy back into a profitable and sustainable energy business.

The year was marked with significant changes to the Board, including the appointment of new Directors. In October 2012, the Board made changes to the organisational structure at the Executive level designed to shape the organisation for success.

CS Energy's future success will be determined by our ability to respond and adapt to this change. The Board and management have a clear strategic vision for CS Energy, and we are committed to working with our owner, the Queensland Government, and employees to reach our goal of transforming the business.

Safety

The safety of our employees and contractors is the Board's highest priority. In 2012/2013, we recorded five lost time injuries, which is an improvement on the previous year. Notwithstanding, this is five injuries too many. We are committed to achieving zero harm to ensure our employees and contractors leave work without injury.

Financial performance

CS Energy delivered a consolidated loss after tax of $47.9 million in 2012/2013. This year's loss is attributed to lower than targeted generation due to availability and coal supply issues and a high ongoing debt level and associated servicing costs.

While we did not record a profit this financial year, the underlying net loss after tax result, excluding the fair value movements on financial derivatives, was 45.1 per cent better than 2011/2012.

Electricity market challenges

The electricity market remains challenging with a continued:

- Downward trend in electricity demand growth;
- Oversupply of peaking generation capacity; and
- Impact of the *Clean Energy Act 2011*.

In 2012/2013, the average pool price was $67.02 per megawatt hour. This was the highest electricity price, adjusted for carbon, since 2007/2008. The electricity price was influenced by several warm days in mid January 2013 together with reduced generation availability in the market, due to the rainfall associated with ex-tropical cyclone Oswald.

CS Energy continues to seek opportunities to capture additional revenue and contract through various channels to market.

On 22 May 2013, the Queensland Government directed CS Energy to enter into a range of financial derivative contracts with Ergon Energy Queensland Pty Ltd. The contracts, which commence in early 2014, provide increased levels of volume and price certainty over the forecast period.

From 1 July 2012, CS Energy has paid a price for the carbon we emit, starting at $23 per tonne for the 2012/2013 year. As a predominantly coal-fired generator, paying for our carbon emissions was CS Energy's single largest operational cost in 2012/2013. In 2012/2013, CS Energy paid $244.8 million in carbon costs, receiving less than this from the electricity market.

Operational performance

On 18 September 2012, there was a fire in the machine hall at Wivenhoe Power Station. Unit 2 was offline for 10 days until all plant was fully tested. The fire caused significant damage to Unit 1 and after extensive repairs, CS Energy resynchronised the unit to the National Electricity Grid on 22 April 2013.

In January 2013, CS Energy's sites were impacted by ex-tropical cyclone Oswald. Road access to the Kogan Creek and Wivenhoe power stations was cut for periods, however flood waters did not reach the power stations or the Kogan Creek Mine. The capacity of the Callide and Gladstone power stations was impacted by wet coal. The water supply to Callide Power Station was also impacted. These issues had a negative impact on the power stations' performance and CS Energy's bottom line.

The international joint venture, the Callide Oxyfuel Project, completed commissioning and started the demonstration phase. This included capturing carbon dioxide for the first time in the financial period. The Project was awarded additional funding to allow for the achievement of 10,000 hours of oxyfiring demonstration. The Callide Oxyfuel Project is one of only a handful of low emission coal projects in the world to move beyond concept and construction into demonstration.

During the year, construction continued on our Kogan Creek Solar Boost Project, the largest solar integration with a coal-fired power station in the world. On completion, the solar addition to our Kogan Creek Power Station has the potential to provide up to 44 gigawatt hours of additional electricity per year using the same amount of coal. Each gigawatt hour of electricity generated using this technology will avoid carbon dioxide being emitted.

Looking forward

In 2013/2014, the continued transformation of CS Energy will be a major priority company-wide. Our primary focus will be to resolve some longstanding contractual issues, improve plant reliability and optimise our trading strategy.

As Chairman, I wish to acknowledge the dedication of Board members, the Executive Leadership Team and CS Energy employees as we work together to meet the challenges facing our company. I also wish to thank the previous Board and Executive for their contributions and dedication to the Company.

I look forward to working with our shareholding Ministers to pursue a strategic direction that delivers greater value to the people of Queensland.

Ross Rolfe
Chairman

Safety, environment and people

Performance	2011/2012	2012/2013
Lost time injuries	8	5
Lost time injury frequency rate	4.26	2.58
Significant environmental incidents	0	0
Greenhouse gas intensity ($kgCO_2/MWHso$)	959	971
Greenhouse gas equivalent produced ($MtCO_{2-e}$)	9.7	10.5
Coal used as fuel (kilotonnes)[1]	5,591	5,838
Water consumption (megalitres)[1]	13,493	13,892
Ash produced (kilotonnes)	1,674	1,716
Ash sold (kilotonnes)	117	178
Employees (full time equivalents)	491	454
Employee retention (%)	89.9	91.9
Apprentices, trainees and graduates	27	31

1. Indicates CS Energy's share of outputs for Callide C Power Station.

Health and Safety

The safety of our workers and contractors is CS Energy's highest priority. We are committed to ensuring the safety of our employees and contractors and targeting zero harm.

In 2012/2013, CS Energy recorded five lost time injuries, the majority of which were manual handling related. Each injury was extensively investigated to determine the root cause and detailed action plans were implemented to address the cause of the injury and eliminate or minimise the risk of a similar injury occurring. CS Energy undertook a full review of the routine manual handling tasks performed by contractors and employees and implemented actions to ensure appropriate controls are in place to significantly reduce or eliminate the risk of injury and that the equipment being used is appropriate for the task.

In 2012/2013, CS Energy's Lost Time Injury Frequency Rate (LTIFR) was 2.58 injuries per million hours worked by our employees and contractors. This is a reduction of 1.68 from last year due to a lower instance of injury occurring.

The management of alcohol and other drugs is an integral part of our Fit for Duty Policy and includes random alcohol and drug testing at all CS Energy sites. In 2012/2013, 321 tests were performed with no positive tests recorded.

As part of CS Energy's relentless drive to improve safety and environment performance across the organisation, a Central Safety, Health and Environment Committee was established in November 2012. The committee provides direction and support for leaders to execute safety fundamentals in pursuit of best practice safety performance. Committee members include the Acting Chief Executive, Executive General Managers, Site Managers and other key stakeholders. Stakeholders are required to present a high level overview of their safety, health and environment business performance for the month. During 2012/2013, the Committee met seven times to review safety performance as well as action safety interventions. These safety interventions included the following:

- Critical control audit program;
- Hazardous manual task assessments;
- Hazard hunt (risk reduction exercise); and
- Safety interactions.

During March 2013, CS Energy undertook a hazard hunt initiative designed to encourage employees to identify and address hazards as part of their every day practice across the business. A total of 403 hazards were identified by employees during the exercise. More than 85 per cent of the identified hazards had been addressed and closed by 30 June 2013. Longer term controls are being implemented to mitigate the remaining hazards.

Ensuring the health and wellbeing of employees is particularly important during business transformation. To assist our employees during CS Energy's time of change, we increased the focus on the availability of CS Energy's employee assistance program. The program offers employees and their families' access to free, independent counselling on work or personal issues.

Environment

CS Energy's power station sites and our corporate office operate within an Environmental Management System that has been certified to the international standard ISO 14001. This provides a formal process for sound environmental management, and further strengthens the link between governance, environmental performance and sustainability. During 2011/2012, all of CS Energy's sites were audited and re-certified to ISO 14001 for a further three years to mid 2015.

During 2012/2013, CS Energy did not report any significant environmental incidents to the Department of Environment and Heritage Protection (DEHP). CS Energy's systems categorise environmental incidents as internal (Category 1 and 2) or external (Category 3 and 4). Internal incidents are minor in nature with no off site impact. External incidents are incidents that may result in an off site impact and which are reported to DEHP. The department was notified of the following five Category 3 incidents:

- The results from water discharge monitoring at the former Callide A Power Station No 2 ash dam in late June 2012 showed a Total Dissolved Solids level in excess of the licence limit, most probably related to curing of concrete used to upgrade the discharge structure. CS Energy discussed this incident with DEHP. DEHP noted CS Energy's program of works to ensure compliance with the development approval into the future. Notwithstanding, DEHP issued a Warning Notice on 30 August 2012 in relation to the notification.
- On 18 September 2012, a fire occurred at Wivenhoe Power Station. DEHP officers inspected the site and reviewed potential environmental issues related to the release of water from the basement pits and the removal and disposal of fire damaged materials. Testing of water samples taken before and during release of water from the collection pit to the tail bay in Wivenhoe Dam showed the water to be within acceptable limits for the parameters tested.

Environmental incidents by site 2012/2013	Internal		External	
	Cat 1	Cat 2	Cat 3	Cat 4
Callide Power Station	44	14	3	0
Kogan Creek Power Station	11	2	1	0
Wivenhoe Power Station	0	1	1	0

- In early November 2012, fugitive dust emissions occurred from the Callide Power Station's Ash Dam B. Additional dust management measures were implemented to reduce these emissions.
- On 9 April 2013 and 16 April 2013, seepage water from the Callide A Power Station's decommissioned Ash Dam No 1 exceeded licence limits for Total Dissolved Solids and Chloride. CS Energy installed a sump to intercept the seepage water and allow for it to be pumped into Callide Power Station's Ash Dam B.
- On 12 June 2013, the chimney particulate emission limit at Kogan Creek Power Station was exceeded for 35 minutes. In response, generation load was reduced and the fabric filter cleaning system was modified. CS Energy notified DEHP of the exceedance on 12 June 2013. In early July 2013, CS Energy provided DEHP with the results of a review into the exceedance and the actions that had been implemented to reduce the risk of any further particulate releases above the licence limit.

During 2012/2013, CS Energy received four complaints on environmental matters, which CS Energy notified to DEHP. There were three complaints received at Kogan Creek Power Station and Mine and one complaint received at Callide Power Station. Details of the complaints can be found on the respective site pages.

Waste management

In addition to carbon dioxide, CS Energy's coal-fired power stations emit oxides of nitrogen and sulphur and water vapour as a result of using fossil fuels to generate electricity. CS Energy reports all emissions data to the National Pollutant Inventory, which is publicly available on the National Pollutant Inventory website www.npi.gov.au.

The Callide and Kogan Creek power stations also produce ash as a by-product of coal combustion. More than 99.9 per cent of this ash is collected before it is recycled or stored on site in ash dams. In 2012/2013, 178 kilotonnes of ash was supplied for reuse.

Water management

The energy industry is heavily reliant on water. CS Energy uses a combination of recycled, raw and town water at its sites. To emphasise the importance CS Energy places on this resource, each site has a water management strategy which highlights sustainable and efficient use of water.

CS Energy tracks water use across our operations by measuring total consumption. This year, our total water consumption was 13,892 megalitres, compared to 13,493 in 2011/2012.

Energy Efficiency Opportunities

After recent changes to the *Energy Efficiency Opportunities Act 2006* (EEO Act), CS Energy is required to comply with legislative obligations to implement cost effective energy efficiency opportunities and report on how we manage energy use. In December 2012, CS Energy submitted an assessment plan and reporting schedule to the Department of Resources, Energy and Tourism.

On 30 June 2013, CS Energy submitted its first report to the Commonwealth Government.

People

On 30 June 2013, CS Energy employed 462 people across our power station sites and the corporate office, equating to 454 full time equivalent employees, in a range of technical and support occupations.

After the restructure of the organisation on 1 July 2011, CS Energy's corporate office increased as a percentage of total workforce when compared to the old portfolio. This was as a result of the transfer of employees to Stanwell Corporation with the Mica Creek and Swanbank power stations. During 2012/2013, CS Energy focused on right sizing the corporate office through a voluntary redundancy program while ensuring adequate and efficient support for sites. In conjunction, we embarked on further changes to the organisational structure to ensure that the right people are in the right roles at the right cost. The implementation of these further changes will continue into the 2013/2014 financial year.

CS Energy maintains individual Enterprise Agreements at each of our Callide, Kogan Creek and Wivenhoe power stations and the corporate office in Brisbane which are tailored to each site based on the characteristics of the workforce, workplace efficiencies and plant technologies and associated requirements. Approximately 40 per cent of CS Energy's employees are employed under Alternative Individual Agreements which are underpinned by an Enterprise Agreement. Approximately 60 per cent of employees are employed directly under Enterprise Agreements.

In 2012/2013, our employee retention rate was 91.9 per cent (excluding voluntary redundancies), equating to a turnover rate of 8.1 per cent, which was slightly below target for the year.

At 30 June 2013, we had 31 apprentices and trainees, covering a range of skill areas including fitting/machining, electrical, warehousing, administration and information technology. Of these, 25 are hosted through Group Training Organisations, and six are adult apprentices who are existing CS Energy employees.

CS Energy continued to encourage employee development and foster promotion from within the organisation. This year, 32 employees participated in the Supervisor Development Program, with an aim to complete a Certificate IV in Business (Frontline Management), and 15 employees completed the Emerging Supervisor program, which is a precursor to completing the Certificate IV.

In order to lead and deliver the business transformation program, including returning the company to profitability, CS Energy's Board undertook a reassessment and realignment of the Executive Leadership Team. The Board appointed an interim Chief Executive Officer (CEO) while an extensive search process was conducted for the permanent appointee. The appointment of Martin Moore to the CEO role was made in May 2013.

Financial and market performance

Financial performance

CS Energy reported a consolidated net loss after tax of $47.9 million, an improvement of 7.0 per cent compared with the net loss after tax of $51.5 million in the prior year. After taking into account the after tax impact of the fair value movements on financial derivatives (outlined below), the underlying net loss after tax result was 45.1 per cent better than 2011/2012.

Underlying net loss after tax ($000)	2011/2012	2012/2013
Net profit/(loss) after tax	(51,458)	(47,875)
Adjust for the following items:		
Changes in fair value of financial derivatives – (gain)/loss	(36,213)	8,162
Income tax effect	10,864	(2,449)
Underlying net loss after tax	**(76,807)**	**(42,162)**
Improvement in underlying loss		45.1%

The consolidated group's net loss after tax result contains the impact of movements in the fair value of financial derivatives which, when excluded, provide a better representation of the group's underlying financial performance. The key factors that have contributed to the loss recorded in 2012/2013 include lower than targeted generation due to availability and coal supply issues and a high ongoing debt level and associated servicing costs.

Revenue from the sale of electricity was $634.2 million, 66.7 per cent higher than the prior year (2011/2012: $380.4 million). This reflected a higher underlying electricity price and the pass through of carbon in pool prices, at an average NEM intensity, after the introduction of a price on carbon.

Cost of sales of $477.6 million has increased by 90.1 per cent (2011/2012: $251.2 million) predominantly due to carbon costs totalling $244.8 million. As a predominantly coal-fired generator, paying for our carbon emissions was CS Energy's single largest operational cost in 2012/2013. CS Energy incurs a cost higher than it is able to recover from the electricity market for carbon.

Net operating costs (excluding finance costs) were $742.5 million (2011/2012: $487.2 million). Net operating costs were 52.4 per cent higher in 2012/2013 as they included carbon costs of $244.8 million, a loss on the fair value of financial derivatives of $8.2 million, and one-off items including restructure costs of $6.9 million and costs resulting from the fire at Wivenhoe in September 2012 of $5.0 million. When these items are taken into account, the underlying operating costs have reduced compared with prior year resulting from ongoing cost initiatives across the business.

Net operating cash flows for the year were negative $23.0 million (2011/2012: positive $17.4 million). The deterioration in operating cash flows reflected a one-off payment to a supplier and a net investment in accounts receivable and inventories.

Net borrowing cash costs on debt were $65.8 million (2011/2012: $65.7 million), with overall underlying debt levels remaining unchanged. At 30 June 2013, CS Energy maintained a total debt balance of $824.3 million (2011/2012: $824.9 million) and a gearing ratio of 66.2 per cent (2011/2012: 60.2 per cent).

Capital investment for the year was $70.7 million, which was down 47.1 per cent from the prior year (2011/2012: $133.5 million), reflecting an overall reduction in spend on capital projects as part of ongoing cost savings initiatives.

Market performance

CS Energy is a participant in the National Electricity Market (NEM) with a diverse generation portfolio. In 2012/2013, we continued to diversify our electricity trading products and customer base. CS Energy participates in the spot market to sell electricity into the NEM. There is currently excess generation capacity in the NEM, in particular in Queensland, where the total installed capacity is 12,798 megawatts compared to the maximum 2013 summer demand of 8,453 megawatts. In 2012/2013, the time weighted average pool price was $67.01 per megawatt hour. This compares with a carbon exclusive time weighted average pool price of $29.07 per megawatt hour in 2011/2012.

The uplift in electricity spot market pool prices compared with 2011/2012 (carbon adjusted) was largely due to periods of market volatility particularly over summer and reduced generation availability after the rainfall associated with ex-tropical cyclone Oswald. Pool price outcomes remain uncertain due to low demand levels, high levels of peaking generation capacity and increasing rooftop solar panels.

CS Energy enters into financial contracts to supply a fixed amount of electricity for the contract period to manage the financial risks of pool price volatility. Financial contracts provide certainty of price for the period of the contract. The contract market has been impacted by uncertainty surrounding the carbon scheme, expected increased demand resulting from the development of the liquefied natural gas projects and pool price volatility. CS Energy's presence in the Queensland commercial and industrial customer segment continued to grow in 2012/2013.

On 22 May 2013, the Queensland government directed CS Energy to enter into a range of financial derivative contracts with Ergon Energy Queensland Pty Ltd. The contracts provide increased levels of volume and price certainty over the forecast period. CS Energy successfully reported its emissions and acquitted its interim liability for 2012/2013 to the Clean Energy Regulator as required under the *Clean Energy Act 2011*.

Key performance indicator	2011/2012	2012/2013
Loss after tax ($000)	51,458	47,875
Return on productive assets (%)[1]	(0.4)	0.4
Dividends payable ($000)	0	0
Capital investment in power stations ($000)	133,524	70,695
Costs (excluding finance costs) ($000)[2]	487,248	742,522
Gearing (%)	60.2	66.2
Assets ($M)	1,875	1,849
Energy sent out (GWhso)	17,138	16,664
Sales revenue ($000)	380,418	634,195

1. 2011/2012 figure corrected.
2. Based on restated costs for 2012 (refer to Note 5 of the financial report on page 43)

Strategic projects

Kogan Creek Solar Boost Project

Construction continued on CS Energy's Kogan Creek Solar Boost Project in 2012/2013. The 44 megawatt solar addition to the Kogan Creek Power Station will use Compact Linear Fresnel Reflector technology to concentrate solar energy to heat feedwater into superheated steam, in parallel with the power station's coal-fired boiler.

AREVA Solar is the 'EPC' contractor (Engineer, Procure, Construct) for the project. AREVAs automated solar reflector assembly facility in Dalby was in full operation during the year, manufacturing 16 metre-long reflectors every 20 minutes.

The project is now in the mechanical construction phase, which involves the erection of the solar steam generators and construction of the pipes that will connect the solar field to Kogan Creek Power Station.

Work at site is well-advanced and reached the construction halfway point by 30 June 2013. The project has experienced some unexpected delays relating to supplier and material issues that have impacted the project schedule. Work completed during 2012/2013 includes:

- Civil works including cut-to-fill earthworks, drainage and stormwater management, relocation of power station services, and foundations for the 14 solar steam generators;
- Phase 1 of Mechanical Construction involving solar tower erection, boiler pipe welding on solar steam generators 1 to 5, foundation work on the pipe rack and the installation of approximately 1,550 reflectors out of a total 5,460 reflectors required for the project;
- Mechanical and electrical modifications were made to the power station to allow for the connection of the solar field, while changes to the existing power station control system are underway; and
- Work continued on the fabrication of the reflectors and receivers.

The Kogan Creek Solar Boost Project will enable CS Energy's Kogan Creek Power Station to produce more electricity with the same amount of coal. It will make the coal-fired plant more fuel efficient and reduce the power station's emissions intensity. The solar addition has the potential to provide up to 44 gigawatt hours of additional electricity per year, enough to power 5,000 homes. Each gigawatt hour of electricity generated using this technology will avoid carbon dioxide being emitted by other generators.

The construction and commissioning of the project is scheduled to be completed in 2014.

Callide Oxyfuel Project

The Callide Oxyfuel Project is one of the most advanced carbon capture demonstration projects in the world. The joint venture project entered the demonstration phase in December 2012, with the first capture of carbon dioxide. An additional $27 million in funding has been confirmed to extend the project's operation to the end of 2014 to meet demonstration objectives of 10,000 hours of operating in oxyfiring mode.

The $200 million joint venture Callide Oxyfuel Project involves retrofitting oxy-combustion technology to a unit at CS Energy's Callide A Power Station and a cryogenic carbon dioxide capture plant. The main objectives of the project are to demonstrate the technology in an electricity market environment, determine technical merits and scale-up issues, and assess costs for future deployment.

The oxyfuel process involves burning coal in a mixture of oxygen and recirculated exhaust gases, instead of air, and results in a concentrated stream of carbon dioxide that is suitable for capture and storage.

The carbon capture plant achieved liquid carbon dioxide production in February 2013. As at 30 June 2013, the plant had operated in oxyfiring mode for 3,250 hours and achieved 1,000 hours of industrial operation of the carbon dioxide capture plant.

The Callide Oxyfuel Project is a joint venture between CS Energy, the Australian Coal Association, Glencore Coal (formerly Xstrata Coal), Schlumberger, and Japanese participants, J-POWER, Mitsui & Co., Ltd., and IHI Corporation. It is one of only a handful of coal-fired low emission projects in the world to move beyond concept into construction.

In addition to industry investment, the project has received funding from the Commonwealth Government under the Low Emissions Technology Demonstration Fund, Japanese Government and Queensland Government. The Callide Oxyfuel Project has also received technical support from JCOAL and was formerly a flagship project of the Asia-Pacific Partnership on Clean Development and Climate.

Surat coal monetisation

CS Energy has extensive coal assets as part of its portfolio. The coal reserves are located in the Surat Basin, and consist of the Kogan Creek Mine and the Glen Wilga and Haystack Road coal resources. The Kogan Creek Mine is the only developed coal resource and a 2012 Joint-Ore Reserves Committee estimate indicates the mine contains significant resources that are surplus to the power station requirements.

During 2012/2013, CS Energy commenced a project to examine options to monetise this surplus coal. CS Energy will continue to assess options associated with these assets into 2013/2014.

Information on the Kogan Creek Mine can be found on page 8 under the Kogan Creek Power Station section.

Operational performance

Callide Power Station

The Callide Power Station is located approximately 15 kilometres east of Biloela in Central Queensland. It comprises three power stations – Callide A, Callide B and Callide C.

Callide A Power Station was originally constructed in 1965 and was recommissioned to become the home of the Callide Oxyfuel Project. The 700 megawatt Callide B Power Station was commissioned in 1988.
CS Energy owns the 810 megawatt Callide C Power Station in a 50 per cent joint venture with InterGen. We also provide operations and maintenance services to the joint venture.

There are 213 people working across the Callide Power Station sites, making CS Energy a major employer in Biloela. This included 22 employees who worked on the Callide Oxyfuel Project during 2012/2013 to undertake commissioning services and operations and maintenance services as part of the demonstration phase of the project.

Generation at the Callide Power Station was impacted by coal supply issues from late January 2013. The Callide B Power Station sent out 3,537 gigawatt hours of electricity, with an availability of 77.9 per cent. The Callide C Power Station recorded an availability of 81.3 per cent, sending out 4,319 gigawatt hours of electricity (2,141 gigawatt hours comprising CS Energy's share of power sent out under the joint venture).

The Callide Power Station was severely impacted by ex-tropical cyclone Oswald in January 2013. Generation levels at the power station were reduced due to wet coal and shortages of treated water used for operational purposes. The delivery of treated water to the site from the local area treatment plant was interrupted due to turbidity in the Callide Dam caused by the heavy rain. CS Energy was required to truck water to site for approximately six days in late January 2013 and early February 2013.

Following this significant rainfall, the water in the Callide Power Station's ash dam increased above the Mandatory Reporting Level. CS Energy implemented water reduction measures including hiring a reverse osmosis water treatment plant to reclaim water for use in the power station.

As at 30 June 2013, Unit C4 had achieved approximately 150 days of continuous operation, a significant milestone that was achieved through a period of coal supply issues.

During the year, 175,861 tonnes of ash were supplied to Cement Australia, Maunsell and Bulk Flyash Grout for reuse. Ash that is not recycled from the power station is stored in the power station's ash dam.

On 19 March 2013, CS Energy received a complaint about fugitive dust emissions from the Callide Power Station's ash dam. The complainant was contacted and the status of dust management actions was discussed and the issue has been resolved.

Kogan Creek Power Station

The 750 megawatt Kogan Creek Power Station, located near Chinchilla in the Surat Basin, commenced operations in 2007 and is one of Australia's newest and most efficient coal-fired power stations.

As at 30 June 2013, there were 72 full time equivalent employees working at the Kogan Creek Power Station.

The Kogan Creek Power Station recorded an availability of 87.8 per cent and sent out 5,189 gigawatt hours of electricity in 2012/2013.

Coal for the Kogan Creek Power Station is supplied via a conveyor from CS Energy's Kogan Creek Mine. In 2012/2013, the mine supplied 2.6 million tonnes of black coal to the power station. Golding Contractors employed approximately 88 employees to operate the Kogan Creek Mine on behalf of CS Energy.

Performance snapshot	Callide[1,2]		Kogan Creek		Wivenhoe	
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013
Total energy sent out (GWhso)	5,976	5,678	4,265	5,189	(27)[3]	23[3]
Reliability (%)	86.1	91.8	90.4	88.8	99.6	70.6
Availability (%)	80.4	79.2	76.6	87.8	99.3	57.9
Coal used (kilotonnes)	3,503	3,332	2,088	2,506	n/a	n/a
Greenhouse gas intensity (kgCO_2/MWh generated)	911	898	818	823	0	0
Water consumption (ML)	12,955	13,390	538	502	0.2	0.2
Ash produced (kilotonnes)	1,236	1,114	438	602	n/a	n/a
Ash sold (kilotonnes)	117	176	0.3	2.2	n/a	n/a
Employees (full time equivalent)	235.5	213	76	72	12	12
Lost time injuries	6	3	2	1[4]	0	1
External environmental incidents	2	3	0	1	0	1

1. The Callide A Power Station is in storage. One unit is being used for the Callide Oxyfuel Project. As this is a demonstration project, only relevant data is reported.
2. The Callide C Power Station is owned in a 50 per cent joint venture with InterGen Australia. Where applicable, data reported indicates CS Energy's share of outputs under the joint venture.
3. Wivenhoe Power Station is a pumped storage hydroelectric power station. In 2011/2012 generation was reported on a net of pumping basis i.e. the power station generated 10 gigawatt hours, but imported 37 gigawatt hours of electricity to operate the power station's pumps. In 2012/2013, generation is reported on a gross generated basis.
4. The lost time injury occurred on the Kogan Creek Solar Boost Project.

CS Energy stores ash from the Kogan Creek Power Station at the Out of Pit Ash Cell at the Kogan Creek Mine. The ash is transferred four kilometres to the mine via a twin pipeline system, capable of delivering 2,000 tonnes of ash each day. CS Energy is also exploring a number of options for the beneficial reuse of fly ash from the power station, with more than 2,280 tonnes recycled in 2012/2013.

During 2012/2013, CS Energy received and responded to the following complaints:

- On 4 July 2012, a complaint was received about noise from the Kogan Creek Power Station. Investigation showed that a pressure relief valve had failed to properly reseat, releasing high pressure steam. The valve was repaired and the complainant advised of the actions taken.
- On 22 August 2012, a complaint was received about the construction of Kogan Creek Mine indirectly contributing to property damage sustained as a result of the 2010/2011 wet season flooding. The complaint was investigated but no evidence found to link the alleged damage to the operation of the mine.
- On 4 October 2013, a complaint was received about noise occurring on two occasions and odour on one occasion in late September 2013 at Kogan Creek Power Station. An investigation of the complaint attributed one of the noise events to the power station boiler tripping and releasing high pressure steam. No linkage for the other noise event or odour event could be established for either the power station or mine operations.

Wivenhoe Power Station

The Wivenhoe Power Station is a 500 megawatt pumped storage hydroelectric plant located on the eastern side of Wivenhoe Dam, about 90 kilometres north west of Brisbane. The Wivenhoe Power Station has a team of 12 employees.

The Wivenhoe Power Station achieved an availability of 57.9 per cent in 2012/2013. The power station sent out 23.1 gigawatt hours of electricity during the year and used a total of 54.5 gigawatt hours of electricity to operate the power station’s pumps. Water is pumped from Wivenhoe Dam into Splityard Creek Dam during periods of low demand. Water is released from Splityard Creek Dam through tunnels to the turbines to generate electricity during periods of high demand.

In April 2012, we commenced the first upgrade of the power station’s control and instrumentation systems since it was commissioned in 1984. The $13.7 million project included the replacement of the control system, automatic voltage regulators and governors with new systems to ensure the plant continues to operate safely and reliably. The commissioning work for the upgrade was completed in early September 2012.

On 18 September 2012, there was a fire in the machine hall at Wivenhoe Power Station. The fire originated from a transformer oil reconditioning unit. Significant damage was caused to Unit 1. Unit 2 was offline for 10 days until all plant was fully tested. After extensive repairs on Unit 1, CS Energy resynchronised the unit to the National Electricity Grid on 22 April 2013.

Corporate Governance report

CS Energy was established in 1997 under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act) and is incorporated as a public company, under the *Corporations Act 2001 (Cth)* (Corporations Act). Shares in CS Energy are held by two Queensland Government Ministers on behalf of the people of Queensland.

At 30 June 2013, CS Energy's shareholding Ministers were:

- The Honourable Tim Nicholls MP, Treasurer and Minister for Trade; and
- The Honourable Mark McArdle MP, Minister for Energy and Water Supply.

Corporate Governance philosophy

CS Energy understands and respects our role and responsibility to our shareholders and the people of Queensland. We strive to ensure the highest level of transparency and accountability are achieved. We pursue our objectives and ensure the sustainability of our business by embedding governance, risk and compliance management into everything we do. Our revised Governance Risk and Compliance Policy was approved by the Board in May 2013 and demonstrates our commitment to best practice corporate governance as a means of improving our performance.

CS Energy's Board is responsible for ensuring the highest levels of corporate governance are achieved. For maximum transparency, the Board reports against the eight Principles of Good Corporate Governance, issued by the ASX and has adopted and measured its performance against the Corporate Governance Guidelines for Government Owned Corporations. Further information on CS Energy's corporate governance practices, including key policies and copies of Board and Committee charters, is available on our website.

Principle 1: Foundations of management and oversight

Role of the Board

As at 30 June 2013, the Board comprised eight independent, non-executive Directors, whose profiles and periods of service are detailed on pages 16 and 17. The CS Energy Board Charter outlines the Board's responsibilities and functions. The conduct of the Board is also governed by the Corporations Act and the GOC Act.

The Board conducts a minimum of 10 meetings per year and additional meetings are held as required. The Board is responsible for setting our corporate strategy and performance objectives. The Board reports to our shareholding Ministers on our performance against the objectives set out in CS Energy's Statement of Corporate Intent. These objectives can be found on page 14.

Board committees

The Board has established four committees to assist in the discharge of its duties and to allow detailed consideration of more complex business issues. Committee members are chosen for their skills and expertise. The role, responsibilities and delegated authorities of each committee are contained in respective committee charters, each of which have been reviewed during the year and updated as relevant. Subject to workload, each committee meets several times during the year.

People and Safety Committee

The People and Safety Committee assists the Board to monitor all aspects of people and culture, including health and safety, and remuneration. The members of the People and Safety Committee during the year were:

- Mark Williamson (Chair);
- Ross Rolfe;
- Jon Hubbard; and
- Karen Smith-Pomeroy

Audit Committee

The Audit Committee's primary roles are to assist the Board by overseeing the reliability and integrity of accounting policies and financial reporting and disclosure practices, and to monitor and assess the performance of the internal and external audit functions. The members of the Audit Committee during the year were:

- Tracy Dare (Chair);
- Jon Hubbard;
- John Pegler (from 1 October 2012);
- Shane O'Kane (from 1 October 2012); and
- Ross Rolfe (to 30 September 2012).

Risk Committee

The Board's Risk Committee reviews and oversees risk management and legal compliance. The Executive Leadership Team regularly review operational risks, audit reports, audit recommendations and compliance activities of the business for monitoring by the Risk Committee. The members of the Risk Committee during the year were:

- Karen Smith Pomeroy (Chair);
- Tracy Dare;
- Brian Green (from 1 October 2012 with a leave of absence from 25 March 2013);
- Shane O'Kane (from 1 October 2012);
- Jon Hubbard (from 22 April 2013);
- Mark Williamson (to 30 September 2012); and
- Ross Rolfe (to 30 September 2012).

Reliability and Plant Performance Committee

The Board is responsible for the oversight of effective systems for monitoring the performance of plant, oversight and approval of technical solutions affecting performance and the management of associated capital and reliability projects. The Board has established a Reliability and Plant Performance Committee to assist in the discharge of this responsibility by acting as a technical review sub-committee of the Board, reviewing technical matters relating to performance of the Company's assets.

Responsibilities of the committee include monitoring:

- Plant performance across the CS Energy-owned plant portfolio;
- Financial management, internal controls, management reporting and general governance of overhauls, major capital work projects and initiatives developed to improve reliability; and
- Fuel and water commitments, risks and alternate arrangements and strategies.

The members of the Reliability and Plant Performance Committee during the year were:

- John Pegler (from 1 October 2012) – Acting Chair;
- Ross Rolfe;
- Mark Williamson;
- Brian Green (from 1 October 2012 with a leave of absence from 25 March 2013);
- Tracy Dare (to 30 September 2012); and
- Jon Hubbard (to 30 September 2012).

New Directors

On appointment, new Directors receive a Board handbook and induction to enhance operational and industry knowledge and ensure they are fully aware of their governance responsibilities. Site visits and briefings by Executives are arranged to ensure Directors maintain the knowledge and skills needed to fulfil their roles.

Executive Leadership Team

The Board approves the appointment of CS Energy's Chief Executive Officer and Executive General Managers. The Chief Executive Officer is accountable to the Board, and is responsible for managing the performance of CS Energy's business and the Executive Leadership Team.

Assessing Executive performance

All CS Energy employees, including the Executive Leadership Team, have role purpose statements and associated performance scorecards. Key performance measures are established for each Executive at the start of the financial year. Some critical measures, such as financial performance and health and safety targets, are common for all Executives. Other performance measures are set in line with individual roles and responsibilities.

The Board assesses the performance of the Chief Executive Officer and oversees the assessments of the Executive Leadership Team against their divisional performance scorecards on an annual basis. Reviews were undertaken for the 2012/2013 financial year. More information on performance and remuneration of CS Energy employees, Executives and the Board can be found under Principle 8, on page 15.

Principle 2: Structure the Board to add value

Board of Directors

The Board of Directors, including the Chairman, are all non-executive Directors, appointed by the Governor-in-Council in accordance with the GOC Act for specified periods.

The Board regularly assesses the independence of Directors, and reviews the relationship each Director and the Director's associates have with CS Energy. The Board considers that each Director is, and was throughout the financial year, independent.

Given the process for selection of directors under the GOC Act, CS Energy is not required to establish a Board Nominations Committee.

Directors may seek independent professional advice on matters before the Board, after receiving approval from the Chair. CS Energy bears the cost of this external advice.

Each director has access to the Chief Executive Officer and Senior Executives in the event that they require additional information. Each Director is encouraged to contact the Company Secretary prior to a Board meeting to discuss any matters that require clarification.

Board and Committee attendance

Name	Board		Risk		Audit		People and Safety		Reliability and Plant Performance	
	Meetings held while a Director	Number attended	Meetings held while a member	Number attended	Meetings held while a member	Number attended	Meetings held while a member	Number attended	Meetings held while a member	Number attended
Ross Rolfe	16	15	1	1	2	2	5	3	6	5
Tracy Dare	15	15	4	4	7	7	n/a	n/a	1	1
Brian Green [1, 2]	9	9	3	3	n/a	n/a	n/a	n/a	4	4
Jon Hubbard	16	16	1	1	7	7	5	5	1	1
Shane O'Kane [1]	14	13	2	2	5	3	n/a	n/a	n/a	n/a
John Pegler [1]	14	14	n/a	n/a	5	2	n/a	n/a	6	6
Karen Smith-Pomeroy	16	13	5	5	n/a	n/a	5	5	n/a	n/a
Mark Williamson	16	14	2	2	n/a	n/a	5	5	6	5
Bob Henricks [3]	1	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. Appointed 23 August 2012, notice of which was provided in September 2012.
2. Leave of absence taken from 25 March 2013 to take up the position of Acting Chief Executive Officer until a permanent Chief Executive Officer commenced.
3. Leave of absence from 1 July 2011 until 23 August 2012.

The Board evaluates its performance, the performance of individual Directors, the Chairman and the Board committees at regular periods, not exceeding two years. The last evaluation occurred in 2011. Because of changes to membership on 1 July 2011 and to the Chair in May 2012, a Board performance evaluation was not undertaken during 2012/2013. A Board performance evaluation will be undertaken in early 2013/2014 and the results which will be considered by the Board.

Principle 3: Promote ethical and responsible decision making

CS Energy is committed to conducting all business activities with integrity, honesty and in compliance with relevant laws and standards. Our key governance policies to promote ethical and responsible decision making include the Code of Conduct and Equal Employment Opportunity (EEO) Policy, as well as various policies to ensure compliance with the Corporations Act and prevent conflicts of interest.

CS Energy's Code of Conduct, which is presently being reviewed as part of a broader governance review, applies to all employees and outlines the principles for conducting business in an ethical and responsible manner and can be found on our website.

Our EEO Policy aims to ensure our workforce remains free from unlawful discrimination, workplace harassment, bullying and vilification. The CS Energy Board, Chief Executive Officer and Executive Leadership Team are responsible for ensuring that our EEO objectives are met and the policy is implemented.

An extensive training program was rolled out on the EEO policy and Code of Conduct to all CS Energy employees during 2012/2013.

The Board's Charter adopts the Director's Code of Conduct from the Articles of Association of the Australian Institute of Company Directors Conflict of Interest and Trading policies.

Our Share Trading Procedure provides guidance to Directors, officers and employees in relation to their trading in securities. The procedures aims to raise the awareness of Directors, officers and employees of the prohibitions on insider trading in the Corporations Act and requires them to not engage in share trading when in the possession of price-sensitive information or where they have an actual or perceived conflict of interest.

Declaration of interests by the Board is a standing item on the agenda of the monthly Board meetings. Members of the Executive Leadership Team are also required to make declarations of interests which may have the potential to lead to a conflict of interest. An audit of these declarations against publicly available databases is carried out annually.

Directors, employees and contractors are encouraged to report any conduct they observe that they believe is a potential breach of CS Energy policies or external regulations or laws. The CS Energy Procedure for Pecuniary Interest and Protected Disclosure outlines the process for responding to these disclosures and confidentiality provisions for the individual making the disclosure.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Audit Committee assists the Board in overseeing the reliability and integrity of financial reporting practices, accounting policies, auditing and external reporting. The committee:

- Provides advice to the Board on financial statements, financial systems integrity and financial risks;
- Oversees the monitoring of compliance with laws, regulations and company policies in relation to company accounts and reviews the appropriateness and adequacy of the internal control system; and
- Oversees the development of the Internal Audit Plan and monitors the results of internal audit activities and recommendations.

The committee is also the primary point of reference for CS Energy's external auditor, the Auditor-General of Queensland. The committee accepts reports from the Queensland Audit Office and oversees progress on implementing recommendations from those reports, on behalf of the Board.

CS Energy's internal audit function provides independent, objective assurance to the Board and brings a systematic and disciplined approach to reviewing, evaluating and continuously improving the effectiveness of its governance, risk management, and internal control. It has an independent reporting line to the Audit Committee.

When presenting financial statements for approval, the Chief Executive Officer and the Chief Financial Officer provide a representation letter to the Board that, among other things, confirms:

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

Principle 5: Make timely and balanced disclosure

CS Energy aims to be open and accountable, while protecting information that is commercially sensitive. CS Energy ensures accountability and transparency to shareholding Ministers, and ultimately the people of Queensland.

In the spirit of continuous disclosure, our shareholding Ministers have access to information concerning our operations, performance, governance and financial position. In addition to the formal reports outlined in Principle 6, we provide submissions, including regular briefing notes, to ensure our shareholding Ministers are informed of important matters on a timely basis.

Release of information

To ensure compliance with the openness measures in the *Right to Information Act 2009 (Qld)*, a publication scheme is available on our website, which shows the classes of information available, links to the information and contact details for members of the public wishing to access additional information.

Principle 6: Respect the rights of shareholders

Shareholder reporting

CS Energy produces seven key documents to ensure that our shareholding Ministers are regularly and appropriately informed of our performance:

- A Corporate Plan that outlines key strategies, objectives for the next five years and performance indicators. The plan also provides an industry and economic outlook and the potential impact on CS Energy;
- A Statement of Corporate Intent (SCI) that outlines goals and objectives for the next financial year. A summary of the 2012/2013 SCI appears below;
- A Forecast Report that is consistent with the SCI and provides an outline of the key indicators and strategies for the forward financial year.
- Quarterly Reports on progress against the performance targets and measures in the SCI;
- A Monthly Performance Report which measures progress against the performance targets and measures in the SCI;
- An Interim Report on mid-year financial performance; and
- An Annual Report on performance for each financial year, which meets the requirements of section 120 of the GOC Act and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

In addition, CS Energy's website provides information regarding the company and its current operations and projects. Briefings to shareholding Ministers and their representatives are also conducted on a regular basis.

Statement of Corporate Intent

Under the GOC Act, CS Energy is required to prepare an SCI each financial year. The SCI is a transparent performance agreement between CS Energy and its shareholding Ministers and complements the five year Corporate Plan.

The full SCI, which includes details of the vision, objectives, activities, capital structure and dividend policies, is tabled in the Queensland Legislative Assembly in accordance with Section 121 of the GOC Act.

In summary, the 2012/2013 SCI focused on driving sustainable operating performance through the following strategies:

Cost reduction / cash flow improvements

- Carry out essential operational and capital expenditure only;
- Reduce corporate office staffing levels; and
- Eliminate corporate entertainment, hospitality, consultancies and corporate office contractors where possible.

Revenue

- Achieve existing revenue forecasts; and
- Commence monetising surplus coal assets.

Plant reliability

- Achieve plant reliability targets in the short and long term.

Debt management

- No further debt draw downs;
- Commence a debt reduction program; and
- Minimise interest costs.

Dividend policy

Section 131 of the GOC Act requires the CS Energy Board to make a dividend recommendation for a financial year between 1 May and 16 May within that financial year.

The dividend recommendation is based on the current forecast of the net profit after tax for the CS Energy Limited consolidated group, adjusted for the net after tax impact of any material non cash transactions, resulting in the adjusted net profit after tax.

The timeframe for dividend payment is governed by Section 131 of the GOC Act, which provides that the dividend must be paid within six months after the end of the financial year, or any further period that the shareholding Ministers allow.

Directions and notifications

Section 120(e) of the GOC Act requires CS Energy to include, in its Annual Report, particulars of any directions and notifications given to it by shareholding Ministers that relate to the relevant financial year. Under the *Electricity Act 1994*, CS Energy's shareholding Ministers can issue directions and notifications to our Board. During 2012/2013, CS Energy received the following two directions under Section 299 of the *Electricity Act*:

- Cooperate and assist with, and provide or make available information as requested, to enable the Queensland Government to undertake a review into electricity procurement options for the Ergon Energy Queensland retail load (12 November 2012); and
- Execute the contracting arrangements for 2013/2014 to 2016/2017 period for the Ergon Energy Queensland retail load and provide any other cooperation and assistance required to implement the new arrangements (22 May 2013).

CS Energy received a notification under Section 114 of the *Government Owned Corporations Act 1993* revoking the application of the following documents to CS Energy:

- Purchasing Carbon Offsets for Queensland Government Air Travel;
- ClimateSmart Action Policy; and
- Sport and Recreation Sponsorships Policy.

Principle 7: Recognise and manage risk

The Board has ultimate responsibility for identifying and managing risks for CS Energy and ensuring compliance with relevant laws, regulations and policies.

The Risk Committee assists the Board by regularly reviewing and overseeing risk management and legal and regulatory compliance systems.

CS Energy's Governance, Risk and Compliance Policy provides guidance for the Board and employees on the approach to risk management.

CS Energy's enterprise risk management framework is designed to ensure all potential financial, operational and other risks are identified, assessed, monitored and reported to the Board as required. This framework was reviewed and modified in the second half of the year to ensure it was appropriate to enable the business to deliver its strategic and operational objectives.

The Enterprise Risk function oversees this activity and reports to the Board and management. This group incorporates governance, risk management, insurance oversight and CS Energy's compliance function.

CS Energy has established a management committee, the Market Risk Committee, which oversees market, credit and financial risks and associated compliance activities.

The Market Risk Committee meets regularly to coordinate responses to market and operational risks as they arise.

CS Energy's approach to fraud risk is consistent with the Crime and Misconduct Commission's guide to best practice in fraud and corruption control.

Principle 8: Remunerate fairly and responsibly

People and Safety Committee

The People and Safety Committee oversees and provides advice to the Board on our people and safety policies and practices, including remuneration. The committee assists the Board to promote a performance based culture at CS Energy and makes recommendations to the Board on negotiation parameters for enterprise bargaining as well as remuneration packages and other terms of employment for the Executive Management Team. Each year, the committee reviews executive remuneration against agreed performance measures in accordance with government guidelines.

Remuneration policy

CS Energy is committed to attracting, retaining and developing high calibre employees at all levels by balancing a competitive remuneration package with employee benefits and leave options, including providing maternity and parental leave, study assistance, electricity salary sacrificing, remote area allowances and relocation assistance.

Director fees are paid to Directors for serving on the Board and committees. Fees are determined by the Governor in Council and advised to CS Energy. The Board, in consultation with shareholding Ministers, approves the remuneration levels for the Chief Executive Officer and other Senior Executives. Details of remuneration paid to Directors and Executive Leadership Team members during the year appear in Note 29 of the Financial Statements.

Assessing performance

CS Energy's Performance Management Framework ensures employees are supported to achieve optimal performance and career outcomes. Performance of individual employees, including the Executive Leadership Team, is managed in an annual cycle which:

1. Sets performance expectations and job context through Role Purpose Statements and Individual Scorecards;
2. Determines individual development plans; and
3. Provides feedback through six-monthly performance reviews.

Board of Directors' profiles

Ross Rolfe

Non-Executive Chairman

Chairman since 31 May 2012

Ross Rolfe has previously held senior positions in the Queensland public service, including Coordinator-General, Director-General of the Department of State Development and Trade and Director-General of the Department of the Premier and Cabinet. He was also Chief Executive of Stanwell Corporation and Chief Executive of Alinta Energy, a national generation and retail energy business.

Mr Rolfe is currently the Chair of WDS Limited, a provider of specialist development, design, engineering, construction, fabrication and maintenance related services to the energy, mining and infrastructure sectors. Mr Rolfe is also a Non-Executive Director of Infigen Energy, a renewable energy business with assets in the United States of America, New South Wales, South Australia and Western Australia. Other directorships include Royal Queensland Lawn Tennis Association Ltd, Wolfram Advisory Pty Ltd, Hawkesbury Advisory Partners Pty Ltd and CMI Limited. He holds an executive role as the Managing Director of Resources Infrastructure for Lend Lease.

Mr Rolfe has held a wide range of Directorships including: Chair of Queensland Manufacturing Institute; Director of the Queensland Low Emissions Technology Centre; Director of Emu Downs Wind Farm; Member of the Great Barrier Reef Park Authority; Member of the University of Queensland Senate; Member of the Council for the Queensland University of Technology; Director of Queensland Resources Council; Director of Queensland Institute of Molecular Bioscience; Chair of i.lab Technology Incubator; Director of Australia Institute for Commercialisation; and Director of South Bank Corporation.

Mr Rolfe was admitted as an Officer in the Order of Australia in 2008.

Tracy Dare

Non-Executive Director
B.Bus (Acct), Grad.Dip.Adv.Acc, AICAA, FAIM, GAICD

Director since 1 October 2008

Tracy Dare is a Chartered Accountant and an experienced Director, with a focus on strategy, governance, risk and financial management. She has served on various government, not-for-profit boards and industry bodies for more than 16 years.

Ms Dare has extensive executive experience across a range of roles and industry sectors. She is experienced in developing and evolving business strategy, stakeholder management, business development/business partnerships, business improvement, operational and capital management, change management, management of customer relationships, marketing and sales, and leading high performing teams.

She is a former Financial Services Partner of KPMG Brisbane, following which she led Suncorp's National Corporate Banking business for number of years. Most recently, she spent more than four years in a number of roles with RSL Care, a leading not-for-profit aged care and retirement living provider, including Business Development, Asset Management, Property Investment/Management and Retirement Living.

Ms Dare has held a variety of directorships and industry body roles with organisations including: the Queensland Gaming Commission, Australian Institute of Management – Qld & NT, Leaderspace Limited, Graduate Studies Institute (AIM); National Seniors Foundation, National Seniors Community Foundation Limited, Brisbane City Council City Businesses and City Fleet Advisory Boards, Law Opportunity Foundation, Property Council of Australia Retirement Living Council, Property Council of Australia Qld Retirement Committee, ASIC/IPAA and ITSA/IPAA Liaison Committees, Protect All Children Today Inc.

Brian Green

Non-Executive Director
B.Bus (Mgt), Dip Eng (Elec), MAICD

Director since 23 August 2012

Brian Green has been involved with the electricity industry for more than 35 years, holding a number of senior positions in energy companies and building extensive knowledge of the Australian energy industry. Over this time, Mr Green has specialised in management, operation, maintenance and asset management of heavy industrial plant and the management of generation plant performance.

On 25 March 2013, Mr Green was appointed as Acting Chief Executive Officer while a permanent appointment was made to the role. Mr Green took a leave of absence from his role as a director on the CS Energy Board until 4 August 2013.

Mr Green has broad experience in the private power generation industry and was previously the Chief Operating Officer of Alinta Energy, a publicly listed energy company, and was accountable for the management and operational performance of the generation portfolio. During this period, Mr Green was a director for a number of operational and joint venture companies associated with the Alinta Energy portfolio. Prior to this, Mr Green was employed by NRG Energy, an American-owned energy company, as General Manager of Operations for their power generation assets in Australia.

Jon Hubbard

Non-Executive Director
B.Com, CA, GAICD

Director since 1 July 2011

Jon Hubbard has over 17 years experience in the energy, utilities and resources sectors and specialises in strategy, business and corporate development, corporate finance, financial and commercial evaluation, financial performance assessment, regulation and industry reform and restructuring.

Mr Hubbard retired from the advisory practice of PricewaterhouseCoopers (PwC) in 2009, after 24 years with the firm, the last 12 years as a partner. During his time with the firm, Mr Hubbard held a number of leadership roles across the firm's Energy and Resources practice, and advised a wide range of government and corporate clients across Australasia and South East Asia.

Mr Hubbard moved from Melbourne to the Brisbane office of PwC in 2005 having recognised the sustainable business opportunity to build both a coordinated energy industry focus across the firm in Queensland, and a dedicated specialist energy strategy and reform team, which he led. Mr Hubbard is also a Director of Infocus Wealth Management Limited.

Shane O'Kane

Non-Executive Director
BCom, University of Queensland
Bachelor of Laws, University of Queensland

Director since 23 August 2012

Mr O'Kane is a former Partner at Toronto based global investment bank Brookfield Financial. He has in excess of 25 years experience in structured finance and infrastructure funding.

He also has extensive experience in relation to government owned corporations and the energy sector.

His current board positions include The Pyjama Foundation, Cherish The Children Foundation, Cherish The Environment Foundation Ltd and Children's Health Foundation Queensland.

John Pegler

Non-Executive Director
BE MAusIMM MAICD

Director since 23 August 2012

A mining engineer by training, John Pegler has worked for 39 years in open-cut and underground resource development, coal mining and processing operations, international and domestic coal marketing, project management and international procurement, electricity generation, uranium and gold mining, processing, sales and exploration, as well as in low emission technology development and related public policy.

After service with BP and Rio Tinto Groups in NSW, Queensland and Indonesia including roles at Managing Director level, he recently retired as Chief Executive Officer of Central Queensland open cut coal producer Ensham Resources Pty Ltd. He was twice President and is an elected Life Member of the Queensland Resources Council and is Immediate Past Chairman of the Australian Coal Association Ltd and ACA Low Emission Technologies Ltd. He is a former Director of energy generator Tarong Energy Corporation Ltd.

Currently, Mr Pegler is a Director and Chairman of Bandanna Energy Ltd, a publicly listed coal explorer and developer in the Bowen and Galilee Basins; a Director of ERA Ltd, Australia's largest publicly listed uranium producer; and a Director of WDS Ltd, a publicly listed contractor to the mining and gas industries. Mr Pegler has a Bachelor of Engineering (Mining) Degree from the University of Melbourne and a Coal Mine Manager's Certificate of Competency. He completed the Program for Management Development at Harvard Business School and is a Member of the Australasian Institute of Mining and Metallurgy.

Karen Smith-Pomeroy

Non-Executive Director

A.Dip (Accounting), FIPA, MAICD, FFin

Director since 1 July 2011

Karen Smith-Pomeroy has in excess of 30 years experience in the financial services sector, specialising in credit, finance risk and governance areas. She is currently Chief Risk Officer at Suncorp Bank and served on the Board of Tarong Energy Corporation from 2007 to 2011.

Her current board positions include Queensland Affordable Housing Consortium Ltd and involvement as a committee member of the Australian Chapter of the Risk Management Association Inc.

Mark Williamson

Non-Executive Director
MAICD

Director since 1 July 2011

Mark Williamson is an experienced director who has served on a number of boards, including Stanwell Corporation, North Queensland Cowboys Rugby League Club, Brisbane Marketing Ltd, Hamilton Island Airport Ltd, Brisbane Visitors' and Convention Bureau, AFTA (Qld), Starlight Children's Foundation (Qld), the Mackay Port Authority and Allconnex Water.

Mr Williamson is currently the Deputy Chair of Energy Super, Chair of ESI Financial Services Pty Ltd, a Director of Transmax Pty Ltd, and holds a membership with the Australian Institute of Company Directors.

Mr Williamson has held the position of Director, Northern Region for SingTel Optus. Prior to this appointment, he held senior executive roles in the electricity, IT, telecommunications and airline industries. His professional career has been primarily in sales and marketing and in general management at state, national and international levels.

Executive Leadership Team profiles

Martin Moore

Chief Executive Officer

MBA, FAIM, GAICD

Martin Moore has an extremely strong track record in senior executive roles in ASX Top 50 companies across the disciplines of strategy, sales and marketing, finance and information technology. He has a reputation as an exceptional leader, and is renowned for his ability to drive successful commercial outcomes.

In August 2013, Mr Moore joined CS Energy from Aurizon (formerly QR National) where he was an integral part of the leadership team responsible for QR's transition to QR National through one of the largest Initial Public Offerings in Australian corporate history.

At Aurizon, he was also responsible for driving the company's commercial transformation in procurement and capital productivity, as Senior Vice President and Deputy CFO. In his most recent role as Senior Vice President, Marketing for Aurizon, he led a team to secure several multi-year customer deals valued in the billions of dollars.

Mr Moore's previous appointments include Chief Information Officer roles at Mt Isa Mines (MIM) and National Transport Insurance (NTI). Martin later served as General Manager, Strategy for NTI.

He holds an Executive MBA from the Brisbane Graduate School of Business, and is a graduate of Harvard Business School's Advanced Management Program. He is also a Graduate of the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management.

Ole Elsaesser

Chief Financial Officer

B. Com, C A (Canada), C A (Australia), GAICD

As Chief Financial Officer, Ole Elsaesser leads CS Energy's Finance, Business Systems and Energy and Financial Risk teams. His senior financial management experience spans both publicly listed companies, including top-30 ASX listed companies in Australia, as well as international organisations, and private organisations.

Prior to joining CS Energy, Mr Elsaesser was Chief Financial Officer at Queensland Energy Resources (QER), an integrated resources and energy company that is primarily focused on building a shale to liquids industry in Queensland. At QER, he played a key role in developing the organisation's strategy, as well as managing all financial aspects of the business.

Prior to his role with QER, Mr Elsaesser held Chief Financial Officer positions and other high level finance roles with some of Australia's most recognised companies in the engineering and resources sectors, including Downer Edi Mining (formerly Roche Mining), CSR and Placer Dome. He has also worked in the agriculture sector as Chief Financial Officer of Meat and Livestock Australia.

Mark Moran

Executive General Manager Operations

ADEE (Elec Eng), ADAC (Chemistry); Grad Dip Management

In the role of Executive General Manager Operations, Mark Moran is responsible for the operational performance of CS Energy's Callide, Kogan Creek and Wivenhoe power stations, as well as engineering, asset and maintenance strategy, and supply chain resources functions in the business.

Mr Moran has more than 35 years experience in the power industry, working in a variety of asset management and operational roles. He has held executive and senior management positions with some of Australia's leading electricity generation companies, including Alinta Energy, Flinders Power and NRG Energy.

Beginning with the former Queensland Electricity Corporation, Mr Moran has spent the bulk of his career in large coal-fired power stations, including many years in key operational and leadership roles at the Gladstone Power Station. He also has significant experience with hydro-electric generation, electricity distribution and transmission network infrastructure.

Prior to joining CS Energy, Mr Moran was General Manager Asset Management with Alinta Energy.

Scott Turner

Executive General Manager Market Strategy

BBus (Accounting), CPA

As Executive General Manager Market Strategy, Scott Turner is responsible for driving CS Energy's revenue strategy, managing the teams that are accountable for the development of commercial and retail electricity markets, forecasting, regulation, marketing analysis, analytics and reporting.

Mr Turner has extensive experience in the corporate sector and has held a number of senior roles within the Queensland energy industry, including Alinta Energy and Energex Limited.

Prior to joining CS Energy, Mr Turner held the role of Commercial Manager Clean Energy for Energy Developments, an ASX-listed company with an international electricity generation portfolio which includes assets in Australia, the United States, the United Kingdom and Europe. He previously held the role of Executive General Manager Energy Markets for Alinta Energy, an ASX listed entity with operations on the east and west coast of Australia. In his roles he has been responsible for the development and implementation of the various companies National Electricity Market contracts strategies, commercial agreements development and management, plant dispatch and regulatory positioning.

Andrew Varvari

Executive General Counsel and Company Secretary

LLB, B-Bus, G Dip App Fin (Sec Inst), F Fin, Grad ICSA

As Executive General Counsel and Company Secretary, Andrew Varvari leads CS Energy's legal, governance, risk, compliance and assurance functions.

An experienced energy and resources executive with more than a decade in the industry, Mr Varvari joined CS Energy in 2012. He was previously with QGC, where he headed up BG Group plc's legal function in Australia and was responsible for QGC's Secretariat, Business Services and IT functions.

As part of QGCs executive leadership team, Mr Varvari played a key role in the development of QGC's upstream and midstream businesses, including the integration of the existing Queensland Gas Company and BG Australia businesses following the 2008 takeover of QGC by BG Group plc, and the development and construction of BG Group's $20 billion Queensland Curtis LNG project.

Prior to QGC, Mr Varvari was at Stanwell Corporation in legal and executive roles for more than five years, and before that, was in private legal practice for seven years.

Tanya Absolon

Group Manager People & Culture

BAdVocEd, Cert IV TAE

As Group Manager People & Culture, Tanya Absolon leads human resources, industrial relations, learning and leadership, leadership capability, change management, organisational culture and corporate communications at CS Energy.

Specialising in HR reform, company restructure and change management, she is highly skilled in enabling businesses to achieve their strategic direction through effective and practical people solutions.

Ms Absolon has more than 15 years human resources experience at a senior level in the engineering, discount retail, sporting goods and legal industries, including businesses with more than 10,000 employees and multiple sites. She has held national human resources manager roles at Brown Consulting, Amart/Rebel Sports, Australian Discount Retail Trading and Shine Lawyers, where she was responsible for strategic direction, change management and the full suite of HR functions.

Over almost 10 years in the retail sector, Ms Absolon set the HR strategy at Australian Discount Retail Trading. She also reformed the Amart Allsports business in preparation for sale and was part of the integration team for the Amart Allsports/Rebel Sports merger.

Andrew Krotewicz

Program Director

BEng (Elec), Dip Mgt

Andrew Krotewicz joined CS Energy on 1 July 2011 and has managed teams including asset strategy, technical services, strategic projects and health and safety, environment and quality. In his current role, he is managing a program of strategic work for the company in the areas of plant reliability improvement, strategic capital projects and other business improvement work.

Mr Krotewicz has 30 years experience in the power industry in Queensland and Western Australia. Prior to joining CS Energy, he was General Manager Generation Operations at Tarong Energy Corporation. He is an electrical engineer and has a suite of skills and knowledge in best practice operations, maintenance, overhaul planning, engineering, project delivery and asset management and enhancements.

In Western Australia, he worked on large-scale, gas-fired cogeneration plants for Alcoa's alumina smelters. The joint venture was one of the first privately owned generators operating in the then recently deregulated state electricity market.

Kriss Ussher

Group Manager Health, Safety, Security & Environment

ADME (Mech Eng), AD OHS, Dip Proj Management, Dip Management

Kriss Ussher manages the health, safety, security and environment (HSSE) functions at CS Energy's three power stations and its Brisbane corporate office. A key element of his role includes ensuring that the frameworks, policies, procedures and systems reflect the company's strategic plan, and enable CS Energy to meet its HSSE obligations and commitments.

Mr Ussher has been a health and safety professional for more than 10 years across various industries and has a practical background in power generation, construction, manufacturing, engineering and plant production. Prior to joining CS Energy, Mr Ussher was the Group Safety Manager for Bundaberg Sugar Ltd operations, which included their farming, milling, refining, and packaging assets in Queensland.

In 2009, Mr Ussher joined CS Energy as Health and Safety Coordinator at Kogan Creek Power Station. In 2011 he progressed to the role of Health, Safety & Security Specialist, which involved providing leadership and advice on health and safety across the business. In January 2013, Mr Ussher was appointed to his current role of Group Manager Health, Safety, Security & Environment.

Former Board of Directors' profiles

Keith Barker

Non-Executive Director
BSc (Hons) MBA

Director from 1 July 2011 to 4 July 2012

Keith Barker has over 30 years experience in the resources sector in engineering, corporate, finance and advisory roles, where his main areas of expertise lie in mine planning, investment evaluation and infrastructure.

Mr Barker was a Director of the Queensland Resources Council from 2006 to June 2011. He was Managing Director and Chief Executive Officer of coal exploration and development company Northern Energy Corporation from its conception in 2004 until June 2011.

Prior to his appointment to Northern Energy Corporation, Mr Barker was a consultant providing coal market and infrastructure advice to a number of mining companies, infrastructure providers and financial entities. Between 1989 and 2000, Mr Barker was employed as Manager Corporate Development with QCT Resources, then Australia's largest publicly listed coal mining company.

Sarah Israel

Non-Executive Director
B Bus, FCPA, FAICD

Director from 1 July 2011 to 13 July 2012

Sarah Israel has more than 15 years experience at Board level in both the private and public sectors, with particular experience as a chair and member of audit, compliance and risk committees.

Ms Israel has industry experience in electricity, toll roads, export credit, regional aviation, investment banking, investment management and consultancies to developing nation governments. She also has executive management experience in project finance, management and development, financial control, budgeting and governance frameworks.

Ms Israel was previously a director of the Queensland Electricity Transmission Corporation (Powerlink Queensland), Energy Super and the Queensland Rural Adjustment Authority.

Greg Simcoe

Non-Executive Director

Director from 1 July 2011 to 4 July 2012

Mr Simcoe held the position of State Secretary of the Builders Labourers Federation (BLF) in Queensland for 18 years, prior to his retirement in late 2010. He was one of the longest serving State Secretaries of BLF Queensland.

His positions included Chairman of the Building Employees Redundancy Trust, Chair of the Construction Income Protection Fund, Chair of the Construction Skills Training Centre, Director of BUSSQ (Super Fund), Director of the Queensland Construction Training Fund, Director of the Building and Construction Industry Training Fund and Director of the Building and Construction Industry Training Fund.

He has also been a Trustee Member of the Australian Institute of Superannuation Trustees, Branch Secretary of the Construction, Forestry, Mining and Energy Union (CFMEU) Construction and General Division.

Bob Henricks

Non-Executive Director
Queensland Certificate of Competency as Electrical Mechanic (Electrician)

Director from 1 July 1999 to 23 August 2012 (leave of absence taken from 30 June 2011)

Bob Henricks brought more than 40 years experience in the electricity industry to the CS Energy Board. Mr Henricks has served on the board of AUSTA Electric and chairs the Energy Super Superannuation Fund, and one other superannuation fund. He was also a director of CS Energy Oxyfuel Pty Ltd.

Mr Henricks was a director of Queensland Private Capital Group Pty Ltd. He was a past State Secretary and National President of the Electrical Trades Union and is also currently a member of the (Australian Government) Central Trades Committee.

Former Executive Management Team profiles

Marcus McAuliffe

Chief Executive
(for the period from 5 October 2012 to 22 March 2013)

BA, MBA, DipOH&S, AssocDipPersAdmin, CertVocInstruction, AAICD

Marcus McAuliffe is a highly experienced executive with a background in the transport and logistics industries. He has gained a wealth of knowledge and operational expertise in commercial environments through senior management roles at QR National, Pacific National and Patrick Logistics, United Transport Services (Brambles) and Chemtrans, Incitec Fertilisers.

Mr McAuliffe's career began in 1984 at the Royal Military College, Duntroon and he transitioned into industry in 1996, joining Incitec in roles in marketing and operations. Between 2000 and 2008, he was part of an evolving transport enterprise that began at Brambles, was then sold to Patrick Corporation and finally moved to the Patrick Ltd/Toll Ltd rail joint venture which traded as Pacific National (now owned by Asciano). In each of these roles, he led the Queensland arm of the business accountable for safety, customers, profit/ ROIC and business growth.

In 2008, Mr McAuliffe joined QR National where he was CEO & EVP of their coal freight business, which had approximately $1.7 billion in revenue, 2,000 people and assets of $3 billion. He built a strong leadership team that transformed the business to face into dramatic changes in the market dynamics. This team delivered improved business outcomes which supported the successful market float of QR National on the ASX in 2010.

David Brown

Chief Executive
(until 4 October 2012)

C.Eng BSc (Hons)

David Brown is a chartered engineer with more than 30 years experience in the energy industry in the United Kingdom and Australia. Mr Brown graduated with first class honours in a Bachelor of Science degree in natural gas engineering from the University of Salford in the United Kingdom (UK). He started his career with British Gas plc before joining Southern Electric plc at a time of significant change in the UK power industry.

In Australia, Mr Brown has worked as a consultant to the power industry and later as General Manager of Bell Bay Power Pty Ltd, a Hydro Tasmania subsidiary company. He joined CS Energy as General Manager Operations in 2007 and was appointed as Chief Executive in December of that year.

During the Queensland Government's restructure of its generating companies, Mr Brown was appointed as Interim Chief Executive Officer for the period April 2011 to June 2011. On 1 July 2011, he was formally appointed as Chief Executive of the restructured CS Energy portfolio.

Garry Button

Executive General Manager Commercial
(until 30 November 2012)

BCom (UNSW), FCPA, FFTP, MAICD

Garry Button has over 30 years financial and corporate management experience across a range of industries including energy, transport and infrastructure, media, consumer products, telecommunication and retail.

Mr Button joined CS Energy in July 2011 as Chief Financial Officer. In February 2012 he became Executive General Manager Commercial with responsibility for the revenue, customer and market functions of the business while retaining the finance, planning, procurement and shareholder relations functions as Chief Financial Officer. He is a fellow of CPA Australia and the Finance and Treasury Association (of which he is also a past national President and NSW Chapter Chairman), as well as a Member of the Australian Institute of Company Directors.

Gary Campbell

Executive General Manager Production
(until 9 October 2012)

BE (Elect)

Gary Campbell has more than 30 years experience in the energy sector in Australia and New Zealand. He joined CS Energy in 2004 as Site Manager at the Callide Power Station and was appointed to the General Manager Operations role in April 2008.

During the Queensland Government's restructure of its generating companies, Mr Campbell served as Acting Chief Executive for the period April to June 2011. On 1 July 2011, he was formally appointed as Executive General Manager Production of the restructured CS Energy portfolio. In New Zealand, Mr Campbell held the position of Station Manager with New Plymouth and Huntly Power Stations and was Chief Executive of Waitaki Power in New Zealand. He was General Manager Operations of Tarong Energy from 1999 until 2002.

Michael Turner

Executive General Manager People, Systems and Risk
(until 16 November 2012)

HNC Engineering (Mechanical & Production), HNC Electrical Engineering (Power bias), PGrad Dip Mgt (Manchester University)

Michael Turner has more than 30 years experience in the energy industry in both Australia and the United Kingdom as a qualified electrical and mechanical engineer. Mr Turner has held various senior management roles over the past 15 years, including PricewaterhouseCoopers' and Energex Limited.

As Executive General Manager Corporate, Mr Turner was responsible for business integration and improvement, IT, industrial relations, human resources, learning and development, risk and assurance.

Financial report

This financial report covers both CS Energy Limited as an individual entity and the consolidated group consisting of CS Energy Limited and its subsidiaries. The financial report is presented in the Australian currency.

CS Energy Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

CS Energy Limited
Level 2 HQ North Tower
540 Wickham Street
FORTITUDE VALLEY QLD 4006

A description of the nature of the consolidated group's operations and its principal activities is included on page 2 of the Annual Report which is not part of this financial report.

The financial statements were authorised for issue by the Directors on 29 August 2013. The Directors have the power to amend and reissue the financial statements.

Directors' report

During the year, the principal activity of the consolidated group was the generation and trading of electricity from coal and pumped storage hydro power stations.

The Directors present their report on the consolidated entity (referred to hereafter as the consolidated group or the group) consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors' report

The following persons were Directors of CS Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise noted:

- Mr R Rolfe
- Ms T Dare
- Mr J Hubbard
- Ms K Smith-Pomeroy
- Mr M Williamson
- Mr B Green (appointed 23 August 2012; temporarily stepped down 25 March 2013) (1)
- Mr S O'Kane (appointed 23 August 2012)
- Mr J Pegler (appointed 23 August 2012)
- Mr K Barker (resigned 4 July 2012)
- Ms S Israel (resigned 13 July 2012)
- Mr G Simcoe (resigned 5 July 2012)
- Mr R Henricks (finished directorship on 23 August 2012) (2)

(1) Appointed as Acting Chief Executive Officer until a permanent appointment was made on 5 August 2013.

(2) Unpaid leave of absence from 30 June 2011 to 23 August 2012.

Details about Directors are included in the Annual Report, as follows:

- qualifications, experience and special responsibilities, and
- meetings held and Director attendance.

These sections of the Annual Report form part of this report.

Principal activities

During the year the principal activity of the consolidated group was the generation and trading of electricity from coal and pumped storage hydro power stations.

Consolidated results

	2013 $'000	2012 $'000
Profit/(Loss) after income tax	(47,875)	(51,458)

Dividends

There were no dividends paid or declared in respect of the current and prior year.

Results of operations

The consolidated group's result for the year was a net loss, after tax, of $47.9 million, an improvement of 7.0% compared with the net loss, after tax, of $51.5 million in the prior year. After taking into account the after tax impact of the fair value movements on financial derivatives (outlined below), the underlying net loss, after tax, result was 45.1% better than the prior year.

Despite the impact of the new carbon pricing mechanism from 1 July 2012, the group's overall results still showed an improvement. As a predominantly coal-fired generator, paying for carbon emissions was the group's single largest operational cost this year. The group incurs a higher carbon cost than it is able to recover from the electricity market.

Included in the consolidated group's net loss after tax result of $47.9 million were the following key items:

- an increase in sales of electricity (+$253.7 million);
- an increase in cost of sales (+$226.4 million); and
- a decrease in the fair value of financial derivatives (-$44.4 million).

Revenue from sales of electricity was $634.2 million, which was 66.7% higher than prior year (2012: $380.4 million), reflecting the higher underlying electricity price and the pass through, at an average NEM intensity, of carbon in pool prices.

Cost of sales of $477.6 million was 90.1% higher compared with prior year (2012: $251.2 million) predominantly due to carbon costs totalling $244.8 million.

The net loss in the fair value of financial derivatives of $8.2 million was $44.4 million lower compared with the net gain of $36.2 million in the prior year.

Financing costs of $75.1 million were 9% higher compared with the prior year (2012: $68.7 million) primarily reflecting an increase in the finance costs associated with the onerous contract provision for the Gladstone Interconnection and Power Pooling Agreement that reflects changes due to the passage of time and updated valuation forecasts. Financing costs on drawn debt remained relatively in line with prior year.

Significant changes in the state of affairs

On 25 November 2010 the Queensland Government announced the Restructure of the three Queensland Government Owned Corporation generators, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Corporation Limited. The proposed final asset allocation was announced on 10 March 2011 and the regulation gazetted on 24 June 2011. The effective date of the transfer was 1 July 2011.

Matters subsequent to the end of the financial year

Other than matters disclosed in Likely developments and expected results of operations below, there are no matters between the financial year end and the date of this report that require further disclosure.

Likely developments and expected results of operations

Although the carbon pricing scheme came into effect on 1 July 2012, there continues to be significant uncertainty surrounding the future regulatory and legislative framework for the carbon pricing scheme, especially in relation to the current political environment. Any changes may have a significant and material impact on the consolidated group's operations and the value of assets in the future.

Environmental regulation

The consolidated group's activities are subject to environmental regulation under both Commonwealth and State legislation in relation to the operation of its power station and coal mine assets. The primary State environmental laws governing these activities are the *Environmental Protection Act 1994 (Qld)* and the *Sustainable Planning Act 2009 (Qld)*. The consolidated group operates its power stations and coal mine in accordance with the approvals it holds under these Acts, and its various generating licences.

During the year, five environmental matters were reported to the Department of Environment and Heritage Protection (DEHP) and DEHP was satisfied with the actions taken by CS Energy. In addition, four complaints were received: one about fugitive dust releases from the Callide Power Station Ash Dam area, which has been addressed through additional dust management measures; and three about alleged noise, odour and floodplain impacts from the Kogan Creek Power Station and Mine, where the site liaised with the landholder to identify possible causes in an attempt to resolve the issues. Further details of the environmental matters and complaints are provided in the Safety, Environment and People section of the Annual Report.

Following notification to DEHP and investigation of offsite seepage from the Callide Power Station Ash Dam B, on 12 August 2011, DEHP approved a Transitional Environmental Program (TEP) with a scope requiring further investigation and management of the seepage to be carried out over three years. Discussions are continuing with DEHP on proposed amendments to the site Development Approval.

During the year, CS Energy implemented additional water treatment and evaporation capacity to progressively reduce the water level of the dam in preparation for the 2013-2014 wet season.

Other than those matters disclosed above, there are no further environmental enforcement actions pending against the consolidated group.

The consolidated group is required to comply with the requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth). As the controlling corporation, CS Energy Limited has established systems and procedures to support reporting under the Act by the due date of 31 October each year. These systems are being progressively modified to meet the requirements of the *Clean Energy Act 2011 (Cth*).

Further information on the consolidated group's environmental performance can be found in the Safety, Environment and People section of the Annual Report.

Indemnification and insurance of officers

During the year, CS Energy Limited maintained policies to insure all officers of the Company and its controlled entities, including Directors and officers of each of the divisions of the consolidated group.

The Company has agreed to indemnify all Directors against certain liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors of its controlled entities for certain liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify all Senior Executives for certain liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Senior Executives in question are the Chief Executive, Executive General Managers and Group Managers of each of the consolidated group's operating divisions. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Preparation of Parent Entity Accounts

The parent entity is a company of a kind referred to in Class Order 10/654 issued by the Australian Securities and Investments Commission, relating to the inclusion of parent entity financial statements in financial reports. Parent entity financial statements for CS Energy Limited have been included in the financial report for the consolidated group.

Rounding of amounts to the nearest thousand dollars

The parent entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, in accordance with that Class Order.

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

Ross Rolfe

Mr R Rolfe
Chairman

Ms T Dare
Director

Brisbane

29 August 2013

Auditor's Independence Declaration

To the Directors of CS Energy Ltd

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

Independence Declaration

As lead auditor for the audit of CS Energy Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been -

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

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

George

N GEORGE CPA
(as Delegate of the Auditor-General of Queensland)

QUEENSLAND
27 AUG 2013
AUDIT OFFICE

Queensland Audit Office
Brisbane

Statement of Comprehensive Income

CS Energy Limited (and controlled entities) for the year ended 30 June 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Revenue from continuing operations	6	730,860	438,220	258,081	251,015
Other income	7	19,107	42,956	14,615	36,213
Cost of sales		(477,622)	(251,213)	(223,032)	(156,783)
Administration Costs		(231,526)	(205,140)	(149,611)	(125,977)
Finance costs	8	(75,114)	(68,771)	(72,729)	(66,828)
Impairment (write-down)/reversal of loans to related parties	14	-	-	29,850	(168,385)
Other expenses	8	(33,374)	(30,895)	(20,851)	(13,239)
Loss before income tax		(67,669)	(74,843)	(163,677)	(243,984)
Income tax benefit	9	19,794	23,385	58,013	22,643
Loss for the year		**(47,875)**	**(51,458)**	**(105,664)**	**(221,341)**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in fair value of cash flow hedges, net of tax		(15,620)	(17,199)	(15,620)	(17,199)
		(15,620)	(17,199)	(15,620)	(17,199)
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) defined benefit plan, net of tax		7,601	(8,871)	7,601	(8,871)
Net assets and liabilities transferred under Restructure		-	28,503	-	(24,292)
		7,601	19,632	7,601	(33,163)
Other comprehensive income/(loss) for the year, net of tax		**(8,019)**	**2,433**	**(8,019)**	**(50,362)**
Total comprehensive loss for the year		**(55,894)**	**(49,025)**	**(113,683)**	**(271,703)**
Loss is attributable to:					
Owners of CS Energy Limited		**(47,875)**	**(51,458)**	**(105,664)**	**(221,341)**
Total comprehensive loss is attributable to:					
Owners of CS Energy Limited		**(55,894)**	**(49,025)**	**(113,683)**	**(271,703)**

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheets

CS Energy Limited (and controlled entities) for the year ended 30 June 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Assets					
Current assets					
Cash and cash equivalents	10	152,887	245,613	136,379	227,979
Trade and other receivables	11	146,824	110,463	98,355	84,679
Inventories	12	67,012	61,561	34,389	30,991
Derivative financial assets	13	43,036	42,004	43,036	42,004
Total current assets		**409,759**	**459,641**	**312,159**	**385,653**
Non-current assets					
Other receivables	14	-	-	867,070	967,128
Derivative financial assets	13	31,762	15,595	31,762	15,595
Equity accounted investments	15	1	1	-	-
Property, plant and equipment	17	1,182,551	1,204,012	182,625	175,962
Deferred tax assets	18	221,570	195,530	180,441	172,165
Retirement benefit assets	24	3,679	-	3,679	-
Other non-current assets	16	-	-	93,612	93,612
Total non-current assets		**1,439,563**	**1,415,138**	**1,359,189**	**1,424,462**
Total assets		**1,849,322**	**1,874,779**	**1,671,348**	**1,810,115**
Liabilities					
Current liabilities					
Trade and other payables	19	152,147	150,791	74,637	111,944
Derivative financial liabilities	13	86,427	55,669	86,427	55,669
Provisions	20	56,615	58,765	54,123	57,096
Total current liabilities		**295,189**	**265,225**	**215,187**	**224,709**
Non-current liabilities					
Derivative financial liabilities	13	55,106	12,179	55,106	12,179
Borrowings	21	824,310	824,972	824,310	824,972
Deferred tax liabilities	22	89,996	87,186	9,139	12,447
Provisions	23	212,795	252,200	183,604	230,605
Retirement benefit obligations	24	-	7,518	-	7,518
Other liabilities	25	51,803	49,482	-	-
Total non-current liabilities		**1,234,010**	**1,233,537**	**1,072,159**	**1,087,721**
Total liabilities		**1,529,199**	**1,498,762**	**1,287,346**	**1,312,430**
Net assets		**320,123**	**376,017**	**384,002**	**497,685**
Equity					
Contributed equity	27	1,114,415	1,114,415	1,114,415	1,114,415
Reserves	26	(22,986)	(7,366)	(22,986)	(7,366)
Accumulated losses	26	(771,306)	(731,032)	(707,427)	(609,364)
Total equity		**320,123**	**376,017**	**384,002**	**497,685**

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

CS Energy Limited (and controlled entities) for the year ended 30 June 2013

Consolidated	Notes	Attributable to members of the parent Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2011		**953,115**	**9,833**	**(699,206)**	**263,742**
Total comprehensive income for the year					
Net loss for the year		-	-	(51,458)	(51,458)
Other comprehensive income					
Net (assets)/liabilities transferred under Restructure		**-**	**-**	**28,503**	**28,503**
Changes in fair value of cash flow hedges, net of tax	26	-	(17,199)	-	(17,199)
Actuarial gain/(loss) on the defined benefit plan, net of tax	24	-	-	(8,871)	(8,871)
Total other comprehensive income		**-**	**(17,199)**	**19,632**	**2,433**
Total comprehensive income for the year		**-**	**(17,199)**	**(31,826)**	**(49,025)**
Transactions with owners in their capacity as owners:					
Net (assets)/liabilities transferred under Restructure		(138,700)	-	-	(138,700)
Capital injection		300,000	-	-	300,000
		161,300	-	-	161,300
Balance at 30 June 2012		**1,114,415**	**(7,366)**	**(731,032)**	**376,017**
Balance at 1 July 2012		**1,114,415**	**(7,366)**	**(731,032)**	**376,017**
Total comprehensive income for the year					
Net loss for the year		-	-	(47,875)	(47,875)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	26	-	(15,620)	-	(15,620)
Actuarial gain/(loss) on the defined benefit plan, net of tax	24	-	-	7,601	7,601
Total other comprehensive income		**-**	**(15,620)**	**7,601**	**(8,019)**
Total comprehensive income for the year		**-**	**(15,620)**	**(40,274)**	**(55,894)**
Balance at 30 June 2013		**1,114,415**	**(22,986)**	**(771,306)**	**320,123**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

CS Energy Limited (and controlled entities) for the year ended 30 June 2013

Parent	Notes	Attributable to members of the parent Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2011		**953,115**	**9,833**	**(354,860)**	**608,088**
Total comprehensive income for the year					
Net loss for the year		-	-	(221,341)	(221,341)
Other comprehensive income					
Net (assets)/liabilities transferred under Restructure		-	-	(24,292)	(24,292)
Changes in fair value of cash flow hedges, net of tax	26	-	(17,199)	-	(17,199)
Actuarial gain/(loss) on the defined benefit plan, net of tax	24	-	-	(8,871)	(8,871)
Total other comprehensive income		**-**	**(17,199)**	**(33,163)**	**(50,362)**
Total comprehensive income for the year		**-**	**(17,199)**	**(254,504)**	**(271,703)**
Transactions with owners in their capacity as owners:					
Net (assets)/liabilities transferred under Restructure		(138,700)	-	-	(138,700)
Capital injection		300,000	-	-	300,000
		161,300	-	-	161,300
Balance at 30 June 2012		**1,114,415**	**(7,366)**	**(609,364)**	**497,685**
Balance at 1 July 2012		**1,114,415**	**(7,366)**	**(609,364)**	**497,685**
Total comprehensive income for the year					
Net loss for the year		-	-	(105,664)	(105,664)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	26	-	(15,620)	-	(15,620)
Actuarial gain/(loss) on the defined benefit plan, net of tax	24	-	-	7,601	7,601
Total other comprehensive income		**-**	**(15,620)**	**7,601**	**(8,019)**
Total comprehensive income for the year		**-**	**(15,620)**	**(98,063)**	**(113,683)**
Balance at 30 June 2013		**1,114,415**	**(22,986)**	**(707,427)**	**384,002**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

CS Energy Limited (and controlled entities) for the year ended 30 June 2013

		Consolidated		Parent	
	Notes	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash flows from operating activities					
Cash receipts from customers (inclusive of goods and services tax)		819,580	484,792	314,930	269,082
Cash payments to suppliers and employees (inclusive of goods and services tax)		(784,784)	(402,815)	(497,754)	(275,802)
Cash generated from operations		**34,796**	**81,977**	**(182,824)**	**(6,720)**
Interest received		8,000	1,084	7,927	829
Operating borrowing costs paid		(65,841)	(65,684)	(65,840)	(64,541)
Net cash inflow / (outflow) from operating activities	**37**	**(23,045)**	**17,377**	**(240,737)**	**(70,432)**
Cash flows from investing activities					
Payments for property, plant and equipment		(69,681)	(128,275)	(30,636)	(44,990)
Repayments of loans to related parties		-	(993)	-	-
Repayments of loans from related parties		-	-	179,773	7,868
Net cash inflow / (outflow) from investing activities		**(69,681)**	**(129,268)**	**149,137**	**(37,122)**
Cash flows from financing activities					
Capital injection		-	300,000	-	300,000
Receipts/(payments) from open future positions		-	25,613	-	25,613
Net cash inflow / (outflow) from financing activities		**-**	**325,613**	**-**	**325,613**
Net (decrease) increase in cash and cash equivalents		**(92,726)**	**213,722**	**(91,600)**	**218,059**
Cash and cash equivalents at the beginning of the financial year		245,613	31,891	227,979	9,920
Cash and cash equivalents at the end of the year	**10**	**152,887**	**245,613**	**136,379**	**227,979**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies

CS Energy Limited is a company domiciled in Australia. Its registered office and principal place of business is Level 2, HQ North Tower, 540 Wickham Street, Fortitude Valley, Qld 4006.

The consolidated group is primarily involved in the generation of electricity from coal and pumped storage hydro power stations.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the parent financial statements for CS Energy Limited as an individual entity and the consolidated group consisting of CS Energy Limited and its subsidiaries. Comparative information is reclassified where appropriate to enhance comparability.

a. Basis of preparation

Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Government Owned Corporations Act 1993* and related regulations and the *Corporations Act 2001*. CS Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 29 August 2013.

New and amended standards adopted by the group

AASB 101(82A) Presentation of Financial Statements has been adopted requiring items in the statement of comprehensive income to be grouped into items that, in accordance with other accounting standards: (a) will not subsequently be reclassified to profit or loss; and (b) may have to be subsequently reclassified to profit or loss when specific conditions are met.

Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Going concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial statements at 30 June 2013 reflect a net asset position of $320.1 million (2012: $376.0 million) and a net current asset position of $114.6 million (2012: $194.4 million).

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections for a period of not less than thirteen months from the date of this report. These cash flow projections show that CS Energy is able to meet debts as and when they are payable. Currently unrestricted available undrawn debt and working capital facilities held with Queensland Treasury Corporation at 30 June 2013 are $577.4 million (refer Note 21). In the longer term, the ability of CS Energy Limited and the consolidated group to continue as a going concern may be dependent upon:

- access to a portion of the undrawn debt facilities with Queensland Treasury Corporation; and
- the continued support of the Queensland Government

The consolidated group has received notification of a guarantee of existing debt facilities by the Queensland Government on 17 August 2012. Queensland Treasury Corporation has provided confirmation that facilities reported in Note 21 are available and not subject to change in the next 12 months.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that CS Energy Limited and the consolidated group will be able to pay their debts as and when they become due and payable. The financial report does not include any adjustments relating to the recoverability and/or classification of assets or the amounts and/or classification of liabilities should CS Energy Limited or the consolidated group not continue as a going concern.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for:

- derivative financial instruments measured at fair value;
- the superannuation defined benefit plan asset which is measured as the net total of the plan assets, plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Cost of sales included in Statement of Comprehensive Income

The line item Cost of sales disclosed on the face of the Statement of Comprehensive Income includes fuel, carbon, water, operations, freight and delivery, maintenance, depreciation and amortisation costs directly attributable to generation assets.

Administration costs included in Statement of Comprehensive Income

The line item Administration costs disclosed on the face of the Statement of Comprehensive Income includes employee entitlements, insurance, depreciation and amortisation costs not directly attributable to generation assets.

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of all subsidiaries of CS Energy Limited. CS Energy Limited ('the company' or 'parent') and its subsidiaries together are referred to in this financial report as the group or the consolidated group.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated group has the power to govern the financial and operating policies, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases. All investments in controlled entities are disclosed in Note 35.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the consolidated group.

Investments in subsidiaries are accounted for at cost in the parent financial statements of CS Energy Limited.

(ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities, expenses and income from sale of goods or services of jointly controlled assets have been incorporated in the financial statements of the parent entity and consolidated group under the appropriate headings.

Jointly controlled entities

The interest in each jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of each entity is recognised in the statement of comprehensive income, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to each entity are set out in Note 36.

The consolidated group's share of its jointly controlled entities' post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post acquisition movements in equity is recognised in equity. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Dividends receivable from equity accounted jointly controlled entities are recognised in the parent entity's statement of comprehensive income as revenue, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the consolidated group's share of losses in an associate equals or exceeds its interest in the jointly controlled entity, including any other unsecured long term receivables, the consolidated group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the consolidated group and its equity accounted jointly controlled entities are eliminated to the extent of the consolidated group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated group.

(iii) Transactions eliminated on consolidation

Intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(iv) Assets and liabilities received from owners

Where assets and liabilities are transferred from another wholly-owned government entity to the consolidated group, these transfers are recognised in equity as contributions by/distributions to owners as designated by the shareholding Ministers on 21 June 2011. The transfer of assets and liabilities, effective 1 July 2011, was part of the Queensland Government restructure of the three Queensland Government Owned Corporation generators, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Corporation Limited. Such assets and liabilities are recognised at the book values of the transferring entity immediately prior to the transfer.

Subsequent to initial recognition assets and liabilities are measured in accordance with the requirements of applicable Australian Accounting Standards.

c. Foreign currency translation

Items included in the financial statements of each of the consolidated group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated group's financial statements are presented in Australian dollars, which is CS Energy Limited's functional and presentation currency.

Transactions in foreign currencies are translated to the respective functional currencies of the consolidated group's entities using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income.

d. Revenue recognition

All revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of electricity

Revenue from the sale of electricity is recognised as the electricity generated is dispatched into the National Electricity Market (NEM) or in the period that the electricity generated, which is pursuant to a power purchase agreement (PPA), is transferred to the counterparty. The effective portion of electricity derivatives designated as cash flow hedges, relating to electricity traded in the pool market, is recognised in electricity revenue in the period to which the contract settlement relates. Proceeds from sale of electricity from testing plant under construction are deducted from the construction cost of that plant.

Interest income

Interest income comprises interest income on funds invested and is recognised in profit or loss as it accrues using the effective interest method.

Operation and maintenance service fees

Revenue is earned for the provision of operation and maintenance services performed for other entities. This revenue is recognised on an accrual basis in proportion to the stage of completion of the services performed at the reporting date.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the consolidated group will comply with the conditions associated with the grant. Grants that compensate the consolidated group for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the consolidated group for the cost of an asset are recognised in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset.

Project costs associated with the grants are recognised as an intangible asset or property, plant and equipment only when the recognition criteria of such assets are met.

Government grant income received on behalf of other recipients is not accounted for as income by the consolidated group.

e. Finance Costs

Finance costs comprise interest on borrowings and the unwinding of the discount on non-employee provisions. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

f. Income tax

CS Energy Limited and its wholly-owned subsidiaries are exempt from Commonwealth Government Income Tax but are subject to the National Tax Equivalents Regime. Under this regime, CS Energy Limited and its 100% owned Australian subsidiaries must ascertain their income tax liability each year in a manner substantially similar to Commonwealth income tax laws, and any tax resulting is to be paid to Queensland Treasury.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income, based on the Australian corporate income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted, at the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Tax consolidation legislation

CS Energy Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation as at 1 July 2002, forming a single tax consolidated group.

The head entity, CS Energy Limited, and all other tax consolidated group members, continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each tax consolidated group member continued to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CS Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the members of the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated group are recognised as amounts receivable from or payable to other members of the group. Details about the tax funding agreement are disclosed in Note 9.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) group members.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by CS Energy Limited only.

g. Operating lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease. Any lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Any contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

h. Impairment of assets

Non-financial assets

Assets are reviewed and tested at each reporting date for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units (CGU)). Impairment losses are recognised in profit or loss. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing collective impairment the consolidated group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

i. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value and include directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments, other than borrowings are measured as described in Note 1(l). Borrowings are measured at amortised cost, using the effective interest method.

Trade and other receivables, loans and borrowings and trade and other payables are recognised on the date that they are originated. All other financial instruments are recognised initially on the trade date at which the consolidated group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated group's contractual rights to the cash flows from the financial assets expire or if the consolidated group transfers the financial assets to another party without retaining control of substantially all risks and rewards of the assets. Financial liabilities are derecognised if the consolidated group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with Queensland Treasury Corporation. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade and other receivables

Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid, on average, within 45 days of recognition.

Borrowings

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are classified as current liabilities unless the consolidated group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

j. Inventories

Inventories comprise stores, fuel, water, carbon permits and environmental permits which are stated at the lower of cost and net realisable value. Cost comprises the cost of purchase, which is assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Fuel, in the form of coal, is also mined at site and it is valued using the six month weighted-average cost of mining.

Carbon permits and environmental certificates are recognised in the financial statements at fair market value where fair value is determined by reference to observable market prices at balance date.

k. Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and associated transaction costs are recognised in profit or loss when incurred. Derivatives are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The consolidated group designates certain derivatives as either:

Cash flow hedges

The consolidated group designates certain derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges). The consolidated group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 13. Movements in the hedging reserve in equity are shown in Note 26.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and presented in equity are recycled in profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of electricity swaps hedging variable revenue is recognised in profit or loss within 'revenue from the sale of electricity'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging imported goods is recognised in profit or loss within 'cost of goods sold'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and presented in the hedging reserve in equity are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income and presented in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income and presented in equity is immediately transferred to profit or loss.

Embedded derivatives

Any derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Changes in the fair value of the embedded derivatives are recognised immediately in profit or loss.

Derivatives which do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. The main categories of non-qualifying instruments for the consolidated group are sold options, instruments held for trading, and instruments which were not designated as hedges. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

l. Fair value estimation - financial assets and liabilities

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The consolidated group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for non-standard financial instruments held by the consolidated group. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the consolidated group and counterparty when appropriate. An analysis of financial instruments carried at fair value by valuation method is disclosed in Note 13.

The carrying value less impairment provision for trade receivables and payables are assumed to approximate fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate at reporting date that is available to the consolidated group for similar financial instruments.

m. Property, plant and equipment

All property, plant and equipment, is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

In general, non-current physical assets with a value greater than $500 are capitalised.

Land is not depreciated. Depreciation on other assets is recognised in profit or loss on a straight line method to allocate their net book amount, net of their residual values, over their estimated effective useful lives, as follows:

Power stations	2 - 29 years
Capitalised overhauls	2 - 4 years
Mining assets	9 - 29 years
Land and buildings	0 - 40 years
Other property plant and equipment	1 - 5 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

The assets' residual values and useful lives and depreciation methods are reviewed at each reporting date, and adjusted if appropriate. When changes are made, adjustments are reflected prospectively in current and future periods only.

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

Capitalised overhauls

Costs incurred on the overhaul of power station generation plant are capitalised to the extent that the economic benefits attributable to the capitalised costs are derived in future periods. Other maintenance and repair costs are charged as expenses to profit or loss when incurred.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the consolidated group's outstanding borrowings during the year.

Mining assets

Mining assets costs include mining development licences and mining leases, which are carried in property, plant and equipment (Note 17). The mining leases are depreciated over the life of the mine.

n. Non-current assets and liabilities (or disposal groups) held for sale and discontinued operations

On 25 November 2010 the Queensland Government announced the Restructure of the three Queensland Government Owned Corporation generators, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Corporation Limited. The proposed final asset allocation was announced on 10 March 2011 and the regulation gazetted on 24 June 2011. The effective date of the transfer was 1 July 2011 resulting in the following changes to the financial position:

Transfer of the following assets or business units of the consolidated group to Stanwell Energy Corporation Limited:

- Mica Creek business unit;
- Swanbank business unit; and
- Collinsville Power Purchase Agreement.

Receipt of the following assets or business units by the consolidated group:

- Gladstone Interconnection and Power Pooling Agreement (IPPA) from Stanwell Corporation Limited;
- Wivenhoe business unit from Tarong Energy Corporation Limited; and
- Glen Wilga coal resource from Tarong Energy Corporation Limited.

The results of the Restructure have been incorporated into the consolidated group's financial statements.

Carrying amounts of assets and liabilities transferred or received

The assets and liabilities transferred on 1 July 2011 were transferred at the value included in the balance sheet for the business unit for the day immediately before the transfer day, being 30 June 2011, as required by the Government Owned Corporation (Generator Restructure) Regulation 2011. Adjustments were recognised through the valuation of assets and liabilities by the receiving entities. The transfers and receipts were recognised through adjustments to share capital, except for the derecognition of retained earnings for companies transferred out of the consolidated group and valuation adjustments requested by Stanwell Corporation Limited.

Derecognition of liabilities not transferred to Stanwell Corporation Limited

The recognition of the transfer of assets and liabilities under the Government Owned Corporation (Generator Restructure) Regulation 2011 resulted in specific provisions for rehabilitation and onerous contracts being derecognised in the transferring entity. These balances were not transferred and the receiving entity subsequently recognised the fair value of the net assets as a transaction with owners through equity. The impact is as follows:

- Derecognition of the Collinsville onerous contract and Swanbank onerous water contract for \$126.4 million;
- Derecognition of rehabilitation provisions for Swanbank Power Station and Mica Creek Power Station for \$94.7 million; and
- Recognition of the Gladstone onerous contract of \$273.9 million.

These balances have been included in the net adjustments through share capital and retained earnings.

o. Provisions

Provisions are recognised when the consolidated group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the consolidated group's assessment of the current market relating to time value of money and the risks specific to the liability. The unwinding at the discount rate of provisions is recognised in profit or loss as finance costs over the period of the obligation.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the consolidated group recognises any impairment loss on any assets associated with that contract.

Site rehabilitation and closure costs

Provision is made for the estimated site rehabilitation and closure costs at the end of the producing life of each power station on a present value basis. Provision is also made, when an area is disturbed, for the estimated cost of site rehabilitation and closure costs relating to areas disturbed during mining operations up to reporting date but not yet rehabilitated. The present value of these obligations is recognised as a non-current liability with a corresponding asset, which is depreciated over the relevant useful life. The discount is also unwound over the relevant useful life, with the cost recognised in profit or loss as 'finance costs'.

Dividends

Provision is made for the amount of any dividend declared or recommended, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at reporting date.

p. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and the portion of accumulated sick leave that is payable on termination, are recognised in respect of employees' services up to the reporting date and are measured at undiscounted amounts based on remuneration rates at reporting date, including related on-costs, such as workers' compensation insurance and payroll tax.

(ii) Long service leave

The liabilities expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits and measured in accordance with (i) above. Liabilities expected to be settled more than 12 months from the reporting date are recognised, and are measured at the present value of expected future payments to be made in respect of services provided by employees at reporting date. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. For long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Bonus plans

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

(iv) Superannuation funds

All employees of the consolidated group are entitled to benefits on retirement, disability or death from the consolidated group's defined benefit superannuation plan or defined contribution plan or the superannuation plan that the employee has elected as their preferred superannuation plan.

Defined contribution plan

The consolidated group's defined contribution plan and other superannuation plans chosen by the employee, receive fixed contributions from consolidated group companies and the group's legal or constructive obligation is limited to these contributions.

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

Defined benefits plan

The consolidated group's defined benefit plan provides lump sum benefits based on years of service and final average salary. A liability or asset in respect of the consolidated group's defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. When the calculation results in a benefit to the consolidated group, the recognised asset is limited to the total of any unrecognised post service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the consolidated group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

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

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

(v) Termination benefits

Termination benefits are recognised as an expense when the consolidated group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

r. Carbon liability

The group was subject to the carbon pricing scheme from 1 July 2012, introduced by the *Clean Energy Act 2011.*

The group must report under the National Greenhouse and Energy Reporting Scheme (NGER Scheme) on the extent of its emissions and satisfy its liability for each tonne of carbon dioxide equivalent ($CO_{2\text{-}e}$) emitted, either by surrendering carbon emissions units or paying a unit shortfall charge.

During the fixed term period, the carbon liability is calculated based on the tonnes of $CO_{2\text{-}e}$ the group emits, multiplied by the fixed carbon price for the year. In the 2012/2013 financial year, the carbon price was $23 per tonne.

s. Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

t. Parent entity disclosures

The group has elected to adopt Class Order [CO 10/654] allowing the disclosure of Parent entity financial statements and notes thereto as part of the group financial report. By electing to adopt this Class Order it provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific Parent entity financial information under regulation 2M.3.01 of the Corporations Regulations.

2. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published with their application not being mandatory for the 30 June 2013 financial reporting period and have accordingly not been applied in the financial statements. CS Energy has undertaken an assessment to determine which new accounting standards and interpretations may have a material impact to the financial statements in future periods. From the standards listed below, AASB 9 Financial Instruments, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits are expected to have a material impact.

(i) AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 addresses the classification, measurement and de-recognition of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The amended standard has eliminated the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. This new standard also requires that derivatives embedded in contracts with a host that is a financial asset, within the scope of the standard, are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Adventure (effective 1 January 2013). In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 11 Joint Arrangements introduces a principles-based approach to accounting for joint arrangements. The structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the respective accounting treatment. Based on the assessments of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method and parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 12 Disclosures of Interests with Other Entities sets out the required further disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 Separate Financial Statements and AASB 128 Investments in Associates & Joint Ventures. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

(iii) AASB 13 Fair Value measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 definitively defines fair value being the 'exit price' of a transaction, namely the price to sell an asset or pay to transfer a liability in an 'orderly' (planned in market) transaction. The standard provides further amendments on how to determine fair value and requires disclosures about fair value measurements. The key features of the new standard that CS Energy will need to consider in determining/revising fair values are: use of principal (prime) market, highest and best use for non financial assets, block discounts not permitted and not adjusting for transaction costs and liquidity considerations incorporated into the valuation.

However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value nor does it intend to completely regard as obsolete the traditional practicability exceptions to fair value measurements that currently exist in certain other standards. AASB 13 applies when another AASB standard requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method) and the calculation of net interest expense or income by applying the discount rate to the net defined liability or asset. This replaces the expected return on plan assets approach that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets that may alter the timing of the recognition of termination benefits. In addition, the new standard revises the definition of short term employee benefits, which under the superseded standard were defined as "benefits that are due to be settled within 12 months of the provision of the related service". In contrast, under the revised AASB 119, only benefits that are 'expected' to be settled 'wholly' within 12 months after the end of the annual reporting period are deemed to be short term employee benefits. The inclusion of 'expected' and 'wholly' may lead to a change in classification and disclosure. The group does not intend to early adopt these new accounting standards and interpretations and will therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(v) Interpretation 20 provides guidance on accounting for costs associated with stripping activity during the production phase of surface mining.

Interpretation 20 requires the entity to account for the related production stripping costs as inventory and/or a non-current asset (stripping activity asset). To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with the principles of AASB 102 Inventories. To the extent the benefit relates to improved access to ore, the entity shall recognise these costs as a non-current asset. The group does not intend to early adopt these new accounting standards and interpretations and will therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

The group does not intend to early adopt these new accounting standards and interpretations and they will therefore be first applied in the financial statements for the annual reporting period outlined in the respective notes above.

3. Events occurring after the reporting period

There were no significant events which occurred between the financial year end and the date of this report.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Asset impairment testing

The consolidated group assesses impairment annually by evaluating conditions that may lead to indicators of impairment of assets in accordance with the accounting policy stated in Note 1(h). The recoverable amount of the asset or Cash Generating Unit (CGU) of assets has been determined on a value in use basis.

The value in use calculations are based on financial forecasts covering periods which reflect the long term nature of the assets and require assumptions to be made in the following key areas:

(a) Discount rate

The discount rate is used to calculate the present value of projected future cash flows. The rate represents a weighted average cost of capital (WACC) being the estimate of the overall required rate of return on an investment for both debt and equity owners. Determination of the WACC is based on separate analysis of debt and equity costs utilising publicly available information including the risk free interest rate, a risk premium based on comparable companies within the industry and the underlying cost of debt.

(b) Market factors

Market pricing and generation mix have been determined through the use of publicly available information and internal expertise. The primary drivers are electricity demand growth, gas price, carbon price, available generation capacity and new entrant technology (primarily gas, wind and solar). The sources for the key estimates and assumptions include:

- Demand forecasts are based on the AEMO 2012 National Electricity Forecasting Report with the primary driver of growth in Queensland being the establishment and timing of the Liquefied Natural Gas (LNG) industry.
- A weighted approach is taken to carbon pricing, combining the forecasts in the current legislation (*Clean Energy Act 2011*) with CS Energy Limited's internally developed assumptions. A higher weighting has been assigned to a lower carbon price to take into account the prices in the European emissions trading scheme and emerging details of the Federal Government's carbon pricing scheme.
- The gas price forecasts are based on projections by ACIL Tasman, released in August 2012 as part of AEMO's 2012 National Transmission Network Development Plan assumptions.

(c) Forecast fuel and water pricing and supply

The fuel price forecasts are based on current contractual arrangements for either the supply of coal or cost of extraction and processing from owned coal resources. Where asset lives exceed current contractual arrangements reasonable estimates are made on pricing changes based on known cost structures, market based information or escalation rates. The supply of coal and water is forecast based on current contractual arrangements. The supply may be negatively impacted by the performance of suppliers/contractors or the impacts of extreme weather events including floods (mine impacts) and drought (water supply). These result in generation constraints and accelerated wear of equipment which may impair performance over the life of the asset.

(d) Plant reliability and forecast operating and capital expenditure requirements

The projected reliability is based on current known plant performance and estimated future operating and capital cash flows to maintain the plant within a determined operational capacity and performance range. These estimations are reliant upon plant specification provided by the original manufacturer adjusted for known or expected wear rates or operational constraints which have a reasonable probability of occurring.

(e) Future regulatory environment

The future cash flows are based on current enacted regulatory and legislative frameworks and have factored in some probability weight for anticipated change, predominantly in relation to the carbon price trajectory. This reflects a widely accepted view on carbon pricing which may change under current or future government policy. Significant amendments to the legislation may have a significant and material impact on the fair value of CS Energy's assets.

No impairment adjustments were recognised in relation to generation assets in the financial statements at 30 June 2013 (2012: nil). The prior year impairment in 2011 was largely as a result of the Federal Government's then proposed carbon pricing mechanism.

(ii) Electricity derivative contracts measured at fair value (refer Note 13)

The consolidated group uses internal valuation models to value electricity financial instruments that are not traded in an active market. These models use inputs that are sourced, wherever possible, from observable market data. However, there are elements of estimation involved where the market data is not available for certain time periods, certain instruments are not actively traded or instruments embody unusual conditions. Estimation is also involved in discounting for the time value of money.

(iii) Long service leave provision

As discussed in Note 1(p)(ii).

(iv) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as the manufacturers' design life. Depreciation and amortisation rates are reviewed annually for appropriateness.

Adjustments to useful life are made when circumstances relating to the nature of the use of the asset changes. Effective lives are included in Note 1(m).

(v) Onerous contracts (refer Notes 20 and 23)

Interconnection and Power Pooling Agreement

An onerous provision is recognised for unavoidable costs related to the consolidated group's obligations under the Gladstone Interconnection and Power Pooling Agreement (refer Notes 20 and 23). Significant estimates are made in the:

(a) Estimation of future wholesale prices, generation, supply of electricity and unavoidable costs related to the contract; and
(b) Determination of an appropriate discount rate.

(vi) Rehabilitation and site closure costs provision (refer Note 23)

A provision is recognised for the consolidated group's obligation in relation to the rehabilitation and site closure of each power station and mine.

Significant estimates made with respect to this provision are the:

(a) Estimation of costs to fulfil the consolidated group's obligations. Such estimated costs may change depending on changing technology and techniques;
(b) Determination of an appropriate discount rate; and
(c) Estimation of the timing of when the rehabilitation will occur.

(vii) Defined benefit plan assets (refer Note 24)

Various actuarial assumptions underpin the determination of the consolidated group's retirement benefit obligations. These assumptions and related carrying amounts are discussed in Note 24.

5. Reclassifications in the presentation of financial statements

(i) Reclassification in the presentation in Statement of Comprehensive Income

As part of the preparation of the 30 June 2013 financial statements, a review was carried out of the classification of line items reported in the Statements of Comprehensive Income. From this review, it was identified that the disclosure of certain revenue and expenses were not correctly classified according to their nature or function in accordance with AASB 101 Presentation of Financial Statements.

Revenue from the sale of electricity and Other revenue have been reclassified according to their function as Revenue from continuing operations. Administration costs previously included in Other expenses have now been reclassified as a separate line in the Statements of comprehensive income according to its function. Recovered Operations and Maintenance costs previously reported on a net basis have been reclassified from Other Revenue and split out by function into Revenue from continuing operations and Administration costs. The reclassifications did not have an impact on the consolidated group's net result.

The reclassifications have been disclosed by restating each of the affected Statement of Comprehensive Income's line items for the prior period as follows:

Consolidated	2012	Reclassification	(restated)
	$'000	$'000	$'000
Revenue from continuing operations	-	438,220	438,220
Other revenue	20,660	(20,660)	-
Revenue from the sale of electricity	380,417	(380,417)	-
Other income	42,956		42,956
Cost of sales	(293,992)	42,779	(251,213)
Other expenses	(156,113)	125,218	(30,895)
Administration costs	-	(205,140)	(205,140)
Finance costs	(68,771)	-	(68,771)
Loss before income tax	**(74,843)**	**-**	**(74,843)**
Income tax benefit	23,385	-	23,385
Loss for the year	**(51,458)**	**-**	**(51,458)**

Parent	2012	Reclassification	(restated)
	$'000	$'000	$'000
Revenue from continuing operations	-	251,015	251,015
Other revenue	15,383	(15,383)	-
Revenue from the sale of electricity	198,489	(198,489)	-
Other income	36,213		36,213
Cost of sales	(199,562)	42,779	(156,783)
Other expenses	(59,294)	46,055	(13,239)
Impairment write-down loans to related parties	(168,385)	-	(168,385)
Administration costs	-	(125,977)	(125,977)
Finance costs	(66,828)	-	(66,828)
Loss before income tax	**(243,984)**	**-**	**(243,984)**
Income tax benefit	22,643	-	22,643
Loss for the year	**(221,341)**	**-**	**(221,341)**

(ii) Reclassification in the presentation in Balance Sheet

A review of Note 11 Trade and other receivables and Note 12 Inventories identified that Environmental Certificates were included within Trade and other receivables for the prior year. In accordance with AASB 101 Presentation of Financial Statements, these Environmental Certificates, based on their nature have been reclassified and included within Inventories for 30 June 2012.

A review of Note 19 Trade and other payables identified that amounts provided for future employee performance payments was included within Other payables for the prior year. In accordance with AASB 101 Presentation of Financial Statements, the provision for employee performance payments, based on its nature, has been reclassified and included within Current employee benefits provisions.

Accordingly, a restatement of these line items within the Balance Sheet has been made for the prior period as follows:

Consolidated	2012 $'000	Reclassification $'000	(restated) $'000
Current Assets			
Cash and cash equivalents	245,613	-	245,613
Trade and other receivables	117,430	(6,967)	110,463
Inventories	54,594	6,967	61,561
Derivative financial assets	42,004	-	42,004
Total current assets	**459,641**	**-**	**459,641**
Current Liabilities			
Trade and other payables	153,331	2,540	150,791
Provisions	56,225	(2,540)	58,765
Derivative financial liabilities	55,669	-	55,669
Total current liabilities	**265,225**	**-**	**265,225**

Parent	2012 $'000	Reclassification $'000	(restated) $'000
Current Assets			
Cash and cash equivalents	227,979	-	227,979
Trade and other receivables	91,646	(6,967)	84,679
Inventories	24,024	6,967	30,991
Derivative financial assets	42,004	-	42,004
Total current assets	**385,653**	**-**	**385,653**
Current Liabilities			
Trade and other payables	113,934	1,990	111,944
Provisions	55,106	(1,990)	57,096
Derivative financial liabilities	55,669	-	55,669
Total current liabilities	**224,709**	**-**	**224,709**

6. Revenue

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenue from continuing operations				
Revenue from the sales of electricity	634,195	380,418	163,873	198,491
Operation and maintenance services fee	86,663	54,766	84,300	49,743
Interest income	8,000	1,084	7,927	829
Leasing revenue	1,714	1,714	1,714	1,714
Sale of by-products	288	238	267	238
Total revenue	**730,860**	**438,220**	**258,081**	**251,015**

7. Other income

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Government grants (1)	6,992	6,743	-	-
Insurance recovery (2)	1,000	-	3,500	-
Rehabilitation provision - re-measurement (3)	11,115	-	11,115	-
Net gain on fair value of derivatives not qualifying as cash flow hedges	-	36,213	-	36,213
	19,107	**42,956**	**14,615**	**36,213**

(1) Amortisation of Commonwealth Government grant income received in support of the Callide Oxyfuel Project.
(2) Insurance recovery income is claim proceeds received for the fire at Wivenhoe Power Station in September 2012.
(3) Income arising as a result of the reduction in rehabilitation provision for Callide A, following independent review of overall liability.

8. Expenses

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:				
Other expenses				
Network and market costs	15,514	19,312	12,676	13,236
Net loss on derivatives not qualifying as cash flow hedges	8,162	-	8,162	-
Research and development (1)	9,685	11,578	-	-
Loss on disposal of property, plant and equipment	13	5	13	3
	33,374	**30,895**	**20,851**	**13,239**
Finance costs				
Interest and finance charges	65,312	62,518	65,312	62,518
Finance costs - Rehabilitation provision	4,350	3,819	1,965	1,876
Finance costs - Onerous contract provision	5,452	2,434	5,452	2,434
	75,114	**68,771**	**72,729**	**66,828**
Fuel and carbon costs (2)				
Fuel costs	92,256	81,739	59,809	53,495
Carbon costs (3)	244,829	-	89,599	-
	337,085	**81,739**	**149,408**	**53,495**
Depreciation and amortisation				
Depreciation included in cost of sales	79,585	75,690	25,142	22,395
Depreciation included in administration costs	8,853	10,484	4,215	5,781
	88,438	**86,174**	**29,357**	**28,176**
Employee benefits expenses (4)				
Defined contribution superannuation expense	4,010	6,349	3,183	5,423
Defined benefit plan expense	1,595	3,149	1,595	3,149
Wages and salaries expense	87,960	78,319	62,031	66,863
	93,565	**87,817**	**66,809**	**75,435**
Rental expense relating to operating leases				
Minimum lease payments included in cost of sales	54,394	66,747	54,394	66,747
Minimum lease payments included in other expenses	2,334	1,936	2,041	1,824
	56,728	**68,683**	**56,435**	**68,571**

(1) Relates to the share of CS Energy Oxyfuel Pty Ltd's participant investment in the Callide Oxyfuel carbon capture and storage research project.
(2) Cost of sales in the Statements of Comprehensive Income includes fuel and carbon costs.
(3) There were no carbon costs in the 2012 financial year as the carbon pricing scheme only became effective on 1 July 2012.
(4) Administration costs in the Statements of Comprehensive Income includes employee benefits expense.

9. Income tax expense

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
a. Income tax expense/(benefit)				
Current tax	(17,605)	(48,349)	(67,694)	(47,058)
Deferred tax	(2,192)	25,023	9,667	24,414
Adjustments for current tax of prior periods	3	(59)	14	1
	(19,794)	**(23,385)**	**(58,013)**	**(22,643)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (Note 18)	(3,829)	38,575	13,977	39,859
(Decrease) increase in deferred tax liabilities (Note 22)	1,637	(13,552)	(4,310)	(15,445)
	(2,192)	**25,023**	**9,667**	**24,414**
b. Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate:				
Profit/(loss) from operations before income tax expense	**(67,669)**	**(74,843)**	**(163,677)**	**(243,984)**
Tax at the Australian tax rate of 30% (2012 - 30%)	(20,301)	(22,453)	(49,103)	(73,195)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	3	14	2	13
Sundry items	501	(857)	28	52
Non-deductible provided expenditure (1)	-	-	(8,954)	50,516
	(19,797)	(23,296)	(58,027)	(22,614)
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(30)	-	(30)
Adjustments for current tax of prior periods	3	(59)	14	1
Income tax expense	**(19,794)**	**(23,385)**	**(58,013)**	**(22,643)**
c. Amounts recognised in other comprehensive income				
Aggregate current and deferred tax expense/(benefit) arising in the reporting period and not recognised in net profit or loss but directly recognised in other comprehensive income				
Changes in fair value of cash flow hedges	(6,695)	(7,370)	(6,695)	(7,370)
Actuarial gain / (loss) on defined benefit plan	3,258	(3,802)	3,258	(3,802)
Restructure of generation business	-	(42,321)	-	(54,550)
	(3,437)	**(53,493)**	**(3,437)**	**(65,722)**
d. Tax losses				
Unused Australian tax capital losses for which no deferred tax asset has been recognised	86,801	86,801	86,801	86,801
Potential tax benefit @ 30%	26,040	26,040	26,040	26,040

(1) This amount relates to the non-deductible provision for non recovery on related party loans.

Tax consolidation legislation

CS Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in Note 1(f). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, CS Energy Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate CS Energy Limited for any current tax payable assumed and the wholly owned entities are compensated by CS Energy Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to CS Energy Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables or payables.

10. Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at bank and on hand	18,354	33,652	1,846	16,018
Deposits at call - Queensland Treasury Corporation (QTC)	134,533	211,961	134,533	211,961
	152,887	**245,613**	136,379	**227,979**

The total balance reconciles to cash at the end of the financial year, as shown in the Statement of Cash Flows.

a. Cash at bank and on hand

Cash at bank is bearing an interest rate of 1.5%. (2012: 2.5%).

b. Deposits at call - Queensland Treasury Corporation (QTC)

Deposits at call are bearing an interest rate of between 2.65% and 4.49%. (2012: 3.40% and 4.65%).

11. Current assets - Trade and other receivables

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables	135,185	102,080	87,489	77,332
Other receivables	11,639	8,383	10,866	7,347
	146,824	**110,463**	**98,355**	**84,679**

a. Trade receivables

The consolidated group has recognised no losses in respect to the impairment of trade receivables during the year ended 30 June 2013 (2012: nil). There were no material trade receivables past their due date at 30 June 2013.

b. Other receivables

These amounts generally arise from Provision for Income Tax Receivable and GST Receivable.

c. Credit risk

There is concentration of credit risk in relation to trade and other receivables. Refer to Note 13(e) for more details on specific concentrations of credit risk and general discussion of credit quality.

12. Current assets – Inventories

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Stores	39,710	37,528	22,235	22,083
Fuel at weighted average cost (finished goods) (1)	16,451	17,069	3,937	4,156
Fuel at weighted average cost (work in progress) (2)	1,214	854	-	-
Water	3,138	2,383	1,718	1,025
Environmental certificates	7,757	6,967	7,757	6,967
Carbon permits	1,608	-	1,608	-
Provision for Obsolescence of Stores	(2,866)	(3,240)	(2,866)	(3,240)
	67,012	**61,561**	**34,389**	**30,991**

(1) Finished goods comprises coal stockpile at Power Stations.
(2) Work in progress comprises coal stockpile at Aberdare coal mine.

a. Inventory expense

Inventories that are recognised as an expense in the cost of sales during the year ended 30 June 2013 were $336,047,540 (2012: $155,981,056).

There was a write-down of inventories recognised as an expense during the year ended 30 June 2013 of $125,471 (2012: $299,106).

13. Financial instruments

The consolidated group's activities expose it to a variety of financial risks - commodity price risk, foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The consolidated group's overall risk management program includes the management of commodity and financial markets exposures which seeks to minimise potential adverse effects on the financial performance of the consolidated group. Risk management is implemented pursuant to policies approved by the Board of Directors.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
a. Derivative financial instruments				
Current assets				
Electricity derivative contracts - cash flow hedges	14,784	22,457	14,784	22,457
Electricity derivative contracts - do not qualify for hedge accounting	28,252	19,547	28,252	19,547
Total current derivative financial instrument assets	**43,036**	**42,004**	**43,036**	**42,004**
Non-current assets				
Electricity derivative contracts - cash flow hedges	28,140	6,722	28,140	6,722
Electricity derivative contracts - do not qualify for hedge accounting	3,622	8,873	3,622	8,873
Total non-current derivative financial instrument assets	**31,762**	**15,595**	**31,762**	**15,595**
Current liabilities				
Electricity derivative contracts - cash flow hedges	50,778	33,707	50,778	33,707
Electricity derivative contracts - do not qualify for hedge accounting	35,649	21,962	35,649	21,962
Total current derivative financial instrument liabilities	**86,427**	**55,669**	**86,427**	**55,669**
Non-current liabilities				
Electricity derivative contracts - cash flow hedges	24,984	5,992	24,984	5,992
Electricity derivative contracts - do not qualify for hedge accounting	30,122	6,187	30,122	6,187
Total non-current derivative financial instrument liabilities	**55,106**	**12,179**	**55,106**	**12,179**

CS Energy Limited is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in wholesale electricity prices. The majority of the electricity derivative contracts are electricity swaps. The categories of derivative financial instruments used by the consolidated group are as follows:

- Over-the-counter (OTC) electricity swap contracts and;
- Exchange traded electricity futures contracts.

b. Commodity price risk

The consolidated group is exposed to commodity price risk on electricity and coal arising from the purchase and/or sale of these commodities. The consolidated group does not use derivative financial instruments for risk management in relation to purchases of coal, but rather enters into long term fixed price supply agreements.

The consolidated group is exposed to commodity price risk on electricity sales via the National Electricity Market. This risk arises from fluctuations in the wholesale price of electricity. Electricity swaps and futures contracts are used to manage this electricity price risk. The majority of these types of financial instruments have a time to maturity of between three months and four years.

The consolidated group's risk management policy is to hedge a substantial proportion of the production that is highly likely to occur. The policy prescribes a target range of allowable hedging levels for discrete time periods based on a number of operational, technical and market parameters.

(i) Over-the-counter electricity contracts

CS Energy Limited has entered into a number of OTC electricity contracts, which are mostly swap contracts. The majority of these swap contracts are such that CS Energy Limited receives a fixed rate per megawatt hour from counterparties (predominantly retailers) in exchange for payment of the pool price per megawatt hour for the contract period. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in trade receivables or payables.

(ii) Exchange traded electricity futures contracts

CS Energy Limited has entered into a number of exchange traded electricity futures contracts. The majority of these contracts are such that CS Energy Limited receives a fixed rate per megawatt hour in exchange for payment of the average pool price for the contract period. The contracts are settled on a daily basis by margin payments and receipts prior to and throughout the course of the contract period, based on the market price of the contract at the time.

(iii) Sensitivity analysis on the electricity derivative portfolio

The following table summarises the increase/(decrease) on both the parent and consolidated group's profit or (loss) for the year and on equity, that would result from a 10% increase/decrease in electricity forward prices on the electricity derivatives portfolio. The sensitivity analysis is based on reasonably possible changes, over a financial year, in the electricity price applicable to each financial instrument. All variables other than electricity prices are held constant in the analysis.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
30 June 2013				
Electricity price - increase 10%	(70,300)	1,822	(70,300)	1,822
Electricity price - decrease 10%	70,269	(2,148)	70,269	(2,148)
30 June 2012				
Electricity price - increase 10%	(39,528)	8,950	(39,528)	8,950
Electricity price - decrease 10%	39,528	(8,937)	39,528	(8,937)

c. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions are denominated in, or calculated against, non-Australian currency. The consolidated group procures new generation plant, spare parts and maintenance services for existing plant, and has been or is exposed to foreign exchange risk arising from currency exposures to the Euro (EUR), British Pound (GBP), and United States Dollar (USD).

The consolidated group will enter into forward exchange contracts to purchase EUR, GBP, and USD, as a hedge against the anticipated purchase of generation plant and spare parts sourced mainly from Europe, the United Kingdom and the United States of America. These contract maturities are normally timed to match payments under the supply contracts. The risk management policy is to hedge between 95% and 100% of committed transactions that are denominated in, or calculated against foreign currency where settlement is to be within 12-18 months and over a certain minimum threshold.

The consolidated group had no material hedged exposure to foreign currency risk at 30 June 2013 (30 June 2012: nil).

d. Liquidity risk

The consolidated group is exposed to liquidity risk through the volatility of its operating cash flows. The consolidated group manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 21. Funding approval is sought in advance for expenditure commitments that extend beyond the current financial year, pursuant to the Queensland Government's State Borrowing Program.

The following table summarises the contractual maturities of financial liabilities, including estimated interest payments, excluding the impact of netting agreements.

The anticipated time at which cash flows from hedges are expected to impact profit or loss is consistent with the maturity profiles for derivative financial assets and liabilities in the following tables.

Consolidated	Carrying amount $'000	Total contractual cash flows $'000	Less than one year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
30 June 2013	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities						
Loans from QTC	824,310	1,146,450	66,196	66,196	198,772	815,285
Trade and other payables	203,950	203,950	152,147	51,803	-	-
Derivative financial liabilities						
Electricity contracts	141,533	141,533	65,111	48,315	28,107	-
Total	**1,169,793**	**1,491,933**	**283,454**	**166,314**	**226,879**	**815,285**
Derivative financial assets						
Electricity contracts	74,799	74,799	37,543	17,275	19,981	-
	74,799	**74,799**	**37,543**	**17,275**	**19,981**	**-**
30 June 2012						
Non-derivative financial liabilities						
Loans from QTC	824,972	1,166,991	67,096	67,096	201,475	831,324
Trade and other payables	200,273	200,273	150,791	49,482	-	-
Derivative financial liabilities						
Electricity contracts	67,848	67,848	55,669	9,520	2,658	-
Total	**1,093,093**	**1,435,112**	**273,556**	**126,098**	**204,133**	**831,324**
Derivative financial assets						
Electricity contracts	57,599	57,599	42,005	10,623	4,971	-
	57,599	**57,599**	**42,005**	**10,623**	**4,971**	**-**

Parent	Carrying amount $'000	Total contractual cash flows $'000	Less than one year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
30 June 2013						
Non-derivative financial liabilities						
Loans from QTC	824,310	1,146,450	66,196	66,196	198,772	815,285
Trade and other payables	74,637	74,637	74,637	-	-	-
Derivative financial liabilities						
Electricity contracts	141,533	141,533	65,111	48,315	28,107	-
Total	**1,040,480**	**1,362,620**	**205,944**	**114,511**	**226,879**	**815,285**
Derivative financial assets						
Electricity contracts	74,799	74,799	37,543	17,275	19,981	-
	74,799	**74,799**	**37,543**	**17,275**	**19,981**	**-**
30 June 2012						
Non-derivative financial liabilities						
Loans from QTC	824,972	1,166,991	67,096	67,096	201,475	831,324
Trade and other payables	111,944	111,944	111,944	-	-	-
Derivative financial liabilities						
Electricity contracts	67,848	67,848	55,669	9,520	2,658	-
Total	**1,004,764**	**1,346,783**	**234,709**	**76,616**	**204,133**	**831,324**
Derivative financial assets						
Electricity contracts	57,599	57,599	42,005	10,623	4,971	-
	57,599	**57,599**	**42,005**	**10,623**	**4,971**	**-**

e. Credit risk exposures

For financial instruments, credit risk arises from the potential failure of counterparties to meet their financial obligations under their respective contracts. A material exposure arises from OTC swap contracts and the consolidated group is exposed to loss in the event that counterparties fail to settle the contracted amounts. A significant portion of the consolidated group's hedge contracts, and consequent credit risk, are with the two major electricity retailers in the Queensland market. The consolidated group also has a concentration of credit exposure to the National Electricity Market, operated by the Australian Energy Market Operator (AEMO).

To manage credit risk appropriately, the consolidated group has policies in place to ensure transactions, which may result in credit risk, either involve counterparties of appropriate credit quality, or that sufficient security is obtained. Overall credit risk is maintained within parameters specified by the Board so that a material loss on account of credit risk is relatively low. Financial derivative counterparties are limited to those that are at least investment grade (as determined by recognised providers of credit rating information), or alternatively provide credit enhancement. The consolidated group also uses International Swap and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts payable to and receivable from individual counterparties. Cash investments are limited to high quality counterparties.

The carrying amount of the consolidated group's financial assets (as disclosed in Notes 10, 11 and 13) represents the maximum exposure to credit risk at reporting date. None of the consolidated group's financial assets were past due or impaired as at 30 June 2013. A summary of the credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as reflected in the following table:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents				
AA+ to AA-	152,887	245,613	136,379	227,978
Total	**152,887**	**245,613**	**136,379**	**227,978**
Trade and other receivables				
AA+ to AA-	30,403	1,360	24,416	1,360
A+ to A-	12,000	14,991	12,000	14,991
BBB+ to BBB-	9,154	6,944	9,154	6,944
AEMO	48,683	26,407	5,212	2,494
Other non-rated (1)	46,584	60,761	47,573	58,891
Total	**146,824**	**110,463**	**98,355**	**84,680**
Derivative financial assets				
AA+ to AA -	47,753	17,480	47,753	17,480
A+ to A-	9,243	14,958	9,243	14,958
BBB+ to BBB-	17,803	25,161	17,803	25,161
Total	**74,799**	**57,599**	**74,799**	**57,599**

(1) The other non-rated receivables relate to amounts provided for but not invoiced as at 30 June 2013. Balances primarily represent receivables due from Gladstone Power Station participants in relation to the Interconnection & Power Pooling Agreement (IPPA) and the Power Purchase Agreement (Boyne Smelter Additional Load), receivables from non-rated retail customers and payments from broker for the Wivenhoe Fire insurance claim.

f. Interest rate risk

The consolidated group is exposed to changes in interest rates via its borrowings.

The consolidated group's financier, Queensland Treasury Corporation (QTC), provides loan facility arrangements to assist in managing this risk. The consolidated group specifies to QTC the overall target term structure of its debt portfolio and the weighting of various component maturities of debt. The term structure of the debt is set to reduce exposure to adverse interest rate movements, match underlying business cash flows and reduce the overall cost of funding. The consolidated group's pricing for the debt is set based on QTC's financing cost to issue its own debt instruments of equivalent terms.

Sensitivity analysis

(a) Fair value sensitivity for fixed rate instruments

The consolidated group does not account for any fixed rate borrowings at fair value through profit or loss, nor are derivatives used to hedge these borrowings under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date does not affect profit or loss, or equity.

(b) Fair value sensitivity for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased (decreased) equity at 30 June 2013 and profit or loss for the year by the amounts shown in the following table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as 2012.

	Profit or Loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	$'000	$'000	$'000	$'000
Variable rate borrowings				
30 June 2013	(424)	463	(424)	463
30 June 2012	(590)	560	(590)	560

g. Fair values

The carrying amounts shown in the balance sheet of the consolidated group and the parent, except for loans from QTC (refer Note 21), approximate their fair value.

The fair value of Loans from QTC together with the carrying amount shown in the balance sheet of the consolidated group and parent, is as follows:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Carrying amount	824,310	824,972	824,310	824,972
Fair value	892,400	907,317	892,400	907,317

The fair value of loans from QTC is inclusive of costs which would be incurred on settlement of the liability.

The fair value is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Where borrowings are carried at an amount above or below net fair value in the balance sheet, those borrowings have not been adjusted up or down to reflect the net fair value as at 30 June 2013, as they will be retained to maturity.

Fair value hierarchy

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2013				
Derivative financial assets				
Electricity contracts	2,973	58,949	12,877	74,799
	2,973	**58,949**	**12,877**	**74,799**
Derivative financial liabilities				
Electricity contracts	3,479	115,241	22,813	141,533
	3,479	**115,241**	**22,813**	**141,533**
30 June 2012				
Derivative financial assets				
Electricity contracts	49,458	8,141	-	57,599
	49,458	**8,141**	**-**	**57,599**
Derivative financial liabilities				
Electricity contracts	51,011	16,837	-	67,848
	51,011	**16,837**	**-**	**67,848**

Parent	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2013				
Derivative financial assets				
Electricity contracts	2,973	58,949	12,877	74,799
	2,973	**58,949**	**12,877**	**74,799**
Derivative financial liabilities				
Electricity contracts	3,479	115,241	22,813	141,533
	3,479	**115,241**	**22,813**	**141,533**
30 June 2012				
Derivative financial assets				
Electricity contracts	49,458	8,141	-	57,599
	49,458	**8,141**	**-**	**57,599**
Derivative financial liabilities				
Electricity contracts	51,011	16,837	-	67,848
	51,011	**16,837**	**-**	**67,848**

h. Capital management

The consolidated group's objectives when managing capital are to safeguard the consolidated group's ability to continue as a going concern, so it can provide returns for the shareholder and benefits for other stakeholders, as well as maintain a capital structure aimed at achieving an investment grade credit rating, thereby optimising the consolidated group's cost of capital.

In order to maintain or adjust the capital structure, the consolidated group may apply to the shareholding Ministers for additional equity, or divest itself of some or all of its assets in order to reduce debt or pursue new investment opportunities.

Consistent with other industry participants, the consolidated group monitors capital on the basis of its gearing ratio. This ratio is calculated by dividing net debt by net debt plus equity. Net debt is calculated as total borrowings less cash and cash equivalents. Equity is calculated as 'equity' shown in the balance sheet excluding reserves associated with cash flow hedging activities.

The gearing ratios for the consolidated group at 30 June 2013 and 30 June 2012 were as follows:

	Consolidated	
	2013	2012
Net debt ($'000)	671,423	579,359
Adjusted equity ($'000)	343,109	383,383
Gearing ratio (%)	66.2	60.2

14. Non-current assets - Other receivables

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Loans to related parties	-	-	1,005,605	1,135,513
Impairment allowance (1)	-	-	(138,535)	(168,385)
	-	**-**	**867,070**	**967,128**

(1) Impairment allowance relates to the provision for non-recovery of loans to related parties.

Further information regarding loans to related parties is set out in Note 34.

15. Non-current assets - Equity accounted investments

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest in jointly controlled entities	1	1	-	-

The interests in the jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by a subsidiary of the consolidated group (Note 36).

16. Non-current assets - Other non-current assets

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial				
Shares in subsidiaries	**-**	**-**	**93,612**	**93,612**

These financial assets are carried at cost.

Further information relating to shares in subsidiaries is set out in Note 35.

17. Non-current assets - Property, plant and equipment

Consolidated	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land and Buildings $'000	Total $'000
Movements for the year ended 30 June 2012							
Opening net book amount	860,866	15,805	13,676	89,175	21,467	59,425	1,060,414
Assets transferred from Tarong	46,160	4,071	19,557	2,096	24,420	-	96,304
Additions	18,219	28,098	8,252	78,840	115	-	133,524
Transfers between asset classes	39,658	25,648	(17,558)	(70,010)	(4)	22,266	-
Disposals	(1)	-	(54)	-	-	-	(55)
Depreciation	(47,466)	(26,689)	(8,061)	-	(1,781)	(2,177)	(86,174)
Closing net book amount	**917,436**	**46,933**	**15,812**	**100,101**	**44,217**	**79,514**	**1,204,013**
At 30 June 2012							
Cost	1,539,189	126,941	61,043	100,101	49,717	90,476	1,967,467
Accumulated depreciation and impairment losses	(621,753)	(80,008)	(45,231)	-	(5,500)	(10,962)	(763,454)
Net book amount	**917,436**	**46,933**	**15,812**	**100,101**	**44,217**	**79,514**	**1,204,013**
Movements for the year ended 30 June 2013							
Opening net book amount	917,436	46,933	15,812	100,101	44,217	79,514	1,204,013
Additions	16,598	31,815	952	21,109	-	221	70,695
Transfers between asset classes	5,207	16,407	3,362	(22,148)	1	(2,829)	-
Depreciation	(47,431)	(30,743)	(6,288)	-	(1,787)	(2,189)	(88,438)
Disposals	-	(3,654)	(40)	(25)	-	-	(3,719)
Closing net book amount	**891,810**	**60,758**	**13,798**	**99,037**	**42,431**	**74,717**	**1,182,551**
At 30 June 2013							
Cost	1,560,994	171,640	64,273	99,037	49,717	87,355	2,033,016
Accumulated depreciation	(669,184)	(110,882)	(50,475)	-	(7,286)	(12,638)	(850,465)
Net book amount	**891,810**	**60,758**	**13,798**	**99,037**	**42,431**	**74,717**	**1,182,551**

Parent	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land and Buildings $'000	Total $'000
Movements for the year ended 30 June 2012							
Opening net book amount	27,590	6,141	6,376	54,202	-	8,982	103,291
Assets transferred from Tarong	46,161	4,072	452	2,096	-	1,070	53,851
Additions	14,393	-	2,054	30,606	-	-	47,053
Transfers between asset classes	39,658	25,648	4,708	(70,010)	(4)	-	-
Disposals	(1)	-	(55)	-	-	-	(56)
Depreciation	(7,621)	(14,812)	(5,567)	-	-	(177)	(28,177)
Closing net book amount	**120,180**	**21,049**	**7,968**	**16,894**	**(4)**	**9,875**	**175,962**
At 30 June 2012							
Cost	444,236	67,125	43,417	16,894	(4)	11,593	583,261
Accumulated depreciation and impairment losses	(324,056)	(46,076)	(35,449)	-	-	(1,718)	(407,299)
Net book amount	**120,180**	**21,049**	**7,968**	**16,894**	**(4)**	**9,875**	**175,962**
Movements for the year ended 30 June 2013							
Opening net book amount	120,180	21,049	7,968	16,894	(4)	9,875	175,962
Additions	10,346	10,683	719	14,146	-	160	36,054
Transfers between asset classes	(10,546)	14,819	905	(4,603)	-	(575)	-
Depreciation	(9,076)	(16,212)	(3,885)	-	-	(184)	(29,357)
Disposals	-	-	(13)	(25)	4	-	(34)
Closing net book amount	**110,904**	**30,339**	**5,694**	**26,412**	**-**	**9,276**	**182,625**
At 30 June 2013							
Cost	444,036	92,736	43,894	26,412	-	10,769	617,847
Accumulated depreciation	(333,132)	(62,397)	(38,200)	-	-	(1,493)	(435,222)
Net book amount	**110,904**	**30,339**	**5,694**	**26,412**	**-**	**9,276**	**182,625**

18. Non-current assets - Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation and other closure costs $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2011	**7,167**	**5,972**	**14,912**	**12,204**	**53,195**	**93,450**
Charged/(credited) to profit or loss	(11,857)	1,514	1,103	-	(29,335)	(38,575)
Under provision prior year	-	-	-	-	571	571
Charged directly to equity	7,764	72,254	-	-	12,134	92,152
Current year tax losses recognised	-	-	-	47,932	-	47,932
	(4,093)	**73,768**	**1,103**	**47,932**	**(16,630)**	**102,080**
At 30 June 2012	**3,074**	**79,740**	**16,015**	**60,136**	**36,565**	**195,530**
Charged/(credited) to profit or loss	(1,486)	(13,085)	1,293	-	17,107	3,829
Under provision prior year	-	-	-	-	1,118	1,118
Charged directly to equity	6,695	-	-	-	(2,255)	4,440
Current year tax losses recognised	-	-	-	16,653	-	16,653
Net deferred tax assets at 30 June 2013	**8,283**	**66,655**	**17,308**	**76,789**	**52,535**	**221,570**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation and other closure costs $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2011	**7,167**	**5,470**	**9,179**	**12,204**	**37,261**	**71,281**
Charged/(credited) to profit or loss	(11,857)	1,475	562	-	(30,039)	(39,859)
Under provision prior year	-	-	-	-	659	659
Charged directly to equity	7,764	72,254	-	-	12,134	92,152
Current year tax losses recognised	-	-	-	47,932	-	47,932
	(4,093)	**73,729**	**562**	**47,932**	**(17,246)**	**100,884**
At 30 June 2012	**3,074**	**79,199**	**9,741**	**60,136**	**20,015**	**172,165**
Charged/(credited) to profit or loss	(1,486)	(13,200)	(1,089)	-	1,797	(13,978)
Under provision prior year	-	-	-	-	1,161	1,161
Charged directly to equity	6,695	-	-	-	(2,255)	4,440
Current year tax losses recognised	-	-	-	16,653	-	16,653
Net deferred tax assets at 30 June 2013	**8,283**	**65,999**	**8,652**	**76,789**	**20,718**	**180,441**

19. Current liabilities - Trade and other payables

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade payables	119,219	127,491	50,359	93,311
Other payables	16,398	18,048	11,525	14,804
Unearned revenue (1)	16,530	5,252	12,753	3,829
	152,147	**150,791**	**74,637**	**111,944**

(1) Unearned Revenue represents income received in advance from retail customers and electricity contract premiums.

20. Current liabilities - Provisions

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Employee benefits	22,491	13,065	19,999	11,396
Onerous contracts (1)	34,124	45,700	34,124	45,700
	56,615	**58,765**	**54,123**	**57,096**

Employee benefits includes annual leave, vesting sick leave, long service leave and employee performance payments.

a. Movements in Provisions

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Onerous contracts (1)				
Carrying amount at start of year	45,700	-	45,700	-
Transfers in from Stanwell Corporation Limited	-	40,345	-	40,345
Provision used during the year	(51,154)	(42,779)	(51,154)	(42,779)
Reclassification to current liabilities	34,126	45,700	34,126	45,700
Finance costs	5,452	2,434	5,452	2,434
Carrying amount at end of year	**34,124**	**45,700**	**34,124**	**45,700**

b. Amounts not expected to be settled within 12 months

The entire amount of the provision for annual leave and vesting sick leave is presented as current, since the consolidated group does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the consolidated group does not expect all employees to take the entire amount of accrued leave or require payment within the next 12 months. The amounts outlined below reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Leave obligations expected to be settled after 12 months				
Annual leave	3,094	3,102	2,905	2,935
Vesting sick leave	112	271	112	227
	3,206	**3,373**	**3,017**	**3,162**

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. Based on past experience, the consolidated group does not expect all employees to take the entire amount of accrued long service leave or require payment within the next 12 months. The amounts outlined below reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Leave obligations expected to be settled after 12 months				
Long service leave	7,962	1,407	7,410	1,395
	7,962	**1,407**	**7,410**	**1,395**

21. Non-current liabilities – Borrowings

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Loans from QTC	824,310	824,972	824,310	824,972

All loans from the Queensland Treasury Corporation at 30 June 2013 are unsecured (2012: unsecured). Queensland Treasury Corporation has provided confirmation that facilities reported as at 30 June 2013 are available and not subject to change in the next 12 months (refer Note 1).

Financing arrangements

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Facility used at balance date				
QTC Facilities (1)	824,310	824,972	824,310	824,972
	824,310	**824,972**	**824,310**	**824,972**
Unused at balance date				
QTC Facilities (1)	577,360	576,698	577,360	576,698
QTC Facilities (2)	400,000	400,000	400,000	400,000
Bank loan facilities	-	1,000	-	1,000
Other facilities (3)	-	50,362	-	50,362
	977,360	**1,028,060**	**977,360**	**1,028,060**
Total facilities available				
QTC Facilities	1,801,670	1,801,670	1,801,670	1,801,670
Bank loan facilities	-	1,000	-	1,000
Other facilities	-	50,362	-	50,362
	1,801,670	**1,853,032**	**1,801,670**	**1,853,032**

(1) Unrestricted facilities, including a $225 million working capital facility.
(2) Access restricted to transactions associated with hedging and trading activities and compliance with conditions contained in CS Energy Limited's Australian Financial Services Licence.
(3) CS Energy Limited had access to approved facilities of $50.362 million via the State Borrowing Program which was approved on 15 July 2011 and expired on 15 July 2012.

22. Non-current liabilities - Deferred tax liabilities

Consolidated	Trade receivables $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Capital work in progress $'000	Other $'000	Total $'000
At 30 June 2011	4,548	2,412	23,122	34,986	23,646	88,714
Charged/(credited) to profit or loss	3,648	-	33,178	(29,745)	(20,632)	(13,551)
Under provision prior year	-	-	-	-	94	94
Charged directly to equity	-	(2,412)	1,604	-	12,737	11,929
At 30 June 2012	**8,196**	**-**	**57,904**	**5,241**	**15,845**	**87,186**
Charged/(credited) to profit or loss	2,731	102	1,336	(3,913)	1,382	1,638
Under provision prior year	-	-	-	-	170	170
Charged directly to equity	-	1,002	-	-	-	1,002
Net deferred tax liabilities at 30 June 2013	**10,927**	**1,104**	**59,240**	**1,328**	**17,397**	**89,996**

Parent	Trade receivables $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Capital work in progress $'000	Other $'000	Total $'000
At 30 June 2011	178	2,412	-	6,568	8,409	17,567
Charged/(credited) to profit or loss	818	-	-	(1,589)	(14,673)	(15,444)
Charged directly to equity	-	(2,412)	-	-	12,736	10,324
At 30 June 2012	**996**	**-**	**-**	**4,979**	**6,472**	**12,447**
Charged/(credited) to profit or loss	138	102	-	(4,657)	107	(4,310)
Charged directly to equity	-	1,002	-	-	-	1,002
Net deferred tax liabilities at 30 June 2013	**1,134**	**1,104**	**-**	**322**	**6,579**	**9,139**

23. Non-current liabilities – Provisions

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Employee benefits	1,325	10,916	989	10,234
Rehabilitation and site closure costs	57,695	53,383	28,840	32,470
Onerous contracts	153,775	187,901	153,775	187,901
	212,795	**252,200**	**183,604**	**230,605**

Employee benefits includes vesting sick leave and long service leave.

The non-current provision for long service leave includes all unconditional entitlements where employees have not completed the required period of service.

Reconciliation of movements in provisions

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Rehabilitation and site closure costs				
Carrying amount at start of year	53,383	49,707	32,470	30,594
Change from re-measurement	(33)	-	(5,595)	-
Provision used during the year	(5)	(143)	-	-
Finance costs	4,350	3,819	1,965	1,876
Carrying amount at end of year	**57,695**	**53,383**	**28,840**	**32,470**

Rehabilitation and site closure costs

Refer Note 1(o) for details relating to rehabilitation and site closure costs provisions.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Onerous contracts				
Carrying amount at start of year	187,901	-	187,901	-
Transfers in from Stanwell Corporation Limited	-	233,601	-	233,601
Reclassification to current liabilities	(34,126)	(45,700)	(34,126)	(45,700)
Carrying amount at end of year	**153,775**	**187,901**	**153,775**	**187,901**

Onerous contract provision for power pooling agreement

As part of the Generator Restructure, Stanwell Corporation Limited's interest in the Gladstone Interconnection and Power Pooling Agreement (IPPA) was transferred to CS Energy Limited on 1 July 2011.

The onerous contracts provision has been calculated by projecting the revenue and unavoidable expenditure attributable to the contract up to the contract expiry date and discounting back to present values using the consolidated group's cost of capital.

24. Non-current liabilities - Retirement benefit obligations

a. Superannuation plan

Some employees of the consolidated group are entitled to benefits from the industry multiple employer superannuation plan, the Energy Super Fund (ESF), on retirement, disability or death. The consolidated group has a defined benefit plan and a defined contribution plan. The defined benefit plan provides lump sum benefits based on years of service and final average salary. The defined contribution plan receives fixed contributions from consolidated group companies, on behalf of employees and the consolidated group's legal or constructive obligation is limited to these contributions. Other employees have exercised their right to have their superannuation contributions paid to their nominated superannuation funds.

Due to a combination of a higher than expected return on the actual investment plan assets and an increase in the discount rate (from 3.1% to 3.8%) used to calculate the present value of future cash flows for the defined benefit liability, the total fair value of the plan assets were greater than the present value of the future obligations in 2013 resulting in a defined benefit asset being recognised at 30 June 2013 (30 June 2012: Defined benefit liability recognised).

The following information in Notes 24(b) to 24(i) is in respect of the ESF defined benefit plan only. The expense recognized in relation to the defined contribution plan is disclosed in Note 8.

b. Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated and Parent	
	2013 $'000	2012 $'000
Present value of the defined benefit obligation	(72,169)	(81,446)
Fair value of defined benefit plan assets	75,296	75,056
	3,127	**(6,390)**
Net asset/(liability) before adjustment for contributions tax	3,127	(6,390)
Adjustments for contributions tax	552	(1,128)
	3,679	**(7,518)**

For the period up to 30 June 2013, the consolidated group contributed 10% of defined benefit member's salaries.

c. Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2013 $'000	2012 $'000
Cash	7,530	7,506
Equity instruments	37,648	37,528
Debt instruments	7,530	7,506
Property	7,530	7,506
Other assets	15,058	15,010
	75,296	**75,056**

d. Reconciliations

	Consolidated and Parent	
	2013 $'000	2012 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	82,574	97,760
Current service cost	3,554	4,421
Interest cost	2,432	4,960
Actuarial (gains) and losses recognised in equity	(5,401)	8,168
Benefits paid by the plan	(12,450)	(33,776)
Contributions by plan participants	908	1,041
Balance at the end of the year (net of contributions tax)	71,617	82,574
Reconciliation of the fair value of plan assets:		
Opening balance	75,056	105,801
Expected return on plan assets	4,391	6,232
Actuarial (gains) and losses recognised in equity	5,458	(6,783)
Contributions by group companies into the plan	1,933	2,541
Benefits paid by the plan	(12,450)	(33,776)
Contributions by plan participants	908	1,041
Balance at the end of the year	75,296	75,056

e. Amounts recognised in Statement of Comprehensive Income

	Consolidated and Parent 2013 $'000	2012 $'000
Current service cost	3,554	4,421
Interest cost	2,432	4,960
Expected return on plan assets	(4,391)	(6,232)
Total included in employee benefits expense	1,595	3,149
Actual return on plan assets	9,849	(551)

f. Amounts recognised in other comprehensive income

	Consolidated and Parent 2013 $'000	2012 $'000
Cumulative loss amount at the beginning of the year	(23,199)	(10,525)
Actuarial (loss)/gain recognised in the year	10,859	(12,674)
Cumulative loss amount at the end of year	**(12,340)**	**(23,199)**

A net defined benefit surplus of $2,277,000 was transferred out on 1 July 2011 to Stanwell Corporation Limited as part of the Restructure. This transfer has been included in the net assets / (liabilities) as at 30 June 2012 and deducted out of the actuarial loss.

g. Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated and Parent 2013	2012
Discount rate	3.8%	3.1%
Expected return on plan assets	6.0%	6.0%
Future salary increases - 1st year	3.5%	3.5%
Future salary increases - long term	4.0%	4.0%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes, as well as the expected and actual allocation of plan assets to these major categories, which resulted in the selection of a 6% (2012: 6%) rate of return (net of tax and fees).

h. Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals. The previous assessment as at 30 June 2010 was undertaken in early 2011 and the next actuarial review will be undertaken as at 30 June 2013.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution, which is expected to be a constant per centage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in the actuarial review as at 30 June 2010, the payment of employer contributions to the fund of 10% of salaries for employees who are members of the defined benefit section. For the period up to 30 June 2013, the consolidated group paid contributions to the fund of 10% of defined benefit members' salaries (2012:12%).

Total employer contributions expected to be paid by the consolidated group for the year ending 30 June 2014 will be a minimum of $1,764,161 (2012: $1,810,290) and a minimum of $1,631,164 for the parent (2012: $1,666,113). The total expected employer contributions for 2014 is lower than in prior years due to a number of defined benefit plan employees leaving CS Energy during the 2013 year.

i. Historic summary

Consolidated entity	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Defined benefit plan obligation	(72,169)	(81,446)	(98,966)	(92,735)	(83,541)
Plan assets	75,296	75,056	105,801	98,745	88,879
Surplus/(deficit)	3,127	(6,390)	6,835	6,010	5,338
Experience adjustments arising on plan liabilities	5,401	(8,168)	(1,791)	3,326	(3,517)
Experience adjustments arising on plan assets	5,458	(4,506)	2,733	(2,096)	(12,113)

25. Non-current liabilities - Other liabilities

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Unearned revenue (1)	**51,803**	**49,482**	**-**	**-**

(1) Unearned revenue represents funding received from the Renewable Energy Demonstration Program and Queensland State Government in respect to the commercialisation of the Kogan Creek Solar Boost project.

26. Reserves and Accumulated Losses

a. Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(k). Amounts are recognised in profit or loss when the associated hedged transaction affects income.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Opening balance at 1 July	(7,366)	9,833	(7,366)	9,833
Revaluation of electricity derivative contracts - gross	(30,444)	39,495	(30,444)	39,495
Electricity derivative contracts realised as revenue– gross	8,129	(64,064)	8,129	(64,064)
Deferred tax	6,695	7,370	6,695	7,370
Closing balance at 30 June	**(22,986)**	**(7,366)**	**(22,986)**	**(7,366)**

b. Accumulated losses

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Opening balance at 1 July	(731,032)	(699,206)	(609,364)	(354,860)
Net loss for the year	(47,875)	(51,458)	(105,664)	(221,341)
Net assets/(liabilities) transferred under Restructure	-	28,503	-	(24,292)
Actuarial gain/(loss) on the defined benefit plan, net of tax	7,601	(8,871)	7,601	(8,871)
Closing balance at 30 June	**(771,306)**	**(731,032)**	**(707,427)**	**(609,364)**

27. Contributed equity

a. Share capital

	2013 Shares	2012 shares
Ordinary shares-fully paid		
A Class (voting)	291,910,252	260,000,004
B Class (non-voting)	822,503,917	822,503,917
	1,114,414,169	1,082,503,921

The shares are held by the Treasurer and Minister for Trade and the Minister for Energy and Water Supply.

b. Movement in ordinary share capital

	2013 shares	2012 shares	2013 $'000	2012 $'000
A Class (voting)				
Contributed equity	291,910,252	260,000,004	291,910	260,000
Prior year adjustments	-	-	-	(129,390)
Opening balance at 1 July	-	-		130,610
Other owners contributions resulting from restructure 1 July 2011	-	-	-	(138,700)
Capital injection 6 September 2011	-	-	-	150,000
Capital injection 24 January 2012	-	-	-	150,000
Closing balance at 30 June	**291,910,252**	**260,000,004**	**291,910**	**291,910**
B Class (non-voting)				
Opening balance at 1 July	822,503,917	822,503,917	822,504	822,504
Closing balance at 30 June	**822,503,917**	**822,503,917**	**822,504**	**822,504**

c. Ordinary shares

Ordinary shares A and B class entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The consolidated group does not have authorised capital or par value in respect of its issued shares.

On a show of hands, every holder of A class ordinary shares, present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

d. Owners contributions

On 1 July 2011, assets and liabilities relating to CS Energy Limited, Stanwell Corporation Limited, and Tarong Energy Corporation Limited were transferred under the Restructure of the Government Owned Corporation generators. This resulted in the transfer of net liabilities of $138,700,336 which was designated by the shareholding Ministers to be adjusted against shareholder's contributed equity.

28. Dividends

There were no dividends paid or declared in respect of the current and prior year.

The dividend policy, as governed by the *Government Owned Corporations Act 1993*, is to pay a dividend equivalent to 80% (or a per centage approved by the shareholding Ministers, if different), of adjusted consolidated profit. Adjusted consolidated profit is profit after tax adjusted for specific non-cash or fair value adjustments.

29. Directors and executives disclosures

Whilst CS Energy Limited is not a disclosing entity and thus not required to comply with the disclosure requirements relating to executive remuneration included in accounting standard AASB 124 *Related Party Disclosures*, the note has been prepared on the basis of guidelines issued by the Queensland Treasurer, which are generally in accordance with the requirements of the standard.

a. Directors

The following persons were Directors of CS Energy Limited during the whole financial year, unless otherwise noted:

Non-executive Chairman:

Mr R Rolfe

Non-executive Directors:

- Ms T Dare
- Ms S Israel (resigned 13 July 2012)
- Mr J Hubbard
- Mr K Barker (resigned 4 July 2012)
- Mr G Simcoe (resigned 5 July 2012)
- Ms K Smith-Pomeroy
- Mr M Williamson
- Mr J Pegler (appointed 23 August 2012)
- Mr B Green (appointed 23 August 2012) ; stepped down temporarily on 25 March 2013 to act as CEO
- Mr S O'Kane (appointed 23 August 2012)
- Mr R Henricks (finished directorship 23 August 2012)

Principles used to determine the nature and amount of remuneration

Director remuneration is determined periodically by the Governor in Council under Schedule 1 Part 3 of the *Government Owned Corporations Act 1993*.

Superannuation

Directors receiving personal payments are also entitled to superannuation contributions.

Relationship between remuneration and entity's performance

Directors receive Director fees and committee fees only. No performance payments are made to Directors.

Remuneration

Details of the remuneration of each Director of CS Energy Limited, including their Director-related entities, are set out in the following table.

Name	Short-term employee benefits	Post employment	Total
	$'000	$'000	$'000
2013			-
R Rolfe (Chairman)	95	9	104
Ms T Dare	40	4	44
Ms S Israel (1)	3	-	3
Mr J Hubbard	39	3	42
Mr K Barker (2)	1	-	1
Mr G Simcoe (3)	1	-	1
Ms K Smith-Pomeroy	40	4	44
Mr M Williamson	40	4	44
Mr J Pegler (4)	33	4	37
M B Green (4)	24	2	26
Mr S O'Kane (4)	33	3	36
Mr R Henricks (7)	-	-	-
	349	**33**	**382**
2012			
R Rolfe (Chairman) (5)	7	1	8
D Byrne (former Chairman) (6)	81	7	88
Ms T Dare	40	4	44
Ms S Israel	35	4	39
Mr J Hubbard	38	3	41
Mr K Barker	39	5	44
Mr G Simcoe	39	4	43
Ms K Smith-Pomeroy	40	4	44
Mr M Williamson	40	4	44
Mr R Henricks (7)	-	-	-
	359	**36**	**395**

(1) Remuneration details for 2013 are in respect of the period 1 July 2012 to 13 July 2012.
(2) Remuneration details for 2013 are in respect of the period 1 July 2012 to 4 July 2012.
(3) Remuneration details for 2013 are in respect of the period 1 July 2012 to 5 July 2012.
(4) Remuneration details for 2013 are in respect of the period 23 August 2012 to 30 June 2013.
(5) Remuneration details for 2012 are in respect of the period 31 May 2012 to 30 June 2012.
(6) Remuneration details for 2012 are in respect of the period 1 July 2011 to 21 May 2012.
(7) No remuneration details as Director on unpaid leave of absence from 30 June 2011 to 23 August 2012.

Other transactions with Directors and Director-related entities

The Chairman, Mr R Rolfe, holds an executive role for Lend Lease. Lend Lease provides contract labour services for Coal and Ash at the Kogan Creek Power Station. Mr R Rolfe has no involvement in the part of Lend Lease that provides these services to the group and no involvement in the decision making process that related to their appointment. The engagement of Lend Lease to provide these services predates Mr R Rolfe's appointment to the group's Board.

A Director, Ms T Dare, is a Director of the Australian Institute of Management Graduate School. The Australian Institute of Management provided training services to the consolidated group on normal commercial terms and conditions.

A Director, Mr J Pegler, is an elected life member of the Queensland Resources Council. The consolidated group was a member of the Queensland Resources Council during the financial year and paid membership fees on normal commercial terms.

A Director, Ms T Dare, is a former partner of KPMG. KPMG provided accounting and taxation services to the consolidated group on normal commercial terms and conditions. A Director, Mr J Hubbard, is a former partner of PWC. PWC provided accounting and taxation services to the consolidated group on normal commercial terms and conditions. A Director, Mr S O'Kane, is a former partner of an accounting firm which merged with EY. EY provided consulting services to the consolidated group on normal commercial terms and conditions.

A former Director, Mr G Simcoe, is a Director of the Building Employees Redundancy Trust (BERT), BERT Training Queensland (BTQ), Construction Skills Training Centre (CSTC), Construction Income Protection Queensland (CIPQ), and BUSS (Queensland). BUSS (Queensland) provided superannuation services to employees of the consolidated group on normal commercial terms and conditions. No other services were provided to the consolidated group from the other companies listed.

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Lend Lease	652,092	-	-	-
Accounting and taxation services: PWC	250,468	362,385	247,056	362,385
Consulting services: EY	157,386	-	157,386	-
Training: Australian Institute of Management	82,553	70,445	82,553	70,445
Accounting and taxation services: KPMG	16,643	514,876	16,643	514,876
BUSS (Queensland)	6,790	5,628	95	3,507
Queensland Resources Council	14,026	-	14,026	-
	1,179,958	**953,334**	**517,759**	**951,213**

The amounts above are GST inclusive.

b. Executives

CS Energy has progressively pursued changes to the organisational structure at the Executive and the Senior Leadership Team level since the Generator Restructure came into effect on 1 July 2011. In late 2012, CS Energy commenced the implementation of a new organisational structure that was designed to shape CS Energy for future success. Since then, a new Executive Leadership Team structure has been established and changes have been made to the structures within some Divisions. The permanent CEO commenced on 5 August 2013.

The following executive management positions (which constitute "key management personnel") had the authority and responsibility for planning, directing and controlling the activities of the consolidated group during the financial year, all of whom, unless indicated, were employed by CS Energy Limited during the financial year:

- Chief Executive (including Acting Interim Chief Executive Officer)
- Chief Financial Officer
- Executive General Manager Safety , Reliability and Environment (to 15 January 2013)
- Program Director (from 16 January 2013)
- Executive General Manager Production (to 9 October 2012)
- Executive General Manager People, Systems and Risk (to 16 November 2012)
- Executive General Manager Commercial (to 4 November 2012)
- Executive General Manager Operations (from 29 January 2013)
- Executive General Counsel and Company Secretary (from 14 December 2012)
- Executive General Manager Market Strategy (from 26 November 2012)
- Acting Executive General Manager Planning and Execution (from 15 November 2012 to 30 November 2012)
- Group Manager Health, Safety, Security and Environment
- Group Manager People and Culture

Principles used to determine the nature and amount of remuneration

Executives receive a base salary (incorporating cash, allowances and non-monetary benefits), superannuation, other benefits and a performance payment. Executive remuneration is established by using external independent quantitative benchmarks to compare the position requirements with similar positions across a broad cross section of the labour market. The performance payment is up to a maximum of 15% of total fixed remuneration. Executive remuneration (and any change to executive remuneration) requires approval of the Board of Directors, in accordance with the Government Owned Corporations Governance Arrangements for Chief and Senior Executives.

Relationship between remuneration and entity's performance

The remuneration for executives is designed to attract and retain executives with the calibre necessary to ensure the organisation's success. The performance payment is conditional upon attainment of specified and measurable performance outcomes compared to Key Performance Indicators (KPIs). The KPIs are directly related to measures the Board of Directors considers to be indicators of good corporate performance.

Service contracts

All executive appointments are approved by the CS Energy Limited Board of Directors in accordance with the Government Owned Corporations Governance Arrangements for Chief and Senior Executives.

The remuneration and other terms of employment for each executive is specified in individual employment agreements. Annual adjustments to the remuneration are made in accordance with CS Energy Remuneration Policy for Senior Executives as approved by the shareholding Ministers. The agreement provides a total remuneration package that enables each executive to receive a range of benefits including a motor vehicle and superannuation.

The contractual arrangements for the former Chief Executive (initial contract commenced 24 December 2007) include the following terms:

- Employment term - initial contract was extended by a further 2 years until 23 December 2012, with an option for CS Energy to extend under a new agreement. Termination date: 4 October 2012;
- Remuneration reviewed annually;
- Total remuneration as outlined in the following table;
- Termination notice of not less than 6 months written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of the greater of 13 weeks' salary, or a sum representing 2 weeks'

salary per year of continuous service with CS Energy up to a maximum of 52 weeks' salary, if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equal to the greater of 13 weeks' salary or two weeks' salary per year of continuous service with CS Energy Limited up to a maximum of 52 weeks' salary; and a separation payment, equal to the greater of 13 weeks' salary or a sum equal to 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Acting Interim Chief Executive Officer (contract commenced 5 October 2012) included the following terms:

- Employment term - 6 months expiring 5 April 2013 or as agreed upon appointment by the Board of the permanent Chief Executive Officer;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 1 month written notice by either party (other than for disciplinary or incapacity reasons); and
- Payment of a termination benefit on early termination (other than for disciplinary reasons) a payment equal to 1 months' salary.

The contractual arrangements for the Acting Interim Chief Executive Officer (contract commenced 25 March 2013) included the following terms:

- Employment term - initial contract extended to 12 August 2013, or as agreed upon commencement of the permanent Chief Executive Officer;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 1 month written notice by either party (or the period from the date of the notice period to the termination date, whichever is the lesser) (other than for disciplinary or incapacity reasons); and
- Payment of a termination benefit on early termination, other than for disciplinary reasons, equal to the notice period of 1 months' salary, provided that the Executive does not receive payment of Directors Fees until the end of that notice period.

The contractual arrangements for the Executive General Manager Commercial and Chief Financial Officer (contract commenced 13 June 2008) include the following terms:

- Employment term - 3 years expiring 13 June 2011 with an opportunity to either extend beyond the termination date under the existing agreement or extend beyond the termination date under the terms of a new agreement. The CS Energy Board of Directors extended the existing contract by a further 2 years, to 13 June 2013;
- Termination date: 30 November 2012;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of 12 weeks remuneration, if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary reasons) equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The consultancy contractual arrangements for the Acting Chief Financial Officer (contract commenced 28 November 2012) included the following terms:

- Employment term - 2 months expiring 28 January 2013
- Total remuneration, as outlined in the following table; and
- Termination notice of not less than 2 weeks' written notice by either party (or by the company making a pro-rata payment of the monthly fee in lieu of notice).

The contractual arrangements for the Chief Financial Officer (contract commenced 29 January 2013) included the following terms:

- Employment term - 3 years expiring 29 January 2016 with an opportunity to either extend beyond the termination date for a further 2 years under the existing agreement or extend beyond the termination date under the terms of a new agreement;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 1 week's written notice by either party for the period 29 January 2013 to 29 July 2013, or from 30 July 2013 termination notice of not less than 3 months' written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Executive General Manager Safety, Reliability and Environment (contract commenced 23 July 2008) (to 15 January 2013) and Program Director (from 16 January 2013) include the following terms:

- Employment term - 3 years expiring 31 August 2011 with an opportunity to either extend beyond the termination date under the existing agreement or extend beyond the termination date under the terms of a new agreement. The CS Energy Board of Directors has extended the existing contract by a further 2 years, to 31 August 2013.
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;

- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons); and
- Payment of a severance payment of 12 weeks remuneration, if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Executive General Manager Production (contract commenced 2 July 2008) include the following terms:

- Employment term - open tenure;
- Termination date: 9 October 2012;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons);
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks); and
- If the executive is terminated for reasons other than voluntary separation, disciplinary or incapacity reasons, they are entitled to 26 weeks salary reduced by notice period on termination.

The contractual arrangements for the Executive General Manager People, Systems and Risk (contract commenced 9 June 2009) included the following terms:

- Employment term - 3 years expiring 13 July 2012 with an opportunity to extend beyond the termination date under the existing agreement or extend beyond the termination date under the terms of a new agreement. The CS Energy Board of Directors extended the existing contract by a further 2 years, to 13 July 2014;
- Termination date: 16 November 2012;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Executive General Manager Operations (contract commenced 29 January 2013) included the following terms:

- Employment term - 3 years expiring 29 January 2016 with an opportunity to either extend beyond the termination date for a further 2 years under the existing agreement or extend beyond the termination date under the terms of a new agreement;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Executive General Counsel and Company Secretary (contract commenced 14 December 2012) included the following terms:

- Employment term - 3 years expiring 14 December 2015 with an opportunity to either extend beyond the termination date for a further 2 years under the existing agreement or extend beyond the termination date under the terms of a new agreement;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons);
- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Executive General Manager Market Strategy (contract commenced 26 November 2012) included the following terms:

- Employment term - 3 years expiring 26 November 2015 with an opportunity to either extend beyond the termination date for a further 2 years under the existing agreement or extend beyond the termination date under the terms of a new agreement;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 6 months written notice by either party (other than for disciplinary or incapacity reasons);

- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination (other than for disciplinary or incapacity reasons), equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the Acting Executive General Manager Planning and Execution (contract commenced 15 November 2012) included the following terms:

- Employment term - reviewed every 3 months;
- Total remuneration, as outlined in the following table; and
- Termination notice of not less than 7 days written notice by CS Energy;

The contractual arrangements for the Group Manager Health, Safety, Security and Environment (contract commenced 11 February 2013) included the following terms:

- Employment term - open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 1 months written notice by either party; and
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks).

The contractual arrangements for the Group Manager People and Culture (contract commenced 17 October 2011) included the following terms:

- Employment term - open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table
- Termination notice of not less than 1 week's written notice by the employee within the probation period 17 October 2011 to 17 April 2012; or from 18 April 2012 not less than 1 months written notice by either party;
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks).

The contractual arrangements for the Acting Executive General Manager Planning and Execution (Acting for the period 5 November 2012 to 30 November 2012) included the following terms:

- Employment term - open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table
- Termination notice of not less than 1 months written notice by either party;
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks).

The contractual arrangements for the Group Manager Safety, Environment and Quality (contract commenced 21 November 2005) included the following terms:

- Employment term - open tenure;
- Termination date - 11 January 2013;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table
- Termination notice of not less than 3 months written notice by either party;
- Should the position become redundant, a payment equal to 6 months' salary; and a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks and payment for an additional four weeks' salary).

Impact of remuneration contracts on future periods

No specific contract terms of any executive affect remuneration of future periods, other than as disclosed in this report and the right to receive annual adjustments based on labour market escalation in the Industry and Services market.

Performance related bonuses

The Board of Directors approves executive performance payments each year, immediately after the financial year to which the performance payment relates. Scorecards for individual executives are set by the Board of Directors.

The scorecards have an organisational focus and align with short, medium and long term goals for CS Energy.

Performance indicators have a balance of financial and non-financial outcomes including a focus on operational issues such as productivity, service delivery, safety and compliance with relevant Government policies.

Remuneration

Details of the remuneration of each executive of CS Energy Limited, including their executive-related entities, are set out in the following table:

	Short-term employee benefits $'000	Post employment benefits $'000	Performance payments $'000	Termination benefits $'000	Total $'000
2013					
Chief Executive (1)	642	58	-	621	1,321
Executive General Manager Safety, Reliability and Environment (2)	94	11	-	-	105
Program Director (3)	136	11			147
Executive General Manager Production (4)	85	8	-	221	314
Executive General Manager People, Systems and Risk (5)	103	9	-	263	375
Chief Financial Officer (6)(7)	260	16		229	505
Executive General Manager Commercial (8)	94	9			103
Executive General Manager Market Strategy (9)	202	15	-	-	217
Executive General Manager Operations (10)	241	21			262
Executive General Manager Planning and Execution (11)(12)	117	2			119
Executive General Counsel and Company Secretary (13)	162	15	-	-	177
Group Manager Health, Safety, Security and Environment (14)	215	17		196	428
Group Manager People and Culture	192	19	-	-	211
	2,543	**211**	**-**	**1,530**	**4,284**
2012					
Chief Executive	534	52	-	-	586
Executive General Manager Commercial (15)	299	31	-	-	330
Executive General Manager Asset Strategy	302	38	-	-	340
Executive General Manager Production	311	31	-	-	342
Executive General Manager Corporate	292	27	-	-	319
Chief Financial Officer (16)	1	1	-	154	156
Executive General Manager Portfolio Services (17)	1	-	-	72	73
Executive General Manager Trading (18)	190	21	-	77	288
	1,930	**201**	**-**	**303**	**2,434**

(1) Remuneration details for 2013 include Acting Chief Executive Officers for the period 5 October 2012 to 30 June 2013. Includes termination payment made to Chief Executive who terminated on 4 October 2012.
(2) Remuneration details for 2013 for the period 1 July 2012 to 15 January 2013.
(3) Remuneration details for 2013 for the period 16 January 2013 to 30 June 2013
(4) Remuneration details for 2013 for the period 1 July 2012 to 9 October 2012
(5) Remuneration details for 2013 for the period 1 July 2012 to 16 November 2012
(6) Remuneration details for 2013 for two incumbents for the period 5 November 2012 to 30 November 2012 and 29 January 2013 to 30 June 2013
(7) Total includes remuneration details for 2013 for a consultancy contract for the period 28 November 2012 to 28 January 2013
(8) Remuneration details for 2013 for the period 1 July 2012 to 4 November 2012. The responsibilities were incorporated into the Chief Financial Officer position from 5 November 2012.
(9) Remuneration details for 2013 for the period 26 November 2012 to 30 June 2013.
(10) Remuneration details for 2013 for the period 29 January 2013 to 30 June 2013
(11) Remuneration details for 2013 for the Acting period 15 November 2012 to 30 November 2012.
(12) Total includes remuneration details for 2013 for a consultancy contract for the period 15 November 2012 to 26 June 2013.
(13) Remuneration details for 2013 for the period 14 December 2012 to 30 June 2013
(14) Remuneration details for 2013 for the position of Group Manager Health, Safety, Environment and Quality, and Group Manager Health, Safety, Security and Environment.
(15) Holds Public Officer designation. Interim position created on 6 February 2012 incorporating the former Finance and Trading functions as a result of a proposed Executive restructure.
(16) Position ceased 5 February 2012 and responsibilities were incorporated into interim position of Executive General Manager Commercial.
(17) Position ceased 30 June 2011. The responsibilities were incorporated into the new position of Executive General Manager Asset Strategy.
(18) Position ceased 5 February 2012 as a result of the proposed Executive restructure. Role incorporated into interim Executive General Manager Commercial.

Except as otherwise disclosed, this disclosure relates to the total compensation provided by CS Energy Limited in respect of each position.

Other transactions with executive and executive-related entities

There were no other transactions with executives, including their executive-related entities.

30. Employee performance payments

The following discloses the aggregate at-risk performance payments and salary and wages paid to all employees who received an at-risk performance payment:

	2013 $'000	2012 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	-	55
Senior Executives	-	143
Contract employees	-	2,510
Enterprise Bargaining Agreement employees	809	560
	809	3,268
Aggregate remuneration (including at risk-performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	34,050	76,392
Number of employees to whom a performance payment is paid	290	541

At risk performance incentive remuneration in this or future reporting periods is dependent upon satisfaction of targets approved by the board at the start of each financial year.

Employee category	Nature of remuneration granted
Chief Executive Officer	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Senior Executives	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Contract employees	At-risk performance incentive payable in cash (cap of 15% of base remuneration)
Enterprise Bargaining Agreement employees	At-risk performance incentive payable in cash (cap of 12% of base remuneration Wivenhoe EBA) ; (cap of $3,214 Corporate EBA) (3) ; (cap of $3,495 Callide EBA) (3)

(1) Performance payment paid in the year indicated, but relates to the prior financial year. Performance payments are not authorised until the Board approves them and a balance is currently provided for in Note 20 under Employee benefits.

(2) Total remuneration includes base salary, overtime payments, other work-related allowances, performance payments and superannuation.

(3) Indexed annually for Consumer Price Index per the Enterprise Bargaining Agreement.

31. Remuneration of auditors

Remuneration for audit or review of the financial reports of the parent or any entity in the consolidated group

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Audit and other assurance services	299,500	297,000	299,500	297,000
	299,500	**297,000**	**299,500**	**297,000**

Manzillo Insurance (PCC) Limited - Cell EnMach is audited by PricewaterhouseCoopers CI LLP (Guernsey). All other entities are audited by The Auditor-General of Queensland.

32. Commitments for expenditure

a. Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable as follows:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Capital commitments				
Property, plant and equipment				
Within one year	46,241	61,814	29,727	-
Later than one year, but not later than five years	61,490	27,941	11,915	-
Total capital commitments	**107,731**	**89,755**	**41,642**	**-**

b. Operating lease commitments - group as lessee

Commitments for operating leases contracted for at the reporting date predominately represent a long term non cancellable operating lease under the Gladstone Interconnection and Power Pooling Agreement.

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating lease commitments - group as lessee				
Within one year	51,291	54,670	51,291	54,670
Later than one year, but not later than five years	185,969	156,762	185,969	156,762
Later than five years	683,753	537,643	683,753	537,643
Total operating lease commitments	**921,013**	**749,075**	**921,013**	**749,075**

c. Other expenditure commitments

Commitments for other operating expenditure contracted for at the reporting date but not recognised as liabilities, payable as follows:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Other expenditure commitments				
Within one year	163,652	70,261	76,537	2,144
Later than one year, but not later than five years	401,175	268,066	126,669	9,124
Later than five years	333,781	374,324	146,696	43,648
Total other expenditure commitments	**898,608**	**712,651**	**349,902**	**54,916**

33. Contingent liabilities

As CS Energy Limited considers that the probability of an outflow of material economic benefits is remote, specific details about contingent liabilities have not been disclosed.

34. Related parties

a. Directors and executives

Disclosures relating to Directors and Senior Executives are set out in Note 29.

b. Parent entities

The parent entity within the consolidated group is CS Energy Limited. The ultimate controlling party is the State of Queensland.

c. Investments in controlled entities

Details of investments in controlled entities are set out in Note 35.

d. Transactions with related parties

Transactions between CS Energy Limited and other entities in the wholly-owned consolidated group during the year;

(a) Loans advanced by CS Energy Limited;
(b) Insurance provided by Manzillo Insurance (PCC) Limited;
(c) Dividends paid to controlling entity; and
(d) Transactions between CS Energy Limited and its wholly-owned controlled entities under the tax sharing agreement described in Note 9.

Interest is charged on loans only to the extent that capitalisation is adopted in accordance with AASB 123 Borrowing Costs. There was no interest charged on these loans during 2013 (2012 - nil).

Related party transactions and balances

	Parent	
	2013 $'000	2012 $'000
The following transactions occurred with related parties		
Other Income	2,500	-
	2,500	**-**
The following balances are outstanding at reporting date in relation to transactions with related parties		
Non-current receivable - loans to related parties	**867,070**	**967,128**
Loans to subsidiaries		
Balance at 1 July	967,128	1,253,308
Loans advanced	350,434	236,231
Loan repayments received	(480,342)	(245,633)
Loans transferred (1)	-	(108,393)
Impairment allowance	29,850	(168,385)
Balance at 30 June	**867,070**	**967,128**

(1) Loan to CS Energy Mica Creek Pty Limited transferred on 1 July 2011 to Stanwell Corporation Limited. On 25 November 2010 the Queensland Government announced the Restructure of the three Queensland Government Owned Corporation generators, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Corporation Limited. The effective date of the transfer was 1 July 2011. The results of the Restructure have been incorporated into the consolidated group's financial statements.

The terms and conditions of the tax funding agreement are set out in Note 9.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. There was no interest charged on loans during the year (2012 - nil).

Outstanding balances are unsecured and are repayable in cash.

e. State controlled entities

CS Energy Limited enters into transactions with parties who are ultimately controlled by the State of Queensland as part of its normal operations on terms equivalent to those that prevail in arms length transactions.

Transactions between the consolidated group and other state controlled entities during the financial year and balances at year-end are classified in the following categories:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Statement of Comprehensive Income				
Amounts included in revenue (1)	(18,618)	15,730	(18,618)	15,629
Amounts included in cost of sales and other expenses	(39,386)	(20,147)	(33,738)	(14,946)
Amounts included in finance costs	(65,312)	(62,519)	(65,312)	(62,519)
Balance sheet				
Amounts included in trade and other receivables	113	809	113	697
Amounts included in trade and other payables	6,106	5,619	5,957	4,858
Amounts included in borrowings	824,310	824,972	824,310	824,972

(1) Reflects contract for difference settlement with the counterparty

35. Investments in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	2013 Equity Holding %	2012 Equity Holding %
Callide Energy Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Station Pty Ltd	Australia	Ordinary	100	100
Aberdare Collieries Pty Ltd	Australia	Ordinary	100	100
CS Energy Kogan Creek Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Pty Ltd	Australia	Ordinary	100	100
CS Kogan (Australia) Pty Ltd	Australia	Ordinary	100	100
CS Energy Group Holdings Pty Ltd	Australia	Ordinary	100	100
CS Energy Group Operations Holdings Pty Ltd	Australia	Ordinary	100	100
CS Energy Oxyfuel Pty Ltd	Australia	Ordinary	100	100
Manzillo Insurance (PCC) Ltd - Cell EnMach	Guernsey	Ordinary	100	100

36. Interests in joint ventures

a. Jointly controlled assets

The consolidated group has a 50% participating interest in the Callide Power Project Joint Venture, which is represented by Callide Energy Pty Ltd's interest of 50% in the joint venture (Callide Energy Pty Ltd is a wholly-owned subsidiary of CS Energy Limited). IG Power (Callide) Ltd, an unrelated entity, holds the remaining 50% interest.

The consolidated group has a 75.22% participating interest in the Callide Oxyfuel Project Joint Venture, a project involved in clean coal technology research. Grants are receivable from both government and non-government entities to fund the project on the basis that certain project milestones are met.

The consolidated group's share of assets employed in the joint ventures is included in the balance sheet under the following classifications:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets				
Cash	3,207	105	-	-
Inventories	4,526	3,858	-	-
Receivables	6,909	514	-	-
Total current assets	14,642	4,477	-	-
Non-current assets				
Property, plant and equipment	123,232	117,969	-	-
Share of assets employed in joint venture	**137,874**	**122,446**	**-**	**-**

b. Jointly controlled entities

		Ownership interest		Carrying amount	
Name of entity	Principal activity	2013 %	2012 %	2013 $	2012 $
Callide Power Management Pty Ltd	Joint Venture Manager	50	50	500	500
Callide Power Trading Pty Ltd	Electricity Marketing Agent	50	50	500	500
				1,000	**1,000**

	Consolidated	
	2013 $'000	2012 $'000
Movements in carrying amount of interests in jointly controlled entities		
Carrying amount at the beginning of the financial year	1	1
Carrying amount at the end of the financial year	**1**	**1**
Share of joint venture entities' assets and liabilities		
Current assets	1	1
Total assets	1	1
Total liabilities	-	-
Net assets	**1**	**1**
Share of joint venture entities' revenues, expenses and results		
Revenues	-	-
Expenses	-	-
Profit/(loss) before income tax	**-**	**-**

c. Joint venture commitments

The group's share of capital expenditure commitments in respect of joint ventures are:

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Capital expenditure commitments	64,518	43,423	-	-

37. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Loss for the year	(47,875)	(51,458)	(105,664)	(221,341)
Depreciation and amortisation	88,438	86,174	29,357	28,176
Fair value adjustment to derivatives	8,162	(40,084)	8,162	(40,084)
Net (gain) loss on sale of non-current assets	13	(201)	13	(201)
Onerous contract unwound	(51,154)	(40,345)	(51,154)	(40,345)
Provision for Non Recovery	-	-	(29,850)	168,385
Non-cash retirement benefits net income	(338)	-	(338)	-
Finance cost on provisions	9,802	-	7,417	-
Rehabilitation change in value	(11,115)	-	(11,115)	-
Change in operating assets and liabilities:				
(Increase) decrease in receivables	(10,352)	3,028	12,334	(4,057)
(Increase) decrease in inventories	(5,451)	12,224	(3,398)	8,514
(Increase) decrease in net deferred tax	(19,794)	(23,385)	(58,013)	(22,643)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	16,619	71,424	(38,488)	53,164
Net cash inflow (outflow) from operating activities	**(23,045)**	**17,377**	**(240,737)**	**(70,432)**

38. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' report.

It is a condition of the Class Order that CS Energy Limited and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Callide Energy Pty Ltd;
- Kogan Creek Power Station Pty Ltd;
- Aberdare Collieries Pty Ltd;
- CS Energy Kogan Creek Pty Ltd;
- Kogan Creek Power Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- CS Energy Group Holdings Pty Ltd;
- CS Energy Group Operations Holdings Pty Ltd; and
- CS Energy Oxyfuel Pty Ltd.

Manzillo Insurance (PCC) Ltd is included in the financial statements of the consolidated group but it is not a member of the Closed Group per ASIC CO 98/1418. The impact to the financial statements is deemed not to be material.

Summarised financial information on the aforementioned wholly-owned subsidiaries is presented in the following tables:

Subsidiary Name	Purpose	Total Assets ($'000)	Total Liabilities ($'000)	Total Revenue from Ordinary Activities ($'000)	Profit/(Loss) Before Income Tax ($'000)
2013					
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	146,202	263,232	138,494	14,656
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	895,247	917,677	331,827	75,808
Kogan Creek Power Pty Ltd	Provides labour to Kogan Creek power station	6,708	4,256	-	-
CS Energy Kogan Creek Pty Ltd	40% owner of Kogan Creek Power Pty Ltd	72,723	36,402	-	-
CS Kogan (Australia) Pty Ltd	60% owner of Kogan Creek Power Pty Ltd	518	31	-	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	270,179	228,050	-	596
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide Oxyfuel clean coal project	21,005	42,509	-	(1,838)
CS Energy Group Holdings Pty Ltd	Dormant entity	-	-	-	-
CS Energy Group Operations Holdings Pty Ltd	Dormant entity	-	-	-	-
		1,412,582	**1,492,156**	**470,320**	**89,222**
2012					
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	153,956	285,642	64,610	(5,680)
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	919,189	1,017,427	117,319	7,424
Kogan Creek Power Pty Ltd	Provides labour to Kogan Creek power station	6,860	4,408	-	-
CS Energy Kogan Creek Pty Ltd	40% owner of Kogan Creek Power Pty Ltd	72,710	36,389	-	-
CS Kogan (Australia) Pty Ltd	60% owner of Kogan Creek Power Pty Ltd	518	31	-	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	235,514	193,981	-	573
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide Oxyfuel clean coal project	15,859	35,526	-	(4,603)
CS Energy Group Holdings Pty Ltd	Dormant entity	-	-	-	-
CS Energy Group Operations Holdings Pty Ltd	Dormant entity	-	-	-	-
		1,404,607	**1,573,403**	**181,929**	**(2,287)**

Directors' declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 27 to 76 are in accordance with the *Corporations Act 2001*, including:
    (i) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations, the *Corporations Regulations 2001* and other mandatory professional reporting requirements), and
    (ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date.
(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
(c) There are reasonable grounds to believe that the Company and the group entities identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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

Mr R Rolfe
Chairman

Ms T Dare
Director

Brisbane
29 August 2013

Independent Auditor's Report

To the Members of CS Energy Limited

Report on the Financial Report

I have audited the accompanying financial report of CS Energy Limited, which comprises the balance sheets as at 30 June 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CS Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion –

(a) the financial report of CS Energy Limited is in accordance with the *Corporations Act 2001*, including –
   - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

george

N GEORGE CPA

(as Delegate of the Auditor-General of Queensland)

QUEENSLAND
30 AUG 2013
AUDIT OFFICE

Queensland Audit Office

Brisbane