Maximise value today, create opportunities for tomorrow

2014/15 Annual Report

About this report

CS Energy Limited (CS Energy) is a Queensland Government Owned Corporation established under the *Government Owned Corporations Act 1993 (Qld)* in 1997.

This annual report provides a detailed review of CS Energy's financial and non-financial performance for the financial year from 1 July 2014 to 30 June 2015. The annual report aims to provide our key stakeholders with information on our performance against our strategies, objectives and targets.

This report includes long-term comparisons of our results between 2011/12 and 2014/15. It does not provide a comparison of results prior to 2011/12 as CS Energy was restructured by its owner, the Queensland Government, on 1 July 2011 and had a significantly different asset portfolio prior to that date.

An electronic version of this annual report is available on CS Energy's website at **www.csenergy.com.au**, along with annual reports from previous years.

For enquiries regarding this annual report, please phone (+61) 7 3854 7777 or email **energyinfo@csenergy.com.au.**

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About us

CS Energy is a Queensland energy company with more than 400 employees, which operates three power stations and has a trading portfolio of 4,035 megawatts.

CS Energy's core business is the generation and sale of electricity in the National Electricity Market, dispatching more than 35 per cent of Queensland's electricity output.

The company's electricity generation portfolio comprises coal-fired and pumped storage hydroelectric stations, which provide a mix of baseload, intermediate and peaking electricity to the market. We act commercially and operate our power stations with a focus on safety and reliability.

Mission

CS Energy's mission is to drive business improvement safely, efficiently and responsibly, to maximise value for our shareholder today and create opportunities for tomorrow.

Values

Our values support our mission and form the foundation of the high performance culture that we are building at CS Energy to meet current and future challenges.

Be Safe

Create Value

Take Accountability

Act with Integrity

Portfolio

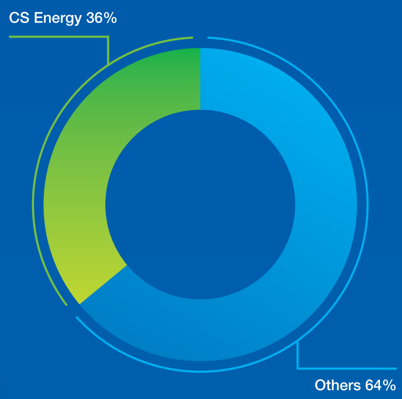
The company owns and operates the Callide B, Kogan Creek and Wivenhoe power stations. CS Energy has a 50 per cent interest in the Callide C Power Station, in a joint venture with InterGen, and provides operations and maintenance services to the power station.

CS Energy also owns the Callide A Power Station and, in 2014/15, provided operations and maintenance services for the Callide Oxyfuel Project at that site.

CS Energy is a party to the Interconnection and Power Pooling Agreement, which entitles the company to trade the output of Gladstone Power Station in excess of the requirements of the Boyne Aluminium Smelter.

The Kogan Creek Mine, which supplies thermal black coal to the Kogan Creek Power Station, and the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla, also form part of the CS Energy portfolio of assets.

2014/15 Contribution to supplying Queensland demand



Power generation

1. Callide Power Station (1,510 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. Callide Power Station excludes the 120 MW Callide A Power Station, which is in storage. One unit of Callide A was in operation for the Callide Oxyfuel Project demonstration during the year and is now being decommissioned.

Callide Power Station

Wivenhoe Power Station

Kogan Creek Power Station

Our strategy

Over the last three years, CS Energy has pursued a strategy to build and transform the company into a safe, profitable and sustainable business that delivers value to its shareholder, the Queensland Government.

In late 2012, a reform agenda was commenced to turn around the performance of the company. Considerable progress has been made, despite several legacy issues that, at times, have masked improvements to the performance of the core business. These legacy issues are:

Contractual issues in relation to coal supply from Anglo American Metallurgical Coal's Callide Mine to the Callide Power Station – there is a critical need to have a sustainable footing for coal supply to the power station at a price the power station can afford. CS Energy has implemented a number of operational, contractual and legal strategies in response to this issue.

Losses relating to the uneconomic Gladstone Interconnection and Power Pooling Agreement – CS Energy is pursuing options to minimise the impact of this on the business.

CS Energy's high debt levels and associated interest expense – a strong focus on increasing gross margin and managing costs is supporting efforts to manage cash flow, debt levels and interest costs.

In 2015/16, we will continue to minimise the impact of these issues and seek their long term resolution, along with a focus on:

Building a strong foundation for success

Build the foundation for a high performance culture that will enable us to address current and future challenges.

Focus areas:

- Achieve world class safety performance.
- Build a high performance, constructive culture.
- Strengthen leadership capability.

Maximising value today

Drive improvement in our core business to establish a sustainable business for the future.

Focus areas:

- Increase productivity and agility.
- Optimise current asset portfolio.
- Protect and grow gross margin.
- Ensure commercial rigour is applied in all decision-making processes.

Creating opportunities for tomorrow

Take advantage of opportunities in a changing market.

Focus areas:

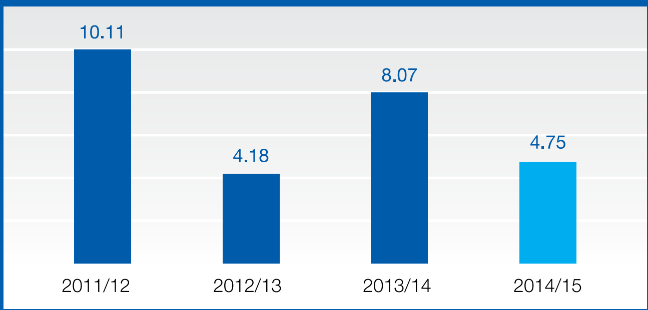
- Consider options for broadening the portfolio to respond to emerging trends and exposure to the merchant generator model.

2014/15 at a glance

After several challenging years, 2014/15 was a year in which CS Energy significantly improved its performance in a dynamic energy market.

Total Case Recordable Frequency Rate

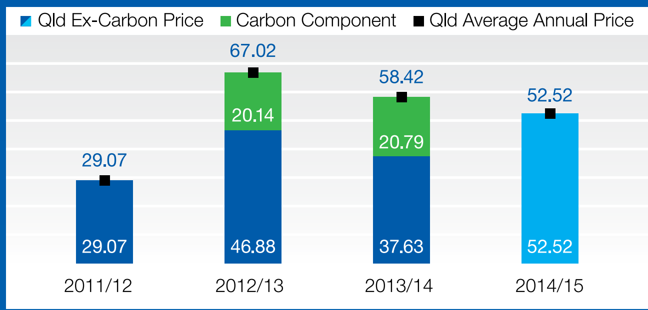
4.75 IMPROVED



CS Energy's Total Case Recordable Frequency Rate improved in 2014/15, down to 4.75 from 8.07 the year before but still outside our target of less than three. Overall, there was a 50 per cent reduction in the total number of injuries in 2014/15 compared to 2013/14 – which equated to 42 fewer injuries.

Queensland average pool price ($/MWh)

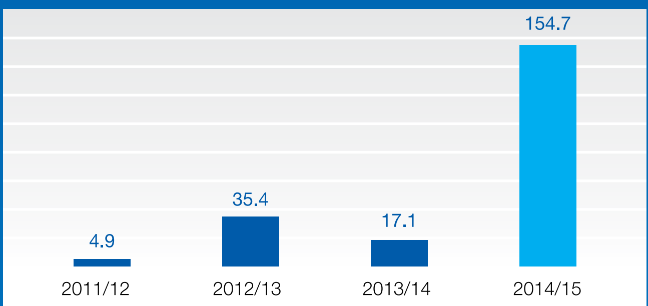
52.52 LOWER



There was significant price variability during the year. While the 2014/15 price was lower than the year before, when the impact of the carbon tax for 2012/13 and 2013/14 is excluded, prices show an upward trend. (The carbon impact is calculated based on average National Electricity Market intensity: *AEMO Carbon Dioxide Equivalent Intensity Index*).

Underlying EBITDA ($ million)

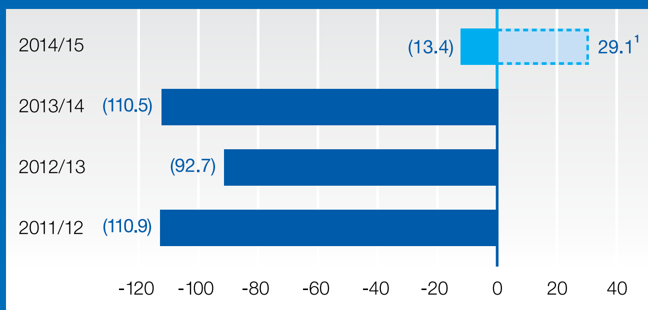
154.7 IMPROVED



CS Energy's Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased from $17.1 million in 2013/14 to $154.7 million in 2014/15. A combination of factors contributed to the $137.5 million improvement in Underlying EBITDA, including increased generation, an effective market strategy, greater cost management and the removal of the carbon tax.

Net cash flow ($ million)

(13.4) IMPROVED



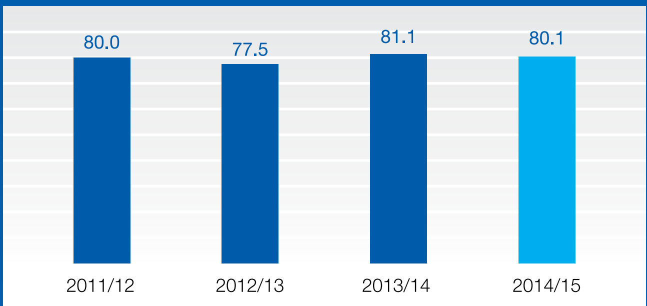
The current year result includes a final carbon tax payment of $42.5 million, which represents the remaining carbon tax liability from the 2013/14 financial year. After removal of this amount CS Energy would have recorded a positive overall net cash flow movement for the year.

[1] Excluding final carbon tax payment of $42.5 million.

Availability (%)

80.1

LOWER

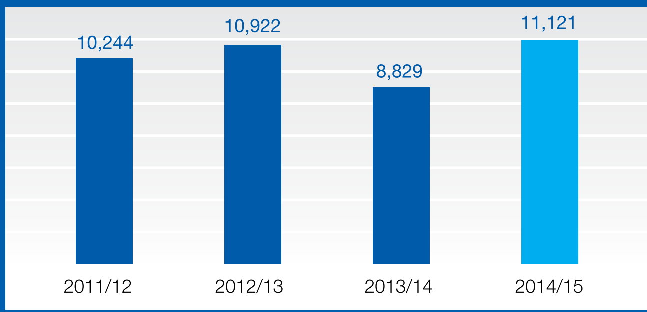


CS Energy's availability of 80.1 per cent in 2014/15 was below the previous year's figure of 81.1 per cent. Kogan Creek Power Station recorded improved availability and exceeded its availability target for the year. However, planned and unplanned outages at the Callide and Wivenhoe power stations impacted the overall portfolio availability figure.

Energy sent out (GWh)

11,121

IMPROVED

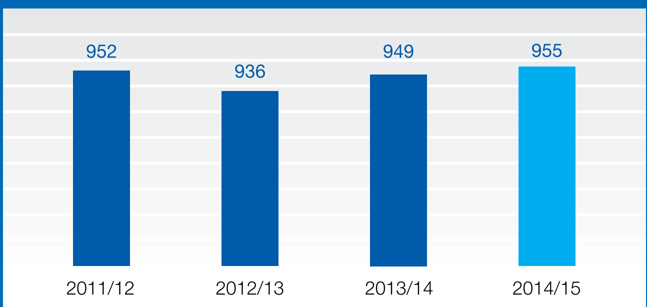


In 2014/15, CS Energy's generation portfolio increased its output by 26 per cent, which played a significant role in our improved market performance and the resulting positive financial outcomes. This increase was due to a change in the operating profiles of two generating units at Callide Power Station to capitalise on available fuel, along with increased generation at Kogan Creek Power Station.

Greenhouse intensity per energy sent ($kgCO_2$-e/MWhso)

955

STEADY



CS Energy's greenhouse intensity increased slightly in 2014/15 to 955 kilograms of carbon dioxide equivalent per megawatt hours of electricity sent out. Greenhouse intensity can fluctuate annually depending on plant operating profiles and coal characteristics.

Significant Environmental Incidents

0

ACHIEVED

2014/15	0
2013/14	0
2012/13	0
2011/12	0

CS Energy targets zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or resulted in enforcement action by a regulator. During 2014/15, CS Energy had no significant environmental incidents.

A message from the Chairman and Chief Executive Officer

This year has been pivotal for CS Energy. We are emerging a safer, more efficient and profitable business following a period of transformation.

CS Energy has exceeded its performance expectations in 2014/15 in an environment in which the energy sector has continued to change rapidly. The foundations have been laid to better respond to the continuing evolution of the market, as we anticipate more shifts in electricity demand and consumption, the emergence and commercialisation of new generation technology, and an ambiguous policy environment.

In this environment of change, we have focused our energy on the factors that are within our control, driving improvement in our core business to create value for our shareholder, the Queensland Government, and the people of Queensland.

The company's improvement is most striking when looking at the Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) measure, which grew from $17.1 million in 2013/14 to $154.7 million in 2014/15.

While we are immensely proud of this achievement, our resolve to sustain and build upon the performance improvements we have made is strong. We will continue to focus on gathering the momentum required to keep pace with industry change and create opportunities for tomorrow.

A period of renewal

The 2014/15 financial year has been a landmark year for CS Energy. Our return to profit reflects a three year program of reform. Throughout this period of renewal, CS Energy's Board of Directors and management team maintained a steady resolve to turn the company around and pursued genuine change throughout every level of the business. Adding to the challenge of CS Energy returning to profit were several legacy commercial issues relating to fuel supply to the Callide Power Station, an onerous contract with Gladstone Power Station and high debt levels and associated interest expenses.

CS Energy's transformation into a safe, efficient and profitable business is being underpinned by leadership capability, the development of a high performance culture and an emphasis on value-based decision making. As a result, substantial improvements have been realised in our core business areas of safety, capital productivity, gross margin and underlying earnings.

Photo: CS Energy Chief Executive Officer Martin Moore (left) and Chairman Ross Rolfe.

A safe, high performance culture

CS Energy has a 408 people-strong workforce, the majority of whom live and work in regional Queensland.

In 2014/15, we accelerated the cultural change journey that aims to build a high performance, constructive culture in which our people understand their contribution to CS Energy's future sustainability and success.

We are relentlessly pursuing safety reform and the establishment of a safety culture in which our people understand the risks inherent in their working environment, and choose to act safely. CS Energy's goal is to achieve world class performance, through an emphasis on both behavioural and process safety.

In 2014/15, CS Energy's safety performance substantially improved. While the ultimate goal of the company is Zero Harm, the fact that we have reduced the number of injuries by 50 per cent[1] gives us confidence that the reform effort is gaining traction. Our Total Case Recordable Frequency Rate (TCRFR) was 4.75 compared to 8.07 in 2013/14.

This improvement has been driven by behavioural-based initiatives, supported by continuous improvement of our safety processes and systems and the safer delivery of high risk activities such as power station overhauls.

Commercial capability

Greater commercial discipline has been a key element of our return to profit. The company's underlying financial performance was supported by improved commercial capability and value-based decision making throughout the business. We shifted our focus from an activity bias to value creation, applying increased rigour to our capital and operational expenditure decisions and eliminating non-essential expenditure.

With this commercial thinking driving improved cash flows, the company improved its forecast debt position, avoiding the $87 million debt increase scheduled for the 2014/15 year. Following the repeal of the carbon tax, CS Energy made its final carbon tax payment of $42.5 million in February 2015. After adjusting for this payment, which relates to our carbon liability for 2013/14, the company's net cash flow for the current year is $29.1 million.

Notwithstanding this, the level of debt and legacy commercial issues, including the onerous contract with Gladstone Power Station and the Callide Power Station coal supply agreements, continue to place downward pressure on earnings.

Harnessing opportunities in a dynamic market

In 2014/15, CS Energy's market strategy contributed to the company's improved financial position.

In a market characterised by price variability, an electricity demand profile increasingly influenced by rooftop solar, and oversupply of generation, we achieved stronger market outcomes. These outcomes were delivered by matching our market strategy with the operation of our generation portfolio to ensure we were positioned to respond to market opportunities.

Tangible shifts in market conditions such as the return to near record peak summer demands and the ramp up of Queensland's liquefied natural gas (LNG) industry created opportunities for low cost, coal-fired generation. The re-direction of LNG to the export market resulted in higher electricity demand, increased domestic gas prices and a reduced presence of gas-fired generation.

Looking ahead, there is opportunity to further improve our returns from the sale of electricity as forecast energy demand in Queensland grows, driven by increased demand from the LNG industry.

Our place in a sustainable generation mix

CS Energy recognises the part it plays in delivering solutions for transitioning to a less carbon intensive energy market, where fossil fuels still dominate the generation mix.

Over the last decade, CS Energy has played a leading role in the research and development of low emission and renewable energy generation sources. In 2014/15, the Callide Oxyfuel Project, the world leading carbon capture and storage demonstration project at the company's Callide A Power Station, completed its demonstration phase. The international joint venture supported by the Australian and Japanese governments achieved its goal of proving that electricity can be generated with near zero emissions, operating in oxyfiring and carbon capture mode for 10,000 hours. This project paves the way for the commercialisation of carbon capture technology, an important step in the global energy sector's transition to a cleaner future.

During the year, CS Energy continued to monitor its position in relation to policy changes that will affect, or have the potential to affect, our position in the market, including the Australian Government's Renewable Energy Target and proposed Safeguard Mechanism.

Underlying EBITDA increased by $137.5 million

1. Reduction percentage based on all reported injuries; First Aid Injuries (FAI), Medical Treatment Injuries(MTI), and Lost Time Injuries (LTI)

Energy for the future

In early 2015, the Palaszczuk Government was elected, and confirmed its commitment to retain the government's electricity generation assets in State ownership. We are working with the Queensland Government to forge a new path for the State's electricity generation sector and deliver flexible and effective energy solutions for Queenslanders.

In 2015/16, our aim is to repeat and build on the performance improvements to deliver sustained returns for our shareholder.

On behalf of CS Energy, we wish to emphasise our commitment to our shareholding Ministers the Treasurer, the Honourable Curtis Pitt MP, and the Minister for Energy and Water Supply, the Honourable Mark Bailey MP, to responsibly manage CS Energy's operations for the benefit of the State of Queensland.

We take this opportunity to acknowledge the CS Energy Board and management team's dedication and determination to see our company re-emerge as a commercially viable and profitable Queensland business.

We also thank our people for powering CS Energy's success in 2014/15.

Ross Rolfe
Chairman

Martin Moore
Chief Executive Officer

Our aim is to repeat and build on the performance improvements that will deliver **sustained returns** for our shareholder

Performance against SCI targets

Each year, CS Energy prepares a Statement of Corporate Intent (SCI), which outlines the company's strategies, objectives and targets for the financial year, as required under the *Government Owned Corporations Act 1993 (Qld).* The SCI is CS Energy's performance agreement with our shareholding Ministers and is tabled in the Queensland Parliament with this annual report.

CS Energy's performance against its 2014/15 SCI targets is summarised in the table below and on page 32 of this report in the Corporate Governance section.

2014/15 Statement of Corporate Intent (Amended)

Category	Measure	2014/15 Actual	2014/15 Target	2013/14 Actual
Safety[1]	TCRFR	4.75	< 3	8.07
Environment[2]	Significant Environmental Incidents	0	0	0
People[3]	FTE	391.6	428.0	414.0
Plant Performance	Availability (%)	80.1	85.9	81.1
Profitability[4]	Underlying EBITDA ($m)	154.7	105.8	17.1
Cash flow[4,5]	Debt interest cover (times)	0.7	0.6	(1.2)
Shareholder Value Added[6]	SVA ($m)	(55.7)	(69.9)	(162.3)

Notes

1 Total Case Recordable Frequency Rate (TCRFR) is a rolling 12 month average that measures the number of lost time injuries and medical treatment injuries per million hours worked.

2 Significant Environmental Incidents are defined as incidents that have a significant impact on the environment or result in enforcement action by a regulator.

3 Full time equivalent (FTE) employees excludes contractors or externally employed apprentices and trainees.

4 These performance measures were changed by management during the year to facilitate enhanced understanding of the underlying performance of the company.

5 Debt interest cover is Underlying Earnings Before Interest and Tax (EBIT) divided by interest and finance charges.

6 Shareholder Value Added 2014/15 Actual includes the increase in carrying values for Callide B, Callide C and Kogan Creek generation assets, following the part reversal of impairment. This is calculated based on Underlying EBIT.

People and safety
Health and safety

We believe that all injuries are preventable and are committed to Zero Harm.

CS Energy is developing a safety culture in which people understand the risks in their work environment and, together with their leaders, manage those risks every day.

The company's systems and processes are designed to support our people to keep themselves and each other safe – employees, contractors and visitors alike. These systems are the foundation for how we maintain and operate our power stations to safely produce electricity.

Improved safety performance

CS Energy improved its safety performance in 2014/15, achieving a reduction of 50 per cent in the total number of injuries, which equated to 42 fewer injuries. The Total Case Recordable Frequency Rate (TCRFR) of 4.75 in 2014/15 was a reduction on the 2013/14 figure of 8.07, however this was still outside the target TCRFR of less than three.

The improved safety performance can be attributed to behavioural-based initiatives, the safer delivery of high risk activities such as overhauls, proactive analysis of workplace safety using leading indicators and increased incident reporting.

Knowledge from safety trends

A near miss incident has the potential to cause harm (personal injury or plant damage). We track and investigate our near misses because they are a leading indicator of our safety culture. They also present the opportunity to learn from and address issues before they cause harm. The near miss ratio is also an indicator of our reporting culture.

In 2014/15, the proportion of incidents resulting in injury reduced from 24 per cent to 11 per cent. Our near miss reporting ratio improved from 2.46:1 to 3.86:1.

Overhaul safety focus

In 2014/15, more than 82,000 hours were worked on overhauls at CS Energy's power stations, with only three First Aid Treatments and no Lost Time Injuries and Medical Treatment Injuries recorded. Considerable effort was directed towards ensuring the safe delivery of overhauls.

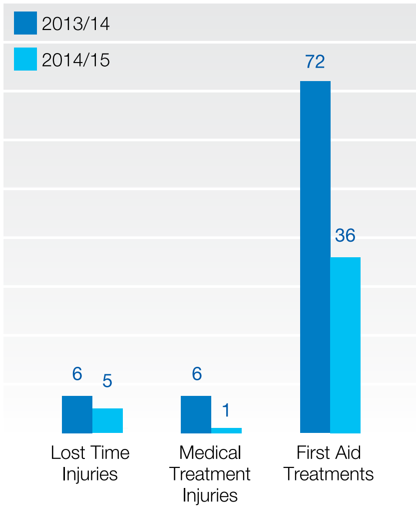
Programs were established prior to the commencement of each overhaul to increase awareness, alignment and prioritisation of health and safety expectations for our employees and contractors. Check-in sessions midway through the overhauls refreshed safety awareness and close-out review sessions were conducted at the end of each overhaul to draw out opportunities for improvement, which were incorporated into planning for future overhauls.

This heightened focus on the health and safety of people working on these major capital works projects resulted in significant improvements in CS Energy's overall health and safety performance.

Ensuring our people are fit for duty

CS Energy's fit for duty system enables us to manage safety risks relating to alcohol, other drugs and fatigue. It is designed to ensure no one on site poses an unacceptable safety risk to themselves or others. Random alcohol and other drug testing is conducted at all sites and procedures to minimise fatigue are in place. In 2014/15, a total of 767 random drug and alcohol tests were performed, with four positive tests recorded.

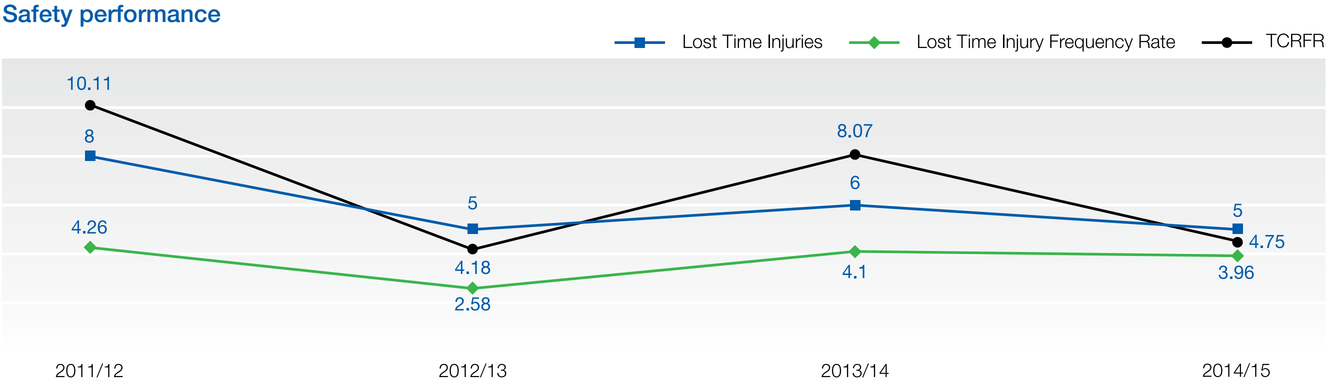
All injuries two year comparison



Building safety leadership capability

CS Energy is building a safety culture that is characterised by visible leadership and moves beyond compliance to safety behaviours driven by a care and concern for the safety of our people. We are applying the cultural model developed by world class safety leaders DuPont, which advocates 'Felt Leadership' and aims to produce predictable and sustainable health and safety outcomes.

Safety performance



The total number of injuries reduced by 50%

In 2014/15, this cultural transformation involved building safety leadership across the organisation. Courses rolled out to leaders and employees increased safety awareness and showed how to demonstrate safety leadership behaviours. These programs were designed to give our leaders the skills they need to influence and engage their people in safety.

A 'Safety Reset' activity in December 2014 was our most visible example of Felt Leadership in action during the year. Led by the Board and Chief Executive Officer, the activity reset expectations about the safety behaviour of people working at our sites. Employee feedback indicated that the Safety Reset was successful in raising people's awareness of safety at work and home.

Supporting employee health and wellbeing

CS Energy offers several free programs to support the health and wellbeing of our people. We also promote employee-led initiatives on health and wellbeing issues that are relevant to our workforce.

Our Employee Assistance Program offers free, independent and confidential counselling for employees and their families on work or personal issues. In 2014/15, CS Energy also provided free flu vaccinations for employees at all of our sites and desktop ergonomic assessments for employees.

Case Study: Safety Reset raises awareness

In December 2014, CS Energy commenced a company-wide 'Safety Reset' – an employee-focused initiative designed to trigger a cultural and conscious 'jolt' to safety behaviours and attitudes.

Executive General Manager People & Safety Tom Wiltshire introduced the Safety Reset concept to CS Energy as a way of reinforcing health and safety standards expected of the entire organisation.

"While CS Energy's safety performance had improved in terms of injuries, serious near misses were continuing to occur," Mr Wiltshire said. "Many of these incidents were similar and all of them were preventable.

"We timed the Safety Reset to coincide with the beginning of summer and the lead in to the Christmas/New Year break. This period has proven to be one of elevated risk for CS Energy with injuries recorded as people tended to lose focus as they transition to and from holidays."

The Safety Reset was rolled out from the Board and Chief Executive Officer down using the Felt Leadership approach. Leaders held sessions with their teams to demonstrate care and concern for the safety of their people – both at work and home – and to ask them to commit to three fundamental things that, if followed, would keep everyone safe:

- Follow CS Energy's 'Life Savers' safety guidelines.
- Carry out quality risk assessments.
- Look after themselves and their workmates.

Only one Medical Treatment Injury was recorded during the summer period, compared to four injuries, including Medical Treatments and Lost Time Injuries, during the corresponding period of the previous year.

The initiative was reinforced with the workforce in February 2015 and the three safety commitments continued to be reinforced throughout the year.

Photo: Carrying out risk assessments before working on plant is a fundamental aspect of safety at CS Energy. Callide Mechanical Tradesperson Bevan Turner is pictured working on plant after completing a Job Safety Environment Analysis (foreground) to risk assess the task and ensure controls are in place.

People and safety (continued)

CS Energy sites safety performance

Callide Power Station	2011/12	2012/13	2013/14	2014/15
Lost Time Injuries	6	3	5	1
Lost Time Injury Frequency Rate	6.10	2.88	5.88	1.39
Total Case Recordable Frequency Rate	11.19	3.85	10.58	1.39
Wivenhoe Power Station	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Lost Time Injuries	0	1	1	1
Lost Time Injury Frequency Rate	0	14.87	16.46	17.80
Total Case Recordable Frequency Rate	24.86	14.87	32.92	17.80
Kogan Creek Power Station	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Lost Time Injuries	2	0	0	3
Lost Time Injury Frequency Rate	4.23	0	0	11.64
Total Case Recordable Frequency Rate	14.80	8.25	3.19	15.53
Brisbane Office	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Lost Time Injuries	0	0	0	0
Lost Time Injury Frequency Rate	0	0	0	0
Total Case Recordable Frequency Rate	0	0	0	0

Monitored Activities/Sites

CS Energy actively monitors the safety performance of the Kogan Creek Mine and the Kogan Creek Solar Boost Project adjacent to our Kogan Creek Power Station. CS Energy can influence but cannot set health and safety standards for these operations and as such, cannot directly supervise and enforce their application. Incidents arising from monitored activities are, where possible, reported and investigated in accordance with company requirements.

Kogan Creek Mine (monitored site) Performance	2011/12	2012/13	2013/14	2014/15
Lost Time Injuries	1	0	0	1
Lost Time Injury Frequency Rate	5.62	0	0	6.35
Total Case Recordable Frequency Rate	5.62	5.90	0	6.35
Solar Boost Project (monitored site) Performance	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Lost Time Injuries	0	1	1	0
Lost Time Injury Frequency Rate	0	10.43	25.91	0
Total Case Recordable Frequency Rate	0	10.43	25.91	0

People

Creating a high performance, constructive culture is one of the foundations for CS Energy's transformation into a commercially viable business.

In 2014/15, CS Energy continued on a cultural change journey and refined its organisational structure to position the company for a successful and sustainable future.

A diverse workforce profile

At 30 June 2015, CS Energy employed 408 people across four sites (392 full time equivalents). Our workforce is made up of people working across a range of occupations including technical, trades, professional and administrative roles. Employee turnover for the year was 11 per cent.

During the year, CS Energy implemented further organisational changes to have the right structure, workforce size and capabilities to achieve our strategic objectives. The structural changes made involved extensive consultation with employees and unions and were conducted in accordance with our enterprise agreements, Alternative Individual Agreements and Government Owned Corporation (GOC) wages and industrial relations policies.

Building a constructive culture

CS Energy is building a high performance, constructive culture, based on the Human Synergistics cultural model that has been applied across thousands of industry leading businesses worldwide. Organisations with a constructive culture achieve sustainable business performance and high employee satisfaction over time.

In early 2014/15, CS Energy introduced our new company values and Code of Conduct. Our values – *Be Safe, Create Value, Take Accountability and Act with Integrity* – support the culture we are building at CS Energy. Our performance management system was also updated to reinforce the link between performance and culture.

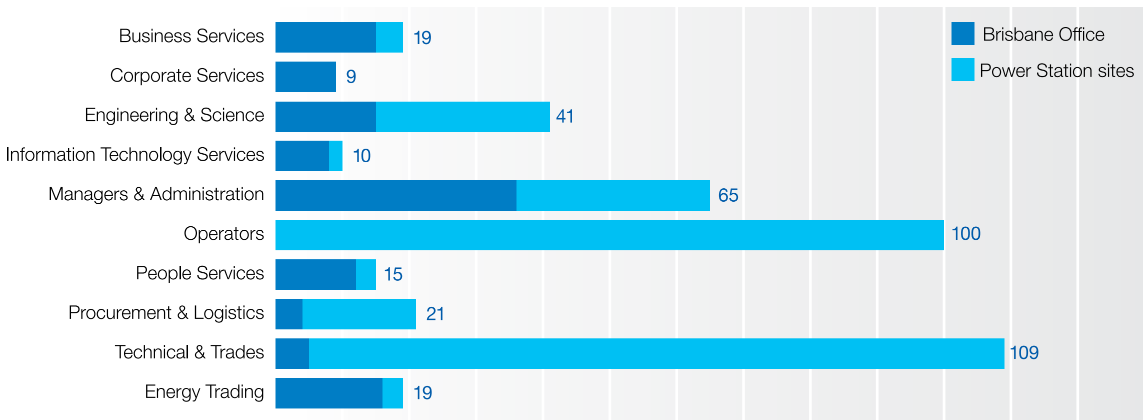
In March 2015, CS Energy conducted an employee survey that provided valuable insight into organisational climate and outcomes that affect performance. Eighty per cent of employees responded to the survey and the results indicated that CS Energy had progressed towards a constructive culture. Positive results were achieved in the areas of goal setting and working across departments. Areas identified for improvement included technical training and development, and downward communication.

Valuing all kinds of learning

CS Energy has adopted a learning philosophy and methodology that supports the development of a constructive culture. This has involved shifting from a 'dependent', training-centric focus to a more 'interdependent' learning focus where coaching, self-directed and on-the-job learning are seen as valuable learning activities, in addition to formal training. This approach was incorporated into our performance management system to ensure all employees have individual development plans to support their current and future roles.

A priority for CS Energy is ensuring our leaders have the skills and capabilities required to achieve CS Energy's strategic objectives. The company adopted a multi-faceted approach to leadership development including leadership performance standards, regular leadership forums, workshops for managing and leading people and the rollout of an online, self-paced leadership learning resource. The company's emphasis on leadership capability was further supported by the introduction of a talent management process.

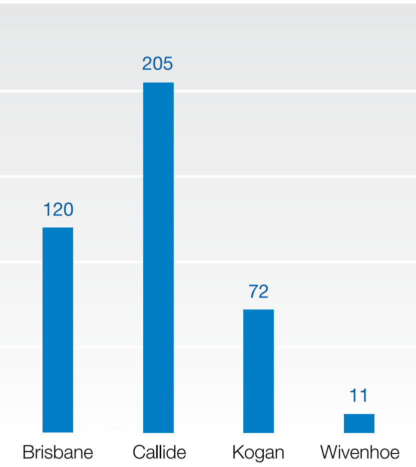
Workforce headcount by occupational profile



People performance

Performance	2011/12	2012/13	2013/14	2014/15
Employee numbers (FTE)	491	454	414	392
Employee retention (%)	89.9	91.9	91.0	89
Apprentices and trainees	27	31	12	21

Workforce headcount by site



Skilling apprentices and trainees

CS Energy understands the importance of creating regional employment opportunities by hosting apprentices and trainees at our sites. The company also provides apprenticeship and traineeship opportunities for existing employees wishing to expand their skills. At 30 June 2015, CS Energy had 21 apprentices and trainees in skills areas including fitting/machining, electrical, warehousing and administration.

In recent years, apprentices and trainees at our sites have performed strongly in regional training awards and the WorldSkills Australia national competition. In December 2014, three apprentices and trainees who work at our Callide Power Station won their categories in the Biloela and surrounding areas section of the annual Gladstone Area Group Apprentices (GAGAL) training awards.

Our apprenticeships and traineeships create regional employment opportunities

Negotiating new enterprise agreements

CS Energy maintains separate 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. More than half of our employees are employed under enterprise agreements and the remainder are employed under Alternative Individual Agreements which are underpinned by an enterprise agreement.

On 14 August 2014, the Fair Work Commission approved the new Kogan Creek Power Station Enterprise Agreement. The overwhelming majority (96 per cent) of the power station's employees voted in favour of the new agreement at the end of June 2014.

In 2014/15, CS Energy continued negotiations for a new enterprise agreement for Callide Power Station, following the expiry of the existing agreement on 12 June 2014. On 9 June 2015, CS Energy and the Single Bargaining Unit reached in-principle agreement on a new enterprise agreement for the Callide Power Station. The agreement will be finalised in 2015/16 in accordance with the *GOC Wages and Industrial Relations Policy 2015* and Fair Work legislation.

The enterprise agreements for our Brisbane Office and Wivenhoe Power Station expired on 30 June 2015 and 19 July 2015 respectively. Bargaining for both agreements will commence in early 2015/16 in accordance with the *GOC Wages and Industrial Relations Policy 2015* and relevant Fair Work legislation.

Financial and market performance
Financial performance

Stronger commercial discipline and value-based decision making are delivering improved returns.

This year CS Energy delivered a net profit after tax (NPAT) of $124.2 million, an increase of $184.0 million compared to the $59.9 million net loss after tax in 2013/14.

The NPAT result includes an onerous contract re-measurement associated with the Gladstone Interconnection and Power Pooling Agreement (IPPA) for an amount of $136.2 million (net of tax) and represents, amongst other things, a change in the future cash flow assumptions associated with electricity demand and consumption, and generation fuel costs.

Business performance

CS Energy's Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased from $17.1 million in 2013/14 to $154.7 million in 2014/15. Underlying EBITDA is CS Energy's preferred measure of profitability as it best reflects the underlying performance of the company.

A combination of factors contributed to the $137.5 million improvement in Underlying EBITDA, including increased generation, an effective market strategy, greater cost management and the removal of the carbon tax.

An increase of more than 2,000 gigawatt hours of sent out generation compared to the previous year supported the execution of CS Energy's market strategy, enabling the business to stabilise earnings and improve returns.

Capital investment

CS Energy continued driving commercial discipline throughout the business, particularly around capital expenditure. There was an active program to ensure value-based decision making, strengthen accountability and improve management of costs. Accordingly, net cash flow for payments for property, plant and equipment reduced from $74.1 million in 2013/14 to $54.8 million in 2014/15 (a reduction of $19.3 million).

During 2014/15, three overhauls were completed across the portfolio at the Callide B, Callide C and Wivenhoe power stations.

Net cash flow earned from operating activities increased by $70.2 million

Key financial results

	2011/12 $000	2012/13 $000	2013/14 $000	2014/15 $000
Underlying EBITDA[1] ($'000)	4,856	35,483	17,140	154,671
Underlying EBIT[1] ($'000)	(81,318)	(52,956)	(71,581)	47,954
NPAT ($'000)	(51,458)	(47,875)	(59,898)	124,151
Net cash flow from operating activities ($'000)	17,377	(23,045)	(36,361)	33,853
Net cash flow for payments for property, plant and equipment ($'000)	(128,274)	(69,681)	(74,146)	(47,295)
Net cashlow ($'000)	(110,897)	(92,726)	(110,507)	(13,442)
Underlying interest cover[2] (times)	(1.30)	(0.81)	(1.23)	0.75
Underlying return on capital employed[2] (%)	(6.7%)	(4.6%)	(6.5%)	3.9%

1. Underlying EBITDA and Underlying EBIT are non-IFRS measures used to provide greater understanding of the underlying business performance of the consolidated group.

2. Measure calculated using Underlying EBIT.

Financial and market performance (continued)

Capital structure

CS Energy continued to identify opportunities to improve its cash management through prudent commercial decisions and only investing in value adding projects.

As a result of strong financial performance coupled with reduced capital expenditure, CS Energy was able to manage cash flow and capital expenditure requirements, with no net increase in borrowings for the year.

Net cash flow earned from operating activities increased by $70.2 million from negative $36.4 million in 2013/14 to $33.9 million in 2014/15. The result includes a final carbon tax payment of $42.5 million, which represents the remaining carbon tax liability from the 2013/14 financial year. After removal of this amount CS Energy would have recorded a positive overall net cash flow movement for the year.

CS Energy's underlying interest cover increased by 1.98 times to 0.75 times in 2014/15, from negative 1.23 times in 2013/14.

CS Energy's underlying return on capital employed increased from negative 6.5 per cent in 2013/14 to 3.9 per cent during the financial year (up 10.4 per cent).

Non-International Financial Reporting Standards information

The CS Energy Board of Directors believe the presentation of certain Non-International Financial Reporting Standards (IFRS) financial measures is useful to illustrate the underlying financial performance of the business.

The non-IFRS financial measures are defined as follows:

- Underlying EBIT – Earnings before interest, tax, and significant items.
- Underlying EBITDA – Underlying EBIT before depreciation and amortisation.
- Underlying interest cover – Underlying EBIT divided by interest and finance charges.
- Underlying return on capital employed – Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.

A reconciliation of Underlying EBITDA and Underlying EBIT is outlined below.

The non-IFRS financial measures have not been subject to review or audit.

Reconciliation of underlying results to statutory results

	2011/12 $000	2012/13 $000	2013/14 $000	2014/15 $000
Underlying EBITDA	**4,856**	**35,483**	**17,140**	**154,671**
Depreciation and amortisation	(86,174)	(88,439)	(88,721)	(106,717)
Underlying EBIT	**(81,318)**	**(52,956)**	**(71,581)**	**47,954**
Government grants	6,743	6,992	10,863	4,133
Research and development	(11,578)	(9,685)	(16,096)	(7,194)
Insurance recoveries	-	1,000	2,662	51
Oxyfuel electricity revenue	-	-	2,703	3,925
Rehabilitation provision re-measurement	-	11,115	(4,473)	-
Net gain/(loss) on disposal of property, plant and equipment	(5)	(13)	820	(1,042)
Net gain/(loss) on fair value of derivative contracts	36,213	(8,162)	1,399	(8,908)
Exploration and evaluation expenditure write-off	-	-	(25,372)	-
Onerous contract provision used during the year	42,779	51,154	42,751	56,357
Finance costs – Rehabilitation & Onerous contract provision	(6,243)	(9,802)	(13,243)	(48,554)
Net Impairment (loss)/loss reversal	-	-	266,900	-
Onerous contract re-measurement	-	-	(234,845)	194,586
EBIT	**(13,409)**	**(10,357)**	**(37,512)**	**241,308**
Interest income	1,084	8,000	1,903	191
Interest and finance charges	(62,518)	(65,312)	(58,170)	(64,045)
Income tax benefit	23,385	19,794	33,881	(53,303)
Statutory Net Profit/(Loss) after tax	**(51,458)**	**(47,875)**	**(59,898)**	**124,151**

1. Oxyfuel electricity revenue is included in Revenue from continuing operations in the financial statements and is excluded from underlying performance as the revenue and costs are returned to the joint venture.

Market performance

Matching portfolio and market strategies to capture opportunities in a challenging market environment.

In 2014/15, CS Energy's market strategy contributed to a substantial improvement in the company's financial performance.

This strategy was delivered in a market that continued to be characterised by a changing electricity demand profile, oversupply of generation in the Queensland region, policy uncertainty and considerable price variability.

Notwithstanding these persistent market challenges, there were tangible shifts in market conditions that created opportunities for low cost, coal-fired generation. These opportunities included a return to near record maximum electricity demand during summer; and the commissioning of the first of six liquefied natural gas (LNG) trains at Gladstone in Central Queensland.

CS Energy's market performance was underpinned by a concerted effort to integrate the dispatch of the company's generation portfolio and contract strategy to ensure we were positioned to respond to market opportunities as they arose.

Tangible shifts in market conditions created opportunities

Market performance

Year	Time weighted average pool price ($/MWh)
2014/15	52.52
2013/14	58.42*
2012/13	67.02*
2011/12	29.07

* Time weighted pool price was higher as a result of the market seeking to pass through carbon tax of $23.00 and $24.15 per tonne of emitted CO_2 in 2012/13 and 2013/14 respectively

A developing policy environment

At a national level, there was ongoing ambiguity around energy policy for much of the year due to delays in the resolution of the Coalition Government's suite of proposed changes to climate change policy.

The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* was passed by the Senate on 17 July 2014. As a result, no new carbon tax liabilities were incurred after 1 July 2014. CS Energy made its final carbon payment of around $42.5 million in February 2015 in accordance with the legislated requirement.

Just prior to 30 June 2015, the Senate passed legislation to reduce the Renewable Energy Target from 41,000 gigawatt hours to 33,000 gigawatts hours by 2020.

In the background, consultation progressed on the outstanding elements of the Emissions Reduction Fund, the Australian Government's framework for reducing emissions and improving the environment. One of the Emissions Reduction Fund's key elements, the Safeguard Mechanism, entered the final stages of consultation in April 2015. The Safeguard Mechanism aims to discourage businesses from increasing emissions above historical levels and will be administered through the *National Greenhouse and Energy Reporting Act 2007.*

In Queensland, the State Government has stated its objective to achieve 50 per cent renewable energy by 2030.

CS Energy continues to monitor its position in relation to policy changes that affect its market strategy, reporting and financial obligations.

Ongoing regulatory change

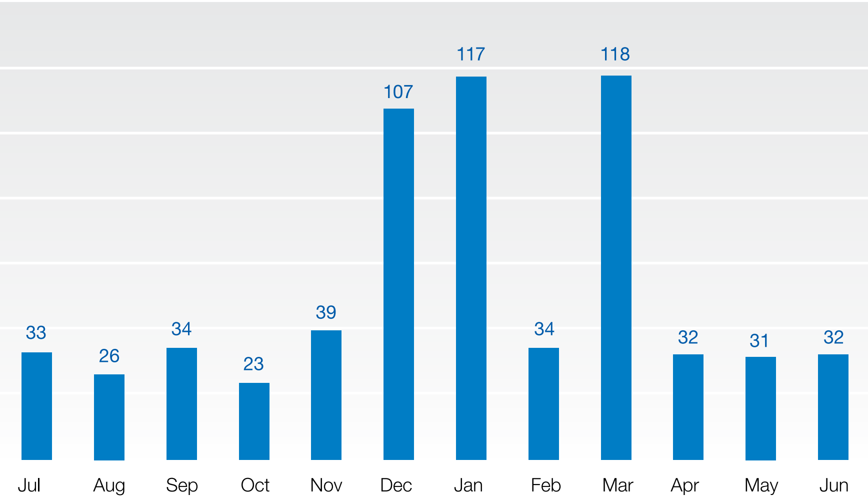
During 2014/15, there were a number of consultation processes relating to energy policy, market governance, operation of the market and changes to the National Electricity Rules that were of relevance to CS Energy. These included:

- The Australian Energy Market Commission's (AEMC) *Bidding in Good Faith Draft Determination*
- AEMC's and Australian Energy Market Operator's (AEMO) design and testing of Optional Firm Access
- The Department of Environment's development of the Safeguard Mechanism, and
- Changes to the *Renewable Energy (Electricity) Act* (including the Renewable Energy Target).

CS Energy maintains a voice with respect to changes to policy and market regulation through its involvement with the Electricity Supply Association of Australia (esaa) and active participation in a range of consultation processes.

Financial and market performance (continued)

2014/15 Queensland monthly average pool prices ($/MWh)



A changing market dynamic

The development of the LNG industry in Queensland is shaping the State's energy market. In 2014/15, we started to see the impact of this on the market. As the LNG developments started to reach completion, electricity demand rose, domestic gas prices increased and gas-fired generators reduced their market presence.

At the same time, electricity demand and energy consumption continued to change as the penetration of solar photovoltaic systems on rooftops further increased. There is currently around 1,300 megawatts of installed solar capacity in Queensland. This growth has continued to diminish energy consumption through the middle of the day and push maximum demand to later in the day. Despite this, electricity demand reached a maximum of 8,809 megawatts on 5 March 2015.

Throughout 2014/15, there was significant price variability with periods of higher pool prices over the summer period. The time weighted average pool price was $52.52 per megawatt hour. Pool prices remained at a level that do not provide a sustainable return when taking into account the sizeable capital investment required in our generation assets.

Stronger market outcomes

CS Energy generates and sells electricity in the National Electricity Market (NEM) under the *Electricity Act 1994.* CS Energy also holds an electricity retail licence.

As a participant in the NEM, CS Energy is required to comply with the National Electricity Rules. We take seriously our compliance obligations and we have a comprehensive compliance program in place that represents industry best practice.

CS Energy sells electricity into the NEM through the spot market, where prices are calculated every five minutes and settled half hourly. We also trade in the contracts market where we enter into financial contracts for a fixed amount of electricity at a contracted price over a specified period of time. We also offer retail contracts to large commercial and industrial users throughout Queensland. A proportion of this contracted volume is with Ergon Energy as a result of a Queensland Government direction in 2013 and this continues to deliver value to the State.

In order to manage financial risk, CS Energy adopts an integrated strategy and maintains a balance between its presence in the wholesale market and the contract market. This integrated strategy strives to achieve earnings stability, cash flow and optimise returns in the short and long term, by reducing the company's exposure to variable wholesale market prices.

This integrated market strategy delivered stronger market outcomes which made a significant contribution to CS Energy's Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) performance. These improved outcomes were achieved by combining a robust market strategy with the effective utilisation of the baseload, intermediate and peaking generators in our portfolio. The availability and reliability of the generation portfolio was integral to the company's ability to take advantage of market opportunities when they arose.

A brighter outlook

Looking ahead, electricity demand forecasts suggest that there will be further opportunities for CS Energy to improve its revenue outlook and deliver greater returns for the business and our shareholder.

Electricity demand is expected to increase by more than seven per cent in 2015/16, predominantly due to higher demand from the LNG industry and the connection of the gasfields to the network. This, and the expected reduction in gas-fired generation, has influenced the forward contract market.

CS Energy's portfolio is well placed to take advantage of this increased demand and reduction in gas-fired generation. However, changing consumer electricity consumption patterns, continued growth of rooftop solar, ongoing commercialisation of renewable generation sources, and the emergence of new technologies, including battery storage, will present further challenges and opportunities for CS Energy to adapt and remain competitive.

Portfolio performance
Asset management

Operating and maintaining our assets to achieve the right availability at the right time and cost.

CS Energy's core business is the generation and sale of electricity in the National Electricity Market. The performance of CS Energy's generation assets is essential to the delivery of the company's market strategy and ability to earn revenue.

In 2014/15, CS Energy's generation portfolio increased its output by 26 per cent, which played a significant role in the company's improved market performance and the resulting positive financial outcomes. This increase in generation was achieved in sometimes challenging market conditions and in a business environment where it has been critical for CS Energy to reduce costs.

CS Energy portfolio availability was 80.1 per cent. Availability was lower than originally forecast, primarily due to changes to the planned operating profile in response to higher than anticipated coal deliveries to the Callide Power Station.

Optimising our asset portfolio

CS Energy adopted a three-pronged asset management strategy that focused on maximising availability during high demand periods, increasing the flexibility of our assets and reducing capital expenditure where possible. CS Energy also proactively managed fuel supply risk associated with ongoing coal supply issues at the Callide Power Station.

To support this strategy, some overhauls were deferred or reduced in scope and aligned with a targeted preventative maintenance program to mitigate asset risks. A more rigorous approach to the capital project development, approval and review process was adopted to support the changed overhaul program and ensure CS Energy achieved the right availability, at the right time and cost.

CS Energy spent $42.9 million on overhauls and capital projects at its power stations in 2014/15 to help achieve the objective of maximising availability during the high demand periods. This included overhauls at Callide and Wivenhoe power stations. Planning and preparation for overhauls at all three power stations in 2015/16 was also undertaken during the year.

The above budget portfolio generation, ability to capitalise on market opportunities and the resulting financial performance indicate the benefits of an aligned asset management strategy.

CS Energy owned portfolio performance

Year	Energy sent out (GWh)[1]	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2014/15	11,121	80.1	89.5	6.8	13.0
2013/14	8,829	81.1	92.6	8.3	11.3
2012/13	10,922	77.5	86.7	7.7	13.8
2011/12	10,244	80.0	89.7	7.5	12.0

1. Excludes Gladstone Power Station and InterGen share of Callide C.

Our generation portfolio increased its output by 26%

Kogan Creek Power Station

Kogan Creek Power Station is one of Australia's newest and most efficient coal-fired power stations.

Kogan Creek Power Station commenced operations in 2007 and can generate up to 750 megawatts of electricity – enough to power one million homes. The power station, located near Chinchilla in South West Queensland, features the largest single generating unit in Australia and water efficient dry cooling technology. CS Energy also owns the neighbouring Kogan Creek Mine, which supplies black coal to the power station and is operated by Golding Contractors.

Higher availability and generation

The Kogan Creek Power Station achieved improved availability and total generation in 2014/15 compared to the previous year, recording an availability of 88.4 per cent and sent out generation of 5,224 gigawatt hours of electricity. This was accomplished despite the unit being limited to 690-720 megawatts for much of the year due to turbine vibration issues.

Summer preparedness

There was no overhaul at Kogan Creek Power Station during the year. Key maintenance activities for the year were a fabric filter bag replacement in August 2014 and a summer readiness outage in October 2014. These activities assisted Kogan Creek Power Station to achieve above budget generation and availability for the January to March 2015 quarter.

Planning and preparation advanced during the year for a major overhaul of the power station in April 2016. This $63 million outage includes a $12.7 million component for replacing the high pressure turbine to address the turbine vibration issues that have limited the unit's output. Other works include induced draft fan blade replacement, boiler modifications and new soot blowers.

A secure and low cost fuel supply

In 2014/15, the Kogan Creek Mine supplied 2.64 million tonnes of black coal to the power station. CS Energy is planning for the future with the development of the Kogan Creek Mine Plan.

Callide Power Station

Callide Power Station has a long history of providing coal-fired electricity to the national grid from the heart of Queensland.

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

Callide A Power Station was originally constructed in 1965 and one of its 30 megawatt units was recommissioned to become the home of the Callide Oxyfuel Project. The 700 megawatt Callide B Power Station was commissioned in 1988. CS Energy owns the 810 megawatt Callide C Power Station in a 50 per cent joint venture with InterGen. We also provide operations and maintenance services to the joint venture.

Responding to fuel supply issues

Anglo American Metallurgical Coal's (Anglo American) neighbouring Callide Mine is the sole source of coal for the Callide Power Station. For a number of years, declining quality and quantity of coal deliveries from Callide Mine have seriously impacted the performance and output of Callide Power Station, and in turn, the financial performance of CS Energy. In response, CS Energy has periodically placed units in reserve shutdown and utilised different market dispatch options to conserve coal for higher demand periods.

In 2014/15 CS Energy and the Callide C Joint Venture continued to enforce and defend the coal supply agreements between them and Anglo American for supply to Callide B and Callide C, including through litigation in the Supreme Court of Queensland. There is a critical need to provide a sustainable footing for the power station with respect to fuel certainty at a price the power station can afford.

Delivering improved plant performance

Callide Power Station's generation output improved during the year as CS Energy changed the operating profiles of the B1 and C4 units from the original forecast profile to capitalise on available fuel and achieve positive commercial outcomes.

The Callide B Power Station sent out 3,212 gigawatt hours of electricity in 2014/15, with an availability of 73.5 per cent. The Callide C Power Station recorded an availability of 81.3 per cent and sent out 5,243 gigawatt hours of electricity (2,668 gigawatt hours comprising CS Energy's share of power sent out under the joint venture).

In February 2015, Callide Power Station kept generating as Tropical Cyclone Marcia passed through the region. The power station escaped any major damage and remained in operation thanks to good planning, preparation and a skeleton crew of employees who bunkered down at the power station during the cyclone.

Maintaining our assets

In 2014/15, two overhauls were carried out at the Callide Power Station. The first was a $6.7 million mini-overhaul of Unit B1 from September to November 2014 to replace the low pressure (LP) turbine rotor and partial refurbishment of the air heaters on the unit. The rotor replacement was conducted proactively to eliminate the risk of failure of the turbine rotor, following the identification of the risk by other operators of the same type of plant.

In April-May 2015 a $10.4 million mini-overhaul was conducted on Unit C4. The C4 mini-overhaul included boiler inspections and repairs, condition assessment of the LP turbine blades, replacement of filter bags and refurbishment of the cooling tower.

Unit C4 was also removed from service in October 2014 to complete a 10 day maintenance outage. This outage included burner, air heater and submerged chain conveyor repairs and bag house inspection. The outage successfully delivered high availability of the unit through the summer period and until the April 2015 mini-overhaul.

During the year, an additional $5 million was invested on a program of work to refurbish the Callide Unit B2 precipitators. Unplanned outages were required in December and April to address boiler tube leaks on the unit.

As the year drew to a close, CS Energy was making final preparations for overhauls of the two Callide B Power Station units in the first half of 2015/16.

Wivenhoe Power Station

Wivenhoe Power Station is the only pumped storage hydroelectric plant in Queensland. This strategic asset provides fast ramping capability.

The 500 megawatt plant is located on the eastern side of Wivenhoe Dam, about 90 kilometres north-west of Brisbane. Wivenhoe's two 250 megawatt units are the largest hydro machines in Australia, weighing 1,500 tonnes each.

Offering portfolio flexibility

Electricity is generated and stored by recycling water between an upper reservoir (Splityard Creek Dam) and lower reservoir (Wivenhoe Dam). Water is pumped from Wivenhoe Dam into Splityard Creek Dam during periods of low electricity pool prices. Water is then released from Splityard Creek Dam through tunnels to the turbines to generate electricity during periods of high electricity pool prices.

The Wivenhoe Power Station achieved an availability of 75.9 per cent in 2014/15, and sent out 17 gigawatt hours of electricity during the year, using a total of 37 gigawatt hours of electricity to operate the power station's pumps. The power station's availability during the period was impacted by the extension of a control system upgrade.

Upgrading the control system

An upgrade of the control system of Unit 2 was completed in November 2014 and included the replacement of the unit's automatic voltage regulator and governor, and installation of additional condition monitoring capability. These works were the final stage of a $12.7 million upgrade of the control system on both Wivenhoe units, with Unit 1 upgraded in 2013. In parallel with the control system upgrade, maintenance was carried out on Unit 2 to refurbish pump and turbine shaft glands.

The return to service of Unit 2 following the control system refit was delayed for three weeks due to software compatibility issues discovered during the commissioning of the new system. These issues were resolved by the major contractor and some of the solutions were then transferred to Unit 1.

Kogan Creek Power Station performance (750 MW)

Year	Energy sent out (GWh)	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2014/15	5,224	88.4	92.8	0	11.6
2013/14	4,821	81.8	93.5	11.5	6.7
2012/13	5,188	87.9	88.8	0	12.1
2011/12	4,273	73.2	91.8	15.6	11.2

Callide Power Station performance – Callide B (700 MW)

Year	Energy sent out (GWh)	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2014/15	3,212	73.5	82.4	7.9	18.6
2013/14	2,527	77.0	85.4	0	23.0
2012/13	3,575	78.8	90.2	10.6	10.6
2011/12	3,605	71.9	83.2	8.5	19.5

Callide Power Station performance – Callide C (810 MW)

Year	Energy sent out (GWh)[1]	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2014/15	2,668	81.3	90.4	5.7	12.8
2013/14	1,467	76.5	93.7	15.0	8.5
2012/13	2,136	84.2	93.1	8.7	7.0
2011/12	2,355	82.6	87.0	3.9	13.4

1. Excludes InterGen share of Callide C Power Station.

Wivenhoe Power Station performance (500 MW)

Year	Energy sent out (GWh)1	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2014/15	17	75.9	90.2	16.8	7.3
2013/14	14	89.4	99.6	4.4	6.1
2012/13	23	54.6	68.5	13.6	31.8
2011/12	10	99.6	100.0	0	0.4

Projects

CS Energy is playing a role in building industry knowledge about cleaner ways to generate electricity.

Callide Oxyfuel Project

The world first industrial scale demonstration of oxyfuel combustion and carbon capture technology was completed at the Callide Oxyfuel Project in 2014/15.

CS Energy is a participant in the international joint venture for the project and the demonstration was conducted at the Callide A Power Station in Central Queensland.

Collaborating with international experts

The $245 million Callide Oxyfuel Project is a joint venture partnership between CS Energy; ACA Low Emissions Technologies (ACALET); Glencore, Schlumberger Carbon Services; and Japanese participants J-Power, Mitsui & Co., Ltd and IHI Corporation. The project was awarded $63 million from the Australian Government under the Low Emissions Technology Demonstration Fund and has also received financial support from ACALET and the Japanese and Queensland governments, and technical support from JCOAL.

Oxyfuel combustion involves burning coal in a mixture of oxygen and recirculated exhaust gases, instead of air, which results in a concentrated stream of carbon dioxide suitable for capture and geological storage.

Carbon dioxide captured during the Callide Oxyfuel Project was used in a test injection of carbon dioxide at CO2CRC's Otway Project site in Victoria.

Meeting demonstration targets

The main objectives of the project were 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 carbon dioxide storage.

At operational completion in March 2015, the Callide Oxyfuel Project had achieved its project targets, including:

- 14,815 overall generation hours
- 10,268 hours of operating in oxyfuel combustion mode
- 5,661 hours of industrial operation of the carbon capture plant
- completion of an extensive research and development program, and
- carbon dioxide injection tests at the CO2CRC Otway Project site in South Western Victoria.

Contributing to global knowledge of carbon capture and storage

During the year the Callide Oxyfuel Project team began analysing and documenting the data obtained from the demonstration. This process will continue in 2015/16 when the learnings will be consolidated and published so that they can be applied to other carbon capture projects in the future.

At Callide A Power Station, a thorough plant decommissioning process commenced and will continue over the remainder of 2015. The Callide Oxyfuel Project is scheduled to hand the site back to CS Energy in May 2016.

Kogan Creek Solar Boost Project

The Kogan Creek Solar Boost Project is a 44 megawatt solar thermal addition to Kogan Creek Power Station.

Funding for the Kogan Creek Solar Boost Project includes a $70 million contribution from CS Energy and $34.9 million from the Australian Government's Australian Renewable Energy Agency (ARENA). CS Energy also received support from the Queensland Government through a contribution of $35.4 million to CS Energy's Carbon Reduction Program, which enabled the company to direct funds to the Kogan Creek Solar Boost Project.

The solar thermal addition is designed to use AREVA Solar's Compact Linear Fresnel Reflector (CLFR) technology to supply steam to the power station's turbine, supplementing the conventional coal-fired steam generation process.

AREVA Solar has completed fabrication and delivery of most of the project equipment but construction work has been delayed due to material technical and commercial issues. CS Energy is consulting with its stakeholders to assess options for completion of the project.

The Callide Oxyfuel Project operated in oxyfuel mode for more than

10,000 hours

Case Study: Demonstrating a future for low emission coal

The Callide Oxyfuel Project is one of only a handful of low emission coal projects in the world to move beyond concept to construction, and to go on to successfully complete a demonstration phase.

Callide Oxyfuel Project Director Dr Chris Spero said the international joint venture had made a significant global contribution towards finding new ways of producing cleaner and affordable electricity from fossil fuels.

"We successfully tested oxyfuel technology and carbon dioxide capture under 'live' power station conditions for more than two years, and our results show it is ready for the next steps toward commercial application," Dr Spero said.

"The joint venture partners are confident that the results and data gained from this project allows the next generation of oxyfuel and carbon capture technology to be scaled up to 200 to 300 megawatts, making way for commercial, large scale carbon capture power plants to be built around the world."

The Callide Oxyfuel Project also helped advance the generation industry's investigations into the viability of carbon dioxide storage through its collaboration with CO2CRC.

Carbon dioxide from the project was transported by road to Victoria and injected underground at CO2CRC's Otway Project site in South Western Victoria. Building on the large body of work already done by CO2CRC, the injected carbon dioxide was used to evaluate the geochemical and physical behaviour of carbon dioxide within the storage rock.

Photo: The Callide Oxyfuel Project at CS Energy's Callide A Power Station in Central Queensland.

Community and environment
Environment

CS Energy is committed to operating in an environmentally responsible manner.

CS Energy has comprehensive environmental monitoring and measurement schedules in place at each of its power stations, providing data to ensure compliance limits are met and that any exceedances are reported to regulatory authorities.

Managing environmental impact

CS Energy's power stations and the Brisbane Office operate within an Environmental Management System (EMS). The EMS meets the requirements of the international environmental standard ISO 14001:2004, as verified by external audits in July 2014.

The EMS is a tool for managing the impacts of CS Energy's activities on the environment. The system assists us in monitoring environmental performance and integrates environmental management into daily operations, long term planning and quality management systems.

Taking accountability

CS Energy targets zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. The company's systems categorise environmental incidents based on their consequences ranging from minor (Category 1) to severe (Category 4). During 2014/15, CS Energy had no Significant Environmental Incidents.

There were two Category 3 incidents and four complaints, which are summarised in the table on page 25.

Monitoring our emissions

CS Energy reports its greenhouse emissions, energy consumption and energy production to the Australian Government under the National Greenhouse and Energy Reporting (NGER) Scheme.

In 2014/15, CS Energy's total greenhouse emissions increased in line with the 26 per cent increase in the company's electricity generation during the year. Portfolio generation levels were lower in 2013/14 due to changes to the operating profiles of Callide Power Station units. This included two Callide B units being placed in reserve shut down and units running at reduced load during the period in response to lower than expected coal deliveries to the power station.

The greenhouse gas emission intensity of the portfolio increased slightly from 949 kilograms of carbon dioxide equivalent per megawatt hours of electricity sent out ($kgCO_2$-e/MWhso) in 2013/14 to 955 in 2014/15.

CS Energy's full NGER data is published on the Clean Energy Regulator website at **www.cleanenergyregulator.gov.au**.

Under the National Pollutant Inventory, CS Energy also reports on the oxides of nitrogen (NOx) and sulphur (SOx) that it emits from its power stations to the Department of the Environment. CS Energy's NOx and SOx data is available on the National Pollutant Inventory website at **www.npi.gov.au**.

Responsibly managing waste

Ash is a by-product of the combustion of coal at CS Energy's Callide and Kogan Creek power stations. Some 99.9 per cent of the ash created at our power stations is collected in a manner that allows it to be recycled or stored on site in ash dams or ash cells. In 2014/15, CS Energy supplied 96 kilotonnes of ash for reuse – the highest tonnage of ash sales in four years and the highest ever percentage of ash sales as a proportion of total ash produced (6.5 per cent).

Inputs and outputs

Performance	2011/12	2012/13	2013/14	2014/15
Significant Environmental Incidents	0	0	0	0
Greenhouse gas emissions intensity ($kgCO_2$-e/MWhso)[1]	952	936	949	955
Greenhouse gas equivalent produced ($MtCO_2$-e)[1]	9.8	10.2	8.4	10.6
Coal used as fuel (kt)	5,557	5,820	4,789	6,021
Ash produced (kt)	1,385	1,415	1,194	1,464
Ash sold (kt)	67	90	44	96
Water consumption (ML)	13,117	12,987	10,077	13,483

1. NGER Scope 1 emissions only.

Kogan Creek Power Station uses 95% less water than a conventional wet-cooled power station.

During the year, CS Energy completed a three year program of works for managing Callide Ash Dam seepage. On 24 December 2014, the Department of Environment and Heritage Protection (DEHP) advised CS Energy that the performance indicators required by the Transitional Environment Program (TEP) for the ash dam had been achieved and that the TEP was considered closed.

Following significant rainfall from Tropical Cyclone Marcia in February 2015, the water level in the Callide Ash Dam B rose above the Mandatory Reporting Level (MRL). CS Energy implemented a range of control measures to manage the water level in the ash dam and submitted a Contingency Plan to DEHP outlining these measures. These control measures will continue in 2015/16 and the targeted timeframe for reducing the ash dam level to below the MRL is November 2015. While the MRL has been exceeded, the level of the ash dam remains well below the spillway level.

At Kogan Creek Power Station, CS Energy stores ash from the power station in the Out of Pit Ash Cell located at the Kogan Creek Mine. Once the ash cell is full, it will be capped with mine spoil, progressively rehabilitated with top soil and revegetated.

Water consumption by site (ML)

Site	2011/12	2012/13	2013/14	2014/15
Kogan Creek	538	502	560	597
Callide	12,579	12,485	9,517	12,886
Wivenhoe	0.2	0.2	0.2	0.2

Using water wisely

The energy industry is heavily reliant on water, as it is a vital input to the electricity generation process. CS Energy uses a combination of recycled, raw and town water at our power stations. Water management strategies are in place for each site to ensure the sustainable and efficient use of this precious resource.

CS Energy tracks water use across our operations by measuring total consumption. This year, total water consumption was 13,483 megalitres compared with 10,077 megalitres in 2013/14. The increase was due primarily to the increase in generation during the year. CS Energy's most water efficient plants are the dry-cooled Kogan Creek Power Station, which uses 95 per cent less water than a conventional wet-cooled power station, and the pumped storage hydroelectric Wivenhoe Power Station, which recycles water between an upper and lower reservoir to generate electricity.

Monitoring ambient dust

CS Energy has established a comprehensive dust monitoring program at the Callide and Kogan Creek power stations. This program enables the company to measure ambient dust levels to monitor the effectiveness of fugitive dust controls implemented at these sites.

Environmental incidents (Category 3) and complaints in 2014/15

Site	Type	Date	Comments
Callide Power Station	Complaint	November 2014	Landowner complaint regarding airborne coal dust. Information was provided to the landowner about CS Energy's implementation of fugitive dust controls.
	Incident	January 2015	Two Category 3 incidents relating to wind-blown dust from the power station's Waste Containment Facility. Supplementary dust suppression controls were implemented.
	Complaint	January 2015	Landowner complaint regarding dust deposition. Analysis of samples showed the deposited material was domestic dust which had not originated from the power station.
Kogan Creek Power Station and Kogan Creek Mine	Complaint	April 2015	Two complaints from a landowner to DEHP regarding noise from the Kogan Creek Mine. As at 30 June, monitoring results showed measured values were compliant with environmental authorities for the power station and mine. Monitoring will continue until the first quarter of 2015/16.
	Previous complaint	April 2014	Noise, dust and mine blast vibration monitoring was completed in 2014/15 in response to a landowner complaint made in April 2014. Monitoring results showed measured values were compliant with environmental authorities for the power station and mine.

Community

CS Energy is a regional company with more than half of its employees living in the communities in which it operates.

CS Energy is proud to call Biloela, Chinchilla and the Brisbane Valley home, and we are committed to building lasting and positive relationships in these regional areas.

CS Energy strives to be recognised and trusted as a socially responsible business. Our Social Investment Framework underpins our approach to sponsorships, grants and donations. Since 2012, CS Energy has temporarily ceased all non-committed sponsorships, grants and donations as the business focuses on returning to profit. This decision will be reviewed as our business performance improves.

10 years of the Chinchilla Community Benefits Trust

The Chinchilla Community Benefits Trust was established in 2004 during the construction of CS Energy's Kogan Creek Power Station. CS Energy and Western Downs Regional Council are joint trustees, awarding community grants to local organisations every two years. Over the past 10 years the CS Energy-funded Trust has provided almost $1 million for projects that enhance the economic, cultural and social development of the Chinchilla area.

In 2014/15, CS Energy and Western Downs Regional Council called for applications from local not-for-profit organisations for Round Nine of the Trust. Close to $55,000 in funding was available for projects. Seven community organisations received funding through Round Nine for projects ranging from new equipment for the Chinchilla Junior Netball Association through to substantial upgrades of the facilities for the Kogan and District Rural Fire Brigade and Brigalow Recreation Grounds. A full list of successful recipients can be found on our website.

Employees show their generosity

CS Energy's workplace giving program *Generosity* is a way for our employees to give something back to the community. Every pay, participating employees donate from their pre-tax earnings. Six charities receive our donations: Angel Flight, Blue Care, The Cancer Council of Queensland, Greening Australia, Hannah's House and the Hear and Say Centre.

Since the launch of the program in 2008 we have raised more than $350,000 for our charity partners. In 2014/15, CS Energy employees donated $18,400 to the charities.

The Chinchilla Community Benefits Trust has funded almost

$1 million

in projects over the last 10 years.

Case Study: A rural fire brigade ready to respond

New headquarters for the Kogan and District Rural Fire Brigade will help a dedicated group of volunteer firefighters be even better equipped to prevent and fight fires in the region and create a community space for fire awareness training.

The new facility, which will include a training and meeting room, kitchen, office and radio room, is being constructed thanks to funding contributions from the Chinchilla Community Benefits Trust, the Queensland Rural Fire Brigade, the Queensland Government and money raised by the fire brigade.

Brigade Secretary and Treasurer and long term fire fighting volunteer Vicki Searle said the 31 members of the Kogan and District Rural Fire Brigade are dedicated to maintaining their skills and readiness to fight fires in the region.

"The upgrades to our facility will make a huge difference to the fire fighters and the community," Vicki said. "Brigade members train three times a month and the improved facilities will help us to extend our reach into the community by offering more training at the station.

"At present, our *Prepare, Act, Survive* community education program is held at other locations in Kogan, but once the new facility is complete it can be offered at the station.

"When there are emergencies, the food for the firefighters and fire-affected residents is currently prepared at private homes. Having a kitchen at the station will allow us to have everything on hand and ready, especially this year when it is likely to be a high risk fire season."

The Chinchilla Community Benefits Trust funding provided by CS Energy and the Western Downs Regional Council will contribute to the construction of the new facility.

Photo: Kogan Creek General Manager Phil Matha and Kogan and District Rural Fire Brigade Station Secretary and Treasurer Vicki Searle.

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 2015, CS Energy's shareholding Ministers were:

- The Honourable Curtis Pitt MP, Treasurer and Minister for Employment and Industrial Relations, and Minister for Aboriginal and Torres Strait Islander Partnerships
- The Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports, and Minister for Energy and Water Supply.

Corporate Governance philosophy

CS Energy and its controlled entities are committed to achieving the highest standards of corporate governance in everything we do.

We understand and respect our role and responsibility to our shareholders and the people of Queensland.

Our Governance Standard sets out CS Energy's Governance Framework and demonstrates how CS Energy addresses the *Corporate Governance Guidelines for Government Owned Corporations, Version 2.0, February 2009.*

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 2015, the Board comprised five independent, non-executive Directors, whose profiles and periods of service are detailed on pages 34 and 35 of this report. The CS Energy Board Charter outlines the Board's responsibilities and functions. The conduct of the Board is also governed by the Corporations Act and the GOC Act.

CS Energy's Chief Executive Officer, supported by the Executive Leadership Team, is responsible for implementing the company's 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. The Executive Leadership Team is also responsible for providing the Board with accurate, timely and clear information to enable the Board to discharge its responsibilities.

The Board conducts a minimum of 10 meetings per year. 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.

Board committees

Two specialist committees assist the Board in the execution of its duties and to enable more detailed consideration of key business issues:

- People, Safety and Environment Committee, and the
- Audit and Risk Committee.

People, Safety and Environment Committee

The People, Safety and Environment Committee oversees the health and safety, people, organisational effectiveness and environmental systems, policies and practices of CS Energy. The Committee assists the Board to discharge its responsibilities in setting the strategic direction, monitoring performance and ensuring compliance with legislation in those areas.

Audit and Risk Committee

The Audit and Risk Committee (ARC) monitors governance, risk and compliance management to ensure 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 (including 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.

Composition of Board Committees as at 30 June 2015

Director	People, Safety & Environment Committee	Audit and Risk Committee
Ross Rolfe	✓	
Brian Green	✓	
Shane O'Kane		✓ (Chair)
John Pegler		✓
Mark Williamson	✓ (Chair)	✓

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.

Assessing Executive performance

CS Energy employees, including the Executive Leadership Team, have role purpose statements and Individual Achievement Plans. 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 to assess achievement of 2013/14 performance targets. More information on performance and remuneration of CS Energy employees, Executives and the Board can be found under Principle 8, on page 33.

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. The term of appointment for Directors is determined by the Governor in Council.

The Board regularly reviews and assesses the independence of Directors and 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 the Director requires additional information. Each Director is encouraged to contact the Company Secretary prior to Board meetings 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 December 2014.

Board and Committee meeting attendance

	Board		People, Safety & Environment Committee		Audit & Risk Committee	
Name	Meetings held while a Director	Number attended	Meetings held while a Director	Number attended	Meetings held while a Director	Number attended
Ross Rolfe	13	13	5	5	–	–
Brian Green	13	13	5	5	–	–
Shane O'Kane	13	11	–	–	6	6
John Pegler	13	11	–	–	6	6
Mark Williamson	13	11	5	5	6	6

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 a Code of Conduct and Equal Employment Opportunity (EEO) Policy, as well as various policies to ensure compliance with the Corporations Act and to manage conflicts of interest.

Our new Code of Conduct was introduced early in the financial year and applies to CS Energy's Board of Directors, management and employees as well as contractors and consultants, and visitors to CS Energy sites. The new Code is the overarching document for all CS Energy policies and procedures and covers seven key areas including safety, respecting others and managing conflicts of interest. It clearly articulates the minimum set of standards required of everyone at CS Energy.

The Board Charter also adopts the Director's Code of Conduct from the Australian Institute of Company Directors.

Declaration of interests by Board members is a standing agenda item at 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.

Our EEO Policy provides guidance 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.

Our Share Trading Procedure provides guidance to Directors, officers and employees in relation to their trading in securities. The procedure informs Directors, officers and employees of the prohibitions on insider trading under 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.

Directors, employees and contractors must report suspected corrupt conduct and other activity which is illegal, unethical, or which breaches the Code of Conduct or CS Energy's other standards. Reporting mechanisms include direct reporting to CS Energy's Legal Team or via the intranet Whistleblower Form and Whistleblower hotline. Directors must report such activity through those channels or directly to the Company Secretary or the Chairman of the Board.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The ARC 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, for Board approval, financial reporting and other disclosures that are 'true and fair' and comply with legislation and accounting standards.
- Supports an independent and effective internal audit function, to provide reasonable assurance on the effectiveness of the company's internal control framework to the Board.
- Addresses 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 Deloitte (as delegated contract auditor to 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 the company's 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 applicable 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.
- The company's 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, transparent and accountable, while protecting information that is commercially sensitive.

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 CS Energy's website that 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 objectives, initiatives and targets for the next financial year.
- 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.
- 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.

2014/15 Statement of Corporate Intent (Original measures)

Category	Measure	2014/15 Actual	2014/15 Target	2013/14 Actual
Profitability	Operating Earnings[1] ($m)	158.4	131.7	61.8
Cash flow	Debt interest cover[2] (times)	5.6	2.0	(0.6)
Shareholder Value Added[3]	SVA ($m)	137.6	(69.9)	(162.3)

1. Operating Earnings represents EBITDA excluding non-routine items and year-end accounting adjustments.
2. Debt interest cover is calculated as EBITDA (excluding Net gain / (loss) on fair value of derivative contracts) divided by interest and finance charges.
3. Shareholder Value Added is calculated based on EBIT.

Statement of Corporate Intent

Under the GOC Act, CS Energy is required to prepare an SCI each financial year. The SCI is a 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 annually in the Queensland Legislative Assembly in accordance with Section 121 of the GOC Act.

Throughout 2014/15 we continued the reform process for transforming CS Energy into a profitable, commercially viable business. CS Energy's performance against its 2014/15 SCI targets is summarised on page 9 of this report. During the year, three of the SCI measures were amended to measures that better reflect the underlying performance of the business, which are included in the table on page 9. CS Energy's performance against the original measures is summarised in the table above.

Dividend policy

Section 131 of the GOC Act requires the CS Energy Board to make a dividend recommendation for each financial year to CS Energy's shareholding Ministers, between 1 May and 16 May of 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 a dividend payment is governed by Section 131 of the GOC Act. Dividends 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

CS Energy's shareholding Ministers can issue directions and notifications to the CS Energy Board. 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.

The directions and notifications received by CS Energy during the reporting period are outlined in the table below.

Directions and notifications – 2014/15

Date	Direction/Notification	Legislative basis
28 August 2014	For CS Energy to provide full cooperation and assistance to the State and its advisors, including the Queensland Capital Projects Team within Queensland Treasury, to support due diligence, preparatory and investigatory activities in relation to the potential divestment of the business of CS Energy.	*Electricity Act 1994 – Section 299*
30 April 2015	For CS Energy to provide full cooperation and assistance to the State and its advisors, including the Electricity Mergers Working Group within Queensland Treasury, with respect to review and restructure of CS Energy and Stanwell Corporation Limited.	*Electricity Act 1994 – Section 299*

Principle 7: Recognise and manage risk

The identification and management of risk is essential to a strong governance framework. At CS Energy, the Board has ultimate responsibility for risk management and compliance. The Board set a framework for the organisational management of risk and compliance to ensure strong operational and financial performance.

The Governance, Risk and Compliance function implements the risk and compliance framework set by the Board to ensure risk and compliance management is embedded across the organisation and delivers organisational objectives. This includes the management of fraud.

Financial and compliance risks related to electricity trading and sales, such as credit and market risk are overseen by the Market Risk Committee, comprised of senior management and the Chief Executive. This committee ensures the effective alignment of market and operational risk management, coordinating risk responses that deliver organisational value.

Principle 8: Remunerate fairly and responsibly

People, Safety and Environment Committee

CS Energy's People, Safety and Environment 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 high performance 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 Leadership 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 Board 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 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 through Role Purpose Statements and annual Individual Achievement Plans.
2. Provides feedback on performance through mid-year and end-of-year Achievement Reviews.

Board of Directors' profiles

Ross Rolfe AO
Non-Executive Chairman

BA, M.A.I.C.D

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 North Queensland Airports; the Chair of WDS Limited, a service provider to the mining and energy sectors; a Non-Executive Director of Infigen Energy Limited, a renewable energy business with assets in the United States and Australia; and a director of Tennis Queensland. Mr Rolfe also holds a part-time executive role with Lend Lease.

He has held a range of Directorships including: Chair of Queensland Manufacturing Institute; Chair of Islanders Board of Industry and Service (IBIS); Director of Queensland Low Emissions Technology Centre; Director of Emu Downs Wind Farm; a Non-Executive Director of Alinta Energy, Thiess Pty Ltd, Evans and Peck Pty Ltd and CMI Limited; 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), M.A.I.C.D.

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, he has specialised in management, operation, maintenance and asset management of heavy industrial plant and the management of generation plant performance.

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

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, he 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 its 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

Shane O'Kane has more than 25 years experience in the finance and infrastructure funding sectors. He has worked as partner at an international accounting firm and in international investment and investment banking groups.

Mr O'Kane also has extensive experience in relation to government owned corporations and the energy sector. He is a founding member of the Guided Innovation Alliance with QUT and Ergon Energy, which is an industry-research alliance for innovations in the electricity sector.

He is a Board member of a number of private sector property development companies and agricultural companies.

Mr O'Kane's current Board and trustee roles for public or not for profit entities includes The Pyjama Foundation, Cherish the Environment Foundation Ltd and Lady Cilento Hospital Trust.

At CS Energy, Mr O'Kane serves as the Chair of the Audit and Risk Committee.

John Pegler

Non-Executive Director

BE MAusIMM MAICD

Director since 23 August 2012

A mining engineer by training, John Pegler has over 40 years of experience working in the resources sector, from underground miner at the coalface to senior executive roles with BP Australia, Managing Director roles with Rio Tinto Business Units in Australia and overseas and as Chief Executive of Ensham Resources in Queensland.

Mr Pegler was twice President and is an elected Life Member of the Queensland Resources Council and is a past Chairman of the Australian Coal Association Ltd and ACA Low Emission Technologies Ltd. He was a Director of former energy generator Tarong Energy Corporation Ltd and a former Chairman of the Centre of Low Emissions Technology (cLET), a Joint Venture of Queensland Government, CSIRO, University of Queensland and the resources sector.

Mr Pegler is a Director of WDS Ltd, a publicly listed contractor to the mining, gas and infrastructure development industries. He is also a former Director and Chairman of Bandanna Energy Ltd, a publicly listed coal explorer and developer in the Bowen and Galilee Basins; and is a former Director of ERA Ltd, Australia's largest publicly listed uranium producer.

Mr Pegler holds 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 and the Australian Institute of Company Directors.

Mark Williamson

Non-Executive Director

M.A.I.C.D

Director since 1 July 2011

Mark Williamson is an experienced director who has served on the boards of a number of leading Australian companies.

Mr Williamson is currently the Chairperson of Energy Super, Deputy Chair of ESIS (Q) and a Director of ESI Financial Services. He is a Director of Transmax Pty Ltd, an intelligent transport systems solutions provider, and St Margaret's Girls School Foundation Board. Mr Williamson holds a membership with the Australian Institute of Company Directors and an Associate Diploma in Industrial Engineering.

He has served on the Boards of 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 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, both within Australia and overseas. His professional career has been primarily in sales, 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 over 30 years, Mr Moore 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, Mr Moore 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 Initial Public Offerings (IPO) in Australian corporate history. At Aurizon, he was responsible for driving the company's commercial transformation in capital productivity and procurement. After the IPO, Mr Moore 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.

Mr Moore'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.

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

Scott Turner
Acting Chief Financial Officer

B.Bus (Accounting), CPA

Scott Turner leads CS Energy's Finance, Business Systems and Energy and Financial Risk teams. Mr Turner took up the role of Acting Chief Financial Officer in September 2014 after leading CS Energy's Energy Markets division for almost two years.

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. In his previous roles, Mr Turner 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.

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 that includes assets in Australia, the United States, the United Kingdom and Europe. He also 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.

Mark Moran
Executive General Manager Operations

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

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 generation 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 hydroelectric generation, electricity distribution and transmission network infrastructure.

Prior to joining CS Energy in 2013, Mr Moran was General Manager Asset Management with Alinta Energy, a national generation and retail energy business.

Andrew Varvari
Executive General Counsel and Company Secretary

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

Andrew Varvari leads CS Energy's legal, governance, risk, compliance and assurance functions. An experienced energy and resources executive with more than a decade in the industry, Mr Varvari joined CS Energy in 2012. His experience includes business integration and project development, commercial strategy, and mergers and acquisitions.

Mr Varvari previously headed up BG Group plc's legal function in Australia and was responsible for QGC's Secretariat, Business Services and IT functions. 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. This included the integration of the existing QGC and BG Australia businesses following the 2008 takeover of QGC by BG Group plc, and the development and construction of BG Group's $20 billion Queensland Curtis LNG project.

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

David Warman
Acting Executive General Manager Energy Markets

B Agricultural Economics

David Warman is responsible for driving CS Energy's revenue strategy, managing teams that are accountable for selling the company's generation output in the National Electricity Market, development and execution of wholesale and retail electricity market contracting strategies, energy market analysis and regulation.

Before stepping into the acting role, Mr Warman was the Group Manager Sales & Marketing at CS Energy. In this role he drew on his extensive electricity market experience to execute CS Energy's market revenue strategy by developing and implementing the company's contracting strategy.

Mr Warman joined CS Energy in 2011, bringing with him more than 10 years experience in the Australian energy market. He has held trading, strategy, marketing and analytical roles with Stanwell Corporation (formerly Tarong Energy), Origin Energy, Sun Retail (formerly Energex Retail) and Ergon Energy, as well as national energy market consultancy, Energy Advice Pty Ltd.

Mr Warman's technical knowledge and expertise, coupled with a focus on building constructive relationships, has seen him make a significant contribution to CS Energy's market strategies in a challenging Australian market.

Owen Sela
Executive General Manager Strategy & Commercial

B.IT (S'ware Eng)

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 to ensure value-based decisions.

Mr Sela joined CS Energy in 2014 and 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.

Tom Wiltshire
Executive General Manager People & Safety

Tom Wiltshire leads the health and safety, environment, human resources, industrial relations and organisational development functions at CS Energy. He has an impressive track record in leading safety, human resources and environment teams in challenging and geographically diverse environments in the rail, electricity, aged care and consulting sectors.

A key part of Mr Wiltshire's role at CS Energy is to create a sustainable safety culture through 'Felt leadership' and drive safety behaviour change.

Mr Wiltshire joined CS Energy in 2014 following a decade with Aurizon and its predecessors, QR National and QR, where he managed portfolios that included the health, safety and environment functions.

Prior to moving into rail, Mr Wiltshire was the Principal Electrical Safety Advisor with the Queensland Department of Industrial Relations and a consultant with Livingstones Australia. He started his career in SEQEB before working at Energex.

Former Executive Leadership Team member profiles

Ole Elsaesser
Chief Financial Officer
(Until 29 August 2014)

B.Com, CA (Canada), CA (Australia), GAICD

As Chief Financial Officer, Ole Elsaesser led 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, an integrated resources and energy company primarily focused on building a shale to liquids industry in Queensland.

Mr Elsaesser has also 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.

Kriss Ussher
Group Manager Health, Safety, Security & Environment
(Until 31 October 2014)

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

Kriss Ussher managed the health, safety, security and environment functions at CS Energy's three power stations and its Brisbane Office. A key element of his role included ensuring that the frameworks, policies, procedures and systems reflected the company's strategic plan, and enabled 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. In 2009, Mr Ussher joined CS Energy as Health and Safety Coordinator at Kogan Creek Power Station and later progressed to the role of Health, Safety & Security Specialist, followed by Group Manager Health, Safety, Security & Environment.

Tanya Absolon
Group Manager People & Culture
(Until 16 January 2015)

B.AdVocEd, Cert IV TAE

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

Specialising in human resources reform, company restructure and change management, Ms Absolon is skilled in enabling businesses to achieve their strategic direction through effective and practical people solutions. She 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.

Ms Absolon 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 human resources functions.

Financial Report

for the year ended 30 June 2015

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

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

CS Energy Limited
Level 2 HQ North Tower
540 Wickham Street
Fortitude Valley QLD 4006

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

The financial statements were authorised for issue by the Directors on 28 August 2015. The Directors have the power to amend and reissue the financial statements.

Directors' Report

for the year ended 30 June 2015

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 2015.

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

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	
	2015 $'000	2014 $'000
Profit/(Loss) after income tax	124,151	(59,898)

Dividends

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

Review of operations

Health and safety

TCS Energy improved its safety performance in 2014/15, achieving a reduction of 50 per cent in the total number of injuries compared to the previous year, which equated to 42 fewer injuries. Our Total Case Recordable Frequency Rate (TCRFR) of 4.75 in 2014/15 was a reduction on the 2013/14 figure of 8.07, however this was still outside our target TCRFR of less than three.

The improved safety performance can be attributed to behavioural-based initiatives, the safer delivery of high risk activities such as overhauls, proactive analysis of workplace safety using leading indicators and increased incident reporting.

Market performance

In 2014/15, CS Energy's market strategy contributed to a substantial improvement in the company's financial performance.

This strategy was delivered in a market that continued to be characterised by a changing electricity demand profile, oversupply of generation in the Queensland region, policy uncertainty and considerable price variability.

Notwithstanding these persistent market challenges, there were tangible shifts in market conditions that created opportunities for low cost, coal-fired generation. These opportunities included a return to near record maximum electricity demand during summer; and the commissioning of the first of six liquefied natural gas (LNG) trains at Gladstone in Central Queensland.

In this market environment, the company exceeded its profitability targets month on month. CS Energy's ability to achieve these results was underpinned by a concerted effort to integrate the dispatch of our portfolio and contract strategy to ensure we were positioned to respond to market opportunities as they arose.

Our stronger market outcomes were achieved by combining a robust market strategy with the effective utilisation of the baseload, intermediate and peaking generators in our portfolio. The availability and reliability of our plant was integral to our ability to take advantage of market opportunities when they arose.

Plant operation

In 2014/15, CS Energy's generation portfolio increased its output by 26 per cent, which played a significant role in our improved market performance and the resulting positive financial outcomes. This increase in generation was achieved in sometimes challenging market conditions and in a business environment where it has been critical for CS Energy to reduce costs.

The primary contributing factor to the increased generation was an improvement in the volume of coal deliveries to Callide Power Station from the Anglo American owned Callide mine. In previous years the unreliable supply of coal has resulted in the periodic placement of generating units at Callide Power Station into reserve shutdown in order to conserve coal stockpiles. Despite this improvement, CS Energy continued to experience 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.

CS Energy adopted a three-pronged asset management strategy that focused on maximising availability during high demand periods, increasing the flexibility of our assets and reducing capital expenditure where possible. To support this strategy, some overhauls were deferred or reduced in scope and aligned with a targeted preventative maintenance program to mitigate asset risks. A more rigorous approach to the capital project development, approval and review process was adopted to support the changed overhaul program and ensure CS Energy achieved the right availability, at the right time and cost.

Significant changes in the state of affairs

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 National Electricity Market's average carbon intensity.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

Through amendments to the *Carbon Farming Initiative Amendment Bill 2014* (passed in November 2014) the Emissions Reduction Fund (ERF) is to be supplemented by a Safeguard Mechanism. The Mechanism sets emissions baselines, civil penalties for exceeding these and processes for facilities to purchase units to reduce emissions below the baseline. The Safeguard Rules will specify the baselines and must be established by 1 October 2015, with the mechanism starting on 1 July 2016.

The Government has consulted on a special option for electricity generation, which is based on a 'trigger' event. Under this option, if the annual emissions for the industry are above the average of the industry emissions over a baseline period, then penalties will apply to those facilities with absolute emissions greater than the facility average during the baseline period of 2009/10 to 2013/14.

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.

Four complaints were received by CS Energy during the year. Two complaints made to CS Energy related to dust deposition on nearby residences from fugitive dust releases attributed to Callide Power Station. These have been resolved following discussions with the complainants. The other two complaints were made to the Department of Environment and Heritage Protection (DEHP) by a local landholder about alleged noise impacts from the operation of the Kogan Creek Coal Mine. In response, CS Energy is undertaking noise monitoring at the complainant's property at the request of DEHP to determine the level of nuisance being caused by CS Energy's operational activities at Kogan Creek.

Further details of these environmental matters and complaints are provided in the Community and environment 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 were completed in August 2014 to the satisfaction of DEHP.

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

Further information on the consolidated group's environmental performance can be found in the Community and environment 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, Chief Financial Officer, 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 43.

Preparation of Parent Entity Accounts

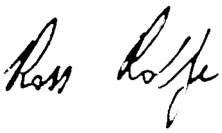
The parent entity is a company of a kind referred to in Class Order 10/654 issued by the Australian Securities and Investments Commission, relating to the inclusion of parent entity financial statements in financial reports. Parent entity financial statements for CS Energy Limited have been included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

Rounding of amounts to the nearest thousand dollars

The 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 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, unless otherwise indicated.

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



Mr R Rolfe
Chairman

Mr S O'Kane
Director

Brisbane
28 August 2015

Auditor's Independence Declaration

for the year ended 30 June 2015

To the Directors of CS Energy Limited

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

Independence Declaration

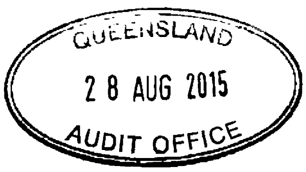
As lead auditor for the audit of CS Energy Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been –

(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 CPA

(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

		Consolidated		Parent	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue from continuing operations	6	571,900	608,189	190,623	266,051
Impairment loss reversal	7	-	275,045	-	59,049
Dividends received	36	-	-	80,361	-
Impairment reversal of loans to related parties	15, 36	-	-	80,929	57,606
Other income	8	4,401	15,765	268	4,328
Cost of sales		(245,740)	(438,267)	(121,609)	(207,624)
Onerous contract – re-measurement	26	194,586	(234,845)	194,586	(234,845)
Administration costs		(203,040)	(180,591)	(152,579)	(118,443)
Finance costs	9	(112,599)	(71,413)	(109,805)	(69,108)
Other expenses	9	(32,054)	(67,662)	(59,637)	(15,944)
Profit/(Loss) before income tax		**177,454**	**(93,779)**	**103,137**	**(258,930)**
Income tax (expense)/benefit	10	(53,303)	33,881	5,996	102,172
Profit/(Loss) for the year		**124,151**	**(59,898)**	**109,133**	**(156,758)**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in fair value of cash flow hedges, net of tax		(40,660)	48,831	(40,660)	48,831
		(40,660)	48,831	(40,660)	48,831
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) defined benefit plan, net of tax		7,515	5,878	7,515	5,878
Other comprehensive income/(loss) for the year, net of tax		**(33,145)**	**54,709**	**(33,145)**	**54,709**
Total comprehensive profit/(loss) for the year		**91,006**	**(5,189)**	**75,988**	**(102,049)**
Profit/(loss) is attributable to: Owners of CS Energy Limited		124,151	(59,898)	109,133	(156,758)
Total comprehensive profit/(loss) is attributable to: Owners of CS Energy Limited		91,006	(5,189)	75,988	(102,049)

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

Balance Sheets

as at 30 June 2015

		Consolidated		Parent	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Assets					
Current assets					
Cash and cash equivalents	11	28,938	42,380	12,001	21,481
Trade and other receivables	12	83,760	104,543	64,314	87,491
Inventories	13	83,801	76,826	44,064	35,639
Derivative financial assets	14	19,701	37,212	19,701	37,212
Total current assets		**216,200**	**260,961**	**140,080**	**181,823**
Non-current assets					
Other receivables	15	10,265	19,023	899,942	954,308
Derivative financial assets	14	9,539	33,970	9,539	33,970
Equity accounted investments	16	1	1	-	-
Property, plant and equipment	17	1,389,934	1,450,920	236,250	250,305
Deferred tax assets	18	273,854	319,791	239,526	278,034
Retirement benefit assets	19	19,849	10,841	19,849	10,841
Other non-current assets	20	-	-	51,815	51,815
Total non-current assets		**1,703,442**	**1,834,546**	**1,456,921**	**1,579,273**
Total assets		**1,919,642**	**2,095,507**	**1,597,001**	**1,761,096**
Liabilities					
Current liabilities					
Trade and other payables	21	80,110	157,416	62,958	106,906
Derivative financial liabilities	14	47,451	23,516	47,451	23,516
Provisions	22	43,979	73,645	41,121	70,699
Total current liabilities		**171,540**	**254,577**	**151,530**	**201,121**
Non-current liabilities					
Other payables	23	1,103	2,167	959	1,947
Derivative financial liabilities	14	27,506	32,579	27,506	32,579
Borrowings	24	812,081	812,081	812,081	812,081
Deferred tax liabilities	25	173,586	180,425	25,641	35,751
Provisions	26	287,756	458,614	221,343	395,664
Other liabilities	27	40,130	40,130	-	-
Total non-current liabilities		**1,342,162**	**1,525,996**	**1,087,530**	**1,278,022**
Total liabilities		**1,513,702**	**1,780,573**	**1,239,060**	**1,479,143**
Net assets		**405,940**	**314,934**	**357,941**	**281,953**
Equity					
Contributed equity	28	1,114,414	1,114,414	1,114,414	1,114,414
Reserves	29	(14,815)	25,845	(14,815)	25,845
Accumulated losses	29	(693,659)	(825,325)	(741,658)	(858,306)
Total equity		**405,940**	**314,934**	**357,941**	**281,953**

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.

CS Energy Limited

Statements of Changes in Equity

for the year ended 30 June 2015

Consolidated	Note	Attributable to members of the consolidated group Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013		1,114,414	(22,986)	(771,305)	320,123
Comprehensive income for the year					
Net profit/(loss)		-	-	(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, 29	-	-	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**
Balance at 1 July 2014		1,114,414	25,845	(825,325)	314,934
Comprehensive income for the year					
Net profit/(loss)		-	-	124,151	124,151
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	29	-	(40,660)	-	(40,660)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,515	7,515
Total comprehensive income for the year		**-**	**(40,660)**	**131,666**	**91,006**
Balance at 30 June 2015		**1,114,414**	**(14,815)**	**(693,659)**	**405,940**

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

Parent	Note	Attributable to members of the parent Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013		1,114,414	(22,986)	(707,426)	384,002
Total comprehensive income for the year					
Net profit/(loss)		-	-	(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**
Balance at 1 July 2014		1,114,414	25,845	(858,306)	281,953
Total comprehensive income for the year					
Net profit/(loss)		-	-	109,133	109,133
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	29	-	(40,660)	-	(40,660)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,515	7,515
Total comprehensive income for the year		**-**	**(40,660)**	**116,648**	**75,988**
Balance at 30 June 2015		**1,114,414**	**(14,815)**	**(741,658)**	**357,941**

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

Statements of Cash Flows

for the year ended 30 June 2015

		Consolidated		Parent	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash flows from operating activities					
Cash receipts from customers (inclusive of goods and services tax)		679,669	707,729	246,121	290,953
Cash payments to suppliers and employees (inclusive of goods and services tax)		(583,625)	(686,035)	(392,082)	(367,910)
Cash generated from operations		**96,044**	**21,694**	**(145,961)**	**(76,957)**
Interest received		191	1,903	187	1,823
Operating borrowing costs paid		(62,382)	(59,958)	(62,382)	(59,962)
Net cash inflow / (outflow) from operating activities	39	**33,853**	**(36,361)**	**(208,156)**	**(135,096)**
Cash flows from investing activities					
Payments for property, plant and equipment (inclusive of goods and services tax)		(47,295)	(74,146)	(19,272)	(16,092)
Repayments of loans from related parties		-	-	137,587	36,290
Dividends received		-	-	80,361	-
Net cash inflow / (outflow) from investing activities		**(47,295)**	**(74,146)**	**198,676**	**20,198**
Cash flows from financing activities					
Net cash inflow / (outflow) from financing activities		-	-	-	-
Net (decrease) in cash and cash equivalents		**(13,442)**	**(110,507)**	**(9,480)**	**(114,898)**
Cash and cash equivalents at the beginning of the financial year		42,380	152,887	21,481	136,379
Cash and cash equivalents at the end of the year	11	**28,938**	**42,380**	**12,001**	**21,481**

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

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 2015.

New and amended standards adopted by the consolidated group

The consolidated group has applied the following mandatory new standards, amendments and interpretations which are effective for annual reporting periods beginning on or after 1 January 2014:

AASB 2012–3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2013–4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*

Interpretation 21 *Levies*

AASB 1031 *Materiality.*

The adoption of these new standards, amendments and interpretations has had no material impact on the consolidated group's financial statements.

Early adoption of standards

The consolidated group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

Reclassifications

Changes to the presentation or classification of items in the financial statements require reclassification of comparative amounts unless reclassification is impracticable.

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 2015 reflect a net asset position of $405.9 million (2014: $314.9 million) and a net current asset position of $44.7 million (2014: $6.4 million).

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections for a period of not less than thirteen months from the date of this report. These cash flow projections show that CS Energy is able to meet debts as and when they are payable. Currently unrestricted available undrawn debt and working capital facilities held with Queensland Treasury Corporation at 30 June 2015 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 22 May 2015. 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 (refer 1q) ,water, operations, fixed capacity charge, 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, market participation fees, network access charges, 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 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 assessed at each reporting date for impairment indicators. 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.

(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 – 35 years
Capitalised overhauls	1 – 4 years
Mining Assets	9 - 35 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 lesser of the life of the mine or term of the mining lease.

(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 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 rates based on high quality corporate bond yields 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 rates based on high quality corporate bond yields with terms to maturity 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

The *Clean Energy Legislation* (Carbon Tax Repeal) Act 2014 came into effect on 1 July 2014. Accordingly in the 2015 financial year CS Energy was no longer required to purchase and surrender carbon units to the Clean Energy Regulator.

In 2014 the consolidated 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 (CO2e) emitted, either by surrendering carbon emissions units or paying a unit shortfall charge. The carbon liability was calculated based on the tonnes of CO2-e the group emits, multiplied by the fixed carbon price for the year. In the 2014 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 issued with their application not being mandatory for the 30 June 2015 financial reporting period and have accordingly not been applied in the financial statements. The consolidated group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (effective 1 January 2018)

AASB 9 replaces AASB 139 *Financial Instruments* and addresses the following three key areas:

Classification and measurement establishes a single, principles-based, approach for the classification of financial assets, which is driven by contractual cash flow characteristics and the business model in which an asset is held. All other financial assets, including investments in complex debt instruments and equity investments, must be recognised at fair value.

Impairment introduces a new 'expected loss' impairment model, requiring expected credit losses to be recognised from when financial instruments are first recognised.

Hedge accounting align hedge accounting treatment more closely with common risk management practices.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The new standard allows entities to early adopt, however CS Energy has chosen not to early adopt for the 30 June 2015 financial reporting period. The consolidated group is currently evaluating the impact this new standard may have on the financial statements.

(ii) AASB 15 *Revenue from Contracts and Customers*

AASB 15 replaces AASB 118 *Revenue*, which covers contracts for goods and services and AASB 111 *Construction Contracts,* which covers construction contracts. The new standard establishes a unified framework for determining the timing, measurement and recognition of revenue. The focus of the standard is to recognise revenue when performance obligations are met rather than based on the transfer of risks and rewards.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The new standard allows entities to early adopt, however CS Energy has chosen not to early adopt for the 30 June 2015 financial reporting period. The consolidated group is currently evaluating the impact this new standard may have on the financial statements.

Several other amendments to standards and interpretations will apply on or after 1 January 2015, and have not yet been applied, however they are not expected to materially impact the consolidated group's financial statements.

3. Events occurring after the reporting period

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

4. Critical accounting estimates and judgements

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.

(a) 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 assessment 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 35 years. The calculations have been based on the assumptions outlined below.

(i) 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.

A change in discount rate would have the following impact on the value in use valuation of Power Station CGU's.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	-114.30	131.50

A positive value in this table represents an improvement in value to the consolidated group.

(ii) 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), available existing generation capacity and supply from new entrants (primarily wind and gas). Specific assumptions incorporated in market modelling are outlined below:

- The demand projection has been referenced to the official projection of regional summer and winter peak demands and annual energy published in the National Electricity Report (NEFR) published by the Australian Energy Market Operator (AEMO) in June 2014 and the NEFR update in December 2014. The demand projection in based on the medium growth outlook and the 50% POE level peak summer and winter demands. Our external advisors have made subsequent adjustments based on current market experiences and additional available market data.
- In accordance with the recently amended legislation, a 33 TWh Renewable Energy Target (RET) has been assumed.
- Gas and coal price assumptions have been based on forecasts developed by the external advisor.
- No carbon pricing is incorporated in the market modelling – potential carbon liability resulting from a change in greenhouse gas abatement policy has only been considered as a sensitivity to end valuation outcomes.

A change in electricity price outcomes would result in the following adjustment to the value in use valuation of Power Station CGU's.

		+5%	-5%
Electricity Price Sensitivity (+/-5%)	$m	238.9	-238.9

A positive value in this table represents an improvement in value to the consolidated group.

(iii) 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 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.

The coal supply contract with Anglo American for the supply of coal to Callide B and Callide C Power Station is currently in legal dispute (see contingent liability disclosure). Management has formed various judgements with respect to the probable result of this litigation. The outcome of which has been incorporated into the cash flow estimates of the separate cash generating unit's impacted. Disclosure of the detail of these estimates would prejudice CS Energy's legal position.

(iv) 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.

(v) Future regulatory environment

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

Through amendments to the Carbon Farming Initiative Amendment Bill 2014 (passed in November 2014) the Emissions Reduction Fund (ERF) is to be supplemented by a Safeguarding Mechanism. The mechanism sets emissions baselines, civil penalties for exceeding these and processes for facilities to purchase units to reduce emissions below the baseline. Consultation is still continuing in respect to the Safeguard Mechanism and significant uncertainty remains as to the end form of the carbon policy. No cost associated with carbon emissions has been factored into the forecast valuation modelling, however sensitivity modelling reveal that CS Energy's emissions are forecast to be higher than the current proposed baseline. Accordingly, the implementation of such policy, in its current form is likely to have a negative impact on asset values.

(b) 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 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.

(c) Long service leave provision

The discount rate applied to long service leave in determining the present value of the estimated future cash flows, has been based on high quality corporate bond yields. This represents a change from the prior year assumption, where government bond rates over equivalent time periods were used.

(d) 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.

(e) 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 re-measurement of the IPPA onerous contract has been completed to establish an appropriate value for inclusion in the financial statements at 30 June 2015, resulting in a decrease in the provision of $194.6 million (2014:$234.8 million increase). The decrease in the onerous contract provision is due a change in market price and generation dispatch outcomes associated with the market forecasts discussed under market factors, note 4b above.

A change in discount rate and electricity price outcomes would result in the following adjustment to the onerous contract provision recorded of ($181) million.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	5.7	-6.1
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	24.5	-24.5

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.

(f) 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 have been historically 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.

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

The discount rate applied to defined benefit calculations in determining the present value of the expected future payments, has been based on high quality corporate bond yields. This represents a change from the prior year assumption, where government bond rates over equivalent time periods were used

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.

(h) 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

(a) Reclassifications in the presentation of the Balance Sheets

Parent			
	2014 $'000	Reclassification $'000	2014 (restated) $'000
Assets			
Non-current assets			
Other receivables [1][2]	912,512	41,796	954,308
Other non-current assets [1][2]	93,612	(41,796)	51,815
Net movement in non-current assets	**1,006,123**	**-**	**1,006,123**

[1] A review in the current year of the transfer of assets and liabilities, effective 1 July 2011, as part of the Queensland Government generator restructure, identified a reclassification of investment in subsidiaries to loans to related parties.

[2] The reclassification made is of a non-cash nature.

Certain adjustments have been made to comparative financial statements to enhance comparability with the current year's financial statements. As a result certain line items have been amended in the notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

6. Revenue

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue from continuing operations				
Revenue from the sales of electricity	518,344	565,938	104,767	210,212
Operation and maintenance services [1]	49,906	37,840	82,624	51,793
Sale of by-products	1,458	452	1,874	436
Carbon certificate settlement	1,410	-	1,149	-
Leasing revenue	591	2,056	22	1,787
Interest income	191	1,903	187	1,823
Total revenue	**571,900**	**608,189**	**190,623**	**266,051**

[1] Operation and maintenance services revenue includes revenue received for the operation of Callide C Power Station on behalf of Callide Power Management. The corresponding costs incurred for the operation of the Power Station are located in Administration costs.

7. Impairment

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Impairment loss reversal [1]	-	275,045	-	59,049

[1] 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.

8. Other income

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Government grants [1]	4,133	10,863	-	-
Insurance recovery	51	2,662	51	2,833
Net gain on disposal of property, plant and equipment	217	841	217	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
	4,401	**15,765**	**268**	**4,328**

[1] Amortisation of Commonwealth Government grant income received in support of the Callide Oxyfuel project.

9. Expenses

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit/(Loss) before income tax includes the following specific expenses:				
Other expenses				
Debt Forgiveness [1]	-	-	37,549	-
Exploration and evaluation expenditure write-off [2]	-	25,372	-	-
Research and development [3]	7,194	16,096	-	-
Network and market costs	14,693	13,555	11,921	11,459
Impairment loss [4]	-	8,145	-	-
Rehabilitation provision – re-measurement	-	4,473	-	4,473
Net loss on derivatives not qualifying as cash flow hedges	8,908	-	8,908	-
Loss on disposal of property, plant and equipment	1,259	21	1,259	12
	32,054	**67,662**	**59,637**	**15,944**

[1] Relates to the debt forgiveness by CS Energy Limited (Parent) of all loaned funds advanced to CS Energy Oxyfuel Services Pty Ltd. Debt forgiveness has been charged to the statement of comprehensive income as the underlying investment does not have any future economic benefit. This transaction is of a non-cash nature.

[2] 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.

[3] Relates to the share of CS Energy Oxyfuel Pty Ltd's participant investment in the Callide Oxyfuel carbon capture and storage research project.

[4] Relates to the partial impairment of land owned by Aberdare Collieries Pty Ltd

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Finance costs				
Interest and finance charges	64,045	58,170	64,045	58,174
Finance costs – Rehabilitation provision	5,464	4,616	2,670	2,307
Finance costs – Onerous contract provision	43,090	8,627	43,090	8,627
	112,599	**71,413**	**109,805**	**69,108**
Fuel & Carbon costs [1]				
Fuel Costs	94,355	77,468	56,667	52,153
Carbon Costs [2]	-	216,007	-	78,858
	94,355	**293,475**	**56,667**	**131,011**

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

[2] *The Clean Energy Legislation (Carbon Tax Repeal) Act 2014* came into effect on 1 July 2014.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Depreciation & amortisation				
Depreciation & amortisation included in cost of sales	101,149	82,613	29,392	28,006
Depreciation & amortisation included in administration costs	5,568	6,108	2,005	2,314
	106,717	**88,721**	**31,397**	**30,320**
Employee benefits expenses [1]				
Defined contribution superannuation expense	4,281	4,369	3,279	3,373
Defined benefit plan expense	2,495	2,782	2,495	2,782
Wages and salaries expense	67,736	67,413	54,542	54,229
	74,512	**74,564**	**60,316**	**60,384**

[1] Administration costs in the Statements of Profit or Loss and Other Comprehensive Income includes employee benefits expenses.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Rental expense relating to operating leases				
Minimum lease payments included in cost of sales	36,596	39,512	36,596	39,512
Minimum lease payments included in other expenses	2,309	2,290	1,999	1,987
	38,905	**41,802**	**38,595**	**41,499**

10. Income tax expense

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(a) Income tax expense/(benefit)				
Current tax	(21,050)	(54,953)	(68,754)	(57,081)
Deferred tax	74,366	35,177	62,759	(37,879)
Adjustments for current tax of prior periods	(13)	(14,105)	(1)	(7,212)
	53,303	**(33,881)**	**(5,996)**	**(102,172)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (Note 18)	70,950	(54,791)	62,973	(50,462)
(Decrease) increase in deferred tax liabilities (Note 25)	3,416	89,968	(214)	12,583
	74,366	**35,177**	**62,759**	**(37,879)**
(b) Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate:				
Profit/(loss) from operations before income tax expense	**177,454**	**(93,779)**	**103,137**	**(258,930)**
Tax at the Australian tax rate of 30% (2014 – 30%)	53,236	(28,133)	30,941	(77,678)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	2	1	1	-
Sundry items	(108)	(95)	-	-
Non-deductible provided expenditure [1]	-	-	(24,279)	(17,282)
Non-deductible expenditure [2]	-	8,451	11,264	-
Current year capital loss for which no deferred tax asset is recognised	186	-	186	-
Non-taxable Dividend	-	-	(24,108)	-
	53,316	(19,776)	(5,995)	(94,960)
Adjustments for current tax of prior periods	(13)	(14,105)	(1)	(7,212)
Income tax expense	**53,303**	**(33,881)**	**(5,996)**	**(102,172)**

[1] In 2015 this amount relates to the non-deductible impairment reversal of loans to related parties.

[2] In 2015 this amount relates to the non-deductible forgiveness of loaned funds to related parties.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'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	(17,425)	20,928	(17,425)	20,928
Actuarial gain/(loss) on defined benefit plan	3,221	2,519	3,221	2,519
	(14,204)	**23,447**	**(14,204)**	**23,447**
(d) Tax losses				
Unused Australian tax capital losses for which no deferred tax asset has been recognised	87,421	86,801	87,421	86,801
Potential tax benefit @ 30%	**26,226**	**26,040**	**26,226**	**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 is 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at bank and on hand	19,288	21,548	2,351	649
Deposits at call – Queensland Treasury Corporation (QTC)	9,650	20,832	9,650	20,832
	28,938	**42,380**	**12,001**	**21,481**

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

(a) Cash at bank and on hand

Cash at bank is bearing an interest rate of 0.75% (2014: 1.25%).

(b) Deposits at call – Queensland Treasury Corporation (QTC)

Deposits at call are bearing an interest rate of between1.90% and 2.40% (2014: 2.40% and 4.10%).

12. Current assets – Trade and other receivables

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables (1)	75,600	97,520	57,016	81,216
Other receivables (2)	4,332	4,056	3,607	3,382
Prepayments	3,828	2,967	3,691	2,893
	83,760	**104,543**	**64,314**	**87,491**

(1) The consolidated group has recognised no losses in respect to the impairment of trade receivables during the year ended 30 June 2015 (2014:nil). There were no material trade receivables past their due date at 30 June 2015.

(2) These amounts generally arise from GST Receivable.

13. Current assets – Inventories

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Stores	43,900	43,737	24,968	25,268
Fuel at weighted average cost (finished goods) (1)	28,169	18,459	22,985	11,399
Fuel at weighted average cost (work in progress) (2)	18,113	15,592	-	-
Water	-	1,715	-	-
Environmental certificates	16	1,025	16	1,025
Provision for obsolescence of stores	(6,397)	(3,702)	(3,905)	(2,053)
	83,801	**76,826**	**44,064**	**35,639**

(1) Finished goods comprises coal stockpile at Power Stations.

(2) Work in progress comprises coal stockpile at Aberdare coal mine and overburden in advance.

(a) Inventory expense

Inventories that are recognised as an expense in the cost of sales during the year ended 30 June 2015 were $173,153,440 (2014: $366,364,809). The 2014 amount includes $216,006,558 carbon expenditure.

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 minimize potential adverse effects on the financial performance of the consolidated group. Risk management is implemented pursuant to policies approved by the Board of Directors.

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(a) Derivative financial instruments				
Current assets				
Electricity derivative contracts – cash flow hedges	11,616	25,742	11,616	25,742
Electricity derivative contracts – fair value through profit or loss	6,712	11,327	6,712	11,327
Environmental derivative contracts – fair value through profit or loss	1,373	143	1,373	143
Total current derivative financial instrument assets	**19,701**	**37,212**	**19,701**	**37,212**
Non-current assets				
Electricity derivative contracts – cash flow hedges	6,792	28,350	6,792	28,350
Electricity derivative contracts – fair value through profit or loss	2,352	5,552	2,352	5,552
Environmental derivative contracts – fair value through profit or loss	395	68	395	68
Total non-current derivative financial instrument assets	**9,539**	**33,970**	**9,539**	**33,970**
Current liabilities				
Electricity derivative contracts – cash flow hedges	25,605	2,431	25,605	2,431
Electricity derivative contracts – fair value through profit or loss	21,789	20,680	21,789	20,680
Environmental derivative contracts – fair value through profit or loss	57	405	57	405
Total current derivative financial instrument liabilities	**47,451**	**23,516**	**47,451**	**23,516**
Non-current liabilities				
Electricity derivative contracts – cash flow hedges	12,873	11,195	12,873	11,195
Electricity derivative contracts – fair value through profit or loss	14,633	21,359	14,633	21,359
Environmental derivative contracts – fair value through profit or loss	-	25	-	25
Total non-current derivative financial instrument liabilities	**27,506**	**32,579**	**27,506**	**32,579**

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 maximum hedge level 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.

(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 2015				
Electricity price – increase 10%	(46,125)	(19,759)	(46,125)	(19,759)
Electricity price – decrease 10%	46,125	19,125	46,125	19,125
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

(c) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions are denominated in, or calculated against, non-Australian currency. 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 2015 (30 June 2014: 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 2015						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,131,131	62,396	62,224	186,843	819,668
Trade and other payables	121,342	121,342	80,109	41,233	-	-
Derivative financial liabilities						
Electricity contracts	74,899	75,940	46,981	28,905	54	-
Environmental contracts	57	58	58	-	-	-
Total	**1,008,379**	**1,328,471**	**189,544**	**132,362**	**186,897**	**819,668**
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**

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 2015						
Non-derivative financial liabilities						
Loans from QTC	812,081	1,131,131	62,396	62,224	186,843	819,668
Trade and other payables	63,917	63,917	62,958	959	-	-
Derivative financial liabilities						
Electricity contracts	74,899	75,940	46,981	28,905	54	-
Environmental contracts	57	58	58	-	-	-
Total	**950,954**	**1,271,046**	**172,393**	**92,088**	**186,897**	**819,668**
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**

(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 one major electricity retailer 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 2015. 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and cash equivalents				
AA+ to AA-	28,938	42,380	12,001	21,481
Total	**28,938**	**42,380**	**12,001**	**21,481**
Trade and other receivables				
AA+ to AA-	25,612	20,348	25,612	20,348
A+ to A-	6,127	8,452	6,127	8,452
BBB+ to BBB-	3,107	5,250	3,107	5,250
AEMO [1]	8,963	30,135	(12,777)	4,512
Other non-rated [2]	39,951	40,358	42,244	48,929
Total	**83,760**	**104,543**	**64,313**	**87,491**
Derivative financial assets				
AA+ to AA-	18,913	54,340	18,913	54,340
A+ to A-	7,876	5,172	7,876	5,172
BBB+ to BBB-	2,451	11,670	2,451	11,670
Total	**29,240**	**71,182**	**29,240**	**71,182**

[1] Transactions with AEMO are settled on a net consolidated basis.

[2] The other non-rated receivables relate to amounts provided for but not invoiced as at 30 June 2015. 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) and receivables from non-rated retail customers.

(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) 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 2014.

	Impact on pre tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Variable rate borrowings		
30 June 2015	(589)	619
30 June 2014	(588)	616

(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 sheets of the consolidated group and parent, are as follows:

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Carrying amount	812,081	812,081	812,081	812,081
Fair Value (level 2)	938,681	925,178	938,681	925,178

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 2015, 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).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2015				
Consolidated				
Derivative financial assets				
Electricity contracts	3,011	24,461	-	27,472
Environmental contracts	-	1,768	-	1,768
	3,011	**26,229**	**-**	**29,240**
Derivative financial liabilities				
Electricity contracts	5,633	69,267	-	74,900
Environmental contracts	-	57	-	57
	5,633	**69,324**	**-**	**74,957**
30 June 2014				
Consolidated				
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 2015				
Parent				
Derivative financial assets				
Electricity contracts	3,011	24,461	-	27,472
Environmental contracts	-	1,768	-	1,768
	3,011	**26,229**	**-**	**29,240**
Derivative financial liabilities				
Electricity contracts	5,633	69,267	-	74,900
Environmental contracts	-	57	-	57
	5,633	**69,324**	**-**	**74,957**
30 June 2014				
Parent				
Derivative financial assets				
Electricity contracts	1,544	69,427	-	70,971
Environmental contracts	-	211	-	211
	1,544	**69,638**	**-**	**71,182**
Derivative financial liabilitie				
Electricity contracts	4,827	50,837	-	55,664
Environmental contracts	-	431	-	431
	4,827	**51,268**	**-**	**56,095**

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.

(iii) Reconciliation of level 3 fair value measurements

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Derivative financial assets				
Opening balance	-	12,877	-	12,877
Transfers out of level 3 [(1)]	-	(12,877)	-	(12,877)
Closing Balance	**-**	**-**	**-**	**-**
Derivative financial liabilities				
Opening balance	-	22,813	-	22,813
Transfers out of level 3 [(1)]	-	(22,813)	-	(22,813)
Closing balance	**-**	**-**	**-**	**-**

[(1)] There were no transfers of derivatives from level 3 to level 2 in the current year due to forward curves being available as observable inputs for all products used.

(iv) Valuation inputs

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

	Fair Value as at 30 June 2015				
Description	**Consolidated**		**Parent**		**Valuation technique(s) and key input(s)**
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000	
Options and Caps	22,911	68,172	22,911	68,172	Option pricing model with observable electricity forward curves and implied volatility at the end of the reporting period as key inputs.
Swaps	1,550	1,095	1,550	1,095	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.
Environmentals	1,768	57	1,768	57	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 2015 and 30 June 2014 were as follows:

	Consolidated	
	2015 $'000	2014 $'000
Net debt ($'000)	783,143	769,701
Adjusted equity ($'000)	420,755	289,089
Gearing ratio (%)	65	73

(i) Master netting arrangement

Agreements with derivative counterparties are based onthe ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing / receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the consolidated group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, however, has been presented separately in the following table.

	Carrying Amount $'000	Amounts subject to netting arrangements $'000	Net Settlement $'000
Consolidated 30 June 2015			
Financial assets			
Current derivative financial assets	19,701	(11,229)	8,472
Non-current derivative financial assets	9,539	(6,987)	2,552
	29,240	(18,216)	11,024
Financial liabilities			
Current derivative financial liability	(47,451)	11,229	(36,222)
Non-current derivative financial assets	(27,506)	6,987	(20,519)
	(74,957)	18,216	(56,741)
Net exposure	**(45,717)**	**-**	**(45,717)**
Consolidated 30 June 2014			
Financial assets			
Current derivative financial assets	37,212	(7,386)	29,826
Non-current derivative financial assets	33,970	(13,504)	20,466
	71,182	(20,890)	50,292
Financial liabilities			
Current derivative financial liability	(23,516)	7,386	(16,130)
Non-current derivative financial assets	(32,579)	13,504	(19,075)
	(56,095)	20,890	(35,205)
Net exposure	**15,087**	**-**	**15,087**
Parent 30 June 2015			
Financial assets			
Current derivative financial assets	19,701	(11,229)	8,472
Non-current derivative financial assets	9,539	(6,987)	2,552
	29,240	(18,216)	11,024
Financial liabilities			
Current derivative financial liability	(47,451)	11,229	(36,222)
Non-current derivative financial assets	(27,506)	6,987	(20,519)
	(74,957)	18,216	(56,741)
Net exposure	**(45,717)**	**-**	**(45,717)**
Parent 30 June 2014			
Financial assets			
Current derivative financial assets	37,212	(7,386)	29,826
Non-current derivative financial assets	33,970	(13,504)	20,466
	71,182	(20,890)	50,292
Financial liabilities			
Current derivative financial liability	(23,516)	7,386	(16,130)
Non-current derivative financial assets	(32,579)	13,504	(19,075)
	(56,095)	20,890	(35,205)
Net exposure	**15,087**	**-**	**15,087**

15. Non-current assets – Other receivables

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loans to related parties	-	-	889,677	1,016,214
Impairment allowance (1)	-	-	-	(80,929)
	-	-	889,677	935,285
Other receivables (2)	10,265	19,023	10,265	19,023
	10,265	**19,023**	**899,942**	**954,308**

(1) Impairment allowance relates to the provision for non-recovery of loans to related parties. In 2015 loans to related parties are no longer impaired.

(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		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
	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[1] $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
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 charge	(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 or fair value	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**
Movements for the year ended 30 June 2015							
Opening net book amount	1,187,950	46,971	10,862	119,786	19,482	65,869	1,450,920
Additions	7,138	7,175	1,673	32,104	90	3	48,183
Transfers between asset classes	12,701	23,612	1,638	(37,950)	-	(1)	-
Disposals	(192)	(967)	(335)	(570)	-	(388)	(2,452)
Depreciation charge	(62,870)	(36,314)	(3,262)	-	(1,965)	(2,306)	(106,717)
Closing net book amount	**1,144,727**	**40,477**	**10,576**	**113,370**	**17,607**	**63,177**	**1,389,934**
At 30 June 2015							
Cost	1,938,019	222,349	65,684	113,370	28,645	80,140	2,448,207
Accumulated depreciation	(793,292)	(181,872)	(55,108)	-	(11,038)	(16,963)	(1,058,273)
Net book amount	**1,144,727**	**40,477**	**10,576**	**113,370**	**17,607**	**63,177**	**1,389,934**

[1] Work In Progress includes project costs associated with the commercialisation of the Kogan Creek Solar Boost project.

Parent	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
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 charge	(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 or fair value	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**
Movements for the year ended 30 June 2015							
Opening net book amount	191,390	13,375	4,190	30,770	-	10,580	250,305
Additions	4,048	7,167	1,136	7,527	-	-	19,878
Transfers between asset classes	9,791	1,211	1,149	(12,151)	-	-	-
Disposals	(278)	(967)	(335)	(570)	-	(386)	(2,536)
Depreciation charge	(15,041)	(14,351)	(1,705)	-	-	(300)	(31,397)
Closing net book amount	**189,910**	**6,435**	**4,435**	**25,576**	**-**	**9,894**	**236,250**
At 30 June 2015							
Cost or fair value	547,760	101,421	44,092	25,576	-	11,697	730,546
Accumulated depreciation	(357,850)	(94,986)	(39,657)	-	-	(1,803)	(494,296)
Net book amount	**189,910**	**6,435**	**4,435**	**25,576**	**-**	**9,894**	**236,250**

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 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/(credited) directly to equity	(8,283)	-	-	-	-	(8,283)
Current year tax losses recognised	-	-	-	55,414	-	55,414
At 30 June 2014	**-**	**123,287**	**37,040**	**132,203**	**27,261**	**319,791**
Charged/(credited) to profit or loss	2,680	(62,319)	1,587	-	(12,898)	(70,950)
Under provision prior year	-	-	-	-	521	521
Charged/(credited) directly to equity	4,308	-	-	-	-	4,308
Current year tax losses recognised	-	-	-	20,184	-	20,184
Net deferred tax assets at 30 June 2015	**6,988**	**60,968**	**38,627**	**152,387**	**14,884**	**273,854**

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 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/(credited) directly to equity	(8,283)	-	-	-	-	(8,283)
At 30 June 2014	**-**	**122,332**	**17,713**	**132,203**	**5,786**	**278,034**
Charged/(credited) to profit or loss	2,680	(62,189)	1,141	-	(4,605)	(62,973)
Under provision prior year	-	-	-	-	(27)	(27)
Charged/(credited) directly to equity	4,308	-	-	-	-	4,308
Current year tax losses recognised	-	-	-	20,184	-	20,184
Net deferred tax assets at 30 June 2015	**6,988**	**60,143**	**18,854**	**152,387**	**1,154**	**239,526**

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 and an increase in the discount rate (from 3.5% to 4.3%) 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 2015 resulting in a defined benefit asset being recognised at 30 June 2015 (30 June 2014: 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	
	2015 $'000	2014 $'000
Present value of the defined benefit obligation	(58,329)	(69,938)
Fair value of defined benefit plan assets	75,201	79,153
	16,872	**9,215**
Net asset/(liability) before adjustment for contributions tax	16,872	9,215
Adjustments for contributions tax	2,977	1,626
	19,849	**10,841**

For the period up to 30 June 2015, the consolidated group contributed 5% of defined benefit member's salaries.

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2015 $'000	2014 $'000
Cash	9,024	7,915
Equity instruments	39,105	39,577
Debt instrument	5,264	7,915
Property	7,520	7,915
Other assets	14,288	15,831
	75,201	**79,153**

(d) Reconciliations

	Consolidated and Parent	
	2015 $'000	2014 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	68,312	71,617
Current service cost	2,841	2,939
Interest cost	2,344	2,618
Actuarial gains and (losses) recognised in equity	(7,057)	1,716
Benefits paid by the plan	(11,774)	(11,371)
Contributions by plan participants	686	793
Balance at the end of the year (net of contributions tax)	**55,352**	**68,312**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	79,153	75,296
Expected return on plan assets	2,690	2,775
Actuarial gains and (losses) recognised in equity	3,678	10,113
Contributions by group companies into the plan	768	1,547
Benefits paid by the plan	(11,774)	(11,371)
Contributions by plan participants	686	793
Balance at the end of the year	**75,201**	**79,153**

(e) Amounts recognised in Statements of Profit or Loss and Other Comprehensive Income

	Consolidated and Parent	
	2015 $'000	2014 $'000
Current service cost	2,841	2,939
Interest cost	2,344	2,618
Expected return on plan assets	(2,690)	(2,775)
Total included in employee benefits expense	**2,495**	**2,782**

(f) Amounts recognised in other comprehensive income

	Consolidated and Parent	
	2015 $'000	2014 $'000
Cumulative loss amount at the beginning of the year	(4,098)	(12,495)
Actuarial (loss)/gain recognised in the year (gross of tax)	10,735	8,397
Cumulative (loss)/gain amount at the end of year	**6,637**	**(4,098)**

(g) Principal actuarial assumptions

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

	Consolidated and Parent	
	2015	2014
Discount rate	4.3%	3.5%
Future salary increases – 1st year	3.0%	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 increases. 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 4.8%	Increase by 5.1%
Salary growth rate	0.5%	Increase by 5.2%	Decrease by 4.9%

(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 2015, the consolidated group paid contributions to the fund of 5% of defined benefit members' salaries (2014:10%).

Total employer contributions expected to be paid by the consolidated group for the year ending 30 June 2016 will be a minimum of $606,254 (2015: $588,596) and a minimum of $522,839 for the parent (2015: $507,611).

(j) Historic summary

Consolidated entity	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Defined benefit plan obligation	(58,329)	(69,938)	(72,169)	(81,446)	(98,966)
Plan assets	75,201	79,153	75,296	75,056	105,801
Surplus/(deficit)	16,872	9,215	3,127	(6,390)	6,835
Experience adjustments arising on plan liabilities	7,057	(1,716)	5,401	(8,168)	(1,791)
Experience adjustments arising on plan assets	3,678	10,113	5,458	(4,506)	2,733

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

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Investment in subsidiaries	**-**	**-**	**51,815**	**51,815**

These assets are carried at cost.

Further information relating to investment in subsidiaries is set out in Note 37.

21. Current liabilities – Trade and other payables

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables [1]	42,078	115,988	30,477	74,001
Other payables [2]	30,390	32,849	27,692	29,538
Unearned revenue [3]	7,642	8,579	4,789	3,367
	80,110	**157,416**	**62,958**	**106,906**

[1] The final 2014 carbon tax liability payment was paid in 2015.

[2] Other payables include interest payable to QTC, accrued coal expenses and electricity option premium payables.

[3] 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Employee benefits	20,273	20,375	17,415	17,429
Onerous contracts	23,706	53,270	23,706	53,270
	43,979	**73,645**	**41,121**	**70,699**

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Onerous Contracts				
Carrying amount at start of year	53,270	34,124	53,270	34,124
Provision used during the year	(56,357)	(42,751)	(56,357)	(42,751)
Reclassification to current liabilities	20,070	53,270	20,070	53,270
Finance costs [1]	6,723	8,627	6,723	8,627
Carrying amount at end of year	**23,706**	**53,270**	**23,706**	**53,270**

[1] Finance costs represent the change in time value of money attributed to the unwind of the current period cash flows.

23. Non-current liabilities – Other payables

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Other payables [1]	**1,103**	**2,167**	**959**	**1,947**

[1] Includes electricity option premiums payable.

24. Non-current liabilities – Borrowings

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loans from QTC	**812,081**	**812,081**	**812,081**	**812,081**

All loans from the Queensland Treasury Corporation at 30 June 2015 are unsecured (2014: unsecured). Queensland Treasury Corporation has provided confirmation that facilities reported as at 30 June 2015 are available and not subject to change in the next 12 months (refer Note 1).

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Facilities 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 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/(credited) directly to equity	12,645	-	2,519	-	-	15,164
At 30 June 2014	13,117	-	3,253	141,783	22,272	180,425
Charged/(credited) to profit or loss	-	-	(519)	(1,942)	5,877	3,416
Under provision prior year	-	-	-	-	(359)	(359)
Charged/(credited) directly to equity	(13,117)	-	3,221	-	-	(9,896)
Net deferred tax liabilities at 30 June 2015	**-**	**-**	**5,955**	**139,841**	**27,790**	**173,586**

Parent	Derivative financial instruments $'000	Trade receivables $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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 provision prior year	-	(1,134)	-	-	-	(1,134)
Charged/(credited) directly to equity	12,645	-	2,519	-	-	15,164
At 30 June 2014	13,117	-	3,253	9,689	9,692	35,751
Charged/(credited) to profit or loss	-	-	(519)	(2,723)	3,028	(214)
Charged/(credited) directly to equity	(13,117)	-	3,221	-	-	(9,896)
Net deferred tax liabilities at 30 June 2015	**-**	**-**	**5,955**	**6,966**	**12,720**	**25,641**

26. Non-current liabilities – Provisions

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Employee benefits [(1)]	1,936	1,795	1,434	1,270
Rehabilitation and site closure costs	128,758	121,468	62,847	59,043
Onerous contracts	157,062	335,351	157,062	335,351
	287,756	**458,614**	**221,343**	**395,664**

[(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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Rehabilitation and site closure costs				
Carrying amount at start of year	121,468	57,695	59,043	28,840
Change from re-measurement	1,826	59,157	1,134	27,896
Finance costs	5,464	4,616	2,670	2,307
Carrying amount at end of year	**128,758**	**121,468**	**62,847**	**59,043**

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

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Onerous contracts				
Carrying amount at start of year	335,350	153,776	335,350	153,776
Changes from re-measurement [1]	(194,586)	221,058	(194,586)	221,058
Finance Costs [2]	36,368	13,787	36,368	13,787
Reclassification to current liabilities	(20,070)	(53,270)	(20,070)	(53,270)
Carrying amount at end of year	**157,062**	**335,351**	**157,062**	**335,351**

[1] Finance costs represent the change in time value of money attributed to the carrying amount of future cash flows, for periods other than the current period.

[2] Changes from re-measurement in the 2015 year represent the movement in the carrying value attributed to a change in future period cash flow assumptions. The balance reported in the profit and loss in 2014 included the finance costs associated with the re-measurement. In the current year this has been reported separately as finance costs.

Onerous contract provision for power pooling agreement

The onerous contract 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Unearned revenue [1]	**40,130**	**40,130**	**-**	**-**

[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

	2015 Shares	2014 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, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Main Roads, Road Safety and Ports, Energy and Water Supply.

(b) 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.

(c) 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance at 1 July	25,845	(22,986)	25,845	(22,986)
Revaluation of electricity derivative contracts - gross	(38,377)	51,606	(38,377)	51,606
Electricity derivative contracts realised as revenue– gross	(19,708)	18,153	(19,708)	18,153
Deferred tax	17,425	(20,928)	17,425	(20,928)
	(40,660)	48,831	(40,660)	48,831
Closing balance at 30 June	**(14,815)**	**25,845**	**(14,815)**	**25,845**

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.

(b) Accumulated losses

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance at 1 July	(825,325)	(771,305)	(858,306)	(707,426)
Net gain/(loss) for the year	124,151	(59,898)	109,133	(156,758)
Actuarial gain/(loss) on the defined benefit plan, net of tax	7,515	5,878	7,515	5,878
Closing balance at 30 June	**(693,659)**	**(825,325)**	**(741,658)**	**(858,306)**

30. Dividends

There were no dividends paid or declared from the consolidated group in respect to 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 former Under Treasurer for Queensland, which are generally in accordance with the requirements of the standard.

(a) Directors

The following persons were Directors of CS Energy Limited during the financial year.

Director	Position
Ross Rolfe	Chairman/Non-Executive Director
Shane O'Kane	Non-Executive Director
John Pegler	Non-Executive Director
Mark Williamson	Non-Executive Director
Brian Green	Non-Executive Director

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:

Director Remuneration	Salary and fees[1] $'000	Post-employment benefits[2] $'000	Total $'000
2015			
R Rolfe (Chairman)	83	8	91
Mr S O'Kane	36	3	39
Mr J Pegler	35	4	39
Mr M Williamson	41	4	45
M B Green	35	3	38
	230	**22**	**252**
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**

[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.

(b) Executives

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	Martin Moore
Acting Chief Financial Officer (for the period 1 September 2014 to 30 June 2015) Executive General Manager Energy Markets (for the period 1 July 2014 to 31 August 2014)	Scott Turner
Chief Financial Officer (employment terminated on 29 November 2014) [1]	Ulrich Elsaesser
Executive General Manager Operations	Mark Moran
Executive General Counsel and Company Secretary	Andrew Varvari
Executive General Manager Strategy and Commercial	Owen Sela
Acting Executive General Manager Energy Markets (for the period 1 September 2014 to 30 June 2015)	David Warman (Substantive position; Group Manager Sales and Marketing)
Executive General Manager People and Safety (Acting from 27 October 2014, appointed on 1 January 2015) Group Manager Health, Safety and Environment (for the period 18 August 2014 to 26 October 2014)	Tom Wiltshire
Non-Executive Positions	
Group Manager Health, Safety , Security and Environment (resigned on 31 October 2014)	Kriss Ussher
Group Manager People and Culture (role redundant on 16 January 2015)	Tanya Absolon

[1] 3 month notice period commenced on 29 August 2014; actual termination date 29 November 2014.

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 for Executives and up to a maximum of 15% of base salary for non-executive positions.

Executive remuneration (and any change to executive remuneration) requires approval of the Board of Directors, in accordance with the Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements. For non-Executive positions remuneration is in accordance with the CS Energy procedure.

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 outlined in Individual Achievement Plans (IAPs). The IAPs 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 Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements.

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 the Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements. The agreement provides a total remuneration package that enables each executive to receive a range of benefits.

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 **Executive General Manager Energy Markets** and **Acting Chief Financial Officer** (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. The CS Energy Board of Directors has extended the existing contract by a further 2 years, to 25 November 2017;
- 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 **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;
- Termination date: 29 November 2014;
- 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 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. The CS Energy Board of Directors has extended the existing contract by a further 2 years, to 13 December 2017.
- 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 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; and
- 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 Sales and Marketing (Acting Executive General Manager Energy Markets)** (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 either party 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 Health, Safety and Environment (and Acting Executive General Manager People and Safety)** (contract commenced 18 August 2014) included the following terms:

- Employment term – open tenure;
- Employment term finalised 31 December 2014;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table
- Termination notice of not less than 1 weeks' written notice by either party within the probation period 18 August 2014 to 17 February 2015; or from 18 February 2015 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 **Executive General Manager People and Safety** (contract commenced 1 January 2015) included the following terms:

- Employment term – open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice (without cause) of not less than 1 months written notice by either party, with an additional 1 week provided by CS Energy if at the time of termination the Executive is aged over 45 years and has at least 2 years continuous service with CS Energy;
- Payment of a termination benefit on termination without cause by CS Energy, equivalent to 3 months of base salary.

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;
- Resignation date: 31 October 2014;
- 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;
- Redundancy date: 16 January 2015;
- 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).

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. Individual Achievement Plans for individual executives are set by the Chief Executive Officer, and the Chairman sets the performance targets for the Chief Executive Officer.

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

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

Remuneration

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

	Short-term employee benefits						
Remuneration	Salary and fees[(1)] $'000	Cash bonus[(2)] $'000	Non-monetary benefits[(3)] $'000	Postemployment benefits[(4)] $'000	Other long-term benefits[(5)] $'000	Termination benefits[(6)] $'000	Total $'000
2015							
Chief Executive Officer	735	-	6	19	4	-	764
Chief Financial Officer [(7)(8)]	402	9	6	29	40	209	695
Executive General Manager Operations	424	16	15	35	3	-	493
Executive General Counsel and Company Secretary	357	14	6	26	3	-	406
Executive General Manager Energy Markets [(9)(10)]	324	15	6	30	2	-	377
Executive General Manager Strategy and Commercial	374	7	6	26	2	-	415
Executive General Manager People and Safety[(11)]	245	-	3	15	1	-	264
Group Manager Health, Safety, Security and Environment [(12)(13)]	104	4	2	11	15	46	182
Group Manager People and Culture [(14)]	117	6	4	13	24	149	313
	3,082	**71**	**54**	**204**	**94**	**404**	**3,909**
2014							
Chief Executive Officer [(15)(16)]	681	16	6	22	16	15	756
Chief Financial Officer	364	15	6	35	9	-	429
Executive General Manager Operations	401	16	15	39	10	-	481
Program Director [(17)]	49	12	1	7	-	123	192
Executive General Counsel and Company Secretary	332	17	6	27	9	-	391
Executive General Manager Energy Markets [(19)]	348	14	5	25	8	-	400
Executive General Manager Projects [(18)]	104	5	1	8	2	-	120
Executive General Manager Strategy and Commercial [(20)]	179	-	3	12	4	-	198
Acting Executive General Manager Planning and Execution [(21)]	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**	**61**	**231**	**73**	**138**	**3,644**

[(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).

2015 Notes

(7) Remuneration details for 2015 for the period 1 July to 29 August 2014. Includes termination payment.

(8) Remuneration details for 2015 for the Acting period 1 September 2014 to 30 June 2015.

(9) Remuneration details for 2015 for the period 1 July to 31 August 2014.

(10) Remuneration details for 2015 for Acting Period 1 September 2014 to 30 June 2015.

(11) Remuneration details for 2015 for the period 27 October 2014 to 30 June 2015.

(12) Remuneration details for 2015 for the period 1 July 2014 to 31 October 2014. Includes termination payment.

(13) Remuneration details for 2015 for the period 18 August 2014 to 26 October 2014.

(14) Remuneration details for 2015 for the period 1 July 2014 to 16 January 2015. Includes termination payment.

2014 Notes

(15) Remuneration details for 2014 for the period 5 August 2013 to 30 June 2014.

(16) Remuneration details for 2014 for the Acting period 1 July 2013 to 4 August 2013.

(17) Remuneration details for 2014 for the period 1 July to 31 August 2014.

(18) Remuneration details for 2014 for the period 21 October 2013 to 31 January 2014.

(19) Remuneration details for 2014 includes for the Acting period 21 October 2013 to 31 January 2014.

(20) Remuneration details for 2014 for the period 6 January 2014 to 30 June 2014.

(21) Remuneration details for 2014 for the Acting period 1 July 2013 to 3 January 2014.

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

(c) Transactions with related parties of key management personnel

A number of Directors, or their related parties, hold or have held positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-related entities on arm's length basis. These directors were also at no stage involved in the engagement of the relevant entities.

The Chairman, Mr R Rolfe, and a Director, Mr J Pegler, are former directors of the Queensland Resources Council (a resource industry group). 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 Director, Mr S O'Kane, is a former partner of an accounting firm which merged with EY. EY provided consulting services to the consolidated group on normal commercial terms and conditions.

A Director Mr M Williamson was formerly a director of the Northern Region of Sing Tel Optus Limited. CS Energy engages Sing Tel Optus Limited for telecommunication services.
Mr M Williamson is also currently the chairman of Energy Super, which CS Energy makes defined benefit and superannuation guarantee contributions on behalf of CS Energy employee's.

	2015 $
EY	54,621
Australian Coal Research Limited	130,216
Queensland Resources Council	10,608
SingTel Optus Limited	691
Energy Super	5,565,099
	5,761,235

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:

	2015 $'000	2014 $'000
Aggregate at-risk performance incentive remuneration[1]		
Chief Executive	-	16
Senior Executives	61	138
Contract employees	833	1,303
Enterprise Bargaining Agreement employees	737	1,180
	1,631	**2,637**
Aggregate remuneration (including at risk-performance incentive remuneration) paid or payable to employees to whom a performance payment is paid[2]	64,233	68,433
Number of employees to whom a performance payment is paid	436	456

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 $3,314 Corporate EBA) (3); (cap of $3,622 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	
	2015 $	2014 $	2015 $	2014 $
Audit and other assurance services				
Auditor-General of Queensland [1]	319,500	344,500	319,500	344,500
Crowe Horwath [2][4]	9,500	9,150	-	-
PricewaterhouseCoopers [3][4]	40,662	36,867	-	-
Total audit and other assurance service fees	**369,662**	**390,517**	**319,500**	**344,500**
Taxation compliance and advisory services				
PricewaterhouseCoopers [3]	101,600	120,110	101,600	120,110
Other advisory services				
Deloitte Touche Tohmatsu	-	15,000	-	15,000
Total non-audit service fees	**101,600**	**135,110**	**101,600**	**135,110**
Total professional fees	**471,262**	**525,627**	**421,100**	**479,610**

The amounts above are GST exclusive.

[1] The audit of the financial statements of the Consolidated Group was conducted by Deloitte Touche Tohmatsu as Delegate of 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] Callide Power Project Market Trader and Callide Power Project fees represent 50% of CS Energy's share in the joint operations.

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Capital commitments				
Property, plant and equipment				
Within one year	11,122	45,633	5,425	35,856
Later than one year, but no later than five years	62,503	61,339	3,452	19,964
Total capital commitments	**73,625**	**106,972**	**8,877**	**55,820**

(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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating lease commitments – group as lessee				
Within one year	45,127	45,786	45,127	45,786
Later than one year, but not later than five years	176,667	179,339	176,667	179,339
Later than five years	540,745	598,874	540,745	598,874
Total operating lease commitments	**762,539**	**823,999**	**762,539**	**823,999**

(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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Other expenditure commitments				
Within one year	164,523	166,500	80,065	76,708
Later than one year, but not later than five years	175,342	477,735	93,340	128,156
Later than five years	333,514	352,544	225,803	188,217
Total other expenditure commitments	**673,379**	**996,779**	**399,208**	**393,081**

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 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 Power Station 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 CS 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 determines whether it has validly terminated the CSAs.

Anglo has also counterclaimed for damages it will incur 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.

Anglo is defending the claims of invalidity, but has also, on 9 May 2014 made a counterclaim in the same proceedings seeking damages as a result of CS Energy and the Callide Power Project Joint Venture not agreeing an adjustment pursuant to Anglo's Change Event Notices and seeking a declaration that the CSAs are frustrated and therefore at an end, if the terms and conditions of the CSAs are not adjusted in the manner required by Anglo pursuant to the Change Event Notices.

All of the above disputes continue to be vigorously pursued by CS Energy and the Callide Power Project Joint Venture through the usual Court processes.

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

The ultimate parent entity within the consolidated group is CS Energy.

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

Aggregate amounts included in the determination of the Parent entity profit/(loss) before income tax that resulted in transactions with entities in the consolidated group:

	Parent	
	2015 $'000	2014 $'000
Revenue		
Operations and maintenance [1]	33,926	17,373
Sale of goods and services [2]	430	-
Insurance recovery [3]	-	170
Impairment reversal of loans to related parties [4]	80,929	57,606
Dividends received [5]	80,361	-
Expenses		
Administration costs [6]	310	400
Debt forgiveness [7]	37,549	-

[1] Operations and maintenance services provided to subsidiaries.

[2] Sale of coal to subsidiaries.

[3] Insurance recovery claim received from subsidiary.

[4] Impairment reversal of loans to related parties.

[5] Dividends received from subsidiaries.

[6] Insurance premiums paid to subsidiary.

[7] Forgiveness of loaned funds advanced to subsidiary.

Aggregate amounts of the Parent entity receivable or payable to other entities in the consolidated group at the end of the reporting period:

	Parent	
	2015 $'000	2014 $'000
Trade receivables [1]	4,000	10,376
Trade payables [2]	1,336	-

[1] Receivables due from subsidiaries

[2] Payments due to subsidiaries.

Loans receivable to the Parent entity from other entities in the consolidated group:

	Parent	
	2015 $'000	2014 $'000
Balance at 1 July	935,284	908,867
Loans advanced	330,280	374,223
Loan repayments received	(456,816)	(405,411)
Impairment Allowance	80,929	57,606
	889,677	**935,285**

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 2015 (2014 – nil).

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

Outstanding balances are unsecured and are repayable in cash.

(e) State controlled entities

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

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

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Statements of profit or loss and other comprehensive income				
Amounts included in revenue [1]	100,127	31,507	100,127	31,507
Amounts included in cost of sales and other expenses	(53,451)	(48,045)	(46,296)	(42,019)
Amounts included in finance costs	(64,043)	(58,053)	(64,043)	(58,053)
Balance Sheet				
Amounts included in trade and other receivables	12,407	74	12,407	74
Amounts included in trade and other payables	17,811	17,401	17,621	17,107
Amounts include 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[3]	Principal place of business[1]	Class of Shares	2015 Interest %[2]	2014 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]	2015 Interest %[2]	2014 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit/(Loss) before income tax	177,454	(93,779)	103,137	(258,929)
Income tax benefit	(53,303)	33,881	5,996	102,172
Depreciation and amortisation	106,717	88,721	-	30,320
Impairment (loss reversal)/loss	-	(266,900)	31,397	(59,049)
Exploration and evaluation expenditure write-off	-	25,372	-	-
Net (gain) loss on sale of non-current assets	1,042	(820)	1,042	(84)
Fair value adjustment to derivatives	8,907	(1,399)	8,907	(1,399)
Onerous contract unwound	(56,357)	(42,751)	(56,357)	(42,751)
Provision for Non Recovery	-	-	(80,929)	(57,606)
Non-cash retirement benefits adjustment	1,727	1,235	1,727	1,235
Finance cost on provisions	48,555	13,243	45,761	10,934
Rehabilitation change in value	-	4,473	-	4,473
Onerous contract change in value	(194,586)	234,845	(194,586)	234,845
Dividends received	-	-	(80,361)	-
Debt forgiveness	-	-	37,549	-
Change in operating assets and liabilities:				
(Increase) decrease in receivables	20,410	14,735	(25,795)	(19,569)
(Increase) decrease in inventories	(6,975)	(10,568)	(8,425)	(2,004)
(Increase) decrease in net deferred tax	53,302	(31,239)	42,602	(94,428)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	(73,040)	5,248	(39,821)	16,744
Net cash inflow (outflow) from operating activities	**33,853**	**(36,361)**	**(208,156)**	**(135,096)**

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 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 2015 of the Closed Group.

	2015 $'000	2014 $'000
Statements of Profit or Loss and Other Comprehensive Income		
Revenue from continuing operations	571,900	608,189
Impairment loss reversal	-	275,045
Other income	3,952	15,535
Cost of Sales	(245,740)	(438,267)
Onerous contract – re-measurement	194,586	(234,845)
Administration Costs	(202,947)	(180,508)
Finance costs	(112,599)	(71,413)
Other expenses	(32,054)	(67,662)
Profit/(loss) before income tax	**177,098**	**(93,926)**
Income tax benefit	(53,196)	33,925
Profit/(loss) for the year	**123,902**	**(60,001)**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	(40,660)	48,831
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit plan, net of tax	7,515	5,878
Other comprehensive income/(loss) for the year, net of tax	**(33,145)**	**54,709**
Total comprehensive profit/(loss) for the year	**90,757**	**(5,292)**
Gain/(loss) is attributable to:		
Owners of CS Energy Limited	123,902	(60,001)
Total comprehensive gain/(loss) is attributable to:		
Owners of CS Energy Limited	90,757	(5,292)
Summary of movements in Closed Group's Accumulated losses		
Net loss for the year	123,902	(60,001)
Actuarial gain/(loss) on defined benefit plan, net of tax	7,515	5,878
Closing balance at 30 June	**131,417**	**(54,123)**

(b) Balance Sheets

Set out below is the consolidated Balance Sheets as at 30 June 2015 of the Closed Group.

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	17,262	31,011
Trade and other receivables	83,730	104,685
Inventories	83,801	76,826
Derivative financial assets	19,701	37,212
Total current assets	**204,494**	**249,734**
Non-current assets		
Other receivables	10,265	19,023
Derivative financial assets	9,539	33,970
Equity accounted investments	1	1
Property, plant and equipment	1,389,934	1,450,920
Deferred tax assets	273,961	319,835
Retirement benefit assets	19,849	10,841
Total non-current assets	**1,703,549**	**1,834,590**
Total assets	**1,908,043**	**2,084,324**
Current liabilities		
Trade and other payables	79,408	156,667
Derivative financial liabilities	47,451	23,516
Provisions	43,979	73,645
Total current liabilities	**170,838**	**253,828**
Non-current liabilities		
Other payables	1,103	2,167
Derivative financial liabilities	27,506	32,579
Borrowings	812,081	812,081
Deferred tax liabilities	173,586	180,425
Provisions	287,756	458,614
Other liabilities	40,130	40,130
Total non-current liabilities	**1,342,162**	**1,525,996**
Total liabilities	**1,513,000**	**1,779,824**
Net assets	**395,043**	**304,500**
Equity		
Contributed equity	1,114,414	1,114,414
Reserves	(14,815)	25,845
Accumulated losses	(704,556)	(835,759)
Total equity	**395,043**	**304,500**

Directors' declaration

for the year ended 30 June 2015

In the Directors' opinion:

(a) The financial statements and notes set out on pages 44 to 98 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 2015 and of their performance for the year ended on that date.

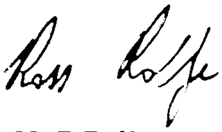
(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(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.



Mr R Rolfe
Chairman

Mr S O'Kane
Director

Brisbane
28 August 2015

Independent Auditor's Report

30 June 2015

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 2015, 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 2015 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.

N George CPA

(as Delegate of the Auditor-General of Queensland)

QUEENSLAND
31 AUG 2015
AUDIT OFFICE

Queensland Audit Office
Brisbane

Glossary and abbreviations

Term	Definition
Availability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period.
CO_2-e	Carbon dioxide equivalence, which is a standard measure used to compare the emissions from various greenhouse gases based on upon their global warming potential.
CS Energy owned generation (2,355 MW)	• Kogan Creek Power Station (750 MW) • Callide B Power Station (700 MW) • Callide C (405 MW – excludes InterGen share) • Wivenhoe Power Station (500 MW)
CS Energy trading portfolio (4,035 MW)	• Kogan Creek Power Station (750 MW) • Callide B Power Station (700 MW) • Callide C (405 MW – excludes InterGen share) • Wivenhoe Power Station (500 MW) • Gladstone Power Station (1,680 MW)
Energy sent out	The amount of electricity sent to the grid.
GW	Gigawatt (one GW = 1,000 megawatts)
GWh	A gigawatt hour (GWh) is equal to 1,000 megawatts of electricity used continuously for one hour.
Greenhouse gas emission intensity per energy sent out (kgCO_2-e/GWhso)	The amount of greenhouse gas emitted per unit of energy sent out (expressed in units of CO_2-e per unit of electricity sent out to the grid).
ISO 14001	International Standard for Environmental Management Systems
LTI	Lost Time Injury. A Lost Time Injury is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred.
LTIFR	Lost Time Injury Frequency Rate. The number of Lost Time Injuries per million hours worked by employees and contractors (calculated on a 12 month moving average).
ML	Megalitre (one ML = one million litres)
MW	Megawatt (one MW = one million watts)
MWh	Megawatt hour (one megawatt generating for one hour)
NEM	National Electricity Market
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
Planned outage factor	A measure of a unit's lost capacity to generate due to planned outages (overhauls) for a given period.
Reliability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period, excluding periods of planned outages (overhauls).
Scope 1 Emissions	Greenhouse gas emissions released into the atmosphere as a direct result of an activity, or series of activities at a facility.
Significant Environmental Incidents	Incidents that have a significant impact on the environment
TCRFR	Total Case Recordable Frequency Rate. A rolling 12 month average that measures the number of lost time injuries and medical treatment injuries per million hours worked.
Underlying EBIT	Earnings before interest, tax, and significant items.
Underlying EBITDA	Underlying EBIT before depreciation and amortisation.
Underlying interest cover	Underlying EBIT divided by interest and finance charges.
Underlying return on capital employed	Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

Operations

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