2013/2014
ANNUAL REPORT

Contents

About CS Energy's Annual Report

The 2013/2014 Annual Report provides a detailed review of our financial and non-financial performance for the financial year from 1 July 2013 to 30 June 2014. 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 Limited (CS Energy) is a Queensland Government Owned Corporation established under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act). CS Energy's business includes the generation and sale of electricity, including trading electricity in the National Electricity Market (NEM) under the *Electricity Act 1994*. We have a unique mix of technology and an innovative approach that is powered by experienced, skilled and talented people.

At 30 June 2014, CS Energy employed 431 full time equivalent employees (FTEs) across our three power station sites and corporate office in Brisbane. This includes 17 FTEs at the Callide A Power Station, which are allocated to the Callide Oxyfuel Project. We own and operate the:

- Callide B Power Station (700 megawatts), near Biloela in Central Queensland;
- Kogan Creek Power Station (750 megawatts), near Chinchilla in South West Queensland; and
- Wivenhoe Power Station (500 megawatts), near Esk in South East Queensland.

CS Energy has a 50% interest in the 810 megawatt Callide C Power Station, as part of a joint venture with InterGen, and provides operations and maintenance services to the power station. CS Energy also provides operation and maintenance services for the Callide Oxyfuel Project at the 120 megawatt Callide A Power Station. This internationally funded R&D project is demonstrating the technology required to burn coal with low emissions. In addition, 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.

CS Energy is also 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	2012/2013	2013/2014
Lost time injury rate	2.58	4.1
Employee numbers (full time equivalent)[1,2]	454	431
Apprentices, trainees and graduates	31	23
Total energy sent out (GWhso)	16,664	15,203
Availability (%)	77.4	81.1
Reliability (%)	85.4	92.4
Greenhouse intensity (kgCO_{2-e}/MWhso)	971	870
Significant environmental incidents	0	0
Profit (loss) after tax ($000)	(47,875)	(59,898)
Queensland average pool price ($/MWh)	67.02	58.42
Gearing (%)[3]	65.8	72.7

1. Excludes contractors or externally employed apprentices and trainees.
2. Excludes voluntary redundancies.
3. Based on restated Balance Sheet for 2013 (refer to note 5 of the Financial Report).

2013/2014 in review

CS Energy recorded a net, after tax, loss of $59.9 million compared with $47.9 million in 2013/2014, representing an increased loss of $12 million.

During 2013/2014, CS Energy continued to face a number of challenges that are having a significant impact on the performance of the company. There are three critical commercial issues that, in particular, mask improvements made to the company's core operating performance, namely:

- the dispute with Anglo American affecting coal supply at the Callide Power Station (Callide coal dispute);
- the onerous contract in relation to the Gladstone Interconnection and Power Pooling Agreement; and
- CS Energy's high debt level and associated interest expense.

CS Energy's sent out generation was down by 9%, largely attributable to the fact that, for much of the year, coal deliveries at Callide were below nominations, in terms of both quantity and quality. The impact of the lower deliveries was exacerbated by a time weighted average pool price (TWA) that was $8.60 per megawatt hour lower than the previous year. The lower TWA pool price followed reduced electricity demand, including the impact of increased solar panel penetration on residential customer premises, and a significantly lower average price in the peak summer period, following reduced volatility in the market.

The lower pool price presented fewer opportunities to profitably dispatch the Gladstone Power Station, given for most periods it remains the marginal generation plant for Queensland.

Notwithstanding the deteriorated operating performance, progress was made in a number of areas, the highlights of which are summarised below.

Safety

CS Energy is focused on improving the safety of all people who work in, or with the business, as well as on managing the company's environmental impact, with a long term goal of achieving zero reportable incidents.

CS Energy is focused on those areas that will lead to the greatest improvements in the health and safety performance of the business to drive to Zero Harm.

CS Energy has taken steps to move from a rule based culture to an interdependent culture, including strengthening safety leadership, increasing employee engagement in safety matters, reducing exposure to risk and hazards, more effective communication of incidents and hazards, as well as exemplary safety performance and including system and processes improvements.

Consistent with CS Energy's drive toward Zero Harm, for all people working in, or with CS Energy, a consistent contractor safety management program was implemented at all sites. The program is still in its early stages but initial assessments indicate overhaul projects have benefited from the program with no injuries during the Wivenhoe Unit 2 statutory inspection and no LTIs recorded during the Callide C3 major overhaul.

Kogan Creek minor overhaul

The Kogan Creek minor overhaul was completed on schedule and marginally below budget and with no medical treatment injuries or LTIs. Following the overhaul, CS Energy benefited from more consistent and a higher level of generation from Kogan Creek.

Cost management

Consistent with shareholding Ministers' expectations, in CS Energy's 2012/2013 Amended Statement of Corporate Intent, CS Energy committed to achieving cash flow savings of $74 million by 30 June 2014.

During the year ending 30 June 2013, CS Energy achieved $35.3 million in cash flow savings and, in the second year ending 30 June 2014, CS Energy achieved a further $46.1 million in savings, with savings totalling over $81.3 million in the two years.

The savings, which exceeded shareholder targets, were realised through increased discipline over costs, the implementation of value based decision making processes, leading to the elimination of non-essential operating and capital expenditures.

Ensuring staffing levels are in line with, but do not exceed requirements, is consistent with establishing appropriate cost discipline and eliminating non essential costs.

Savings realised over the two years are summarised in the table below.

Summary of cash flow savings (excludes non-cash expenses)	Total targeted savings[1] ($'000)	2012/13 Actual[2] ($'000)	2013/14 Actual[3] ($'000)	Total
Corporate costs	27,233	11,241	11,067	22,308
Site costs	9,501	1,738	(2,904)	(1,166)
Other revenue / (costs)	(670)	1,121	4,442	5,563
Net interest expense	5,433	4,122	5,089	9,211
Operating expenditure cash flow savings [4]	**41,496**	**18,222**	**17,694**	**45,400**
Capital expenditure cash flow savings[5,6]	33,163	17,042	28,358	45,400
Total cash flow savings	**74,660**	**35,264**	**46,052**	**81,316**

1. As included in the 2012/2013 Amended Statement of Corporate Intent.
2. Based on 30 June 2013 year end audited results.
3. Based on 30 June 2014 year end unaudited results.
4. Operational expenditure cash flow savings have been measured against 30 June 2012 actual results.
5. Capital expenditure savings have been measured against the original May 2012 SCI/CP capital budgets for 2012/2013 and 2013/14.
6. In 2012/2013, this reflects actual savings realised on strategic projects of $5.8m relating to cancelling projects such as Kogan Hybrid Cooling, Kogan Coal Seam Methane Water Treatment & Wind Farm Assessment, and $9.6m of savings/deferrals in Stay in Business Capital and $1.6m of savings/deferrals in overhaul costs (predominantly for Wivenhoe).

Availability

Availability increased from 77.4% in 2012/2013 to 81.1% in 2013/2014, reflecting a reduced forced outage rate and higher generation following the Kogan Creek minor overhaul, deferral of portions of the Wivenhoe overhaul and opportunistic maintenance at Callide B, with the benefit of aligning plant and coal availability.

Enterprise bargaining agreements

An 'in principle' agreement was reached for the new Kogan Creek Power Station Enterprise Agreement 2014 on 24 April 2014. This is the first modernised enterprise agreement to be renegotiated in the Queensland Electricity Sector for Government Owned Corporations. The renegotiated agreement delivers a range of benefits to CS Energy, particularly in the area of workforce flexibility and management prerogative. The new agreement was supported by the vast majority of Kogan Creek employees, and was formally approved by Fair Work Australia on 12 August 2014.

Trading strategy

With the objectives of improving financial performance and reducing earnings variability, CS Energy utilises all available market channels, including the physical, financial and retail markets. While market conditions were challenging in 2013/2014, strategies which were implemented during the course of the year increased 2013/2014 pool revenue, and will reduce earnings variability in future periods.

Callide coal dispute

CS Energy implemented a number of commercial, legal and operational strategies to protect its position, with the primary objective being certainty around coal supply, including quantity and quality, and at an acceptable price.

CS Energy has also implemented operating and contracting strategies to mitigate risk and reduce capital and operating costs, in the absence of coal supply certainty.

Debt management

The level of debt and capacity to service interest and principle is ultimately dependent on operating performance and cash flows. During the year, in the absence of positive cash flows to repay principle, CS Energy invested temporary surplus cash balances related to timing differences associated with collection and payment of carbon tax, in higher yielding investments, thereby reducing net interest expense.

Chairman's review

In 2013/2014, CS Energy continued the process of rebuilding its business into a profitable, commercially viable and sustainable company that delivers value to its shareholders.

In August 2013, Martin Moore took up the role as Chief Executive Officer of CS Energy, and has brought a new energy and drive to the business's reform process. Martin has a proven track record in transforming businesses, and with a renewed executive team, has already made significant progress in managing the significant legacy issues faced by the business, and capitalising on commercial opportunities.

CS Energy has a strong focus on increasing gross margin, and has taken actions to drive improvements to the company's underlying cost structure, with a strong focus on cost management, capital prioritisation, reduction in overheads and the ongoing streamlining of business systems and processes. The management of cash flow, debt levels and interest costs remain key focus areas.

Our reform agenda has already resulted in improvements in the company's underlying performance. However, three critical commercial issues are having a material impact on the company's financial performance, namely:

- the dispute with Anglo American affecting coal supply at the Callide Power Station (Callide coal dispute);
- the onerous contract with Gladstone Power Station; and
- CS Energy's high debt level and associated interest expense.

These issues are long standing, and mask the improvements made to the company's core operating performance. During 2013/2014, resolving the Callide coal dispute continued to be CS Energy's top strategic priority. Using a range of commercial and legal strategies, CS Energy is continuing to aggressively pursue resolution of the coal dispute.

Safety

CS Energy believes that all injuries and incidents are preventable, and is driving a culture where being safe takes priority over production. While the company continues to strive for this culture, in 2013/2014, CS Energy recorded seven lost time injuries, which was two higher than the previous year. However, as a result of the investigations of these incidents, actions have been taken to minimise the chances of these injuries reoccurring.

We have delivered a new contractor safety management program at all sites, and introduced a new safety lead indicator, critical control audits, as part of commitment to achieving zero harm, and ensure our employees and contractors leave work without injury.

Financial performance

CS Energy recorded a net, after tax, loss of $59.9 million compared with $47.9 million in 2013/2014, representing an increased loss of $12 million. This year's loss reflects lower generation, largely due to ongoing coal supply issues at Callide and a lower pool price and reduced volatility which limited the opportunities for the profitable dispatch of Gladstone.

Electricity market challenges

Key challenges for the electricity market included:

- continued downward trend in electricity consumption and maximum demand;
- continued oversupply of generation capacity including increased penetration of solar PV and subsidised investment driven from the Renewable Energy Target Scheme; and
- impact of the *Clean Energy Act 2011*.

In 2013/2014, CS Energy paid $24.15 per tonne of carbon emitted. This resulted in a direct carbon cost of $217 million, and was CS Energy's single largest operational cost. CS Energy did not fully recover this cost from its customers, with a resulting negative impact on earnings.

While demand outlooks remain subdued nationally, Queensland is expecting strong demand growth. The commencement of LNG exports from Gladstone is expected to result in increased electricity demand from the LNG support facilities, as well as increasing domestic gas prices, resulting in a change in operating profile of the Queensland gas generation plant.

CS Energy continues to seek opportunities to capture additional revenue, and contract to various customer segments.

Operational performance

CS Energy met its plant availability target this year, of 81.1%, an improvement of 3.7% compared with 2012/2013. While the overall plant reliability has been improving in the last few years, CS Energy's ability to capitalise on those improvements, and improve revenue and gross margin, has been significantly constrained by the coal supply issues (quality and quantity) at the Callide Power Station.

The reduction in coal supply has resulted in CS Energy undertaking measures to manage low coal risks, including seeking to maximise the efficiency of the operating plant and utilise the limited coal in periods of highest demand and price. Part of this strategy included placing Callide Power Station B generating units in reserve storage during low demand periods.

A mini overhaul of the Kogan Creek Power Station, completed on time and on budget in late 2013, has resulted in a noticeable improvement in the plant's performance, in terms of both reliability and generation output.

In addition, the Wivenhoe Power Station Unit 2 underwent a statutory inspection outage during April/May 2014, and was completed on time, on budget and 100% injury free.

The international joint venture, the Callide Oxyfuel Project, continued its operation during the year, achieving 6,900 hours of operation in oxyfuel mode, with the carbon dioxide capture plant achieving 3,400 hours of operation. 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. The project will continue operating until February 2015.

CS Energy continues to face a number of challenges in pursuit of its key performance objectives, but we are committed to continuing the process of rebuilding the business into a profitable, commercially viable and sustainable company that delivers value to its shareholder.

The significant challenges and opportunities facing CS Energy will require changes to the company's operating model, systems and processes. CS Energy's success will be underpinned by the development of a performance driven culture, one which is defined by a shared set of corporate values and behaviours.

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

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

Ross Rolfe
Chairman

Chief Executive Officer's review

In the 2013/2014 year, challenging market conditions persisted, with a Time Weighted Average (TWA) pool price around 12 percent lower than the previous year. These lower market prices reflected reduced electricity demand largely due to the impact of increased solar panel penetration on residential premises. In addition, milder temperatures over the summer led to a significantly lower average price for the peak trading period.

The regulatory environment underwent significant change as the Federal Government moved to implement its policy position for carbon and renewable energy. The State Government also reaffirmed its intention to pursue privatisation of the State's electricity generation assets, should it receive a mandate from the people of Queensland at the next election.

Internally, the most significant challenge to the company's return to profitability lies in a number of legacy commercial issues, which mask the underlying performance improvements that have been achieved to date:

- The dispute with Anglo American in respect of coal deliveries at the Callide Power Station not only continues to affect overall performance, but also increases the level of variability in CS Energy's future forecasts;
- The trading rights at Gladstone Power Station, held by CS Energy, resulted in cash losses of $46.4 million in the 2013/2014 year. Although this is partially offset by the unwind of an onerous contract provision, it places significant downwards pressure on earnings, and has a consequential impact on CS Energy's increasing debt position.
- The Kogan Creek Solar Boost Project continued to experience delays, as we moved to resolve the technical and commercial issues with the technology provider and project delivery contractor, AREVA Solar. These issues remain on foot, and the recent announcement by AREVA that it is withdrawing from its solar business globally will place greater pressure on this project and CS Energy in the 2014/2015 year.

Despite the long standing nature of these commercial issues, a great deal of progress has been made during this financial period. It is likely that a number of them will be resolved in the 2014/2015 year.

The foundational reform of the business accelerated in 2013/2014. A new management team has been embedded and with it, strong progress has been made to turn around the performance of the company, and build a platform for transformation. This foundation includes:

- A renewed focus on safety, with a commitment to achieving and maintaining world class safety performance;
- Increased capability, competency, and accountability of leadership throughout the business at all levels;
- A more rigorous commercial framework to underpin decision making, when determining trade-offs between market and plant risk; and,
- The development of new company values that underpin a constructive, high performance culture.

Evidence of these improvements can be seen in a number of areas, for example the additional $42 million in cash savings realised in 2013/2014. The safety performance of the business has also significantly improved in the second half of the year, although it is still too early to consider this a trend.

Industrial relations reform, including major improvements in workforce flexibility and productivity, has been fostered through the successful negotiation of a new Enterprise Agreement for the Kogan Creek Power Station. This agreement is the first of its kind in the Queensland Electricity Sector for Government Owned Corporations. It removes many of the non-commercial conditions and inefficiencies that previously existed in the old Enterprise Agreement, and will help establish the right culture and underpin productivity reforms.

Outlook

With market conditions predicted to remain subdued in 2014/2015, driving the reform of CS Energy to create a sustainably safe and profitable business remains a challenging endeavour.

The business transformation will continue to be driven relentlessly throughout the organisation. Installing new leadership capability that can truly lift the productivity of the workforce, and drive improved operating performance is a key component of the reform.

A projected uplift in Gross Margin is predicted in 2014/2015. The company continues to focus on initiatives which improve its financial performance, including the implementation of a more sophisticated market strategy designed to reduce earnings volatility through all available channels to market.

Although it is unlikely that CS Energy will return to overall profitability in 2014/2015, positive operating earnings of $131 million is forecast, with a consequential improvement in all financial performance indicators.

I would like to take this opportunity to thank the CS Energy Board of Directors, particularly the Chairman, Ross Rolfe, for the support, guidance and wisdom that they provided to management in 2013/2014. I would also like to thank each and every member of the CS Energy team for their unwavering efforts to improve the performance of the business, and for undertaking the work that will drive CS Energy's future return to profitability.

Martin Moore
Chief Executive Officer

Safety environment and people

Performance	2011/2012	2012/2013	2013/2014
Lost time injuries	8	5	7
Lost time injury frequency rate	4.26	2.58	4.10
Significant environmental incidents	0	0	0
Greenhouse gas intensity (kgCO_2/MWhso)	959	971	955
Greenhouse gas equivalent produced (Mt$CO_{2\text{-}e}$)	9.7	10.5	8.4
Coal used as fuel (kilotonnes)[1]	5,591	5,838	4,710
Water consumption (megalitres)[1]	13,493	13,892	11,663
Ash produced (kilotonnes)	1,674	1,716	1,219
Ash sold (kilotonnes)	117	178	86
Employees (full time equivalents)	491	454	414
Employee retention (%)	89.9	91.9	91.0
Apprentices, trainees and graduates	27	31	23

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

Health and Safety

The safety of our workers and contractors continues to be one of CS Energy's foremost priorities. We are committed to achieving world class safety performance, and Zero Harm.

In 2013/2014, CS Energy recorded seven lost time injuries (LTIs). Five of those injuries were musculoskeletal in nature, caused by manual tasks. Each injury was extensively investigated, and detailed action plans were implemented to eliminate, or minimise, the risk of the injury reoccurring. On most occasions, purpose-built manual handling devices were introduced to reduce the exposure produced by the task. One LTI occurred when plant dropped onto a workers foot causing a fracture. Another LTI occurred when a worker tripped in an untidy work area, fracturing their finger on impact with the ground.

It is important to note that two of the Lost Time Injuries occurred on the Kogan Creek Solar Boost Project Site. As that site is governed by an '*Engineer, Procure, Construct*' (EPC) contract, it is currently under the control of AREVA Solar, with CS Energy monitoring site safety. Five LTIs were recorded on CS Energy controlled sites.

In 2013/2014, CS Energy's Lost Time Injury Frequency Rate (LTIFR) was 4.10 injuries per million hours worked by our employees and contractors. This is an increase of 1.52 from the previous year.

The management of alcohol and other drugs is also an integral part of our Fit for Duty Policy, and the company undertakes random alcohol and drug testing at all its sites. In 2013/2014, 428 tests were performed, with two positive tests recorded by external contractors. The positive results were investigated, and actioned in line with CS Energy's policy. More work will be undertaken in 2014/2015 to improve the safety of workers on CS Energy sites, through more stringent drug and alcohol controls.

As part of CS Energy's relentless drive to improve safety performance across the organisation, the Central Safety Health and Environment Committee continued to operate effectively this year. The Committee critically analyses safety performance indicators, to ensure the safety standard remains at a high level through continuous improvement. During 2013/2014, the Committee met 11 times.

To further embed the drive to Zero Harm, a new safety leading indicator, critical control audits, was introduced. The critical control audit process requires the use of a suite of audits available, for high risk tasks in the business. The process requires a manager to conduct review of a work activity with the corresponding high risk hazard, and the defined 'critical controls' to ensure they are in place, and effective. Critical control audits have identified key risks with ineffective controls, and corrective controls implemented to prevent any harm.

In August 2013, CS Energy introduced an online induction available to all employees, contractors and visitors, prior to arriving at our sites. This program has reduced average wait-time accessing the sites, assisted in better planning, delivered an interactive learning environment and reduced classroom training time. The program was awarded the Platinum Award for Best Learning Program (Induction) at the 2014 Asia-Pacific LearnX Impact Awards.

During May 2014, CS Energy delivered a contractor safety management program to all sites. The aim is to provide a clear, consistent process for managing contractors to assist in delivering a high safety standard and therefore safe outcomes. Contractor management process activities are split into five phases, and are designed to complement normal work processes. Particular focus is placed on project initiation, contract tendering, site mobilisation and final checks before commencing work. The process provides clear accountabilities, and simple supporting checklist/audit tools, to drive consistency. Initial assessments have indicated several projects that have benefited from the program, through improved safety performance and productivity.

In 2013/2014, CS Energy conducted a full review of its emergency management process and practices. This was a strategic initiative to ensure the level of readiness across all sites is discussed, and well understood, in the event of a significant incident or crisis event.

Ensuring the health and wellbeing of employees is particularly important during business transformation. To assist our employees during CS Energy's time of change, the company continued to offer an employee assistance program. The program offers employees and their families' access to free, independent counselling on work or personal issues. During 2013/2014, our employees sought assistance through the program 94 times, compared with 116 in the previous year.

Environment

CS Energy's power station sites and the Brisbane 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. In July 2014, external surveillance audits confirmed our continuing certification to the standard.

Following significant rainfall in early 2013 as a result of ex-tropical cyclone Oswald, the water in the Callide Power Station's ash dam increased above the Mandatory Reporting Level (MRL). CS Energy implemented water reduction measures including hiring a reverse osmosis water treatment plant to reclaim water for use in the power station. The level reduced to below the MRL by September 2013, and has remained below the MRL for the rest of 2013/2014.

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 are reported to the Department of Environment and Heritage Protection (DEHP), which may result in offsite impact.

During 2013/2014, CS Energy reported no significant environmental incidents to DEHP; however the department was notified of the following two Reportable Environmental Incidents (Category 3):

- At Kogan Creek Power Station, the particulate emission limit of 80 mg/Nm3 that applies to the chimney, was exceeded for 10 minutes on 10 August 2013, with emissions peaking at 82 mg/Nm3. The exceedance occurred during the inspection and replacement of filter bags in the fabric filter cells. This maintenance practice has since been improved as a result of this incident.

- At Kogan Creek Power Station, the particulate emission limit of 80 mg/Nm^3 that applies to the chimney was exceeded for 6 minutes on 11 April 2014, with emissions peaking at 82 mg/Nm^3. The exceedance resulted from a hydraulic failure in the B Pass Induced Draft Fan, and resulting issues with air flow control.

DEHP was satisfied with the actions taken by CS Energy in response to these incidents.

Environmental incidents by site 2013/2014	Internal		External	
	Cat 1	Cat 2	Cat 3	Cat 4
Callide Power Station	41	9	0	0
Kogan Creek Power Station	10	10	2	0
Wivenhoe Power Station	0	0	0	0

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% of this ash is collected before it is recycled or stored on site in ash dams. In 2013/2014, 78.55 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 11,663 megalitres, compared with 13,892 megalitres in 2012/2013.

Energy Efficiency Opportunities

The *Energy Efficiency Opportunities Act 2006* (EEO Act) requires CS Energy to comply with legislative obligations to implement cost effective energy efficiency opportunities and report on how we manage energy use.

During 2013/2014, CS Energy completed assessments of Callide B, Callide C and Kogan Creek Power Stations, and reported to the Commonwealth Government and the public on its findings in December 2013. The assessments identified a number of energy efficiency opportunities, some of which have already been implemented, and others that are being examined in more detail.

In parallel, CS Energy ran a number of communication workshops at the power station sites, and launched an intranet site, to raise staff awareness and encourage new ideas for energy efficiency.

People

At 30 June 2014, CS Energy employed 431 full time equivalent employees, including 17 at the Callide A Power Station, which are allocated to the Callide Oxyfuel Project.

During the year, CS Energy implemented further organisational changes to arrive at the right structure, workforce size, and capabilities to achieve the reform agenda. The restructure was implemented in two phases, and included extensive consultation with employees and unions.

Taking into consideration the results of employee engagement surveys conducted in 2012 and 2013, CS Energy's Executive Leadership Team has defined and introduced a cultural model and new company values. The culture we are striving to build at CS Energy is a constructive, high performance culture, based on the Human Synergistics cultural model that has been applied across thousands of industry leading businesses worldwide. The new company values, in conjunction with a revised Code of Conduct and performance management system, establish and communicate clear expectations about performance, based on behaviours that reflect a constructive culture.

CS Energy maintains individual enterprise agreements for each of our three power station sites and the Brisbane Office. The enterprise agreements are tailored to reflect the workforce characteristics, efficiencies, plant technologies and associated requirements. Approximately 60% of employees are employed directly under enterprise agreements. Approximately 40% of CS Energy's employees are under Alternative Individual Agreements which are underpinned by an enterprise agreement.

In 2013/2014, CS Energy commenced negotiation of new enterprise agreements for our Callide and Kogan Creek power stations under the *GOC Wages Policy 2012*. In principle agreement was reached for the Kogan Creek Enterprise Agreement in April 2014, and employees voted overwhelmingly in favour of the new agreement at the end of June 2014. The Fair Work Commission subsequently approved the agreement, which took effect on 21 August 2014.

CS Energy was the first government owned corporation to negotiate an agreement under the *GOC Wages Policy 2012*. Formal negotiation is underway on the Callide Power Station Enterprise Agreement, which expired on 12 June 2014.

At 30 June 2014, we had 23 apprentices and trainees working across a range of skill areas including fitting/machining, electrical and warehousing – 20 are hosted through Group Training Organisations and three adult apprentices were existing CS Energy employees.

Financial and market performance

Performance	2011/2012	2012/2013	2013/2014
Loss after tax ($000)	51,458	47,875	59,898
Dividends payable ($000)	0	0	0
Capital investment in power stations ($000)	133,524	70,695	120,485
Costs (excluding finance costs) ($000)	487,248	711,807	686,520
Gearing (%)[1]	60.2	65.8	72.7
Assets ($M)[1]	1,875	1,852	2,096
Energy sent out (GWhso)	17,138	16,664	15,203
Revenue from continuing operations ($000)	438,220	700,145	608,189

1. Based on restated Balance Sheet for 2013 (refer to Note 5 of the financial report).

Financial performance

CS Energy recorded a net, after tax, loss of $59.9 million compared with $47.9 million in 2012/2013, representing an increased loss of $12 million. On a before tax basis, the loss increased by $26.1 million from $67.7 million in 2013 to $93.8 million in 2013/2014.

The $93.8 million, before tax loss, reflects a number of positive and negative operating variances as well as a number of large, substantially offsetting, year-end accounting adjustments made in preparation of the 30 June 2014 financial statements.

Revenue from electricity sales declined by $70.7 million, to $563.5 million in 2013/2014, from $634.2 million in 2012/2013. The 11% decline in electricity sales was due to reduced sent out generation (15,203 GWhso, compared with 16,664 in 2012/2013). The lower sent out generation was primarily due to a 30% reduction in generation at Callide Power Station, as a result of coal supply issues. Revenue from electricity sales was also impacted by a decline in the time weighted average (TWA) pool price to $58.42 per megawatt hour in 2014 from $67.02 per megawatt hour in 2012/2013. The lower TWA pool price followed reduced electricity demand, including the impact of increased solar panel penetration on residential customer premises, and a significantly lower average price in the peak summer period, following reduced volatility.

The decreased sent out generation at Callide Power Station was a result of lower deliveries of coal from the Anglo American owned Callide mine. CS Energy experienced uncertainty of coal supply from the Callide Mine and, for much of the year, received coal that was below nominations in terms of both quantity and quality.

Cost of sales totalled $438.3 million, in 2013/2014, and was 8% lower than 2012/2013 ($477.6 million). The decline is consistent with the reduced generation but also reflects a higher cost of carbon under the *Clean Energy Act 2011* ($24.15 per tCO_2e in 2013/2014, compared with $23.00 per tCO_2e in 2013), and also includes additional fuel costs associated with temporary coal supply agreements at Callide Power Station and the dispatch of higher cost generation to cover Callide Power Station shortfalls.

Administration costs, in 2013/2014, were lower by $20.2 million due to the provision of a reduced level of operation and maintenance services and lower expenditure on contracted services, consultants, and other overheads.

The carrying value of the consolidated group's assets and liabilities were reviewed at year end and a number of adjustments were made to reflect changes in fair value. The most significant of these adjustments was the change in the fair valuation of generation assets, resulting in an impairment loss reversal of $275 million.

The $275 million impairment loss reversal is a partial reversal of the significant impairment loss, recorded in the year ended 30 June 2011, which was recorded primarily as a result of the introduction of carbon pricing under the *Clean Energy Act 2011.*

The $275 million impairment loss reversal was based on changes to future cash flow assumptions, including market modelling of electricity prices which include market drivers such as carbon cost assumptions, electricity demand and consumption, generation fuel costs (gas and coal prices), available existing generation capacity and supply from new entrants (primarily, coal, wind and solar). Carbon pricing has been removed from market modelling following the repeal of the *Clean Energy Act 2011* in July 2014. Other specific assumptions included reduced peak demand or market volatility, consistent with June 2014 forecasts by the Australian Energy Market Operator.

The reduced volatility, which resulted in a significant reduction in assumed dispatch of the Gladstone Power Station, combined with higher fuel costs, resulted in a $234.8 million increase in the onerous contract provision in relation to the Gladstone Interconnection and Power Pooling Agreement.

Also included in other expenses, was a $25.4 million write-off of capitalised exploration and evaluation expenditure as well as an $8.1 million impairment loss on land, both relating to coal tenements owned by the consolidated group.

A tax benefit of $33.9 million was recorded on the before tax loss in 2013/2014, and the tax benefit recorded in 2012/2013 was $19.8 million. The effective tax rate, implicit in the 2013/2014 adjustment, is approximately 36%, reflecting benefits realised from the amendment of 2010 to 2012 tax returns, partially offset by a permanent difference due to the non-deductibility of the impairment loss on land. The effect tax rate for 2013 is approximately equal to the statutory rate.

Market performance

CS Energy is a participant in the National Electricity Market (NEM) with a diverse generation portfolio. In 2013/2014, 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 12,896 megawatts compared with the maximum 2014 summer demand of around 8,500 megawatts. In 2013/2014, the time weighted average pool price was $58.42 per megawatt hour. This compares with a time weighted average pool price of $67.01 per megawatt hour in 2012/2013.

CS Energy enters into financial contracts to supply a fixed amount of electricity for the contract period to manage its 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 the uncertainty surrounding the carbon scheme, the expected increase in demand and changed operating profiles of gas fired generation resulting from the development of the liquefied natural gas projects and pool price volatility. CS Energy continues to participate in the Queensland commercial and industrial customer segment as a viable alternate channel to market.

Projects

Callide Oxyfuel Project

The Callide Oxyfuel Project, led by an international consortium and operated by CS Energy, is one of the most advanced carbon capture demonstration projects in the world. It aims to demonstrate how carbon capture technology can be applied to new and existing coal-fired power stations to produce electricity with low emissions.

The $245 million Project is a joint venture between CS Energy, the ACA Low Emissions Technologies, Glencore, Schlumberger Carbon Services and Japanese participants J-POWER, Mitsui & Co. Ltd, and IHI Corporation. Investment in the Project includes $78 million in equity from six industrial participants, and the Queensland Government, and $140 million in funding from the Commonwealth Government and ACA Low Emissions Technologies. The Project has also received technical support from JCOAL in Japan, and was formerly a flagship project of the Asia-Pacific Partnership on Clean Development and Climate.

Commissioned in 2012, the Project continued to operate as a base load coal-fired power plant with carbon dioxide (CO_2) capture in 2013/2014. The demonstration project is scheduled to continue operating until February 2015.

The oxyfuel process involves burning coal in a mixture of oxygen and recirculated exhaust gases inside a boiler, instead of burning the coal in air alone. This results in a significant reduction of exhaust steam, with a much greater proportion of CO_2. This steam is then purified using wet scrubbing and cryogenic processes to produce a CO_2 product of high purity, suitable for industrial applications and/or geological storage.

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 issues and costs for future deployment, including CO_2 storage.

As at 30 June 2014, the plant had operated in oxyfuel mode for 6,900 hours, and achieved 3,400 hours of industrial operation of the carbon dioxide capture plant. In addition, the Project has contributed to Australian and international research and development of carbon capture technology. A number of research and development campaigns have been conducted at the site to augment the demonstration program. The Project receives a large number of international visitors on a regular basis, and has been the subject of several conference presentations and published reports over the last 12 months.

Kogan Creek Solar Boost Project

In July 2011, construction started on the Kogan Creek Solar Boost Project. The Project was intended to enable the Kogan Creek Power Station to produce more electricity from the same amount of coal, effectively making the Kogan Creek Power Station more fuel efficient, and deliver a reduce emission intensity. During peak solar conditions, the Project was designed to generate up to 44,000 megawatt hours of additional electricity each year.

CS Energy and the construction contractor, AREVA Solar (AREVA) have been in dispute under the ‘EPC’ contract (Engineer, Procure, Construct) for the project, in relation to various aspects of the Project, almost since commencement of work on the site.

In November 2012, AREVA triggered the contract dispute resolution process, and the parties have pursued without prejudice negotiations since March 2013, in an attempt to provide a commercial basis on which to move the Project forward to completion. These negotiations have not been successful to date.

During the year, the Project continued to require the investment of significant financial resources and CS Energy management time. In addition, in a low carbon cost environment, the Project has very limited potential for delivering an economic return to the organisation.

The project was initially approved with a net present value (NPV) of negative $7.8m (in a zero carbon world), on the basis that the project provided strategic benefits to CS Energy, and there was potentially some upside in project assumptions. Current modelling, reflecting additional costs incurred, and a number of changes/corrections to project assumptions, indicates the NPV has deteriorated significantly since its approval.

Apart from the substantial deterioration in NPV, there remain significant risks in relation to the time and cost to complete the project.

Given the project’s negative NPV, as well as the ongoing contract dispute with AREVA, CS Energy management is currently considering available options in relation to the most value accretive conclusion to the Project.

Operational performance

Performance snapshot	Callide[1,2]			Kogan Creek			Wivenhoe		
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
Total energy sent out (GWhso)	5,976	5,678	3989	4,265	5,189	4821	(27)[3]	23[3]	13
Reliability (%)	86.1	91.8	89.6	90.4	88.8	93.5	99.6	70.6	99.6
Availability (%)	80.4	79.2	76.8	76.6	87.8	81.8	99.3	57.9	89.5
Coal used (kilotonnes)	3,503	3,332	2436	2,088	2,506	2364	n/a	n/a	n/a
Greenhouse gas intensity ($kgCO_2$/MWh generated)	911	898	944	818	823	809	0	0	0
Water consumption (ML)	12,955	13,390	11,103	538	502	560	0.2	0.2	0.2
Ash produced (kilotonnes)	1,236	1,114	656	438	602	563	n/a	n/a	n/a
Ash sold (kilotonnes)	117	176	86	0.3	2.2	.6	n/a	n/a	n/a
Employees (full time equivalent)	235.5	213	217	76	72	78	12	12	12
Lost time injuries	6	3	5	2	1[4]	0	0	1	1
External environmental incidents	2	3	0	0	1	2	0	1	0

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% joint venture with InterGen Australia. Where applicable, data reported includes 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. From 2012/2013, generation is reported on a gross generated basis.
4. The lost time injury occurred on the Kogan Creek Solar Boost Project.

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% joint venture with InterGen. We also provide operations and maintenance services to the joint venture.

There are 217 people working across the Callide Power Station sites, making CS Energy a major employer in Biloela. This included 23 employees who worked on the Callide Oxyfuel Project during 2013/2014, to undertake commissioning services and operations and maintenance services as part of the demonstration phase of the project.

The Callide B Power Station sent out 2,522 gigawatt hours of electricity, with an availability of 77.0%. The Callide C Power Station recorded an availability of 76.5%, sending out 2936 gigawatt hours of electricity (1,468 gigawatt hours comprising CS Energy's share of power sent out under the joint venture). While Callide Power Station's reliability remained high (89.6%), its availability was impacted by the scheduled overhaul of Unit 3 at the Callide C Power Station, and by opportunity maintenance that was completed during the reserve shutdown of Unit 1 at the Callide B Power Station.

An overhaul of Callide C Power Station's Unit 3 was completed in April/May 2014. The duration of the overhaul was extended when cracks in four turbine blades were identified, and required repair.

During the year, 85,821 tonnes of ash were supplied to Cement Australia, Mansell and Bulk Flyash Grout for reuse. This is a reduction, compared with last year (175,861 tonnes) as a result of lower ash production due to lower generation at Callide Power Station in 2013/2014. Ash that is not recycled from the power station is stored in the power station's ash dam.

During 2013/2014, CS Energy received and responded to the following complaints:

- On 24 September 2013, a complaint was received about coal dust from Callide. CS Energy met with the complainant and provided details of action being undertaken to mitigate dust on site.
- On 26 September 2013, a complaint was received about alleged fly ash dust impacts from Callide on a neighbouring property. CS Energy met with the complainant and provided details of action being undertaken to mitigate dust on site. CS Energy has continued to liaise with the complainant.
- On 15 January 2014, a further complaint was received from a resident near Callide Power Station about fly ash dust blowing from the site.

During the year, improving the management of fugitive dust remained a focus at site, with a Dust Management Committee coordinating activities in various areas. Accelerated capping of the Waste Containment Facility, as well as a regular program of applying dust control surface veneers were key initiatives. Significant enhancements of ash dam seepage recovery systems were also completed during the year, together with the development of systems to track and report seepage recovery rates.

Callide also commenced implementation of "5S" programs site-wide, which will lead to better housekeeping and supporting facilities. In particular, upgrades were completed to the Waste Oil Storage and Recovery facility.

Kogan Creek Power Station

The 750 MW 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 2014, there were 78 full time equivalent employees working at the Kogan Creek Power Station.

The Kogan Creek Power Station recorded an availability of 81.8%, and sent out 4,821 gigawatt hours of electricity in 2013/2014. While the availability of the Kogan Creek Power Station was slightly below the previous year, this was due to the mini overhaul, conducted in November/December 2013. However, availability remained above the budget of 78.4% for 2013/2014. Reliability of the power station was high in 2013/2014, at 93.5%.

Coal for the Kogan Creek Power Station is supplied via a conveyor from CS Energy's Kogan Creek Mine. In 2013/2014, the mine supplied 2.58 million tonnes of black coal to the power station. Golding Contractors employed approximately 85 employees to operate the Kogan Creek Mine on behalf of CS Energy.

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.

During 2013/2014, CS Energy received and responded to the following complaint:

- On 18 April 2014, a complaint was received from a resident about noise from Kogan Creek operations. A more general complaint relating to noise, dust and other issues was lodged by the same complainant with the Department of Environment and Heritage Protection (DEHP) earlier in the same week. CS Energy and Aberdare Collieries (a CS Energy subsidiary) are responding to DEHP's request that noise, dust and vibration (from blasting) monitoring be conducted to determine the level of nuisance being caused by activities at the Kogan Creek Power Station and Mine. Noise and dust monitoring were commenced in July 2014, and vibration monitoring is scheduled for the next mine blast being planned for September 2014.

During the year, Kogan Creek Power Station reviewed its storm water management practices and updated its procedures for ensuring the protection of native vegetation and cultural heritage on site. The site surface and groundwater monitoring programs were also reviewed, and the Station is investigating the installation of data loggers to monitor water levels in key monitoring bores. Kogan Creek Power Station continued to assist the Western Downs Regional Council with its pest animal management program during the year.

A mini overhaul of the Kogan Creek Power Station was undertaken in November/December 2013, which was completed on time and on budget. Importantly, the overhaul was delivered with no lost time injuries or medical treatment injuries. This overhaul not only resulted in increased performance of the Kogan Creek Power Station, but also allowed CS Energy to gather crucial information in preparation for the next major overhaul of the generating plant, scheduled for 2016.

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 northwest of Brisbane. The Wivenhoe Power Station has a team of 12 employees.

The Wivenhoe Power Station achieved an availability of 89.5% in 2013/2014, and sent out 13.6 gigawatt hours of electricity during the year, using a total of 55.7 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/May 2014, the Wivenhoe Power Station underwent an outage to conduct statutory inspections. The outage was completed on time, on budget, and was 100% injury free. In addition to the standard statutory inspections, condition assessment, repairs and National Electricity Rules compliance tests, the outage included preparation work for the upcoming control system upgrade of Unit 2, planned for later in 2014.

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 2014, 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. During the year the Board approved a new Governance Standard which sets out the essential elements of CS Energy's Governance Framework and demonstrates how CS Energy addresses the *Corporate Governance Guidelines for Government Owned Corporations, Version 2.0, February 2009.* This and the restructure of the Board's committees during the year demonstrate 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 2014, the Board comprised five independent, non-executive Directors, whose profiles and periods of service are detailed on pages 21 and 22. The CS Energy Board Charter (which was reviewed and updated during the year) outlines the Board's responsibilities and functions. The conduct of the Board is also governed by the Corporations Act and the GOC Act.

Management is responsible for implementing the strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day-to-day running of CS Energy. It is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

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 19.

Board committees

At the commencement of the year, the Board had four committees in place to assist in the discharge of its duties and to allow detailed consideration of more complex business issues.

During the year the Board's committee structure was reviewed. An outcome of this review was that effective 1 January 2014 CS Energy's four committee structure was replaced with a two committee structure, consisting of an Audit and Risk Committee and a People and Safety Committee.

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 discharge its responsibilities in setting the strategic direction, monitoring performance and ensuring compliance with legislation and shareholder expectations for safety, people and organisational effectiveness (human resources; industrial relations; safety, security; environment; and stakeholder relations).

The members of the People and Safety Committee during the year were:

- Mark Williamson (Chair);
- Ross Rolfe;
- Jon Hubbard (to 6 November 2013); and
- Brian Green (from 1 January 2014).

Risk Committee (to 1 January 2014)

The Board's Risk Committee was established to review and oversee CS Energy's risk management and legal compliance. The members of the Risk Committee during the year were:

- Karen Smith-Pomeroy (Chair to 30 September 2013);
- Tracy Dare (to 30 September 2013); and
- Shane O'Kane (Chair from 30 September 2014).

The Risk Committee was disbanded in January 2014 with the functions of this committee being consolidated with the Audit Committee to form the Audit and Risk Committee.

Audit and Risk Committee (from 1 January 2014)

Effective 1 January 2014, the Audit Committee and the Risk Committee were disbanded, with the functions of these committees being consolidated to form the Audit and Risk Committee (ARC). The ARC assists the Board to discharge its responsibilities for establishing and monitoring effective governance, risk and compliance management to provide reasonable assurance that the company's financial and non-financial objectives are achieved and accurately reported. The ARC may also from time to time consider matters in relation to operational effectiveness (asset management and performance, financial, procurement, contract management and business systems)

The Executive Leadership Team reviews operational risks, audit reports, audit recommendations and compliance activities of the business for monitoring by the ARC Committee.

Like the Audit Committee before it, the three members of the ARC are non-executive directors and also independent. The committee is also chaired by an independent chair, who is not chair of the Board.

The members of the ARC from 1 January 2014 were:

- Shane O'Kane (Chair);
- Mark Williamson; and
- John Pegler.

Audit Committee (to 1 January 2014)

The Audit Committee's primary roles were 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 to 30 September 2014);
- Jon Hubbard (to 6 November 2014);
- John Pegler; and
- Shane O'Kane (Chair from 30 September 2014).

The Audit Committee was disbanded on 1 January 2014.

Reliability and Plant Performance Committee (to 1 January 2014)

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. During the year the Board determined that it no longer required the Reliability and Plant Performance Committee to assist in the discharge of this responsibility.

Responsibilities of the committee included 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:

- Brian Green (Chair, with a leave of absence from 25 March 2013 to 4 August 2013);
- John Pegler (from 25 March 2013 to 4 August 2013) – Acting Chair;
- Ross Rolfe; and
- Mark Williamson.

The Reliability and Plant Performance Committee was disbanded on 1 January 2014

Committee Membership Information

Information about the members of the Board committees, their relevant qualifications and experience, the number of times the committee met throughout the most recent reporting period and the individual attendances of members at those meetings is also set out below.

New Directors

On appointment, new Directors receive access to information through a Board handbook and induction to enhance operational and industry knowledge and ensure they are fully aware of their governance responsibilities. Where required 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.

Board and Committee attendance

Name	Board		Risk		Audit		Audit and Risk Committee		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	Meetings held while a member	Number attended
Ross Rolfe	19	19	N/A	N/A	N/A	N/A	N/A	N/A	6	6	2	2
Brian Green	19	16	1	1	N/A	N/A	N/A	N/A	2	2	2	2
Shane O'Kane	19	17	1	1	5	5	5	5	N/A	N/A	N/A	N/A
John Pegler	19	19	N/A	N/A	5	5	5	5	N/A	N/A	2	2
Mark Williamson	19	15	1	1	N/A	N/A	5	5	6	6	2	2
Tracy Dare	3	2	0	1	3	5	N/A	N/A	N/A	N/A	N/A	N/A
Jon Hubbard	7	7	N/A	N/A	3	3	N/A	N/A	3	3	N/A	N/A
Karen Smith-Pomeroy	3	1	0	1	N/A	N/A	N/A	N/A	3	3	N/A	N/A

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 2013/2014 financial year. More information on performance and remuneration of CS Energy employees, Executives and the Board can be found under Principle 8, on page 20.

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 terms as determined by the Governor in Council.

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 Executive General Managers 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.

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 2013/2014.

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.

During the year CS Energy's Code of Conduct was reviewed as part of a broader governance review. The Code of Conduct 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.

The Code of Conduct is currently being rolled out to all CS Energy employees.

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 and select other staff are also required to make at least annual 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 must report suspected activity which is illegal, unethical, official misconduct or which breaches the Code of Conduct or CS Energy's other standards (including conflicts of interest to CS Energy's Legal Team or by the Intranet Whistleblower Form or CS Energy's Whistleblower hotline. Directors must report such activity through either those channels or directly to the Company Secretary or the Chair of the Board.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The ARC (formerly the Audit Committee) assists the Board to provide reasonable assurance that the Company's financial and non-financial objectives are achieved and accurately reported. In performing its audit and reporting function, the ARC:

- Provides the Board, for its approval, with financial reporting and other disclosures which are 'true and fair' and comply with legislation and accounting standards;
- Supports an independent and effective Internal Audit function to provide reasonable assurance regarding the effectiveness of the internal control framework to the Board; and
- Address recommendations arising from External and Internal Audits.

The ARC 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 ARC.

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 2013/2014 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 2013/2014 SCI continued on the reform process started in the previous year, with the objective of transforming CS Energy into a profitable, commercially viable and sustainable business.

Cost reduction / cash flow improvements

- Take steps to resolve Callide Power Station's coal supply issues;
- Assess options to minimise the impact of the onerous contract in relation to the Gladstone Power Station;
- Carry out essential operational and capital expenditure only;
- Review, and where possible, renegotiate, all critical and material contracts; and
- Continue capability realignment of corporate office staff.

Revenue

- Achieve existing revenue forecasts; and
- Optimise plant availability and dispatch during 2013/2014 summer.

Plant reliability

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

Debt management

- No further debt draw downs; 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.

On 19 December 2013, CS Energy received a direction in relation to the investigation and scoping study report requested by the shareholding Ministers under section 158 of the GOC Act, regarding the potential divestment of CS Energy electricity generation assets.

CS Energy received a notification under Section 114 of the GOC Act, revoking the application of the State Procurement 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 Board sets the risk appetite of CS Energy and ensures appropriate oversight of risk, primarily by setting risk policies and through the activity of the Audit and Risk Committee

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.

The Governance Risk and Compliance 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. CS Energy has also reviewed this approach to ensure compliance with the provisions of the *Crime and Corruption Act 2001* which came into effect on 1 July 2014.

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 31 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 AO

Non-Executive Chairman
BA

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 and a director of Tennis Queensland. He holds a part time executive role with 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.

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.

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.

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 joined CS Energy as Chief Executive Officer in August 2013, after forging a successful career with a range of blue chip companies across multiple industries.

In a career spanning almost 30 years, Martin has held senior executive roles in Sales and Marketing, Finance, Strategy, and IT. He has a reputation as an exceptional leader, and is renowned for his ability to drive successful commercial outcomes.

Prior to joining CS Energy, Martin spent five years at Aurizon (formerly QR National), where he was an integral part of the executive team that took the company to one of the largest and most successful IPOs in Australian corporate history.

At Aurizon, Martin was responsible for driving the company's commercial transformation in capital productivity and procurement. After the IPO, he was appointed to the role of Senior Vice President, Marketing, where he led a team to secure several multi-year customer deals valued in the billions of dollars.

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

Martin holds an Executive MBA from the Brisbane Graduate School of Business, and is a graduate of Harvard Business School's Advanced Management Program.

Ole Elsaesser

Chief Financial Officer
B.Com, CA (Canada), CA (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.

Owen Sela

Executive General Manager Strategy and Commercial
B.IT (S'ware Eng)

In the role of Executive General Manager Strategy and Commercial, Owen Sela is responsible for setting CS Energy's strategic direction, helping position the company for future success. He is also responsible for managing the commercial outcomes of the business through robust procurement processes, ensuring value based decisions.

Mr Sela has more than 15 years experience in the energy and resources industry in the areas of commercial development, corporate strategy, contract negotiations and mergers and acquisitions.

In his most recent role, Mr Sela held the position of General Manager Contracts with Alinta Energy, after working in key management roles in strategy, planning and commercial development through an intense period of growth and change for the company.

Prior to joining Alinta Energy, he consulted to Babcock and Brown Power, and held positions with Sun Retail and its predecessor, Energex Retail in Trading and Portfolio Management functions. Mr Sela previously headed up the front office functionality at MIM Holdings, overseeing the risk management of major commodity, foreign exchange and interest rate exposure for the company.

Scott Turner

Executive General Manager Market Strategy
B.Bus (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 executive with more than a decade in the energy and resources industry, Mr Varvari joined CS Energy at the end of 2012. He previously headed up BG Group's legal function in Australia and was also responsible for its Secretariat, Business Services and IT functions. Mr Varvari experience includes business integration and project development, commercial strategy, and mergers and acquisitions.

In 2007, as part of its 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 Limited and BG Australia businesses following the 2008 on-market 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, and before that, was in private legal practice.

Tanya Absolon

Group Manager People & Culture
B.AdVocEd, Cert IV TAE

As Group Manager People & Culture, Tanya Absolon leads human resources, organisational culture, leadership capability, change management, learning philosophy and methodology and industrial relations 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 people component of the business, in preparation for sale, and was part of the integration team for the Amart Allsports/Rebel Sports merger.

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

Tracy Dare

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

Director from 1 October 2008 to 30 September 2013

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.

Ms Dare is a former Financial Services Partner of KPMG Brisbane, following which she has held various senior executive roles: National Manager Corporate Banking Suncorp, various executive 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 and, more recently, CEO of a specialist multi-state law firm focussing on business strategy and growth, corporatisation/business realignment and business improvement.

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.

Karen Smith-Pomeroy

Non-Executive Director
A.Dip (Accounting), FIPA, MAICD, FFin

Director from 1 July 2011 to 30 September 2013

Karen Smith-Pomeroy has in excess of 30 years experience in the financial services sector, specialising predominantly in business and institutional credit, and in governance and risk management. Her experience spans a number of industry sectors including property, infrastructure and agribusiness. She was Chief Risk Officer of Suncorp Bank between 2009 and 2013. Ms Smith-Pomeroy retired from a senior executive management role with the Suncorp Group in July 2014.

Ms Smith-Pomeroy is an experienced director, having held a number of director roles over a number of years, within both for profit and not for profit organisations, and industry associations.

Ms Smith-Pomeroy is also a non-executive director of Queensland Affordable Housing Consortium Ltd and the Australian Chapter of the Risk Management Association Inc. She is a member of the Audit and Risk Management Committee for the Department of Local Government, Community Recovery and Resilience, and a member of the Qld Advisory Board of Australian Super.

Jon Hubbard

Non-Executive Director
B.Com, CA, GAICD

Director from 1 July 2011 to 6 November 2013

Jon Hubbard has over 20 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, Power Generation Corporation (NT), trading as Territory Generation, and the Australian Energy Market Operator Limited.

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 1 of the Annual Report which is not part of this financial report.

The financial statements were authorised for issue by the Directors on 28 August 2014. The Directors have the power to amend and reissue the financial statements.

Directors' Report

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 2014.

Directors

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
- Mr S O'Kane
- Mr J Pegler
- Mr M Williamson
- Mr B Green (temporarily stepped down 25 March 2013 to 4 August 2013) (1)
- Mr J Hubbard (resigned 6 November 2013)
- Ms T Dare (term expired 30 September 2013)
- Ms K Smith-Pomeroy (term expired 30 September 2013)

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

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

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

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

	2014 $'000	2013 $'000
Loss after income tax	(59,898)	(47,875)

Dividends

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

Results of operations

The consolidated group recorded a net, after tax, loss of $59.9 million compared with $47.9 million in 2013, representing an increased loss of $12 million. On a before tax basis, the loss increased by $26.1 million from $67.7 million in 2013 to $93.8 million in 2014.

The $93.8 million, before tax loss, reflects a number of positive and negative operating variances as well as a number of large year-end accounting adjustments made in preparation of the 30 June 2014 financial statements.

Revenue from continuing operations declined by $91.9 million, to $608.2 million in 2014, from $700.1 million in 2013. The lower revenue reflects a decrease in revenue from electricity sales of $70.7 million, or 11%, compared with 2013, as well as a reduction in operations and maintenance services fees of $15.3 million. The decline in electricity sales was due to reduced sent out generation (down by1,458 GWhso), primarily reflecting a 30% reduction in generation at Callide Power Station due to coal supply issues, and a decline in the time weighted average (TWA) pool price to $58.42 per megawatt hour in 2014, from $67.02 per megawatt hour in 2013. The lower TWA pool price reflected reduced levels of electricity demand as well as, increased supply from a higher number of solar panels on residential customer premises. A significantly lower average price in the peak summer period, following reduced price volatility, also contributed to the lower TWA.

The decreased sent out generation at Callide Power Station was a result of lower deliveries of coal from the Anglo American owned Callide mine. CS Energy experienced uncertainty of coal supply from the Callide mine and, for much of the year, received coal that was below nominations in terms of both quantity and quality.

At various times, stockpiles were severely depleted, and CS Energy undertook measures to manage low coal risks, including seeking to maximise the efficiency of the operating plant and utilise the limited coal in periods of highest demand and price. Part of this strategy included placing Callide Power Station B generating units in reserve storage during low demand periods.

Cost of sales totalled $438.3 million, in 2014, and was 8% lower than 2013 ($477.6 million). The decline is consistent with the reduced generation but also reflects a higher cost of carbon under the *Clean Energy Act 2011* ($24.15 per tCO_2e in 2014 compared with $23.00 per tCO_2e in 2013), and also includes additional fuel costs associated with temporary coal supply agreements at Callide and the dispatch of higher cost generation to cover Callide shortfalls.

Administration costs, in 2014, were lower by $20.2 million due to the provision of a reduced level of operations and maintenance services and lower expenditure on contracted services and consultants as well as other overheads.

The carrying value of the consolidated group's assets and liabilities were reviewed at year end and a number of adjustments were made to reflect changes in fair value. The most significant of these adjustments was the change in the fair valuation of generation assets, resulting in an impairment loss reversal of $275 million.

The $275 million impairment loss reversal is a partial reversal of the significant impairment loss, recorded in the year ended 30 June 2011, which was recorded primary as a result of the introduction of carbon pricing under the *Clean Energy Act 2011.*

The $275 million impairment loss reversal was based on changes to future cash flow assumptions, including market modelling of electricity prices which include market drivers such as electricity demand and consumption, generation fuel costs (gas and coal prices), carbon cost assumptions, available existing generation capacity and supply from new entrants (primarily, coal, wind and solar). Carbon pricing has been removed from market modelling following the repeal of the *Clean Energy Act 2011* in July 2014. Other specific assumptions included reduced peak demand or volatility, consistent with June 2014 forecasts by the Australian Energy Market Operator.

The reduced volatility, which resulted in a significant reduction in assumed dispatch of the Gladstone Power Station, combined with higher fuel costs, resulted in a $234.8 million increase in the onerous contract provision in relation to the Gladstone Interconnection and Power Pooling Agreement.

Also included in other expenses, was a $25.4 million write-off of capitalised exploration and evaluation expenditure as well as an $8.1 million impairment loss on land, both relating to coal tenements owned by the consolidated group.

A tax benefit of $33.9 million was recorded on the before tax loss in 2014, and the tax benefit recorded in 2013 was $19.8 million. The effective tax rate, implicit in the 2014 adjustment, is approximately 36%, reflecting benefits realised from the amendment of 2010 to 2012 tax returns, partially offset by a permanent difference due to the non-deductibility of the impairment loss on land. The tax effect rate for 2013 is approximately equal to the statutory rate.

Significant changes in the state of affairs

There were no significant changes in the state of affairs which impacted the consolidated group during the financial year.

Matters subsequent to the end of the financial year

The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* received Royal Assent on Thursday, 17 July 2014, and the bills, as part of this package became law, with effect from 1 July 2014. For emissions from facilities from the 1 July 2014 that CS Energy operates, it is no longer required to purchase and surrender carbon units to the Clean Energy Regulator. The requirement to purchase and surrender carbon units resulted in CS Energy's coal-fired generation being less competitive, given the higher average carbon intensity of CS Energy's generation assets relative to the Nation Energy Market's average carbon intensity.

Likely developments and expected results of operations

The Renewable Energy Target (RET) legislation is being reviewed prior to the federal government finalising its Energy White Paper and Emissions Reduction Fund. The focus has been determining whether or not the existing target of 41TWh of renewable energy by 2020 is tenable, and if further subsidies are required for small renewable energy sources, such as photovoltaic solar panels. The Expert Panel has been asked by the Prime Minister's office to consider closure of the scheme to new entrant renewable investors which would significantly curtail any new renewable energy investment.

CS Energy has no planned new investment, or other material decisions, which are dependent on the outcome of deliberations in relation to the RET scheme.

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, two 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 by CS Energy. Three complaints were about fugitive dust releases from the Callide Power Station Ash Dam and coal stockpile areas, which have been addressed through additional dust management measures. The fourth complaint was received from a local landholder about alleged impacts from the Kogan Creek Power Station and Mine. The complaint was also lodged by the complainant with DEHP. CS Energy Ltd and Aberdare Collieries Pty Ltd (a CS Energy Ltd subsidiary) are responding to DEHP's request that noise, dust and vibration (from blasting) monitoring be conducted to determine the level of nuisance being caused by power station and mine activities.

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. Works under the TEP will be completed in August 2014, and it is expected that discussions will then occur with DEHP on proposed amendments to the site Environmental Authority.

During the year, CS Energy implemented additional water treatment measures to progressively reduce the water level of the dam which has remained well below statutory levels.

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 also 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 30.

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.

Mr R Rolfe
Chairman

Mr S O'Kane
Director

Brisbane

28 August 2014

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 2014, 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.

N George

QUEENSLAND 28 AUG 2014 AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Statements of Profit or Loss and Other Comprehensive Income

CS Energy Limited (and controlled entities) for the year ended 30 June 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Revenue from continuing operations	6	608,189	700,145	266,051	258,082
Impairment loss reversal	7	275,045	-	59,049	-
Other income	8	15,765	19,107	4,328	14,615
Cost of sales		(438,267)	(477,602)	(207,624)	(223,041)
Onerous contract re-measurement	26	(234,845)	-	(234,845)	-
Administration costs		(180,591)	(200,831)	(118,443)	(149,603)
Finance costs	9	(71,413)	(75,114)	(69,108)	(72,729)
Impairment (write-down)/reversal of loans to related parties	15, 36	-	-	57,606	29,850
Other expenses	9	(67,662)	(33,374)	(15,944)	(20,851)
Loss before income tax		**(93,779)**	**(67,669)**	**(258,930)**	**(163,677)**
Income tax benefit	10	33,881	19,794	102,172	58,013
Loss for the year		**(59,898)**	**(47,875)**	**(156,758)**	**(105,664)**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in fair value of cash flow hedges, net of tax		48,831	(15,620)	48,831	(15,620)
		48,831	(15,620)	48,831	(15,620)
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) defined benefit plan, net of tax		5,878	7,601	5,878	7,601
Other comprehensive income/(loss) for the year, net of tax		**54,709**	**(8,019)**	**54,709**	**(8,019)**
Total comprehensive loss for the year		**(5,189)**	**(55,894)**	**(102,049)**	**(113,683)**
Loss is attributable to:					
Owners of CS Energy Limited		**(59,898)**	**(47,875)**	**(156,758)**	**(105,664)**
Total comprehensive loss is attributable to:					
Owners of CS Energy Limited		**(5,189)**	**(55,894)**	**(102,049)**	**(113,683)**

Comparative information has been restated to reflect reclassifications in the Statements of Profit or Loss and other Comprehensive Income. Details of the reclassifications are outlined in Note 5.

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheets

CS Energy Limited (and controlled entities) as at 30 June 2014

	Notes	Consolidated 2014 $'000	Consolidated Restated 2013 $'000	Parent 2014 $'000	Parent Restated 2013 $'000
Assets					
Current assets					
Cash and cash equivalents	11	42,380	152,887	21,481	136,379
Trade and other receivables	12	104,543	125,078	87,491	79,145
Inventories	13	76,826	66,258	35,639	33,635
Derivative financial assets	14	37,212	46,180	37,212	46,180
Total current assets		**260,961**	**390,403**	**181,823**	**295,339**
Non-current assets					
Other receivables	15	19,023	22,014	912,511	889,084
Derivative financial assets	14	33,970	31,921	33,970	31,921
Equity accounted investments	16	1	1	-	-
Property, plant and equipment	17	1,450,920	1,182,551	250,305	182,625
Deferred tax assets	18	319,791	221,570	278,034	180,441
Retirement benefit assets	19	10,841	3,679	10,841	3,679
Other non-current assets	20	-	-	93,612	93,612
Total non-current assets		**1,834,546**	**1,461,736**	**1,579,273**	**1,381,362**
Total assets		**2,095,507**	**1,852,139**	**1,761,096**	**1,676,701**
Liabilities					
Current liabilities					
Trade and other payables	21	157,416	164,522	106,906	89,548
Derivative financial liabilities	14	23,516	88,679	23,516	88,679
Provisions	22	73,645	56,615	70,699	54,123
Total current liabilities		**254,577**	**309,816**	**201,121**	**232,350**
Non-current liabilities					
Other payables	23	2,167	122	1,947	122
Derivative financial liabilities	14	32,579	55,403	32,579	55,403
Borrowings	24	812,081	812,081	812,081	812,081
Deferred tax liabilities	25	180,425	89,996	35,751	9,139
Provisions	26	458,614	212,795	395,664	183,604
Other liabilities	27	40,130	51,803	-	-
Total non-current liabilities		**1,525,996**	**1,222,200**	**1,278,022**	**1,060,349**
Total liabilities		**1,780,573**	**1,532,016**	**1,479,143**	**1,292,699**
Net assets		**314,934**	**320,123**	**281,953**	**384,002**
Equity					
Contributed equity	28	1,114,414	1,114,414	1,114,414	1,114,414
Reserves	29	25,845	(22,986)	25,845	(22,986)
Accumulated losses	29	(825,325)	(771,305)	(858,306)	(707,426)
Total equity		**314,934**	**320,123**	**281,953**	**384,002**

Comparative information has been restated to reflect reclassifications in the Balance Sheets. Details of the reclassifications are outlined in Note 5.

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 2014

Consolidated	Notes	Attributable to members of the consolidated group Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2012		1,114,414	(7,366)	(731,031)	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	29	-	(15,620)	-	(15,620)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,601	7,601
Total comprehensive income for the year		**-**	**(15,620)**	**(40,274)**	**(55,894)**
Balance at 30 June 2013		**1,114,414**	**(22,986)**	**(771,305)**	**320,123**
Balance at 1 July 2013		1,114,414	(22,986)	(771,305)	320,123
Total comprehensive income for the year					
Net loss for the year		-	-	(59,898)	(59,898)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	29	-	48,831	-	48,831
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,878	5,878
Total comprehensive income for the year		**-**	**48,831**	**(54,020)**	**(5,189)**
Balance at 30 June 2014		**1,114,414**	**25,845**	**(825,325)**	**314,934**

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 2014

Parent	Notes	Attributable to members of the parent Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2012		1,114,414	(7,366)	(609,363)	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	29	-	(15,620)	-	(15,620)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,601	7,601
Total comprehensive income for the year		**-**	**(15,620)**	**(98,063)**	**(113,683)**
Balance at 30 June 2013		**1,114,414**	**(22,986)**	**(707,426)**	**384,002**
Balance at 1 July 2013		1,114,414	(22,986)	(707,426)	384,002
Total comprehensive income for the year					
Net loss for the year		-	-	(156,758)	(156,758)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	29	-	48,831	-	48,831
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,878	5,878
Total comprehensive income for the year		**-**	**48,831**	**(150,880)**	**(102,049)**
Balance at 30 June 2014		**1,114,414**	**25,845**	**(858,306)**	**281,953**

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 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash flows from operating activities					
Cash receipts from customers (inclusive of goods and services tax)		703,776	791,402	287,000	314,930
Cash payments to suppliers and employees (inclusive of goods and services tax)		(682,082)	(756,606)	(363,957)	(497,754)
Cash generated from operations		**21,694**	**34,796**	**(76,957)**	**(182,824)**
Interest received		1,903	8,000	1,823	7,927
Operating borrowing costs paid		(59,958)	(65,841)	(59,962)	(65,840)
Net cash inflow / (outflow) from operating activities	39	**(36,361)**	**(23,045)**	**(135,096)**	**(240,737)**
Cash flows from investing activities					
Payments for property, plant and equipment (inclusive of goods and services tax)		(74,146)	(69,681)	(16,092)	(30,636)
Repayments of loans from related parties		-	-	36,290	179,773
Net cash inflow / (outflow) from investing activities		**(74,146)**	**(69,681)**	**20,198**	**149,137**
Cash flows from financing activities					
Net cash inflow / (outflow) from financing activities		-	**-**	-	**-**
Net (decrease) increase in cash and cash equivalents		**(110,507)**	**(92,726)**	**(114,898)**	**(91,600)**
Cash and cash equivalents at the beginning of the financial year		152,887	245,613	136,379	227,979
Cash and cash equivalents at the end of the financial year	11	**42,380**	**152,887**	**21,481**	**136,379**

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 2014

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 28th August 2014.

New and amended standards adopted by the group

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 January 2013. These include AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 13 *Fair Value Measurement* and AASB 119 *Employee Benefits*. The nature and effect of each new standard and amendment on the consolidated group's financial report are described below.

AASB 10 *Consolidated Financial Statements*

The consolidated group adopted AASB 10 in the current year. AASB 10 replaces the guidance on control and consolidation in AASB 127 *Consolidated Separate Financial Statements* and Interpretation 12 *Consolidation - Special Purpose Entities*. The new standard changes the definition of control such that the consolidated group controls an entity when the consolidated group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to control those returns through its power over the entity. As the subsidiaries are 100% wholly owned, there is no change in the assessment of control over the subsidiaries. The adoption of AASB 10 has no impact on the consolidated investments held by the consolidated group and subsequently the financial statements of the consolidated group.

AASB 11 *Joint Arrangements*

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and removes the option to account for joint ventures using proportionate consolidation. Under AASB 11, investments in joint arrangements are classified as either joint ventures or joint operations, based on the rights and obligations of the parties to the arrangement. In a joint venture, the parties sharing joint control of the arrangement have rights to the net assets and must account for their interests in the arrangement using the equity method. In a joint operation, the parties have rights to the assets and liabilities and must account for the assets and liabilities, revenues and expenses for which they have rights or obligations.

A review has been undertaken of all joint arrangements relating to the consolidated group and it has been determined that all arrangements constitute a joint operation in accordance with AASB 11. The interests of the consolidated group in joint operations are brought to account by recognising in the financial statements the consolidated group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Application of this standard by the consolidated group does not affect any of the amounts recognised in the financial statements, but impacts the type of information disclosed in relation to the consolidated group's investments. AASB 12 disclosures are provided in note 37 and 38.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards* arising from AASB 13

AASB 13 establishes a single source of guidance for all fair value measurements and expands fair value disclosures. AASB 13 defines fair value as the exit price of a transaction, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle market at conditions prevailing at the measurement date under current market conditions. Application of AASB 13 has not materially impacted the fair value measurements of the consolidated group.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities subject to fair valuation measurement.

AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (2011)

The revised standard changes the accounting for defined benefit plans. Interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. These changes do not have a material impact on the financial performance or position of the consolidated group in the current and comparative periods. The consolidated group has applied AASB 119 in accordance with the transitional provisions set out in the revised standard.

The revised standard has also changed the accounting treatment for short-term employee benefits. Under the revised standard, 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. Employee benefits which are not 'expected' to be 'wholly' settled within 12 months after the end of the annual reporting period are classified as long-term and measured on a discounted basis. These changes do not have a material impact on the financial performance or position of the consolidated group in the current and comparative periods.

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 2013.

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 2014 reflect a net asset position of $314.9 million (2013: $320.1 million) and a net current asset position of $6.4 million (2013: $80.6 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 2014 are $590 million (refer Note 24). The ability of CS Energy Limited and the consolidated group to continue as a going concern is 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 24 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 Statements of Profit or Loss and Other Comprehensive Income

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

Administration costs included in Statements of Profit or Loss and Other Comprehensive Income

The line item Administration costs disclosed on the face of the Statements of Profit or Loss and Other 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 entities controlled by the consolidated group. Control exists when the consolidated group is exposed to, or has the rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power, directly or indirectly, to govern the financial reporting and operating policies of the entity.

In assessing control, potential voting rights that presently are exercisable or coverable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. All investments in subsidiaries are disclosed in Note 37.

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 of acquisition, less any impairment charges, in the parent entity's financial statements.

(ii) Joint arrangements

The consolidated group's investment in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations:
In a joint operation, the entitlement share is determined based on the rights and obligations of each party as set out in the contractual terms. Each party in the joint operation recognises its share of the assets, liabilities, revenues and expenses of the joint arrangement.

Joint venture:
In a joint venture, the parties have joint control of the arrangement, have rights to the net assets of the arrangement and recognise its interest in a joint arrangement as an investment and shall account for the investment using the equity method of accounting.

(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 statements of profit or loss and other 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 statements of profit or loss and other 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 10.

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 the industry risk profit adjusted for risks specific to the asset, which have not been included in cash flow. 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 14. Movements in the hedging reserve in equity are shown in Note 29.

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. Fair value is defined as the exit price of a transaction, which is the price at which an orderly (planned in market) transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under current market conditions.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date, being the average of bid and offer prices.

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 as well as the risk that an entity will not fulfil its obligation (non-performance risk). This includes the consolidated group's own credit risk as well as counterparty credit risk. An analysis of financial instruments carried at fair value by valuation method is disclosed in Note 14.

The fair value of non-financial assets and liabilities is measured assuming the highest and best use of the asset or liability that would maximize its value, as determined from the perspective of market participants, even if the consolidated group intends a different use. If the highest and best use of a non-financial asset differs from its current use, the reason for this is disclosed.

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. 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.

o. 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, that are expected to be settled wholly within twelve months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at undiscounted amounts based on remuneration rates at reporting date, including related on-costs.

(ii) Long service leave

Liabilities for long service leave that are not expected to be settled wholly within twelve months of the reporting date, are recognised and measured as the present value of the estimated future cash outflows to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Liabilities for annual leave that are not expected to be settled wholly within twelve months of the reporting date, 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. The consolidated group has not discounted future payments given the immaterial impact to the balance of annual leave entitlements.

The obligations are presented as current liabilities if the consolidated group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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.

p. 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.

q. Carbon liability

During the year, the group was subject to the carbon pricing scheme, introduced by the *Clean Energy Act 2011*.

The group was required to 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_2e) emitted, either by surrendering carbon emissions units or paying a unit shortfall charge.

The carbon liability is calculated based on the tonnes of CO_2-e the group emits, multiplied by the fixed carbon price for the year. In the 2013/14 financial year, the carbon price was $24.15 per tonne.

r. 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.

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.

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 2014 financial reporting period and have accordingly not been applied in the financial statements. CS Energy has undertaken an assessment to determine the impact of the new accounting standards and interpretations to the financial statements in future periods.

(i) AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018)

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

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.

The group is adopting a risk-based approach and will apply its risk accounting practices in line with the accounting standard.

Additional accounting standards and interpretations which are not expected to materially impact the consolidated group include:

(ii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities (effective from 1 January 2014)

(iii) AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)

3. Events occurring after the reporting period

Other than items outlined in matters subsequent to the end of the financial year, in the Director's Report, there were no significant events which occurred between the financial year end and the date of this report.

4. Critical accounting estimates and judgements

The preparation of the financial statements requires the consolidated group to make estimates, judgements and assumptions that affect reported amounts in the financial statements. The consolidated group evaluates estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses. Estimates and judgements are based on historical experience and on various other factors that are believed to be are reasonable under the circumstances. Changes in accounting estimates, judgments and assumptions can have a material impact on assets, liabilities, revenues and expenses reported in the financial statements.

(i) Impairment of assets (refer Note 1h)

The consolidated group assesses impairment annually by evaluating conditions that might indicate an impairment of assets exists. The recoverable amounts of assets, or Cash Generating Unit (CGU), of assets have been determined on a value in use basis for all assets except the Wivenhoe Power Station and property owned by Aberdare Collieries.

The fair value assessments for Aberdare Collieries properties have been based on amounts that could be realised, at the end of the reporting period, from the disposal of the asset, in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, consideration has been given to the outcome of recent transactions for similar assets within the same industry region.

The value in use calculations, for the other CGUs, are based on financial forecasts covering the lives of the assets up to 29 years, and resulted in a reversal of impairment adjustments totalling $275.0 million for Callide B, Callide C and Kogan Creek Power Station CGUs. The calculations have been based on the assumptions outlined below.

(a) Discount rate

Discount rates are used to calculate the present value of projected future cash flows for the CGUs. The rates used are based on the consolidated group's weighted average cost of capital (WACC), including the time value of money and the required rate of returns for both debt providers and equity owners. Determination of WACC is based on separate analysis of debt and equity costs, utilising publicly available information including the risk free interest rate, an industry risk premium, and the underlying cost of debt. For some CGUs, where inherent risks were viewed as being greater than industry risk, an additional risk premium was added to WACC to establish the discount rate.

Sensitivity of impairment adjustment to changes in electricity wholesale price and discount rate.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	(35)	39
		-5%	+5%
Electricity Price Sensitivity (+/-5%)	$m	(128)	128

(b) Market factors

Market pricing and generation mix have been determined through the use of publicly available information, internal expertise and external advisors with industry specific experience. The primary market drivers are electricity demand and consumption, generation fuel costs (gas and coal prices), carbon cost assumptions, available existing generation capacity and supply from new entrants (primarily, coal, wind and solar). Specific assumptions incorporated in market forecasts include:

- demand and consumption forecasts are based on forecasts prepared by the Australian Energy Market Operator (AEMO) and included AEMO's 2013 medium and low cases, both at a 90% probability of exceedance (POE90), with the primary driver of growth in Queensland being the establishment of the liquefied natural gas industry;
- carbon pricing has been removed from market modelling following the repeal of the *Clean Energy Act 2011* in July 2014;
- gas price assumptions are based on forecasts developed by the external advisor; and
- coal-fired power stations are assumed to be the new entrant large scale base load plant but with the first new coal-fired plant not built until after 2025.

The 2014 AEMO demand and consumption forecasts were released in June 2014. CS Energy has considered the reduction in forecast demand represented in the 2014 AEMO forecasts through the adoption of the midpoint of pool price and generation outcomes from the 2013 Medium and 2013 Low AEMO forecasts for the asset impairment assessment.

(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

Future cash flows are based on current enacted regulatory and legislative frameworks. Significant amendments to the legislation may have a significant and material impact on the fair value of CS Energy's assets.

Asset impairment write-downs were recognised in 2011 and were largely as a result of the Federal Government's then proposed carbon pricing mechanism and the negative value impact on CS Energy coal-fired power station CGUs. Part reversal of the prior period's impairment write-downs is recognised in the current year financial statements at 30 June 2014 (2013: nil). The part reversals of the prior period's impairment and adjustments largely reflects the impact of the removal of carbon pricing (July 2014) as well as increased market price forecasts relative to the 2011 forecast values.

(ii) Electricity derivative contracts measured at fair value (refer Note 14)

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(o)(ii).

(iv) Estimation of useful lives of assets(refer Note 1m)

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.

(v) Onerous contracts (refer Notes 22 and 26)

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. Significant estimates that are made include:

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

A remeasurement of the IPPA onerous contract has been completed to establish an appropriate value for inclusion in the financial statements at 30 June 2014, resulting in an increase in the provision of $234.8 million (2013: nil). This increase in the onerous contract provision is due to lower market price and generation dispatch outcomes associated with the market forecasts discussed under market factors, note 4b above. As discussed, demand forecasts are based on AEMO medium and low cases at a POE90, resulting in the inclusion of limited price volatility impacting the peaking plant benefit to CS Energy.

Change in discount rate and electricity price results in the following adjustments to onerous contract provision recorded of ($388) million.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	18.5	(20.2)
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	8.2	(8.2)

A positive value in this table represents an improvement in value to the consolidated group (therefore, a reduction in the Onerous contract provision).

The electricity price sensitivity, assumes all other earnings variables remain constant.

(vi) Rehabilitation and site closure costs provision (refer Note 26)

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

External consultants with industry specific experience were engaged during the year to evaluate and update rehabilitation assumptions relating to Power station assets.

Significant estimates made with respect to this provision are the:

(a) costs to fulfil the consolidated group's obligation, including assumptions in relation to technology and techniques applied;
(b) determination of an appropriate discount rate; and
(c) timing of rehabilitation.

(vii) Defined benefit plan assets (refer Note 19)

Various actuarial assumptions underpin the determination of the consolidated group's retirement benefit obligations. These assumptions and related carrying amounts are discussed in Note 19.

(viii) Income tax

(a) The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Forecast assumptions prepared by the consolidated group indicate a return to taxable profits in the foreseeable future, with the tax losses expected to be fully utilised in this time.
(b) Should the consolidated group cease to be a Government Owned Corporation and hence an exempt entity, in accordance with the Income Tax Assessment Act 1936, the carried forward tax losses from the exempt period will not be available under the federal tax regime.

5. Reclassifications in the presentation of financial statements

(i) Reclassifications in the presentation of the Statements of Profit or Loss and Other Comprehensive Income

Consolidated	2013 $'000	Reclassification $'000	2013 (restated) $'000
Revenue from continuing operations (1)	730,860	(30,715)	700,145
Cost of sales (2)	(477,622)	20	(477,602)
Administration costs (1) & (2)	(231,526)	30,695	(200,831)
Net movements in profit or loss and other comprehensive income	**21,712**	**0**	**21,712**

(ii) Reclassifications in the presentation of the Balance Sheets

Consolidated	2013 $'000	Reclassification $'000	2013 (restated) $'000
Assets			
Current Assets			
Trade and other receivables (1) & (3)	146,824	(21,746)	125,078
Inventories (4)	67,012	(754)	66,258
Derivative financial assets (4)	43,036	3,144	46,180
Net movement in current assets	**256,872**	**(19,356)**	**237,516**
Non-current assets			
Other receivables (3)	-	22,014	22,014
Derivative financial assets (4)	31,762	159	31,921
Net movement in non-current assets	**31,762**	**22,173**	**53,935**
Net movement in total assets	**288,634**	**2,817**	**291,451**
Liabilities			
Current Liabilities			
Trade and other payables (1) (3) & (5)	152,147	12,375	164,522
Derivative financial liabilities (4)	86,427	2,252	88,679
Net movement current liabilities	**238,574**	**14,627**	**253,201**
Non-current liabilities			
Other payables (3)	-	122	122
Derivative financial liabilities (4)	55,106	297	55,403
Borrowings (5)	824,310	(12,229)	812,081
Net movement in non-current liabilities	**879,416**	**(11,810)**	**867,606**
Net movement in total liabilities	**1,117,990**	**2,817**	**1,120,807**
Equity			
Contributed equity (6)	1,114,415	(1)	1,114,414
Accumulated losses (6)	(771,306)	1	(771,305)
Net movement in equity	**343,109**	**-**	**343,109**

Parent	2013 $'000	Reclassification $'000	2013 (restated) $'000
Assets			
Current Assets			
Trade and other receivables (3)	98,355	(19,210)	79,145
Inventories (4)	34,389	(754)	33,635
Derivative financial assets (4)	43,036	3,144	46,180
Net movement in current assets	**175,780**	**(16,820)**	**158,960**
Non-current assets			
Other receivables (3)	867,070	22,014	889,084
Derivative financial assets (4)	31,762	159	31,921
Net movement in non-current assets	**898,832**	**22,173**	**921,005**
Net movement in total assets	**1,074,612**	**5,353**	**1,079,965**
Liabilities			
Current Liabilities			
Trade and other payables (3) & (5)	74,637	14,911	89,548
Derivative financial liabilities (4)	86,427	2,252	88,679
Net movement current liabilities	**161,064**	**17,163**	**178,227**
Non-current liabilities			
Other payables (3)	-	122	122
Derivative financial liabilities (4)	55,106	297	55,403
Borrowings (5)	824,310	(12,229)	812,081
Net movement in non-current liabilities	**879,416**	**(11,810)**	**867,606**
Net movement in total liabilities	**1,040,480**	**5,353**	**1,045,833**
Equity			
Contributed equity (6)	1,114,415	(1)	1,114,414
Accumulated losses (6)	(707,427)	1	(707,426)
Net movement in equity	**406,988**	**-**	**406,988**

(1) A review of the Callide C operations and maintenance accounting treatment within the prior year identified additional consolidation elimination entries.

(2) A review of Note 9 Expenses identified a reclassification of depreciation and amortisation between cost of sales and administration costs.

(3) A review of Note 12 Trade and other receivables identified that option premiums within the prior year note included non-current assets, current liabilities and non-current liabilities components of the option premiums. Based on their nature, option premiums have been reclassified and included within other receivables (non-current assets), trade and other payables (current liabilities) and other payables (non-current liabilities).

(4) A review of prior year Note 14 Financial Instruments identified that:

- *The spot mark to market valuation of environmental certificates was included in current derivative financial liabilities. These environmental certificates based on their nature have been reclassified and included within inventories.*
- *The environmental contracts were included in current derivative financial liabilities. These environmental contracts, based on their nature, have been reclassified and included within current derivative financial assets, current derivative financial liabilities and non-current derivative financial liabilities.*
- *All mark to market of option premiums were included within current and non-current derivative financial liabilities. Based on their nature, this has been reclassified and included within current derivative financial assets and non-current derivative financial assets.*

(5) A review of Note 24 Borrowings identified that interest payable on loan from QTC was included within Borrowings for the prior year. Based on its nature interest payable to QTC has been reclassified to current trade and other payables.

(6) A review of Note 28 Contributed equity identified that contributed equity was overstated for the prior year. The contributed equity has been restated to reflect the correct balance.

6. Revenue

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from continuing operations				
Revenue from the sales of electricity	563,494	634,195	207,768	163,874
Operation and maintenance services fee	40,626	55,948	54,310	84,300
Interest income	1,903	8,000	1,823	7,927
Leasing revenue	1,714	1,714	1,714	1,714
Sale of by-products	452	288	436	267
Total revenue	**608,189**	**700,145**	**266,051**	**258,082**

7. Impairment

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Impairment loss reversal	275,045	-	59,049	-

Asset impairment loss reversal relates to the adjustment of the carrying amounts of Power Station assets on re-measurement to the higher of the asset's value in use and fair value less costs to sell. Further detail is outlined in Note 4.

8. Other income

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Government grants (1)	10,863	6,992	-	-
Insurance recovery (2)	2,662	1,000	2,833	3,500
Rehabilitation provision re-measurement	-	11,115	-	11,115
Net gain on disposal of property, plant and equipment	841	-	96	-
Net gain on fair value of environmental certificates	600	-	600	-
Net gain on fair value of derivatives not qualifying as cash flow hedges	799	-	799	-
	15,765	**19,107**	**4,328**	**14,615**

(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.

9. Expenses

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loss before income tax includes the following specific expenses:				
Other expenses				
Exploration and evaluation expenditure write- off (1)	25,372	-	-	-
Research and development (2)	16,096	9,685	-	-
Network and market costs	13,555	15,514	11,459	12,676
Impairment loss (3)	8,145	-	-	-
Rehabilitation provision - re-measurement	4,473	-	4,473	-
Net loss on derivatives not qualifying as cash flow hedges	-	6,237	-	6,237
Net loss on fair value of environmental certificates	-	1,925	-	1,925
Loss on disposal of property, plant and equipment	21	13	12	13
	67,662	**33,374**	**15,944**	**20,851**

(1) Relates to the write-off of mining exploration and evaluation expenditure in respect to MDL 382 & 383 transferred to CS Energy as part of the generator restructure in 2011.
(2) Relates to the share of CS Energy Oxyfuel Pty Ltd's participant investment in the Callide Oxyfuel carbon capture and storage research project.
(3) Relates to the partial impairment of land owned by Aberdare Collieries Pty Ltd.

Finance costs				
Interest and finance charges	58,170	65,312	58,174	65,312
Finance costs - Rehabilitation provision	4,616	4,350	2,307	1,965
Finance costs - Onerous contract provision	8,627	5,452	8,627	5,452
	71,413	**75,114**	**69,108**	**72,729**

Fuel and carbon costs (1)				
Fuel costs	77,468	92,256	52,153	59,809
Carbon costs	216,007	244,829	78,858	89,599
	293,475	**337,085**	**131,011**	**149,408**

(1) Cost of sales in the Statements of Profit or Loss and Other Comprehensive Income includes fuel and carbon costs.

Depreciation and amortisation				
Depreciation and amortisation included in cost of sales	82,613	79,962	28,006	25,289
Depreciation and amortisation included in administration costs	6,108	8,477	2,314	4,068
	88,721	**88,439**	**30,320**	**29,357**

Employee benefits expenses (1)				
Defined contribution superannuation expense	4,369	4,010	3,373	3,183
Defined benefit plan expense	2,782	1,595	2,782	1,595
Wages and salaries expense (2)	67,413	70,999	54,229	58,848
	74,564	**76,604**	**60,384**	**63,626**

(1) Administration costs in the Statements of Profit or Loss and Other Comprehensive Income includes employee benefits expenses.
(2) Wages and salaries expense includes redundancy payments made during the year.

Rental expense relating to operating leases				
Minimum lease payments included in cost of sales	39,512	54,394	39,512	54,394
Minimum lease payments included in other expenses	2,290	2,334	1,987	2,041
	41,802	**56,728**	**41,499**	**56,435**

10. Income tax expense

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
a. Income tax expense/(benefit)				
Current tax	(54,953)	(17,605)	(57,081)	(67,694)
Deferred tax	35,177	(2,192)	(37,879)	9,667
Adjustments for current tax of prior periods	(14,105)	3	(7,212)	14
	(33,881)	**(19,794)**	**(102,172)**	**(58,013)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (Note 18)	(54,791)	(3,829)	(50,462)	13,977
(Decrease) increase in deferred tax liabilities (Note 25)	89,968	1,637	12,583	(4,310)
	35,177	**(2,192)**	**(37,879)**	**9,667**
b. Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate:				
Profit/(loss) from operations before income tax expense	**(93,779)**	**(67,669)**	**(258,930)**	**(163,677)**
Tax at the Australian tax rate of 30% (2013 - 30%)	(28,133)	(20,301)	(77,678)	(49,103)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	1	3	-	2
Sundry items	(95)	501	-	28
Non-deductible provided expenditure (1)	-	-	(17,282)	(8,954)
Non-deductible expenditure (2)	8,451	-	-	-
	(19,776)	(19,797)	(94,960)	(58,027)
Adjustments for current tax of prior periods	(14,105)	3	(7,212)	14
Income tax expense	**(33,881)**	**(19,794)**	**(102,172)**	**(58,013)**

(1) This amount relates to the non-deductible provision for non recovery on related party loans.
(2) This amount relates to the adjustment to the accounting values of the tenements/land held by Aberdare Collieries Pty Ltd.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
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	20,928	(6,695)	20,928	(6,695)
Actuarial gain / (loss) on defined benefit plan	2,519	3,258	2,519	3,258
	23,447	**(3,437)**	**23,447**	**(3,437)**
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

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.

11. Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank and on hand	21,548	18,354	649	1,846
Deposits at call - Queensland Treasury Corporation (QTC)	20,832	134,533	20,832	134,533
	42,380	**152,887**	**21,481**	**136,379**

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

a. Cash at bank and on hand

Cash at bank is bearing an interest rate of 1.25% (2013: 1.50%).

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

Deposits at call are bearing an interest rate of between 2.40% and 4.10% (2013: 2.65% and 4.49%)

12. Current assets - Trade and other receivables

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	97,520	113,440	81,216	68,280
Other receivables	4,056	11,638	3,382	10,865
Prepayments	2,967	-	2,893	-
	104,543	**125,078**	**87,491**	**79,145**

a. Trade receivables

The consolidated group has recognised no losses in respect to the impairment of trade receivables during the year ended 30 June 2014 (2013: nil). There were no material trade receivables past their due date at 30 June 2014.

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 14(e) for more details on specific concentrations of credit risk and general discussion of credit quality.

13. Current assets – Inventories

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Stores	43,737	39,710	25,268	22,235
Fuel at weighted average cost (finished goods) (1)	32,638	16,451	11,399	3,937
Fuel at weighted average cost (work in progress) (2)	1,413	1,214	-	-
Water	1,715	3,138	-	1,718
Environmental certificates	1,025	7,003	1,025	7,003
Carbon permits	-	1,608	-	1,608
Provision for obsolescence of stores	(3,702)	(2,866)	(2,053)	(2,866)
	76,826	**66,258**	**35,639**	**33,635**

(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 2014 were $366,364,809 (2013: $336,047,540).

There was a write-down of inventories recognised as an expense in the cost of sales during the year ended 30 June 2014 of $3,527,109 (2013: $125,471).

14. 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.

a. Derivative financial instruments

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets				
Electricity derivative contracts - cash flow hedges	25,742	14,784	25,742	14,784
Electricity derivative contracts - fair value through profit or loss	11,327	30,936	11,327	30,936
Environmental derivative contracts - fair value through profit or loss	143	460	143	460
Total current derivative financial instrument assets	**37,212**	**46,180**	**37,212**	**46,180**
Non-current assets				
Electricity derivative contracts - cash flow hedges	28,350	28,140	28,350	28,140
Electricity derivative contracts - fair value through profit or loss	5,552	3,744	5,552	3,744
Environmental derivative contracts - fair value through profit or loss	68	37	68	37
Total non-current derivative financial instrument assets	**33,970**	**31,921**	**33,970**	**31,921**
Current liabilities				
Electricity derivative contracts - cash flow hedges	2,431	50,778	2,431	50,778
Electricity derivative contracts - fair value through profit or loss	20,680	37,406	20,680	37,406
Environmental derivative contracts - fair value through profit or loss	405	495	405	495
Total current derivative financial instrument liabilities	**23,516**	**88,679**	**23,516**	**88,679**
Non-current liabilities				
Electricity derivative contracts - cash flow hedges	11,195	24,984	11,195	24,984
Electricity derivative contracts - fair value through profit or loss	21,359	30,244	21,359	30,244
Environmental derivative contracts - fair value through profit or loss	25	175	25	175
Total non-current derivative financial instrument liabilities	**32,579**	**55,403**	**32,579**	**55,403**

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 three 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	
	Equity $'000	Impact on pre tax Profit or (loss) $'000	Equity $'000	Impact on pre tax Profit or (loss) $'000
30 June 2014				
Electricity price - increase 10%	(61,686)	(8,242)	(61,686)	(8,242)
Electricity price - decrease 10%	61,686	8,008	61,686	8,008
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)

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 2014 (30 June 2013: 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 24. 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 2014						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,157,224	64,457	64,635	193,370	834,761
Trade and other payables	199,713	199,713	157,416	41,612	685	-
Derivative financial liabilities						
Electricity contracts	55,664	56,103	23,034	19,002	14,067	-
Environmental contracts	431	438	411	27	-	-
Total	**1,067,889**	**1,413,478**	**245,318**	**125,276**	**208,122**	**834,761**
30 June 2013						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,146,450	66,196	66,196	198,772	815,285
Trade and other payables	216,447	216,447	164,522	51,925	-	-
Derivative financial liabilities						
Electricity contracts	143,412	149,147	67,205	51,996	29,946	-
Environmental contracts	670	670	495	174	1	-
Total	**1,172,610**	**1,512,714**	**298,418**	**170,291**	**228,719**	**815,285**

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 2014						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,157,224	64,457	64,635	193,370	834,761
Trade and other payables	108,853	108,853	106,906	1,262	685	-
Derivative financial liabilities						
Electricity contracts	55,664	56,103	23,034	19,002	14,067	-
Environmental contracts	431	438	411	27	-	-
Total	**977,029**	**1,322,618**	**194,808**	**84,926**	**208,122**	**834,761**
30 June 2013						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,146,450	66,196	66,196	198,772	815,285
Trade and other payables	89,670	89,670	89,548	122	-	-
Derivative financial liabilities						
Electricity contracts	143,412	149,147	67,205	51,996	29,946	-
Environmental contracts	670	670	495	174	1	-
Total	**1,045,833**	**1,385,937**	**223,444**	**118,488**	**228,719**	**815,285**

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 11, 12 and 14) 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 2014. 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and cash equivalents				
AA+ to AA-	42,380	152,887	21,481	136,379
Total	**42,380**	**152,887**	**21,481**	**136,379**
Trade and other receivables				
AA+ to AA-	20,348	10,012	20,348	4,025
A+ to A-	8,452	13,373	8,452	13,373
BBB+ to BBB-	5,250	8,963	5,250	8,963
AEMO	30,135	48,683	4,512	5,212
Other non-rated (1)	40,358	44,047	48,929	47,572
Total	**104,543**	**125,078**	**87,491**	**79,145**
Derivative financial assets				
AA+ to AA -	54,340	49,414	54,340	49,414
A+ to A-	5,172	10,617	5,172	10,617
BBB+ to BBB-	11,670	18,017	11,670	18,017
Non-rated	-	53	-	53
Total	**71,182**	**78,101**	**71,182**	**78,101**

(1) The other non-rated receivables relate to amounts provided for but not invoiced as at 30 June 2014. 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 2014 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 2013.

	Impact on Pre Tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Variable rate borrowings		
30 June 2014	(588)	616
30 June 2013	(424)	463

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 24), 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, are as follows:

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Carrying amount	812,081	812,081	812,081	812,081
Fair value (Level 2)	925,178	892,400	925,178	892,400

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 2014, as they will be retained to maturity.

(i) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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 2014				
Derivative financial assets				
Electricity contracts	1,544	69,427	-	70,971
Environmental contracts	-	211	-	211
	1,544	**69,638**	**-**	**71,182**
Derivative financial liabilities				
Electricity contracts	4,827	50,837	-	55,664
Environmental contracts	-	431	-	431
	4,827	**51,268**	**-**	**56,095**
30 June 2013				
Derivative financial assets				
Electricity contracts	4,346	60,381	12,877	77,604
Environmental contracts	-	497	-	497
	4,346	**60,878**	**12,877**	**78,101**
Derivative financial liabilities				
Electricity contracts	3,927	116,672	22,813	143,412
Environmental contracts	-	670	-	670
	3,927	**117,342**	**22,813**	**144,082**

Parent	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2014				
Derivative financial assets				
Electricity contracts	1,544	69,427	-	70,971
Environmental contracts	-	211	-	211
	1,544	**69,638**	**-**	**71,182**
Derivative financial liabilities				
Electricity contracts	4,827	50,837	-	55,664
Environmental contracts	-	431	-	431
	4,827	**51,268**	**-**	**56,095**
30 June 2013				
Derivative financial assets				
Electricity contracts	4,346	60,381	12,877	77,604
Environmental contracts	-	497	-	497
	4,346	**60,878**	**12,877**	**78,101**
Derivative financial liabilities				
Electricity contracts	3,927	116,672	22,813	143,412
Environmental contracts	-	670	-	670
	3,927	**117,342**	**22,813**	**144,082**

There are no transfers between level 1 and 2 recurring fair value measurements during the year. Once observable inputs become available the consolidated group transfers its financial instruments out of level 3 and into level 2.

For transfers out of level 3 see (iii) below.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to determine fair values.

Specific valuation techniques used to value financial instruments include:

The use of quoted market price for similar financial instruments. These instruments are included in level 1.

The fair value of over-the-counter derivatives is calculated as the present value of the estimated cash flows based on observable forwards curves. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

The fair value of the remaining financial instruments is determined using discounted cash flow analysis. These instruments are included in level 3.

The fair value reflects the risk of various counterparty default to adjust for credit valuation adjustment and debit valuation adjustment.

(iii) Reconciliation of level 3 fair value measurements

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Derivative financial assets				
Opening balance	12,877	-	12,877	-
Change in fair value	-	12,877	-	12,877
Transfers out of level 3 (1)	(12,877)	-	(12,877)	-
Closing Balance	-	12,877	-	12,877
Derivative financial liabilities				
Opening balance	22,813	-	22,813	-
Change in fair value	-	22,813	-	22,813
Transfers out of level 3 (1)	(22,813)	-	(22,813)	-
Closing balance	-	22,813	-	22,813

(1) In 2014 the consolidated group transferred trading derivatives from level 3 to level 2 due to forward curves being available as observable inputs.

(iv) Valuation inputs

The following table summarises the quantitative information about inputs used in level 2 fair value measurements.

Description	Fair Value as at 30 June 2014 Consolidated Assets $'000	Consolidated Liabilities $'000	Parent Assets $'000	Parent Liabilities $'000	Valuation technique(s) and key input(s)
Options and Caps	8,165	29,503	8,165	29,503	Option pricing model with observable electricity forward curves and implied volatility at the end of the reporting period as key inputs.
Swaps	61,262	21,334	61,262	21,334	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.
Environmentals	211	431	211	431	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.

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 2014 and 30 June 2013 were as follows:

	Consolidated 2014	Consolidated 2013
Net debt ($'000)	769,701	659,194
Adjusted equity ($'000)	289,089	343,109
Gearing ratio (%)	72.7	65.8

15. Non-current assets - Other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Loans to related parties	-	-	974,417	1,005,605
Impairment allowance (1)	-	-	(80,929)	(138,535)
	-	**-**	893,488	867,070
Other receivables (2)	19,023	22,014	19,023	22,014
	19,023	**22,014**	**912,511**	**889,084**

(1) Impairment allowance relates to the provision for non-recovery of loans to related parties.
(2) Includes electricity option premiums receivable.

Further information regarding loans to related parties is set out in Note 36.

16. Non-current assets - Equity accounted investments

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Interest in jointly controlled entities	1	1	-	-

Interest in jointly controlled entities' constitutes Callide Power Management Pty Ltd and Callide Power Trading Pty Ltd.

The interests in these 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.

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 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)	-
Disposals	-	(3,654)	(40)	(25)	-	-	(3,719)
Depreciation	(47,431)	(30,743)	(6,288)	-	(1,787)	(2,189)	(88,438)
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**
Movements for the year ended 30 June 2014							
Opening net book amount	891,810	60,758	13,798	99,037	42,431	74,717	1,182,551
Additions	62,143	18,084	454	34,047	4,210	1,547	120,485
Transfers between asset classes	5,112	2,962	496	(8,570)	-	-	-
Disposals	(9)	(158)	(28)	(4,728)	-	-	(4,923)
Expenditure write-off	-	-	-	-	(25,372)	-	(25,372)
Impairment loss reversal	275,045	-	-	-	-	-	275,045
Impairment loss	-	-	-	-	-	(8,145)	(8,145)
Depreciation	(46,151)	(34,675)	(3,858)	-	(1,787)	(2,250)	(88,721)
Closing net book amount	**1,187,950**	**46,971**	**10,862**	**119,786**	**19,482**	**65,869**	**1,450,920**
At 30 June 2014							
Cost	1,918,462	192,528	63,235	119,786	28,555	80,757	2,403,323
Accumulated depreciation	(730,512)	(145,557)	(52,373)	-	(9,073)	(14,888)	(952,403)
Net book amount	**1,187,950**	**46,971**	**10,862**	**119,786**	**19,482**	**65,869**	**1,450,920**

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 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)	-
Disposals	-	-	(13)	(25)	4	-	(34)
Depreciation	(9,076)	(16,212)	(3,885)	-	-	(184)	(29,357)
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**
Movements for the year ended 30 June 2014							
Opening net book amount	110,904	30,339	5,694	26,412	-	9,276	182,625
Additions	26,665	1,174	371	13,977	-	1,547	43,734
Transfers between asset classes	4,540	101	223	(4,864)	-	-	-
Disposals	-	-	(27)	(4,755)	-	-	(4,782)
Impairment loss reversal	59,048	-	-	-	-	-	59,048
Depreciation	(9,767)	(18,239)	(2,071)	-	-	(243)	(30,320)
Closing net book amount	**191,390**	**13,375**	**4,190**	**30,770**	**-**	**10,580**	**250,305**
At 30 June 2014							
Cost	534,290	94,010	42,630	30,770	-	12,316	714,016
Accumulated depreciation	(342,900)	(80,635)	(38,440)	-	-	(1,736)	(463,711)
Net book amount	**191,390**	**13,375**	**4,190**	**30,770**	**-**	**10,580**	**250,305**

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 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
At 30 June 2013	**8,283**	**66,655**	**17,308**	**76,789**	**52,535**	**221,570**
Charged/(credited) to profit or loss	-	56,632	19,732	-	(21,573)	54,791
Under provision prior year	-	-	-	-	(3,701)	(3,701)
Charged directly to equity	(8,283)	-	-	-	-	(8,283)
Current year tax losses recognised	-	-	-	55,414	-	55,414
Net deferred tax assets at 30 June 2014	**-**	**123,287**	**37,040**	**132,203**	**27,261**	**319,791**

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 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
At 30 June 2013	**8,283**	**65,999**	**8,652**	**76,789**	**20,718**	**180,441**
Charged/(credited) to profit or loss	-	56,333	9,061	-	(14,932)	50,462
Under provision prior year	-	-	-	55,414	-	55,414
Charged directly to equity	(8,283)	-	-	-	-	(8,283)
Net deferred tax assets at 30 June 2014	**-**	**122,332**	**17,713**	**132,203**	**5,786**	**278,034**

19. Retirement benefit obligations – defined benefit plan

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 higher than expected return on the actual investment plan assets, partially offset by a decrease in the discount rate (from 3.8% to 3.5%) 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 2014 resulting in a defined benefit asset being recognised at 30 June 2014 (30 June 2013: Defined benefit asset recognised).

The following information in Notes 19(b) to 19(i) is in respect of the ESF defined benefit plan only. The expense recognised in relation to the defined contribution plan is disclosed in Note 9.

b. Balance sheet amounts

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

	Consolidated and Parent 2014 $'000	2013 $'000
Present value of the defined benefit obligation	(69,938)	(72,169)
Fair value of defined benefit plan assets	79,153	75,296
	9,215	**3,127**
Net asset/(liability) before adjustment for contributions tax	9,215	3,127
Adjustments for contributions tax	1,626	552
	10,841	**3,679**

For the period up to 30 June 2014, 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 2014 $'000	2013 $'000
Cash	7,915	7,530
Equity instruments	39,577	37,648
Debt instruments	7,915	7,530
Property	7,915	7,530
Other assets	15,831	15,059
	79,153	**75,297**

d. Reconciliations

	Consolidated and Parent 2014 $'000	2013 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	71,617	82,574
Current service cost	2,939	3,554
Interest cost	2,618	2,432
Actuarial (gains) and losses recognised in equity	1,716	(5,401)
Benefits paid by the plan	(11,371)	(12,450)
Contributions by plan participants	793	908
Balance at the end of the year (net of contributions tax)	**68,312**	**71,617**
Reconciliation of the fair value of plan assets:		
Opening balance	75,296	75,056
Expected return on plan assets	2,775	4,391
Actuarial gains and (losses) recognised in equity	10,113	5,458
Contributions by group companies into the plan	1,547	1,933
Benefits paid by the plan	(11,371)	(12,450)
Contributions by plan participants	793	908
Balance at the end of the year	**79,153**	**75,296**

e. Amounts recognised in Statements of profit or loss and other comprehensive income

	Consolidated and Parent 2014 $'000	2013 $'000
Current service cost	2,939	3,554
Interest cost	2,618	2,432
Expected return on plan assets	(2,775)	(4,391)
Total included in employee benefits expense	**2,782**	**1,595**

f. Amounts recognised in other comprehensive income

	Consolidated and Parent 2014 $'000	2013 $'000
Cumulative loss amount at the beginning of the year	(12,340)	(23,199)
Actuarial (loss)/gain recognised in the year (gross of tax)	8,397	10,859
Cumulative loss amount at the end of year	**(3,943)**	**(12,340)**

g. Principal actuarial assumptions

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

	Consolidated and Parent 2014	2013
Discount rate	3.5%	3.8%
Future salary increases - 1st year	3.5%	3.5%
Future salary increases - long term	4.0%	4.0%

h. Actuarial assumptions and sensitivity

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumption	Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
Discount rate	0.5%	Decrease by	5.0%	Increase by	5.4%
Salary growth rate	0.5%	Increase by	5.0%	Decrease by	4.8%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis, and the reasons for such changes.

i. Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, with the most recent actuarial assessment undertaken as at 30 June 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 percentage 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 2013, the payment of employer contributions to the fund of 5% of salaries for employees who are members of the defined benefit section. For the period up to 30 June 2014, the consolidated group paid contributions to the fund of 10% of defined benefit members' salaries (2013:10%).

Total employer contributions expected to be paid by the consolidated group for the year ending 30 June 2015 will be a minimum of $663,969 (2014: $1,621,702) and a minimum of $607,129 for the parent (2014: $1,483,750). 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 2014 year

j. Historic summary

Consolidated entity	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Defined benefit plan obligation	(69,938)	(72,169)	(81,446)	(98,966)	(92,735)
Plan assets	79,153	75,296	75,056	105,801	98,745
Surplus/(deficit)	9,215	3,127	(6,390)	6,835	6,010
Experience adjustments arising on plan liabilities	(1,716)	5,401	(8,168)	(1,791)	3,326
Experience adjustments arising on plan assets	10,113	5,458	(4,506)	2,733	(2,096)

20. Non-current assets – Other non-current assets

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
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 37.

21. Current liabilities - Trade and other payables

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	115,988	116,682	74,001	50,359
Other payables (1)	32,849	31,310	29,538	26,436
Unearned revenue (2)	8,579	16,530	3,367	12,753
	157,416	**164,522**	**106,906**	**89,548**

(1) Other payables includes interest payable to QTC, accrued coal expenses and electricity option premium payables.
(2) Unearned Revenue represents income received in advance from retail customers, electricity contract premiums and government grant revenue received in respect to the Callide Oxyfuel Project.

22. Current liabilities - Provisions

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Employee benefits	20,375	22,491	17,429	19,999
Onerous contracts	53,270	34,124	53,270	34,124
	73,645	**56,615**	**70,699**	**54,123**

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

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.

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.

a. Reconciliation of Movements in Provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Onerous contracts				
Carrying amount at start of year	34,124	45,700	34,124	45,700
Provision used during the year	(42,751)	(51,154)	(42,751)	(51,154)
Reclassification to current liabilities	53,270	34,126	53,270	34,126
Finance costs	8,627	5,452	8,627	5,452
Carrying amount at end of year	**53,270**	**34,124**	**53,270**	**34,124**

23. Non-current liabilities – Other payables

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other payables (1)	2,167	122	1,947	122

(1) Includes electricity option premiums payable.

24. Non-current liabilities – Borrowings

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loans from QTC	812,081	812,081	812,081	812,081

All loans from the Queensland Treasury Corporation at 30 June 2014 are unsecured (2013: unsecured). Queensland Treasury Corporation has provided confirmation that facilities reported as at 30 June 2014 are available and not subject to change in the next 12 months (refer Note 1).

Financing arrangements

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Facility used at balance date				
QTC Facilities (1)	812,081	812,081	812,081	812,081
	812,081	**812,081**	**812,081**	**812,081**
Unused at balance date				
QTC Facilities (1)	589,589	589,589	589,589	589,589
QTC Facilities (2)	400,000	400,000	400,000	400,000
	989,589	**989,589**	**989,589**	**989,589**
Total facilities available				
QTC Facilities	1,801,670	1,801,670	1,801,670	1,801,670
	1,801,670	**1,801,670**	**1,801,670**	**1,801,670**

(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.

25. Non-current liabilities - Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Trade receivables $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2012	-	8,196	-	57,904	21,086	87,186
Charged/(credited) to profit or loss	-	2,731	102	1,336	(2,531)	1,638
Under provision prior year	-	-	-	-	170	170
Charged directly to equity	-	-	1,002	-	-	1,002
At 30 June 2013	**-**	**10,927**	**1,104**	**59,240**	**18,725**	**89,996**
Charged/(credited) to profit or loss	472	-	(370)	82,543	7,323	89,968
Under provision prior year	-	(10,927)	-	-	(3,776)	(14,703)
Charged directly to equity	12,645	-	2,519	-	-	15,164
Net deferred tax liabilities at 30 June 2014	**13,117**	**-**	**3,253**	**141,783**	**22,272**	**180,425**

The deferred tax liability capital work in progress balance included in Other for 2014 is $1,224,448 (2013: $1,328,488).

Parent	Derivative financial instruments $'000	Trade receivables $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2012	-	996	-	-	11,451	12,447
Charged/(credited) to profit or loss	-	138	102	-	(4,550)	(4,310)
Charged directly to equity	-	-	1,002	-	-	1,002
At 30 June 2013	**-**	**1,134**	**1,104**	**-**	**6,901**	**9,139**
Charged/(credited) to profit or loss	472	-	(370)	9,689	2,791	12,582
Under provisions prior year	-	(1,134)	-	-	-	(1,134)
Charged directly to equity	12,645	-	2,519	-	-	15,164
Net deferred tax liabilities at 30 June 2014	**13,117**	**-**	**3,253**	**9,689**	**9,692**	**35,751**

The deferred tax liability capital work in progress balance included in Other for 2014 is $997,951 (2013: $321,544).

26. Non-current liabilities – Provisions

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Employee benefits (1)	1,795	1,325	1,270	989
Rehabilitation and site closure costs	121,468	57,695	59,043	28,840
Onerous contracts	335,351	153,775	335,351	153,775
	458,614	**212,795**	**395,664**	**183,604**

(1) Employee benefits includes long service leave only. The non-current provision for long service leave includes all unconditional entitlements where employees have not completed the required period of service.

a. Reconciliation of movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Rehabilitation and site closure costs				
Carrying amount at start of year	57,695	53,383	28,840	32,470
Change from re-measurement	59,157	(33)	27,896	(5,595)
Provision used during the year	-	(5)	-	-
Finance costs	4,616	4,350	2,307	1,965
Carrying amount at end of year	**121,468**	**57,695**	**59,043**	**28,840**

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

External consultants with industry specific experience were engaged during the year to evaluate and update rehabilitation assumptions relating to Power Station assets. This has resulted in a re-measurement in the carrying amount of rehabilitation and site closure costs.

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Onerous contracts				
Carrying amount at start of year	153,775	187,901	153,775	187,901
Changes from re-measurement	234,845	-	234,845	-
Reclassification to current liabilities	(53,270)	(34,126)	(53,270)	(34,126)
Carrying amount at end of year	**335,350**	**153,775**	**335,350**	**153,775**

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.

27. Non-current liabilities - Other liabilities

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Unearned revenue (1)	40,130	51,803	-	-

(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, net of tax prepayments made under the financial incentives agreement.

28. Contributed equity

a. Share capital

	2014 Shares	2013 shares
Ordinary shares-fully paid		
A Class (voting)	291,910,252	291,910,252
B Class (non-voting)	822,503,917	822,503,917
	1,114,414,169	**1,114,414,169**

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

	2014 shares	2013 shares	2014 $'000	2013 $'000
A Class (voting)				
Contributed equity	291,910,252	291,910,252	291,910	291,910
Closing balance at 30 June	**291,910,252**	**291,910,252**	**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.

29. Reserves and Accumulated Losses

a. Hedging reserve - cash flow hedges

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening balance at 1 July	**(22,986)**	**(7,366)**	**(22,986)**	**(7,366)**
Revaluation of electricity derivative contracts - gross	51,606	(30,444)	51,606	(30,444)
Electricity derivative contracts realised as revenue - gross	18,153	8,129	18,153	8,129
Deferred tax	(20,928)	6,695	(20,928)	6,695
	48,831	(15,620)	48,831	(15,620)
Closing balance at 30 June	**25,845**	**(22,986)**	**25,845**	**(22,986)**

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

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b. Accumulated losses

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening balance at 1 July	(771,305)	(731,031)	(707,426)	(609,363)
Net loss for the year	(59,898)	(47,875)	(156,758)	(105,664)
Actuarial gain/(loss) on the defined benefit plan, net of tax	5,878	7,601	5,878	7,601
Closing balance at 30 June	**(825,325)**	**(771,305)**	**(858,306)**	**(707,426)**

30. 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 percentage 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.

31. 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:

Mr S O'Kane
Mr J Pegler
Mr M Williamson
Mr B Green (temporarily stepped down 25 March 2013 to 4 August 2013) (1)
Mr J Hubbard (resigned 6 November 2013)
Ms T Dare (term expired 30 September 2013)
Ms K Smith-Pomeroy (term expired 30 September 2013)

(1) Appointed as Acting Chief Executive Officer 25 March 2013 to 4 August 2013.

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	Salary and fees (1) $'000	Post-employment benefits (2) $'000	Total $'000
2014			
R Rolfe (Chairman)	85	8	93
Mr S O'Kane	38	3	41
Mr J Pegler	37	4	41
Mr M Williamson	40	4	44
M B Green (3)	35	3	38
Mr J Hubbard (4)	14	1	15
Ms T Dare (5)	10	1	11
Ms K Smith-Pomeroy (5)	10	1	11
	269	**25**	**294**
2013			
R Rolfe (Chairman)	95	9	104
Ms T Dare	40	4	44
Ms S Israel (7)	3	-	3
Mr J Hubbard	39	3	42
Mr K Barker (8)	1	-	1
Mr G Simcoe (9)	1	-	1
Ms K Smith-Pomeroy	40	4	44
Mr M Williamson	40	4	44
Mr J Pegler (6)	33	4	37
Mr B Green (3)	24	2	26
Mr S O'Kane (6)	33	3	36
Mr R Henricks (10)	-	-	-
	349	**33**	**382**

(1) Salary and fees represent all payments made to the director (total fixed remuneration excluding superannuation).
(2) Post-employment benefits represent superannuation contributions made by the consolidated group to a superannuation fund.
(3) Temporarily stepped down 25 March 2013 to 4 August 2013 - Appointed as Acting Chief Executive Officer 25 March 2013 to 4 August 2013 - Remuneration details for 2014 are in respect of the period 5 August 2013 to 30 June 2014.
(4) Resigned 6 November 2013 - Remuneration details for 2014 are in respect of the period 1 July 2013 to 6 November 2013.
(5) Term expired 30 September 2013 - Remuneration details for 2014 are in respect of the period 1 July 2013 to 30 September 2013.
(6) Remuneration details for 2013 are in respect of the period 23 August 2012 to 30 June 2013.
(7) Remuneration details for 2013 are in respect of the period 1 July 2012 to 13 July 2012.
(8) Remuneration details for 2013 are in respect of the period 1 July 2012 to 4 July 2012.
(9) Remuneration details for 2013 are in respect of the period 1 July 2012 to 5 July 2012.
(10) 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, and a Director, Mr J Pegler, are former directors 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. Mr J Pegler is also a former director of Australian Coal Research Limited, to which the consolidated group pays a coal research levy on normal commercial terms.

A former Director, Ms T Dare, is a former 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 former 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.

	Consolidated 2014 $	Consolidated 2013 $	Parent 2014 $	Parent 2013 $
Consulting services: EY	149,861	157,386	149,861	157,386
Accounting and taxation services: PWC	76,670	250,468	76,670	247,056
Australian Coal Research Limited	121,581	-	-	-
Training: Australian Institute of Management	54,393	82,553	54,393	82,553
Queensland Resources Council	11,292	14,026	11,292	14,026
BUSS (Queensland)	8,921	6,790	-	95
Lend Lease	-	652,092	-	-
Accounting and taxation services: KPMG	-	16,643	-	16,643
	422,718	**1,179,958**	**292,216**	**517,759**

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:

Position Title	Executive
Chief Executive Officer (commenced 5 August 2013)	Martin Moore
Acting Chief Executive Officer (for the period 25 March 2013 to 4 August 2013)	Brian Green
Chief Financial Officer	Ulrich Elsaesser
Executive General Manager Operations	Mark Moran
Program Director	Andrew Krotewicz
Executive General Counsel and Company Secretary	Andrew Varvari
Executive General Manager Energy Markets	Scott Turner
Executive General Manager Projects	Scott Turner
Executive General Manager Strategy and Commercial (commenced 6 January 2014)	Owen Sela
Group Manager Health, Safety , Security and Environment	Kriss Ussher
Group Manager People and Culture	Tanya Absolon
Acting Executive General Manager Energy Markets (for the period 21 October 2013 to 31 January 2014)	David Warman (Substantive position; Group Manager Sales and Marketing)
Acting Executive General Manager Planning and Execution (for the period 27 June 2013 to 3 January 2014)	Jason Mahoney (Substantive Position; Group Manager Commercial Projects)

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 **Chief Executive Officer** (contract commenced 5 August 2013) include the following terms:

- Employment term - 3 years expiring 5 August 2016 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;
- 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 Chief Executive Officer** (contract commenced 25 March 2013 and concluded on 4 August 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;
- Contract concluded on 4 August 2013;
- 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 or incapacity 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 **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 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 Manager Safety, Reliability and Environment** (contract commenced 23 July 2008 to 15 January 2013) and **Program Director** (from 16 January 2013 to 31 August 2013) included 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 extended the existing contract by a further 2 years, to 31 August 2013;
- Termination date: 31 August 2013;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- 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 Energy Markets** (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 **Executive General Manager Strategy and Commercial** (contract commenced 6 January 2014) included the following terms:

- Employment term - 3 years expiring 6 January 2017 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 **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 (other than for disciplinary reasons); 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 either party 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; (other than for disciplinary reasons); 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 Sales and Marketing** (contract commenced 24 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 weeks' written notice by the employee within the probation period 24 October 2011 to 24 April 2012; or from 25 April 2012 not less than 1 months written notice by either party; (other than for disciplinary reasons); 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 Commercial Projects** (contract commenced 6 February 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 weeks' written notice by the employee within the probation period 6 February 2012 to 6 August 2012; or from 7 August 2012 not less than 1 months written notice by either party; (other than for disciplinary reasons); 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).

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						
	Salary and fees (1) $'000	Cash bonus (2) $'000	Non-monetary benefits (3) $'000	Post-employment benefits (4) $'000	Other long-term benefits (5) $'000	Termination benefits (6) $'000	Total $'000
2014							
Chief Executive Officer (7) (8)	681	16	6	22	16	15	756
Chief Financial Officer	364	15	6	35	9	-	429
Executive General Manager Operations	401	16	27	39	10	-	493
Program Director (9)	49	12	1	7	-	123	192
Executive General Counsel and Company Secretary	332	17	6	27	9	-	391
Executive General Manager Energy Markets (10)	348	14	5	25	8	-	400
Executive General Manager Projects (11)	104	5	1	8	2		120
Executive General Manager Strategy and Commercial (12)	179	-	3	12	4	-	198
Acting Executive General Manager Planning and Execution (13)	136	22	6	14	3	-	181
Group Manager Health, Safety, Security and Environment	183	17	6	19	6	-	231
Group Manager People and Culture	210	20	6	23	6	-	265
	2,987	**154**	**73**	**231**	**73**	**138**	**3,656**
2013							
Chief Executive Officer (14)	642	-	6	58	-	621	1,327
Executive General Manager Safety, Reliability and Environment (15)	94	-	4	11	-	-	109
Program Director (16)	136	-	6	11	6	-	159
Executive General Manager Production (17)	85	-	2	8	-	221	316
Executive General Manager People, Systems and Risk (18)	103	-	3	9	-	263	378
Chief Financial Officer (19)(20)	260	-	6	16	4	229	515
Executive General Manager Commercial (21)	94	-	2	9	-	-	105
Executive General Manager Market Strategy (22)	202	-	4	15	5	-	226
Executive General Manager Operations (23)	241	-	6	21	4	-	272
Executive General Manager Planning and Execution (24)(25)	117	-	3	2	-	-	122
Executive General Counsel and Company Secretary (26)	162	-	6	15	4	-	187
Group Manager Health, Safety, Security and Environment (27)	215	-	6	17	7	196	441
Group Manager People and Culture	192	-	6	19	6	-	223
	2,543	**-**	**60**	**211**	**36**	**1,530**	**4,380**

(1) Salary and fees represent all payments made to the executive (total fixed remuneration excluding superannuation).
(2) Cash bonus represents individual at-risk performance payments made to the executive.
(3) Non-monetary benefits represent the value of car parking provided to the executive and the associated fringe benefits tax. Also includes motor vehicle benefit and associated fringe benefits tax provided to Executive General Manager Operations.
(4) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts.
(5) Other long-term benefits represent long service leave benefits accrued during the year.

(6) Termination benefits represent all payments made to the executive on termination of employment excluding any entitlements relating to annual leave or long service leave (as these are included in short-term benefits or other long-term benefits where applicable).
(7) Remuneration details for 2014 for the period 5 August 2013 to 30 June 2014.
(8) Remuneration details for 2014 for the Acting period 1 July 2013 to 4 August 2013.
(9) Remuneration details for 2013 for the period 1 July to 31 August 2013.
(10) Remuneration details for 2014 includes for the Acting period 21 October 2013 to 31 January 2014.
(11) Remuneration details for 2014 for the period 21 October 2013 to 31 January 2014.
(12) Remuneration details for 2014 for the period 6 January 2014 to 30 June 2014.
(13) Remuneration details for 2014 for the Acting period 1 July 2013 to 3 January 2014.
(14) 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.
(15) Remuneration details for 2013 for the period 1 July 2012 to 15 January 2013.
(16) Remuneration details for 2013 for the period 16 January 2013 to 30 June 2013.
(17) Remuneration details for 2013 for the period 1 July 2012 to 9 October 2012.
(18) Remuneration details for 2013 for the period 1 July 2012 to 16 November 2012.
(19) 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.
(20) Total includes remuneration details for 2013 for a consultancy contract for the period 28 November 2012 to 28 January 2013.
(21) 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.
(22) Remuneration details for 2013 for the period 26 November 2012 to 30 June 2013.
(23) Remuneration details for 2013 for the period 29 January 2013 to 30 June 2013.
(24) Remuneration details for 2013 for the Acting period 15 November 2012 to 30 November 2012.
(25) Total includes remuneration details for 2013 for a consultancy contract for the period 15 November 2012 to 26 June 2013.
(26) Remuneration details for 2013 for the period 14 December 2012 to 30 June 2013.
(27) Remuneration details for 2013 for the position of Group Manager Health, Safety, Environment and Quality, and Group Manager Health, Safety, Security and Environment.

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.

32. 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:

	2014 $'000	2013 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	16	-
Senior Executives	138	-
Contract employees	1,303	-
Enterprise Bargaining Agreement employees	1,180	809
	2,637	809
Aggregate remuneration (including at risk-performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	68,433	34,050
Number of employees to whom a performance payment is paid	456	290

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 22 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.

33. Remuneration of auditors

	Consolidated		Parent	
	2014 $	2013 $	2014 $	2013 $
Audit and other assurance services				
Auditor-General of Queensland (1)	344,500	299,500	344,500	299,500
Crowe Horwath (2)	18,300	16,671	-	-
PricewaterhouseCoopers (3)	36,867	55,336	-	-
Total audit and other assurance service fees	**399,667**	**371,507**	**344,500**	**299,500**
Taxation compliance and advisory services				
PricewaterhouseCoopers (3)	120,110	180,360	120,110	180,360
Other advisory services				
Deloitte Touche Tohmatsu (4)	15,000	-	15,000	-
Total non-audit service fees	**135,110**	**180,360**	**135,110**	**180,360**
Total professional fees	**534,777**	**551,867**	**479,610**	**479,860**

The amounts above are GST exclusive.

(1) The audit of the 2013-14 financial statements of the Consolidated Group was conducted by Deloitte Touche Tohmatsu as Delegate of the Auditor-General of Queensland. In 2012-13 the audit was conducted by the Auditor-General of Queensland.
(2) Crowe Horwath audits Callide Power Project Market Trader.
(3) PricewaterhouseCoopers audits Callide Power Project and Manzillo Insurance (PCC) Limited - Cell EnMach.
(4) 2013-14 fees include payments to Deloitte Touche Tohmatsu for non-audit services. Not reported in 2012-13 as were not acting in an audit capacity.

34. 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Capital commitments				
Property, plant and equipment				
Within one year	45,633	46,241	35,856	29,727
Later than one year, but not later than five years	61,339	61,490	19,964	11,915
Total capital commitments	**106,972**	**107,731**	**55,820**	**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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating lease commitments - group as lessee				
Within one year	45,786	51,291	45,786	51,291
Later than one year, but not later than five years	179,339	185,969	179,339	185,969
Later than five years	631,874	683,753	631,874	683,753
Total operating lease commitments	**856,999**	**921,013**	**856,999**	**921,013**

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other expenditure commitments				
Within one year	166,500	163,652	76,708	76,537
Later than one year, but not later than five years	477,735	401,175	128,156	126,669
Later than five years	352,544	333,781	188,217	146,696
Total other expenditure commitments	**996,779**	**898,608**	**393,081**	**349,902**

35. Contingent liabilities

As at the date of this report there were no contingent liabilities.

CS Energy is in dispute with Anglo American (Anglo) in relation to the supply of coal by Anglo to the Callide B and Callide C Power Stations.

CS Energy commenced proceedings against Anglo American (Anglo) in the Queensland Supreme Court on 6 November 2013 claiming, among other things, compensation from Anglo for shortfalls in coal deliveries to CS Energy's Callide B under a coal supply agreement (CSA) dating back to 2011. On 11 December 2013 the Callide C Power Project Joint Venture (of which CSE holds a 50% interest through Callide Energy Pty Ltd) also commenced proceedings against Anglo claiming compensation under a separate CSA, on essentially the same terms as the Callide B claim. Anglo claims it is not obliged to pay compensation as it was relieved from its obligations to supply coal as the Callide Mine was in force majeure (which is disputed by both C S Energy and the Callide C Power Project Joint Venture).

In February 2014, Anglo purported to terminate part of the CSAs on the grounds that the Callide Mine had been in continuous force majeure for more than 365 days (which is also disputed by both CS Energy and the Callide C Power Project Joint Venture). Despite this purported termination, Anglo has elected to continue to deliver coal in accordance with the CSAs until such time as a court confirms it has validly terminated the CSAs.

Anglo has counterclaimed for damages it will have incurred by continuing to deliver this incremental coal to Callide B and Callide C, if a Court determines that Anglo has validly terminated the CSAs.

On 12 November 2013 Anglo served a purported Change Event Notice upon CS Energy and the Callide C Power Project Joint Venture. The Notices seek adjustments to the commercial terms of the CSAs to cater for the effects of circumstances that Anglo alleges are ‘Change Events’ within the meaning of the CSAs. The major adjustment requested is that the coal price be increased.

Anglo also proposes that in the event the parties cannot agree on a suitable adjustment to the CSAs, orderly termination of the CSAs should occur. Under the CSAs the parties have an obligation to use reasonable endeavours to agree an adjustment to the CSAs, not an absolute obligation to agree an adjustment.

In December 2013, CS Energy and the Callide C Power Project Joint Venture commenced proceedings in the Queensland Supreme Court against Anglo seeking orders that Anglo's Change Event Notices are invalid on a number of grounds.

36. Related parties

a. Directors and executives

Disclosures relating to Directors and Senior Executives are set out in Note 31.

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 37.

d. Transactions with related parties

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

(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 10.

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 2014 (2013 - nil)

Related party transactions and balances

	Parent	
	2014 $'000	2013 $'000
The following transactions occurred with related parties		
Other Income	170	2,500
	170	**2,500**
The following balances are outstanding at reporting date in relation to transactions with related parties		
Non-current receivable - loans to related parties	**893,488**	**867,070**
Loans to subsidiaries		
Balance at 1 July	867,070	967,128
Loans advanced	374,223	350,434
Loan repayments received	(405,411)	(480,342)
Impairment allowance	57,606	29,850
Balance at 30 June	**893,488**	**867,070**

The terms and conditions of the tax funding agreement are set out in Note 10.

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 (2013 - 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 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Statements of profit or loss and other comprehensive income				
Amounts included in revenue (1)	31,507	(18,618)	31,507	(18,618)
Amounts included in cost of sales and other expenses	(48,045)	(39,386)	(42,019)	(33,738)
Amounts included in finance costs	(58,053)	(65,312)	(58,053)	(65,312)
Balance sheet				
Amounts included in trade and other receivables	74	113	74	113
Amounts included in trade and other payables	17,401	18,335	17,107	18,186
Amounts included in borrowings	812,081	812,081	812,081	812,081

(1) Reflects contract for difference settlement with the counterparty

37. Interest in subsidiaries

Name of Entity	Principal place of business (1)	Class of Shares	2014 Interest (2) %	2013 Interest (2) %
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

(1) The principal place of business is also the country of incorporation.
(2) The proportion of ownership interest is equal to the proportion of voting power held.
(3) There are no significant restrictions on the company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the consolidated group.

38. Joint arrangements

a. Joint operations

The following are the joint operations in which the consolidated group has an interest:

Name of Entity	Principal activities	Principal place of business (1)	2014 Interest % (2)	2013 Interest % (2)
Callide Power Management Pty Ltd	Joint Operation Manager	Australia	50.00	50.00
Callide Power Trading Pty Ltd	Electricity Marketing Agent	Australia	50.00	50.00
Callide Oxyfuel Project	Electricity generation	Australia	75.22	75.22

(1) The principal place of business is also the country of incorporation.
(2) The proportion of ownership interest is equal to the proportion of voting power held.

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

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loss for the year	(93,779)	(67,669)	(258,929)	(163,677)
Income tax benefit	33,881	19,794	102,172	58,013
Depreciation and amortisation	88,721	88,438	30,320	29,357
Impairment (loss reversal) / loss	(266,900)	-	(59,049)	-
Exploration and evaluation expenditure write-off	25,372	-	-	-
Net (gain) loss on sale of non-current assets	(820)	13	(84)	13
Fair value adjustment to derivatives	(1,399)	8,162	(1,399)	8,162
Onerous contract unwound	(42,751)	(51,154)	(42,751)	(51,154)
Provision for Non Recovery	-	-	(57,606)	(29,850)
Non-cash retirement benefits adjustment	1,235	(338)	1,235	(338)
Finance cost on provisions	13,243	9,802	10,934	7,417
Rehabilitation change in value	4,473	(11,115)	4,473	(11,115)
Onerous contract change in value	234,845	-	234,845	-
Change in operating assets and liabilities:				
(Increase) decrease in receivables	19,114	(7,815)	(15,028)	12,334
(Increase) decrease in inventories	(10,568)	(5,451)	(2,004)	(3,398)
(Increase) decrease in net deferred tax	(31,239)	(19,794)	(94,428)	(58,013)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	1,520	14,082	23,512	(38,488)
(Decrease) increase in financial instruments	(11,309)	-	(11,309)	-
Net cash inflow (outflow) from operating activities	**(36,361)**	**(23,045)**	**(135,096)**	**(240,737)**

40. 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.

a. Consolidated statements of profit or loss and other comprehensive income and a summary of movements in consolidated accumulated losses

Set out below is the consolidated statements of profit or loss and other comprehensive income and a summary of movements in consolidated accumulated losses for the year ended 30 June 2014 of the Closed Group.

	2014 $'000	2013 $'000
Statements of Profit or Loss and Other Comprehensive Income		
Revenue from continuing operations	608,189	700,145
Impairment loss reversal	275,045	-
Other income	15,535	23,099
Cost of sales	(438,267)	(477,602)
Onerous contract - re-measurement	(234,845)	-
Administration costs	(180,508)	(200,740)
Finance costs	(71,413)	(75,114)
Other expenses	(67,662)	(33,374)
Loss before income tax	(93,926)	(63,586)
Income tax benefit	33,925	18,569
Loss for the year	**(60,001)**	**(45,017)**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	48,831	(15,620)
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit plan, net of tax	5,878	7,601
Other comprehensive income/ (loss) for the period, net of tax	54,709	(8,019)
Total comprehensive loss for the year	**(5,292)**	**(53,036)**
Summary of movements in Closed Group's Accumulated losses		
Net loss for the year	(60,001)	(45,017)
Actuarial gain/(loss) on defined benefit plan, net of tax	5,878	7,601
Closing balance at 30 June	**(54,123)**	**(37,416)**

b. Balance sheets

Set out below is the consolidated balance sheets as at 30 June 2014 of the Closed Group.

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	31,011	139,587
Trade and other receivables	104,685	127,537
Inventories	76,826	66,258
Derivative financial assets	37,212	46,180
Total current assets	**249,734**	**379,562**
Non-current assets		
Other receivables	19,023	22,014
Derivative financial assets	33,970	31,921
Equity accounted investments	1	1
Property, plant and equipment	1,450,920	1,182,551
Deferred tax assets	319,835	220,345
Retirement benefit assets	10,841	3,679
Total non-current assets	**1,834,590**	**1,460,511**
Total assets	**2,084,324**	**1,840,073**
Current liabilities		
Trade and other payables	156,667	161,511
Derivative financial liabilities	23,516	88,679
Provisions	73,645	56,615
Total current liabilities	**253,828**	**306,805**
Non-current liabilities		
Other payables	2,167	122
Derivative financial liabilities	32,579	55,403
Borrowings	812,081	812,081
Deferred tax liabilities	180,425	89,996
Provisions	458,614	212,795
Other liabilities	40,130	51,803
Total non-current liabilities	**1,525,996**	**1,222,200**
Total liabilities	**1,790,030**	**1,531,542**
Net assets	**304,500**	**311,068**
Equity		
Contributed equity	1,114,414	1,114,414
Reserves	25,845	(22,986)
Accumulated losses	(835,759)	(780,360)
Total equity	**304,500**	**311,068**

Directors' declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 31 to 86 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 2014 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 37 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.

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Ross Rolfe

Mr R Rolfe
Chairman

S O'K

Mr S O'Kane
Director

Brisbane

28 August 2014

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 (the company), which comprises the balance sheets as at 30 June 2014, the statements of profit or loss and other 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 2014 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

QUEENSLAND
29 AUG 2014
AUDIT OFFICE

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

Queensland Audit Office
Brisbane