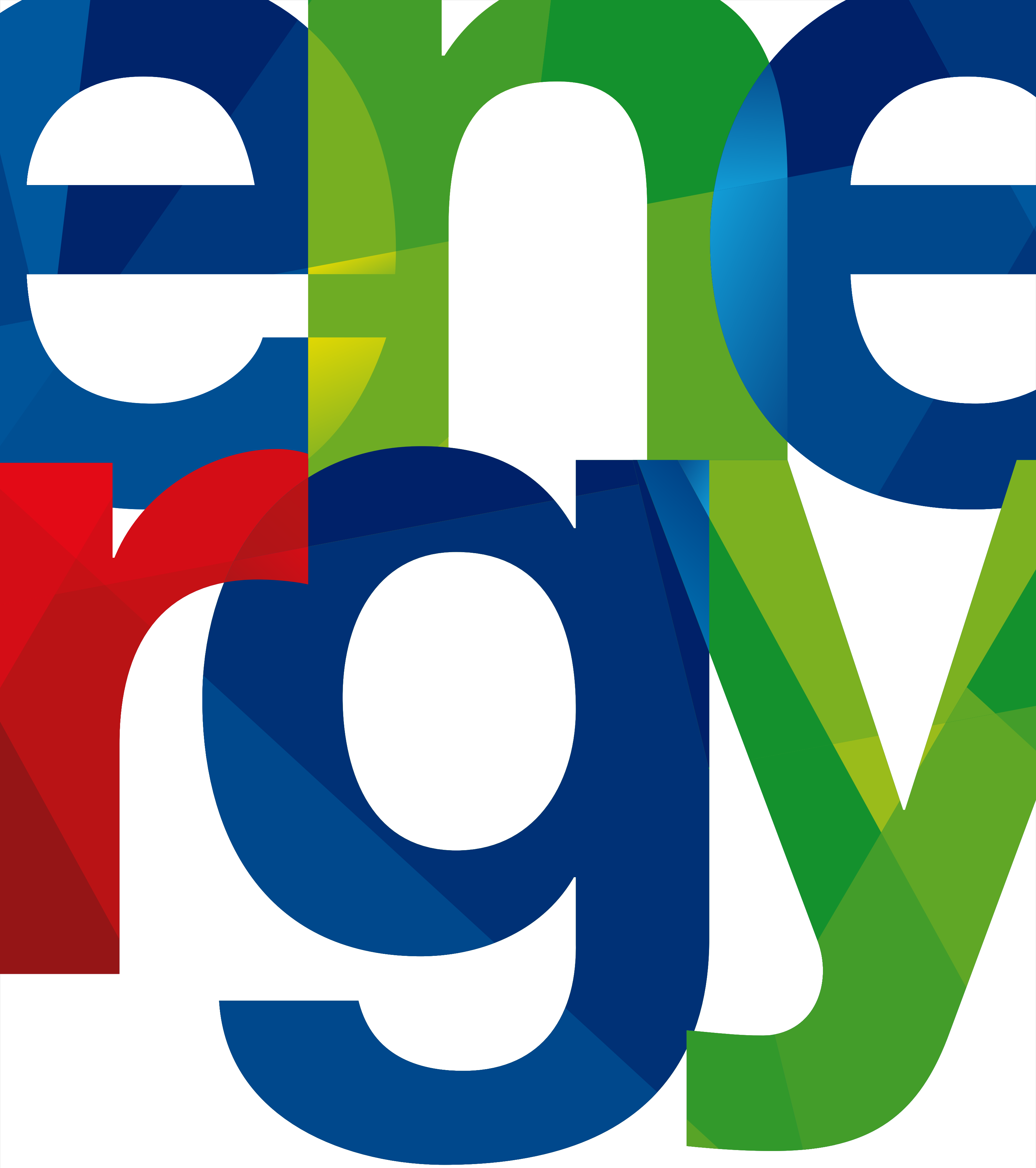

CS energy

2015/16 Annual Report

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About this report

CS Energy Limited (CS Energy) is a Queensland Government owned corporation established in 1997 under the *Government Owned Corporations Act 1993* (Qld) (GOC Act). This annual report provides a detailed review of CS Energy's performance for the financial year from 1 July 2015 to 30 June 2016. An electronic version of this annual report is available on CS Energy's website at **www.csenergy.com.au.**

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About CS Energy

CS Energy is a Queensland Government owned corporation and a major provider of electricity in Australia. We have 450 employees, operate three power stations and have a trading portfolio of 4,035 megawatts (MW).

CS Energy's core business is the generation and sale of electricity in the National Electricity Market (NEM).

Our power generation portfolio provides a mix of baseload, intermediate and peaking electricity generation. In 2015/16 we dispatched 34 percent of Queensland's electricity output and 10 percent of electricity supplied to the NEM.

Portfolio

CS Energy's diverse asset portfolio comprises coal-fired and hydroelectric power stations, electricity trading rights and coal assets.

We own and operate the Callide B, Kogan Creek and Wivenhoe power stations and a have a 50 percent interest in the Callide C Power Station. CS Energy provides operations and maintenance services for Callide C to the joint venture for the power station.

CS Energy also owns the Callide A Power Station, the site of the Callide Oxyfuel Project, which was decommissioned in 2015/16 following a successful two-year demonstration of carbon capture technology.

CS Energy is a party to the Gladstone Interconnection and Power Pooling Agreement (IPPA), which entitles us to trade the output of the Gladstone Power Station in excess of the requirements of the Boyne Island aluminium smelter.

Our coal assets are 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.

Values

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

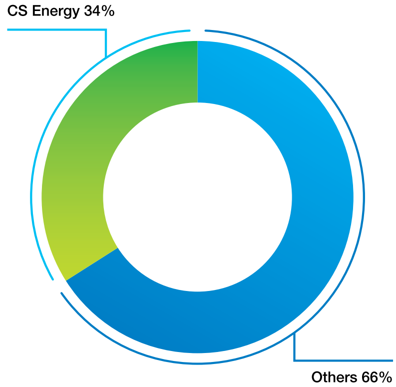
Be Safe

Create Value

Take Accountability

Act with Integrity

2015/16 Contribution to electricity dispatched in Queensland



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)

*1,510 MW = 700 MW Callide B Power Station + 810 MW Callide C Power Station. CS Energy owns the Callide C Power Station in a 50 percent joint venture with IG Power (Callide) Limited.

Highlights

This year CS Energy achieved further improvements in its core business to maximise value to our owners.

1.17

Lost Time Injury Frequency Rate

70% REDUCTION

193.3

Underlying EBITDA ($ million)

$38.6 MILLION INCREASE

$13.8

Dividend ($ million)

FIRST DIVIDEND PAYMENT SINCE 2009

10,963

Energy sent out from CS Energy owned generation (GWh)

158 GWh DECREASE

18.6

Net cash flow ($ million)

$32 MILLION INCREASE

91.9

Reliability (%)

2.4% INCREASE

0

Significant environmental incidents

Chairman's message

In 2015/16, CS Energy continued to improve its underlying financial performance to deliver a dividend of $13.8 million, its first in seven years.

This year CS Energy built on the commercial and operational turnaround achieved in 2014/15 and delivered a substantially improved financial performance. This is a significant achievement considering the business is continuing to manage several legacy commercial issues that have placed downward pressure on earnings over a number of years.

Our 2015/16 results show that we are on the right track to realising a commercially sustainable future for CS Energy and maximising the value of our portfolio to deliver stable returns for our shareholder, the Queensland Government.

Strong underlying financial performance

CS Energy's Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased from $154.7 million in 2014/15 to $193.3 million in 2015/16, a 25 percent increase. Underlying EBITDA is CS Energy's preferred measure of profitability as it best reflects the underlying performance of the company.

Above budget portfolio generation coupled with an effective market strategy contributed to the $38.6 million improvement in Underlying EBITDA. The ramp-up of the LNG industry is driving a resurgence in electricity demand in Queensland and CS Energy has been managing its portfolio to respond to this opportunity.

A number of accounting adjustments resulted in CS Energy recording a net loss after tax of $23 million. However, the underlying financial performance of the business is strong, resulting in CS Energy providing for a dividend payment of $13.8 million to our shareholder – CS Energy's first dividend payment since 2009.

Safety and people

Since joining CS Energy I have been impressed with the genuine commitment of management towards building a high performance culture where everyone is committed to the principle of Zero Harm. This is delivering positive change, as evidenced by the continued downward trend in our safety KPIs of Total Case Recordable Frequency Rate (TCRFR) and Lost Time Injury Frequency Rate.

An inclusion and diversity initiative was introduced during this year to support this cultural change and harness the collective skills, experience and perspectives of CS Energy's people. CS Energy's commitment to inclusion and diversity starts with the Board and is articulated in the new Inclusion and Diversity Policy that was launched in June 2016.

> We are on the right track to realising a **commercially sustainable future for CS Energy**

Board changes

I have been Chair of the CS Energy Board since October 2015. In the same month, my fellow directors Toni Thornton and Julie-Anne Schafer were appointed to the Board, joining existing directors Brian Green and Mark Williamson.

Toni has held senior positions in corporate finance agencies and brings a strategic commercial focus to the Board and her role as Chair of the Board Audit and Risk Committee. Julie-Anne is an accomplished director with experience across a broad range of industries and has particular expertise in risk, strategy and governance.

I would like to acknowledge the contribution of outgoing Chair Ross Rolfe and former directors Shane O'Kane and John Pegler for guiding CS Energy through the reform period that turned around the performance of the business in recent years.

Building a sustainable business

In December 2015, the Queensland Government announced that it would retain its two power generation companies, CS Energy and Stanwell Corporation, as separate entities and instead focus on efficiency savings within each business. The government committed to a path of improved cost management discipline and continued optimisation of capital costs, a path that is already well established at CS Energy and which the Board will continue as a priority.

CS Energy is also evaluating ways it can adapt and respond to an environment of increasing renewable energy generation. The Board Innovation and Sustainability Committee was established in 2015/16 to better understand the factors that may impact the long-term sustainability of CS Energy and explore new business opportunities. Our focus is on maximising the value of CS Energy's existing generation portfolio in the changing energy landscape.

I would like to acknowledge the dedication of my fellow directors, the management team and employees in transforming CS Energy into a successful business. On behalf of everyone at CS Energy, I reaffirm our commitment to our shareholding Ministers to responsibly manage the business for the benefit of the State of Queensland.

Jim Soorley
Chairman

CEO's review

CS Energy continues to capitalise on the deep reform of the business to deliver improved returns.

Reform momentum accelerated in the 2016 financial year[1] as CS Energy posted another significant improvement in its financial performance, with underlying earnings increasing by 25 percent.

The targets set for 2016 were ambitious, as we sought to further embed the company's reform program. I was extremely happy to see so many of our objectives achieved as a result of the sharp focus on value creation, driven by improved leadership throughout the business.

Material improvement in financial performance

CS Energy's Underlying EBITDA grew to $193.3 million in 2016, predominantly as a result of top line growth. Our market strategy was developed in a context where many of our generating units were approaching the end of their maintenance cycles (indicating lower reliability), and were unavailable due to planned overhauls; anticipated firmer electricity demand in Queensland was also seeing predictions of greater price volatility in the market.

The trading strategy enabled us to manage the balance between our plant and market risk to optimise revenues. We exceeded our stretch target, recording a Gross Margin of $410.4 million[2].

Other key commercial reform initiatives, particularly in procurement and contracts, drove cash savings that improved both operating and capital expenditure outcomes.

Greater focus on value creation was achieved by further curtailing activity that did not deliver demonstrable benefits, providing better line of sight to those priority activities that delivered the greatest value for the business.

Consequently, for the first time since 2009, CS Energy will pay a dividend to its owners.

Safety continues to improve

We continue to challenge our safety performance. Ongoing improvement in safety is not only a critical reform objective to manage the inherent risks and hazards that our people and contractors face, but also a lead indicator of operating discipline and workforce performance.

The improvement in our lag indicators in 2016 saw a 26 percent reduction in our recordable injury rate, and a 70 percent reduction in our Lost Time Injury Frequency Rate (LTIFR), down to 1.17.

Improving safety performance during high risk activities such as overhauls has continued to be a key focus area. This year saw an overhaul program in which over 450,000 hours were worked, with a large influx of contract labour augmenting the CS Energy workforce during these projects. Despite this, only three recordable injuries occurred during overhauls, none of which, thankfully, were serious.

Although no injuries are acceptable in our culture, this result demonstrates the value of the effort we continue to put into working with our overhaul contractors and major suppliers to manage large, temporary workforces in the safe delivery of capital works.

Ultimately, our goal is to achieve world-class safety performance, guided by the principle of Zero Harm. In 2017, in addition to the ongoing work in behavioural safety, we will place greater emphasis on process and plant safety to ensure we continue to minimise the risk of low probability, high consequence events.

Plant performance

Successfully delivering the overhaul of the Kogan Creek Power Station was a critical objective for 2016. As the newest and most efficient coal-fired power station in the NEM, this single-unit 750 MW plant underpins CS Energy's portfolio with its best-in-class cost structure.

Since commissioning in 2007, Kogan Creek had experienced a number of latent issues, which caused the station to perform well below its nameplate capacity. The investment of over $70 million in this plant as part of the overhaul included the replacement of the high pressure turbine, which had experienced vibration issues, limiting the plant's operation to around 710 MW.

Although the two month outage of Kogan Creek represented a significant cash investment, CS Energy was able to fund the work from its operating cash flows. The end result was excellent, with the unit now generating consistently above its nameplate capacity of 744 MW. This will underpin further improvement in financial performance in 2017 and beyond.

Variation in coal quality continued to impact our Callide Power Station units, with several unplanned outages being experienced. Three of the four Callide units are scheduled to undertake cyclical maintenance through overhauls in the coming year, which will improve reliability.

Resolving long-standing issues

Several long-standing legacy issues have materially impacted CS Energy's performance in previous years.

One of these, the Solar Boost project, was resolved in 2016 and the project discontinued. Despite CS Energy and other stakeholders committing significant capital, the technical and commercial issues experienced since the project's commencement proved insurmountable. The technology provider and project partner, AREVA Solar, announced its withdrawal from the solar energy business globally, and the CS Energy Board took the commercially responsible decision to close the project.

1. All year references are to the financial year (1 July to 30 June); for example, "2016", refers to the 2015/16 financial year.
2. Gross Margin is an internal metric used to measure financial performance in the market.

› CS Energy's portfolio of low cost power stations, combined with market leading peaking capability, **will continue to deliver positive returns**

There was positive movement in the long standing dispute over the coal supply contracts at the Callide Power Station during 2016, with Anglo American announcing that it would sell the mine to Batchfire Resources. CS Energy has worked closely with Anglo, Batchfire, and other stakeholders to negotiate satisfactory terms for the change in ownership, and we expect this to be completed in 2017. Successful completion of this transaction will greatly improve the certainty and reliability of the coal supply, which underpins the long-term value of the Callide Power Station assets.

Although CS Energy's debt burden continues to weigh on the balance sheet, positive underlying cash flows are providing a more favourable outlook. In 2015, CS Energy was able to avoid a forecasted draw down of debt and, having stabilised further this year, the forward projections show substantial debt repayments, which will reduce the interest burden and increase free cash flows for investing activities.

Improving our people capability

I have a strong belief that leadership drives culture, and culture drives performance. This year we have put even more energy into ensuring that the right people are in critical leadership roles. This resulted in more changes to the leadership of the company, from the Executive Leadership Team down to the front line supervisor level. Ongoing attention has been devoted to developing the capability of our leaders, improving performance management systems, and focusing on the key factors that drive a high performance culture.

We have also turned our attention to ensure that Inclusion and Diversity are a fundamental part of CS Energy's culture. Our first formal program has delivered a framework for flexible working arrangements, which is already creating value for both the company and its employees.

Importantly, as part of this year's salary review process we took measures to review pay parity between female and male employees. This ultimately resulted in a number of salary increases to female employees, removing disparity and rectifying a number of historical anomalies.

New Board

There were many significant milestones in 2016, not least of which was the change in composition of the CS Energy Board, with the appointment of a new Chairman and two new non-executive directors. In October 2015, Jim Soorley replaced Ross Rolfe as Chairman, and outgoing directors John Pegler and Shane O'Kane were replaced by Toni Thornton and Julie-Anne Schafer.

The transition to the new Board has been very smooth, and management has been able to continue its reform efforts while receiving fresh perspective and guidance.

My sincere thanks goes to the outgoing directors for their relentless effort in setting CS Energy's reform program in motion, and supporting management to make some very difficult decisions in pursuit of the turnaround objectives.

Jim Soorley and his new team have brought a level of drive and urgency, which can be seen in the progress being made to overcome some of CS Energy's long-standing legacy issues.

It has been a pleasure working with both Boards during 2016, and management remains deeply committed to delivering the next level of business performance. I look forward to working with the Board this year as we strive to reach our full potential.

Looking forward

The NEM is changing rapidly, as each region faces unique challenges. High prices in South Australia drew significant attention in the media as the penetration of renewable generation topped 40 percent, and sensitivity to other events (such as weather, gas prices, and interconnection capacity) increased.

Tasmania faced issues of supply security, resulting from the combined effects of an interconnection outage with Victoria and drought conditions in Tasmania, which impacted the ability to dispatch hydroelectric generation.

As pressure from stakeholder groups on both Federal and State governments continues to increase, it will become ever more challenging to provide a stable policy and regulatory environment in which the market can operate.

I was honoured to be appointed as one of the inaugural directors of the Australian Energy Council, the peak body representing the electricity industry in Australia. With my fellow directors and other energy company CEOs, I look forward to helping shape Australia's energy and climate policies, which require strong and decisive leadership.

The medium-term outlook for CS Energy amid this uncertainty is strong. With Queensland demand set to experience modest growth in the coming years, CS Energy's portfolio of low cost power stations, combined with market leading peaking capability, will continue to deliver positive returns.

The recent release of the Shareholder Mandate for CS Energy has provided clear guidance on the available avenues for pursuing sustainable growth. Since its release, we have been working with our Board to frame the long-term strategy of the business. This will undoubtedly be underpinned by the continuing emphasis on the commercial and operational turnaround of the company.

Thank you to the Board, Executive Leadership Team, and all our people for the support that they have shown me personally this year, and for their ongoing commitment to CS Energy's long-term success.

Martin Moore

Chief Executive Officer

Performance against SCI targets

Each year in accordance with requirements of the GOC Act, CS Energy prepares a Statement of Corporate Intent (SCI), which outlines the company's strategies, objectives and targets for the financial year.

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 2015/16 SCI targets is summarised below:

2015/16 Statement of Corporate Intent – Key measures

Category	Measure	2015/16 Actual	2015/16 Target	2014/15 Actual
Safety[1]	TCRFR	3.51	<3	4.75
Environment[2]	Significant Environmental Incidents	0	0	0
Plant Performance	Availability (%)	76.6	80.2	80.1
Profitability	Underlying EBITDA ($m)	$193.3	$144.5	$154.7
Cash flow	Free cash flow ($m)	18.6	($27.1)	($13.4)
Shareholder Value	Return on capital employed (%)	7.6	3.8	3.9

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 resulted in enforcement action by a regulator.

Strategic direction

Australia's energy market is transforming. Emerging technologies, decentralised generation and changing consumer behaviour are shifting the demand profile in the NEM. In Queensland, the market is experiencing increased demand as a result of the ramp-up of the LNG industry.

CS Energy's long-term future has been uncertain for some time, as we have grappled with policies to potentially privatise, and then merge the business. This has not impacted CS Energy's performance in any way, as the imperative to resolve the critical commercial issues of the business, and drive essential improvements and safety and financial performance, has been all consuming.

Now that we have certainty of policy direction, we are well positioned to create a long-term strategy that maximises CS Energy's value in a rapidly changing market. Building on the reform program that has turned around the financial performance of the business, CS Energy must now focus on sustaining profitability and exploring commercial opportunities in an environment of increasing renewable generation.

Our strategic direction is based around the three themes of Fix, Reform and Adapt.

CS Energy must be flexible and innovative **to remain competitive**

Fix

Resolving the Callide Power Station fuel constraints remains the final outstanding legacy issue for CS Energy to resolve. We will continue to seek opportunities to reduce the onerous nature of the Gladstone IPPA but only where it will place CS Energy in a more favourable commercial position. CS Energy continues to address the high debt levels with a plan to reduce this over the next three years.

Reform

CS Energy has successfully pursued a reform program for the business and its success is highlighted by the turnaround in our financial results. CS Energy will continue to reform the business through:

Maximising the value of our portfolio

Drive improvement in our core business so we are positioned to respond to the changing energy market:

- Increase productivity and flexibility.
- Optimise our portfolio.
- Protect and grow gross margin.

Strengthening our foundations

Continue building a strong foundation for success that will enable us to address current and future challenges.

- Strive for world-class safety performance.
- Build a high performance, constructive culture.
- Strengthen leadership capability.
- Maintain our licence to operate.

Building a commercially sustainable business

Establish a sustainable business for the future by addressing our challenges and leveraging the capabilities of our people and business.

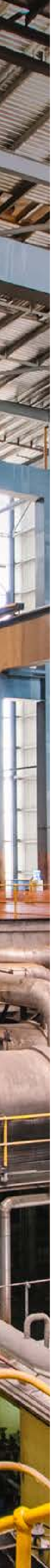
- Apply commercial rigour in all decision-making processes.
- Improve efficiency.

Adapt

CS Energy will be looking at opportunities to leverage off and maximise the role that our assets play in the market transformation to reliable clean energy. These opportunities include optimising the physical attributes of our assets, ancillary services and facilitating development of new generation through power purchase agreements.

Financial performance

Increased generation at Callide Power Station contributed to CS Energy's improved financial performance in 2015/16.



CS Energy improved its financial performance further in 2015/16 through commercial discipline and matching plant availability with market demand.

In 2015/16 CS Energy consolidated and improved upon its financial turnaround achieved in 2014/15. Above budget generation output and ensuring asset availability during high demand periods enabled CS Energy to deliver on its market strategy and realise improved returns. The continued focus on managing costs and improving efficiency supported our improved earnings results.

Business performance

CS Energy achieved a 25 percent increase its Underlying EBITDA, from $154.7 million in 2014/15 to $193.3 million in 2015/16.

The key drivers of the $38.6 million improvement in Underlying EBITDA were the above budget generation output, an effective market strategy and a continued focus on value-based investment decisions.

A number of accounting adjustments resulted in CS Energy recording a net loss after tax of $23 million, including the impairment of the Solar Boost project and an increase of the onerous contract provision relating to the Gladstone IPPA.

CS Energy has provided for a dividend payment of $13.8 million, which reflects the positive underlying financial performance of the company. This will be CS Energy's first dividend payment since 2009.

Key performance measures

	2012 $000	2013 $000	2014 $000	2015 $000	2016 $000
Underlying EBITDA[1] ($'000)	4,856	35,483	17,140	154,671	193,288
Underlying EBIT[1] ($'000)	(81,318)	(52,956)	(71,581)	47,954	90,499
NPAT ($'000)	(51,458)	(47,875)	(59,898)	124,151	(23,011)
Net cash flow from operating activities ($'000)	17,377	(23,045)	(36,361)	33,853	132,194
Net cash flow for payments for property, plant and equipment ($'000)	(128,274)	(69,681)	(74,146)	(47,295)	(113,595)
Net cash flow ($'000)	(110,897)	(92,726)	(110,507)	(13,442)	18,599
Underling interest cover[2] (times)	(1.30)	(0.81)	(1.23)	0.75	1.46
Underlying return on capital employed[2] (%)	-6.7%	-4.6%	-6.5%	3.9%	7.6%

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.

› The continued focus on managing costs and improving efficiency supported our **improved earnings results**

Capital investment

CS Energy continued to focus on driving commercial discipline throughout the business and making value-based decisions for capital expenditure. Building upon the foundation that was established in the prior year, there was a continued focus on project delivery accountability and improving cost discipline across the organisation. Net cash flow for payments for property, plant and equipment was $113.6 million for the 2015/16 financial year. This included overhauls at Callide, Wivenhoe and Kogan Creek as well as other plant investment activities.

Capital structure

CS Energy continued to challenge all capital project proposals to ensure that each major project was supported by a business case that identified all options and a return on investment. This aimed to ensure that CS Energy improves its cash management by making prudent decisions and only investing in projects that add value or reduce risk.

Net cash flow from operating activities increased by $98.3 million to $132.2 million in 2015/16, compared to $33.9 million in 2014/15.

As a result of the improved financial performance, CS Energy has been able to manage its cash flows and deliver a significant capital program with no net increase in borrowings for the year.

CS Energy's underlying interest cover has increased to 1.46 times in 2015/16, from 0.75 times in 2014/15.

CS Energy's underlying return on capital employed has increased by 3.7 percent, to 7.6 percent in 2015/16, from 3.9 percent in 2014/15.

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 noncurrent borrowings. Total equity excludes reserves.

A reconciliation of Underlying EBITDA and Underlying EBIT is outlined on the following page.

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

› CS Energy has been able to manage its cash flows and deliver a significant capital program with

no net increase in borrowings for the year

Reconciliation of underlying results to statutory results

	2012 $000	2013 $000	2014 $000	2015 $000	2016 $000
Underlying EBITDA	**4,856**	**35,483**	**17,140**	**154,671**	**193,288**
Depreciation and amortisation	(86,174)	(88,439)	(88,721)	(106,717)	(102,789)
Underlying EBIT	**(81,318)**	**(52,956)**	**(71,581)**	**47,954**	**90,499**
Government grants	6,743	6,992	10,863	4,133	29,741
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)	132
Net gain/(loss) on fair value of derivative contracts	36,213	(8,162)	1,399	(8,908)	(8,284)
Exploration and evaluation expenditure write-off	-	-	(25,372)	-	-
Onerous contract provision used during the year	42,779	51,154	42,751	56,357	42,788
Finance costs – Rehabilitation & Onerous contract provision	(6,243)	(9,802)	(13,243)	(48,554)	(24,761)
Net Impairment (loss)/loss reversal	-	-	266,900	-	(72,466)
Onerous contract re-measurement	-	-	(234,845)	194,586	(24,288)
EBIT	**(13,409)**	**(10,357)**	**(37,512)**	**241,308**	**33,361**
Interest income	1,084	8,000	1,903	191	502
Interest and finance charges	(62,518)	(65,312)	(58,170)	(64,045)	(62,000)
Income tax benefit	23,385	19,794	33,881	(53,303)	5,126
Statutory Net Profit/(Loss) after tax	**(51,458)**	**(47,875)**	**(59,898)**	**124,151**	**(23,011)**

Market performance

Physical Trading Manager Henry Gorniak (left) and Energy and Carbon Group Manager Stephen Hoult discuss the day's market situation.

CS Energy achieved improved returns from the sale of electricity in 2015/16 in a rapidly changing electricity market.

CS Energy generates and sells electricity in the NEM under the *Electricity Act 1994 (Qld)*. We manage plant and financial risk by balancing our presence in the wholesale and contract markets. This integrated market strategy strives to achieve earnings stability, cash flow and optimised returns in the short and long term, by reducing our exposure to volatile pool prices. CS Energy also holds an electricity retail licence and offers retail contracts to large commercial and industrial users throughout Queensland.

Market transformation gathers pace

The LNG industry continued to support the demand growth in Queensland's wholesale energy market in 2015/16. These LNG projects use electricity for gas compression and provide an alternate market for gas to that of the traditional uses for domestic gas supply and electricity generation.

Commissioning of LNG projects during the first half of 2015/16 resulted in periods of surplus gas, creating opportunities for low-cost gas generation to supply the market and dampening the Queensland pool price. As the projects reached completion in the second half of 2015/16, electricity demand rose, creating opportunities for low cost, coal-fired generation.

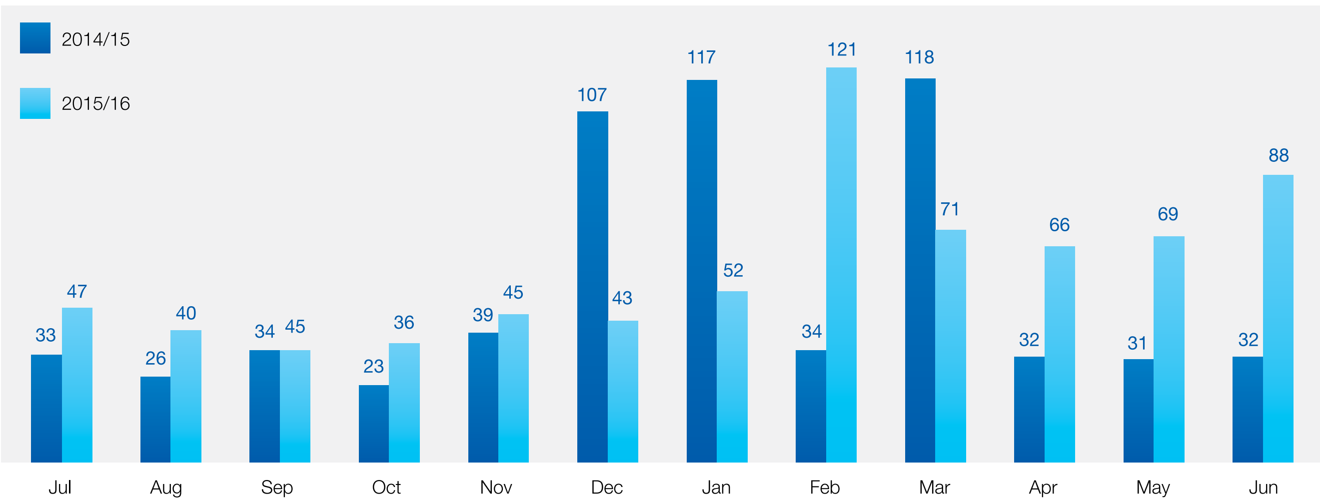
There were higher underlying energy prices across the NEM in the latter half of 2015/16 due to a combination of factors including lower gas usage by gas-fired generators, planned outages of several baseload generators in Queensland and New South Wales, cold weather, low wind generation in southern states and the closure of the Northern Power Station in South Australia.

Improved market outcomes

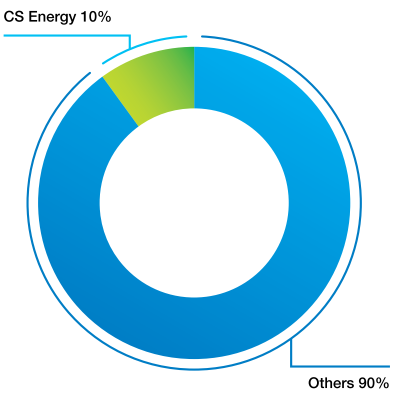
CS Energy successfully executed its market strategy to achieve above budget revenue from electricity sales in 2015/16. Operations and maintenance activities were directed towards maximising plant availability during high demand periods. This enabled CS Energy to effectively utilise the baseload, intermediate and peaking generators in our portfolio to respond to market opportunities as they arose. We were also able to effectively manage the portfolio through periods of unscheduled plant unavailability and minimise market exposure.

Revenue from electricity sales in 2015/16 totalled $582.8 million and made a significant contribution to CS Energy's Underlying EBITDA. Key contributors to CS Energy's improved outcomes in the market were the higher pool prices and increased generation at Callide Power Station as a result of higher than anticipated coal deliveries.

Queensland monthly average pool price – two year comparison ($/MWh)



2015/16 Contribution to electricity dispatched in the NEM



Changes to regulatory landscape

CS Energy maintains a voice in the policy and regulatory landscape by participating in relevant consultation processes and through its membership of the Australian Energy Council (AEC). The appointment of CS Energy Chief Executive Officer Martin Moore to the Board of the AEC during the year will enable CS Energy to influence the broader policy debate in the Australian energy sector at this critical time in the industry's evolution.

The regulatory environment with regards to climate policy became more certain in 2015/16. Amendments to the *Renewable Energy (Electricity) Act 2000 (Cth)* clarified Australia's 2020 emissions reduction target and exemptions for industry. The Commonwealth Government announced Australia's 2030 climate change target to reduce emissions to 26 to 28 percent on 2005 levels by 2030. In addition, a number of auctions were held under the Emissions Reduction Fund and the Safeguard Mechanism baselines were established.

As a responsible market participant, CS Energy is required to comply with the National Electricity Rules. We take our compliance obligations very seriously, and are committed to updating our compliance processes to ensure best practice. CS Energy worked cooperatively with the Australian Energy Regulator during the year to improve its compliance with the National Electricity Rules relating to dispatch instructions.

In December 2015, the Australian Energy Market Commission (AEMC) announced a final rule to amend arrangements that govern generators' offers in the wholesale electricity market. CS Energy participated in the consultation process for this rule change and has trained personnel in preparation for the implementation of the amended rule on 1 July 2016.

Outlook

Looking ahead, our ongoing investment in power station maintenance is expected to lead to improved portfolio availability in 2016/17. This will provide CS Energy with more flexibility in the market and the potential to deliver greater returns.

While the national trend is for electricity consumption to remain flat for the 20-year-forecast period, Queensland is expected to see an increase in demand, primarily driven by the LNG sector. Queensland's LNG export supply chain is forecast to increase its consumption of grid-supplied electricity from 4,334 gigawatt hours (GWh) in 2016/17 to 8,478 GWh by 2035/36 (Source: AEMO 2016 National Electricity Forecasting Report).

CS Energy's trading portfolio

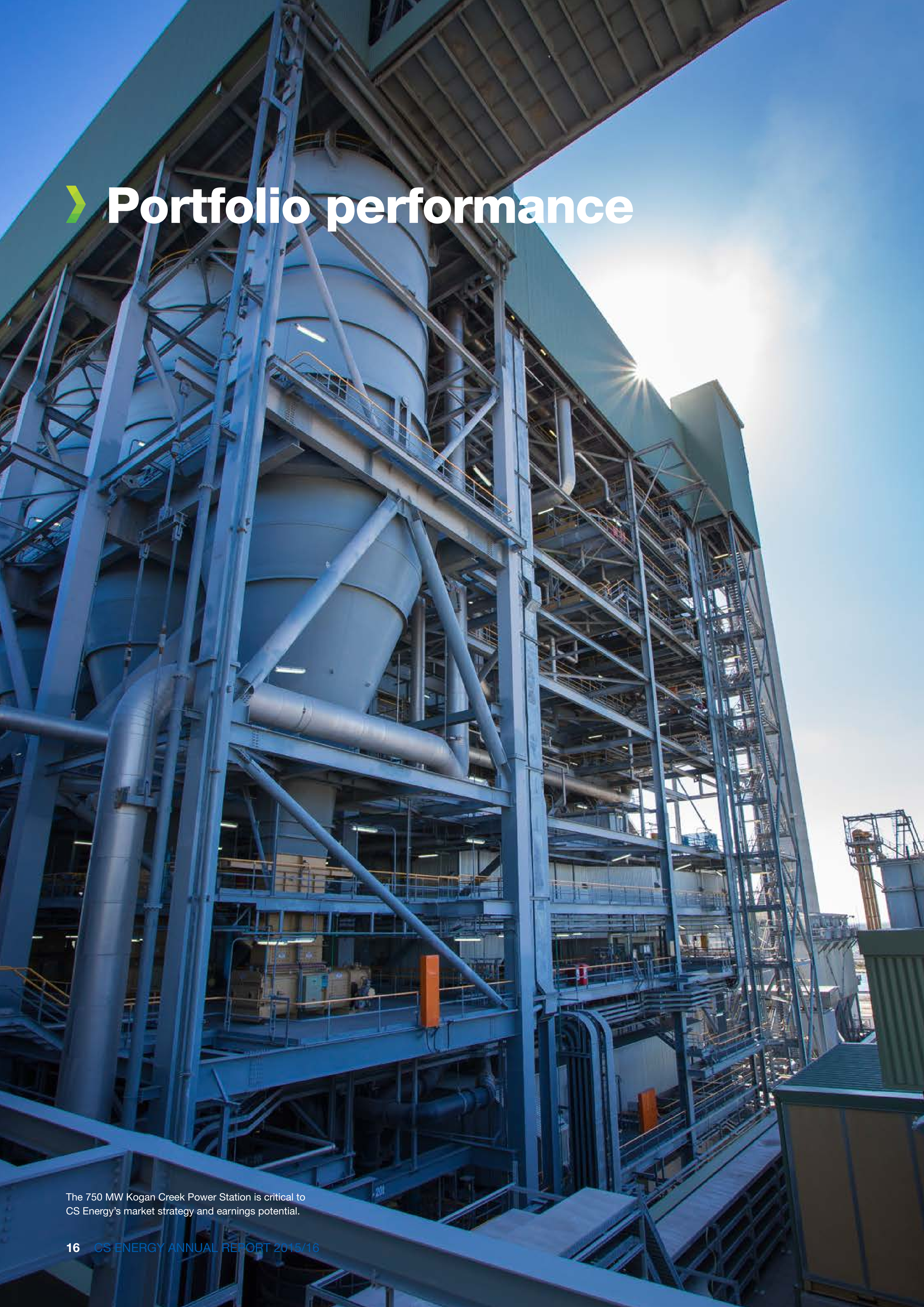
Power station	Capacity
Kogan Creek Power Station	750 MW
Callide B Power Station	700 MW
Callide C[1] Power Station	405 MW
Wivenhoe Power Station	500 MW
Gladstone Power Station	1,680 MW
Total	**4,035 MW**

1. Includes only CS Energy's 50 percent share of Callide C Power Station.

The main drivers of the flat demand forecasts for the NEM are more energy efficient household appliances and increasing numbers of consumers producing their own electricity from rooftop solar. CS Energy has been closely monitoring consumption trends in the Australian energy market, as well as the continued growth of rooftop solar and developments in the emerging battery storage technology industry. CS Energy is evaluating options for adapting its business to remain competitive over the long term.

› CS Energy successfully executed its market strategy to achieve **above budget revenue from electricity sales in 2015/16**

Portfolio performance



The 750 MW Kogan Creek Power Station is critical to CS Energy's market strategy and earnings potential.

While total generation sent out decreased slightly this year, CS Energy was able to maximise plant availability during high demand periods.

CS Energy owns and operates 68 percent of the company's 4,035 MW trading portfolio. The performance of our power stations is critical to the success of CS Energy's market strategy and ability to earn revenue. We carefully plan overhauls and maintenance to ensure that any major capital investment maximises the availability of our assets during peak demand periods and delivers a commercial return for the business.

With an asset portfolio comprising baseload, intermediate and peaking generators, CS Energy is well-placed to capitalise on market opportunities.

Achieving the right availability at the right time

In 2015/16, CS Energy's generation portfolio sent out 10,963 GWh hours of energy, which was less than in 2014/15 but significantly above budget. The predominant driver of this result was increased generation at Callide B and C power stations as a result of higher than anticipated coal deliveries.

Portfolio availability decreased by 3.5 percent in 2015/16 to 76.6 percent, largely as a result of a heavy overhaul program and the late return to service of several units. Portfolio reliability was stronger, at 91.9 percent.

Despite the lower overall availability figure, CS Energy was able to maximise availability during key high demand periods during the year, contributing to the company's improved market outcomes. Our focus moving forward is to maximise generation, availability and reliability at our baseload thermal plant and improve the start reliability of our peaking pumped storage hydroelectric plant.

› In 2015/16, CS Energy's generation portfolio sent out **10,963 gigawatt hours of energy**

CS Energy owned portfolio performance

Year	Energy sent out (GWh)[1]	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2015/16	10,963	76.6	91.9	13.1	10.3
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. Includes only CS Energy's 50 percent share of Callide C Power Station.

Maintaining our assets

CS Energy carries out regular overhauls to ensure our power stations operate safely, reliably and efficiently into the future. In 2015/16, CS Energy managed one of its busiest overhaul and maintenance programs in recent years, managing overhauls at each power station site and a summer readiness program to ensure availability during the peak demand period.

In the first half of 2015/16, overhauls were carried out on both generating units of the coal-fired Callide B Power Station and Unit 2 of the pumped storage hydroelectric Wivenhoe Power Station. Despite delays in the return to service phase of each of the overhauls, Callide B and Wivenhoe power stations subsequently delivered above target availability for the March 2016 quarter.

Following the summer run period, CS Energy overhauled the single unit, coal-fired Kogan Creek Power Station from April to June 2016. One of the largest and most complex overhauls of a CS Energy generating asset in recent years, the overhaul had a peak workforce of 515 people. Key deliverables in the overhaul were the replacement of the high pressure turbine to address turbine vibration issues, replacement of fabric filter bags and air heater baskets, and statutory inspections and repairs.

CS Energy has introduced enhancements to its overhaul management system to improve the planning, scoping, execution and return to service of its overhauls. The 'In-Full, On Time Overhaul Management System' is a five-phase process that focuses on detailed planning, safe work execution and properly documenting and sharing lessons learned from each overhaul. The system has been developed in accordance with current Australian Standards, legislative requirements and is based on industry best practice.

Looking ahead, CS Energy has three overhauls scheduled in the first six months of 2016/17. Considerable planning for these overhauls has already been carried out, incorporating lessons learned from the 2015/16 overhaul program and the enhancements to our overhaul management system.

Kogan Creek Power Station performance (750 MW)

Year	Energy sent out (GWh)	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2015/16	4,070	68.7	90.0	19.7	11.7
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 (%)
2015/16	3,932	70.7	88.1	16.1	13.2
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 (%)
2015/16	2,875	86.1	93.2	1.3	12.5
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. Includes only CS Energy's 50 percent share of Callide C Power Station.

Wivenhoe Power Station performance (500 MW)

Year	Energy sent out (GWh)	Availability (%)	Reliability (%)	Planned outage factor (%)	Unplanned outage factor (%)
2015/16	86	89.0	97.8	8.7	2.3
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

CS Energy Mechanical Engineer Alex Comino in front of the Kogan Creek intermediate pressure turbine, which was cleaned and inspected during the major overhaul.

› Case Study: Major overhaul returns Kogan Creek to full capacity

The $70.5 million major overhaul of Kogan Creek Power Station was one of the key value drivers for CS Energy in 2015/16.

Overhauls are a significant investment in the ongoing maintenance and operation of CS Energy's power stations to ensure our assets meet their reliability targets and deliver a commercial return to the business.

As CS Energy's flagship site, Kogan Creek Power Station is critical to our market strategy and earnings potential. Commissioned in 2007, it is the newest power station in our portfolio and features the largest single generating unit in Australia.

More than 18 months in the planning, the Kogan Creek overhaul was a major logistical exercise. The scope of works included cleaning and inspection of the intermediate pressure turbine rotor, replacement of 1,728 air heater baskets, replacement of 5,000 fabric filter bags, a full furnace inspection and burner inspections and repairs. The overhaul had the added complexity of the replacement of the power station's 120-tonne high pressure turbine to address vibration issues that had limited the unit's output.

More than 260,000 hours were worked on the 70-day overhaul, with no lost time injuries. The site workforce of CS Energy employees and contractors peaked at 515 people.

Kogan Creek General Manager Phil Matha said the completion of the overhaul in June represented an important investment in the future of Kogan Creek Power Station and CS Energy.

"Since the completion of the overhaul, Kogan Creek has been performing above its nameplate capacity of 744 MW, which is enough electricity to power up to one million homes."

Mr Matha said the hundreds of extra workers required on site for the overhaul provided flow on benefits to the economies of towns near Kogan Creek Power Station.

"Accommodating, transporting and feeding these extra workers provides business for local service providers in the towns of Chinchilla and Dalby."

Managing fuel supplies and costs

Access to low cost, reliable and high quality fuel supplies is essential for the commercial operation of CS Energy's generation portfolio.

CS Energy owns the Kogan Creek Mine, which supplies approximately 2.5 million tonnes of black coal per year to Kogan Creek Power Station via a four kilometre overland conveyor. Golding Contractors have operated the mine on behalf of CS Energy since 2006. During the year CS Energy and Golding agreed terms to extend the current contract to at least July 2019, with the potential for Golding to operate the mine until 30 June 2022.

At Callide, 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 seriously impacted the performance and output of Callide Power Station and, in turn, the financial performance of CS Energy.

CS Energy has adopted a number of operational, contractual and legal strategies in response to this issue. Since 2014/15, coal deliveries from Callide Mine to Callide Power Station have been higher than anticipated but remain below what we believe Anglo should be delivering in terms of quality and quantity. This has enabled Callide Power Station to increase its generation output. However, there is still 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.

In January 2016, Batchfire Resources entered into a conditional Share Sale Agreement with Anglo American to purchase the Callide Mine. CS Energy has taken an active interest in Anglo American's divestment process, as we are a major customer with a substantial interest in the future of the mine. In April 2016, the ACCC granted CS Energy and the Callide C joint venture partner IG Power (Callide) the ability to conduct joint re-negotiation of the coal supply agreements with Batchfire Resources.

On 14 June 2016, IG Power (Callide) appointed a voluntary administrator, and was immediately placed into receivership. CS Energy is both the operator and 50 percent owner of Callide C and the receivership of IG Power (Callide) has not impacted the operation of the power station. CS Energy is working with the receivers to ensure that we achieve the best possible outcome for the power station, including its long-term coal supply agreements. Callide Power Station is an important asset in CS Energy's portfolio. Maintaining a continual and reliable supply of coal for the power station's ongoing operation is a strategic priority for the company.

Solar Boost project

In March 2016, CS Energy announced that it would not complete the Solar Boost demonstration project located at its Kogan Creek Power Station. We made this decision due to a number of technical and contractual difficulties encountered during construction and the resultant negative impact on the project's commercial prospects.

The Solar Boost project was to provide, in peak solar conditions, a 44 MW solar thermal addition to the 750 MW Kogan Creek coal-fired power station.

The project commenced construction in 2011 and was designed to use AREVA Solar's Compact Linear Fresnel Reflector (CLFR) technology. Work stopped on site in 2013 due to issues with the solar thermal boiler tubes. In August 2014, AREVA announced that it would withdraw its operations from Australia and exit the solar thermal business worldwide.

The technical and contractual issues with the Solar Boost project resulted in lengthy delays and significant commercial problems. CS Energy examined all possible options for the project, but determined that the most commercially responsible course of action was to terminate the project.

Following this decision, CS Energy has been preparing a detailed plan to decommission the site and salvage plant and equipment in the most value accretive way for the business. Preliminary discussions have also been held with potential partners who expressed interest in using the site.

CS Energy has been working with the Commonwealth Government's Australian Renewable Energy Agency (ARENA) to ensure that the Solar Boost project contributes to industry knowledge on solar thermal technology. The insights and research findings gained during the Solar Boost project will be made available to ARENA for the benefit of other industry participants and to strengthen future renewable energy developments. A public report will be produced in late 2016 to fulfil this requirement.

Callide Oxyfuel Project

CS Energy is a participant in the international joint venture for the $245 million Callide Oxyfuel Project. The carbon capture and storage project was conducted at the company's Callide A Power Station from March 2012 to March 2015.

In 2015/16, following the successful demonstration, the Callide Oxyfuel Project was decommissioned and the joint venture consolidated the knowledge gained through the project.

The plant decommissioning process has involved the sale or removal of various plant assets associated with the Callide Oxyfuel Project. At year end, the decommissioning was nearing completion and the project was expected to hand the site back to CS Energy in August 2016.

In May 2016, the Callide Oxyfuel Project published a commemorative book highlighting the achievements of the international collaboration. The book acknowledged the participation and input of the project partners and supporters, and recorded the project's significant contribution to the international carbon capture and storage knowledge bank.

Work continued during the year on the consolidation and analysis of technical data gathered from the operational phase into a Project Technical Manual. A public report summarising the outcomes of the demonstration will be published in early 2017, so that the learnings can be applied to other carbon capture projects in the future.

During the consolidation of the project's technical data, the joint venture documented intellectual property and this will continue in 2016/17. As of 30 June 2016, an Oxyfuel Boiler Manufacturing Licence with IHI Corporation was being finalised.

The 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 Commonwealth Government under the Low Emissions Technology Demonstration Fund and received additional financial support from ACALET and the Japanese and Queensland governments, and technical support from JCOAL.

› Access to low cost, reliable and high quality fuel supplies is essential for the commercial operation of **CS Energy's generation portfolio**

Health and safety

Senior Mechanical Engineer Geoff Woodgate inspects the high pressure turbine stop valve casing integrity during the Kogan Creek Major Overhaul.

CS Energy's safety results for 2015/16 show that we are making progress in maturing our safety culture.

Safety is our highest priority at CS Energy. We believe that all injuries are preventable and we are building a safety culture that aligns with the constructive culture model CS Energy has adopted for the business.

At CS Energy, we place a strong focus on behavioural based safety, with leaders playing a pivotal role in engaging and influencing our people when it comes to safe thinking and execution of work activities. All teams are required to carry out proactive safety activities such as risk assessments and hazard identification, toolbox talks and safety interactions to prevent injuries before they occur and demonstrate a commitment to Zero Harm.

Our aim is to achieve predictable and sustainable health and safety outcomes.

Safety performance

CS Energy achieved positive results in its key safety performance indicators during the year, but greater focus is still needed to reduce minor injuries and near misses.

More than 1.7 million hours were worked across the portfolio in 2015/16, with more than one quarter of those hours worked on overhauls. Overhauls involve extended periods of high risk work and present a significant health and safety challenge for CS Energy and its contractors.

The number of injuries requiring time away from work or medical treatment continued to decrease. CS Energy's TCRFR for 2015/16 was 3.51, a 26 percent reduction on the TCRFR of 4.75 in the previous year, but still above our target of 3. This included a continued downward trend in our LTIFR.

The total number of injuries in 2015/16 was 81, compared to 42 in the previous year, with 93 percent of these injuries requiring once-only first aid treatment. Near miss reports increased by 24 percent compared to the previous year.

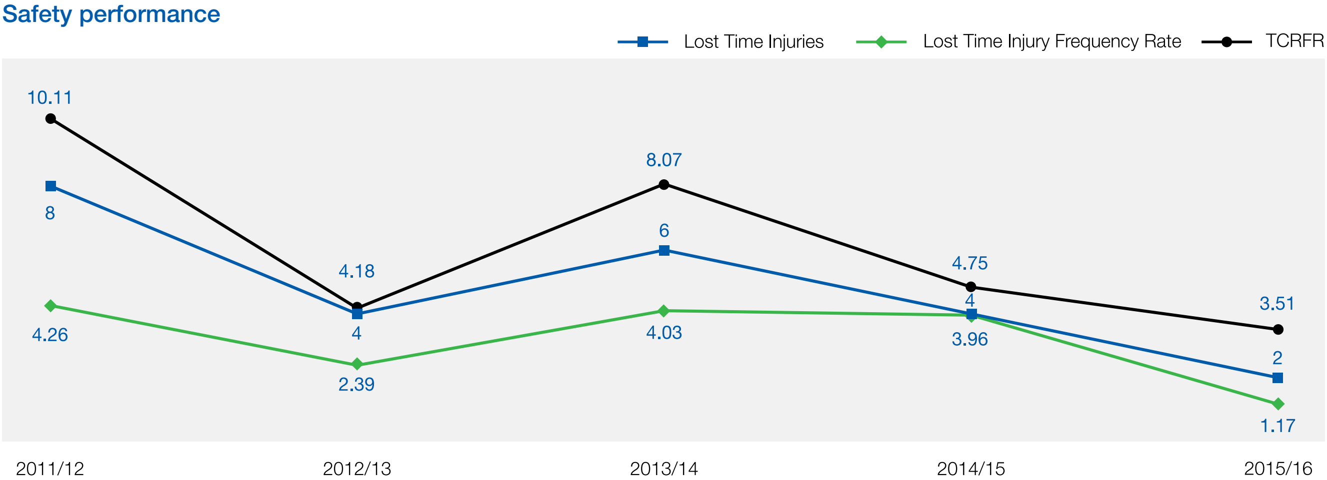
Any injury or incidents that could cause harm is of concern to us. Management believes that the above results can be attributed to the drive to ensure all injuries and incidents are reported and transparent injury treatment.

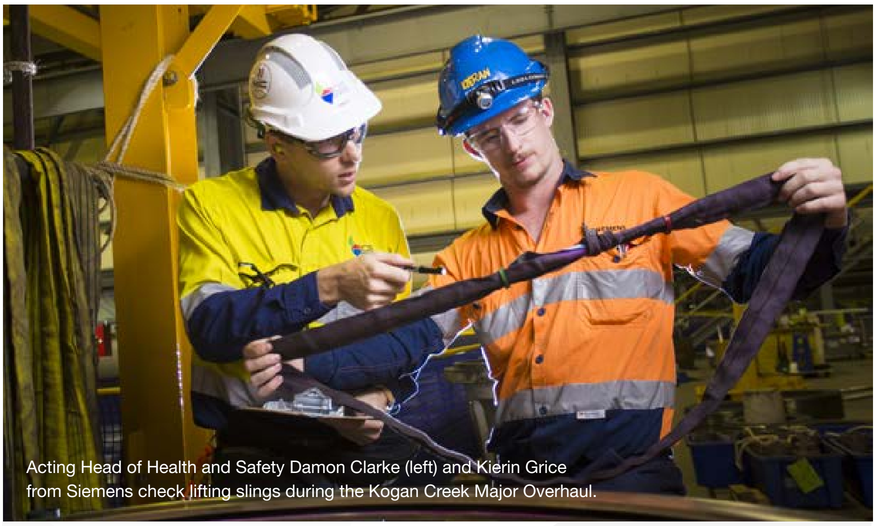
Developing frontline leader safety

Coaching programs for frontline leaders continued in 2015/16. These programs were designed to give leaders the skills to demonstrate safety leadership behaviours to their people to develop high performing teams. This included improved application of frontline tools such as safety interactions, task risk assessments, pre-start toolbox talks, safety shares and investigation practices for identifying root causes of safety incidents.

The Health and Safety team also worked closely with senior leaders to implement site-specific Safety Culture Improvement Plans to target specific vulnerabilities in the health and safety system. Internal safety maturity assessments were used to help identify areas for improvement and follow-up assessments will be completed quarterly to monitor progress.

Safety performance





Acting Head of Health and Safety Damon Clarke (left) and Kierin Grice from Siemens check lifting slings during the Kogan Creek Major Overhaul.

› Case Study: Safely delivering a busy overhaul program

CS Energy increased its focus on safety in 2015/16 to ensure the safe delivery of four overhauls across the portfolio. The high risk nature of overhaul works means sections of our sites are designated as construction zones for the duration of an overhaul, which means different requirements for our people during the overhaul.

Overhauls are six days a week, 24 hours a day operations that bring hundreds of extra workers to our power stations. CS Energy directed considerable effort towards ensuring contractors were aligned with our safety standards, particularly around the identification and management of hazards.

Executive General Manager Operations Mark Moran said effective onboarding and site familiarisation of contractors and sub-contractors was an area of particular attention.

“This year we held safety forums prior to the start of each overhaul to set clear safety expectations with our people and contractors,” Mr Moran said.

“The forums also aimed to achieve a shared commitment to the complex safety issues encountered on sites during overhauls.”

Typical high risk tasks carried out during overhauls include lifts of major equipment, working at heights, erection and dismantling of scaffolding, welding of high pressure vessels, and change out of fabric filter bags.

Helping to reinforce the safety message was 2016 Safe Work Ambassador Shane Webcke, who briefed the Kogan Creek and Callide workforces. Mr Webcke shared the story of how his father’s death impacted his family and offered advice on the importance of staying safe and creating a strong safety culture.

“Shane’s message really hit home with our workers,” Mr Moran said. “His moving story is a reminder of how quickly and easily workplace accidents can happen and the long-lasting impacts these events have on family and friends.”

This message has strong links with CS Energy’s safety principle that all injuries are preventable and that the commitment of everyone on site is required to produce predictable safety outcomes on a daily basis. The Shane Webcke initiative was one of many in the lead up to our overhauls designed to focus leaders on engaging their teams about the standard of health and safety expected.

All of the overhauls were delivered safely without major injury.

Ensuring workers are fit for duty

CS Energy carries out random alcohol and other drug (AOD) testing at all sites and procedures are in place to manage fit for duty risks especially during peak operational periods and overhauls. The testing is conducted to ensure no one on site poses an unacceptable safety risk to themselves or others.

CS Energy increased the frequency of AOD testing during the year and used testing equipment with a capability to test for a wider range of illicit substances in a shorter time period. Thirteen positive test results were recorded in 2015/16 compared to four in the previous year. This is a concerning trend and consistent with media reports about increased drug use in Australia’s energy and resources sector.

CS Energy is considering additional opportunities in the coming year to reduce the risk posed by workers being unfit for duty, including procedural reviews, health and lifestyle education, linking in with community awareness programs and pre-employment and clearance screening before commencement on site.

Supporting mental health and wellbeing

CS Energy partnered with Mates in Construction in 2015/16 to provide general awareness training to employees on mental health and suicide prevention. Mates in Construction is a not for profit organisation that raises awareness of the importance of emotional wellbeing and links people in need with established employer and community services. The program was introduced as an adjunct to CS Energy’s Employee Assistance Program, which offers free counselling for all employees.

More than 311 CS Energy employees attended Mates in Construction information sessions, with 51 completing additional training about how to connect people to high quality help if required. Our aim is to become an accredited Mates in Construction organisation, with all four sites meeting the requirements of accreditation. In June 2016, Wivenhoe Power Station had completed its accreditation and Brisbane, Kogan Creek and Callide will achieve this status by early 2017.

CS Energy sites safety performance

Callide Power Station	2011/12	2012/13	2013/14	2014/15	2015/16
Lost Time Injuries	6	3	5	1	1
Lost Time Injury Frequency Rate	6.10	2.88	5.88	1.39	1.15
Total Case Recordable Frequency Rate	11.19	3.85	10.58	1.39	4.62
Wivenhoe Power Station	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Lost Time Injuries	0	1	1	1	1
Lost Time Injury Frequency Rate	0	14.87	16.46	17.80	15.63
Total Case Recordable Frequency Rate	24.86	14.87	32.92	17.80	15.63
Kogan Creek Power Station	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Lost Time Injuries	2	0	0	3	0
Lost Time Injury Frequency Rate	4.23	0	0	11.64	0
Total Case Recordable Frequency Rate	14.80	8.25	3.19	15.53	1.92
Brisbane Office	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Lost Time Injuries	0	0	0	0	0
Lost Time Injury Frequency Rate	0	0	0	0	0
Total Case Recordable Frequency Rate	0	0	0	0	0

Monitored site safety performance

CS Energy actively monitors the safety performance of the Kogan Creek Mine, which it owns but does not operate. CS Energy can influence, but cannot set, health and safety standards for this site 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	2015/16
Lost Time Injuries	1	0	0	1	0
Lost Time Injury Frequency Rate	5.62	0	0	6.35	0
Total Case Recordable Frequency Rate	5.62	5.90	0	6.35	7.63

› CS Energy's Total Case Recordable Frequency Rate of 3.51 was **a 26 percent reduction on the previous year**

People

Production Control Office Lead Alan Howieson in the Permit to Work Office during the Kogan Creek Major Overhaul.

In 2015/16 CS Energy continued its journey towards a constructive culture and introduced new employee attraction and retention initiatives.

CS Energy employs 450 people across three power station sites and the Brisbane Office (437.8 full time equivalents). Our people work across a range of occupations including technical, trades, professional and administrative roles.

In 2015/16, we continued to build a high performance, constructive culture where our people understand their contribution to CS Energy's future sustainability and success.

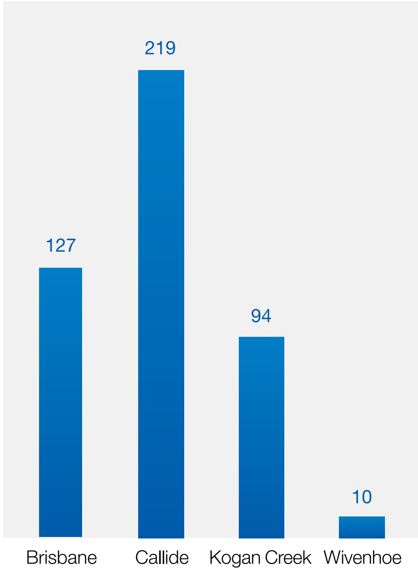
Positioning our workforce for the future

A number of strategic workforce initiatives were implemented in 2015/16 to attract, identify, engage and retain a high performing workforce. These included inclusion and diversity, flexible working arrangements, talent management and succession planning, and transition to retirement initiatives.

CS Energy's future success as a business depends on how well we leverage the full potential of all employees and harness the strength of their diverse capabilities and experience. An Inclusion and Diversity Initiative commenced in December 2015 with independent research into employees' views on inclusion and diversity at CS Energy. Insights from this research were incorporated into a Board approved Inclusion and Diversity Policy and a Flexible Working Arrangements Procedure. Work will continue in this area in 2016/17, when CS Energy implements its first annual Inclusion and Diversity Plan, which will have clear success indicators to enable effective measurement and reporting.

Talent management and succession planning are essential for 'future-proofing' a business and demonstrating career pathways. Building upon the Leadership Performance Standards introduced in 2013/14, CS Energy introduced a new talent management and succession planning process in 2015/16, which evaluates leaders on both their current performance and future potential. This enabled us to assess the health of our leadership pipeline, identify potential leaders and develop people into leadership roles.

Workforce headcount by site



Australia has an ageing population and this is reflected in the demographics of our workforce. As of 30 June 2016, 36 employees were aged over 60, which equates to eight percent of our workforce. CS Energy developed a Transition to Retirement process during the year to assist employees of retirement age to plan their retirement and leave CS Energy in a manner that benefits them and the business. A draft Transition to Retirement Procedure was circulated to employees for feedback and the final document was released in May 2016, for introduction from 1 July 2016. Our process will enable employees to prepare themselves for ceasing employment, and CS Energy to ensure the employees' valuable corporate knowledge is shared internally before they retire.

People metrics

Performance	2011/12	2012/13	2013/14	2014/15	2015/16
Employee numbers (FTE)	491	454	414	392	437
Employee retention (%)	89.9	91.9	91.0	89	91.4
Apprentices and trainees	27	31	12	21	24

› Since 2013/14, CS Energy has been building a **high performance, constructive culture**

Building culture and capability

Since 2013/14, CS Energy has been building a high performance, constructive culture, based on the Human Synergistics cultural model. Organisations with a constructive culture achieve sustainable business performance and higher employee satisfaction over time.

In 2015/16, CS Energy invested significant time and resources in debriefing teams about the results of an internal cultural climate survey conducted in 2014/15. The survey results indicated that CS Energy is progressing towards a constructive culture, with improvement needed in some areas. The team debrief sessions involved managers helping their teams to understand their results and developing action plans for improving the working climate within their teams. A full Climate and Culture survey is planned for 2017.

At CS Energy, we believe that leadership capability forms the foundation for our ability to achieve sustainable business success. CS Energy continued its multi-faceted leadership development program in 2015/16, by running workshops for managing and leading people in a constructive way and managing change. Quarterly leadership forums were held to increase capability in areas such as financial management, environmental responsibilities and managing risk.

Supporting our people

For quite some time, CS Energy's leave provisions have enabled employees to take special leave with pay for urgent domestic circumstances. This has provided support for employees facing difficult personal situations, including domestic and family violence.

During the year, we updated our leave provisions to create a specific procedure for domestic and family violence leave. The new procedure provides employees experiencing domestic and/or family violence with a minimum of 10 days special leave with pay per annum. The introduction of the procedure followed the Queensland Government's introduction of domestic and family violence leave for its employees, as well as a number of private sector employers introducing their own domestic violence policies.

Skilling apprentices and trainees

CS Energy provides apprentice and trainee opportunities, primarily at its Callide Power Station. Callide Power Station has had a longstanding partnership with Gladstone Area Group Apprentices Limited (GAGAL) to provide the station with quality candidates to fill apprenticeship and trainee roles. CS Energy also provides apprenticeship and trainee opportunities for existing employees wishing to expand their skills.

The Callide apprenticeship scheme has proven to provide a healthy flow of talent into the business and retaining these employees helps us to continue to build capability at our regional and remote locations. For example, Electrical and Instrumentation Apprentice Matthew Russell, who completed his training at Callide and won GAGAL's apprentice of the year award in January 2016, is now permanently employed at the power station.

CS Energy is investigating its broader skills requirements and how best to manage our apprenticeship and trainee program to replicate the success at Callide company-wide.

Industrial relations

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 of each site. 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.

The Fair Work Commission approved the new Callide Power Station Enterprise Agreement on 20 January 2016. A total of 144 Callide employees voted on the new agreement in December 2015, with 98 percent of employees voting in favour of the new agreement.

Bargaining was carried out during the year for the Wivenhoe Power Station and Brisbane Office enterprise agreements, following the expiration of both agreements early in 2015/16. A Wivenhoe employee vote in June 2016 was unanimous in favour of the proposed new Wivenhoe Enterprise Agreement and the Agreement was submitted to the Fair Work Commission for approval in the same month. CS Energy and unions reached in principle agreement for a new Brisbane Corporate Office Enterprise Agreement on 30 June 2016. In 2016/17, CS Energy will progress the Agreement to an employee vote, submission to the Queensland Government and approval by the Fair Work Commission.


Group Manager Procurement and Contract Management Rhonda McSweeney (centre) with team members (from left) Dudley McCutcheon, Liz Nand, Colin Clark and Andres Arroyo.

› Case Study: Integrating inclusion and diversity into the business

Like many other businesses in Australia, CS Energy has stepped up to the challenge of creating a more diverse and inclusive working environment. Inclusion and diversity are fundamental to Equal Employment Opportunity in the workplace and can be key drivers of cultural change and a business' ability to achieve its goals.

In recent years, organisational inclusion and diversity programs have expanded beyond respecting race, culture, gender, age and sexual orientation to also embrace difference in many other forms – background, perspectives, skills and experience. This fosters fresh thinking and innovation.

But there is no 'one size fits all' when it comes to business inclusion and diversity initiatives. With this in mind, CS Energy began its inclusion and diversity initiative in 2015/16 with research into employees' attitudes on inclusion and diversity, how CS Energy was performing in this area and where we aspired to be.

"We knew that to evolve our business we needed to involve our people," Head of Human Resources Kim Best said.

Fifty five percent of CS Energy's workforce responded to an online survey and more than 50 employees participated in focus groups.

"The common themes which emerged from the research included increasing collaboration, providing flexibility and respecting difference," Ms Best said.

The research findings were used to develop an Inclusion and Diversity Policy, which was approved by the CS Energy Board and launched to the organisation in May 2016. Next was a Flexible Working Arrangements Procedure, which came into effect on 1 July 2016, with more inclusion and diversity initiatives to follow in 2016/17.

Environment

CS Energy's Wivenhoe Power Station generates electricity by recycling water between an upper and lower reservoir, making it a highly water efficient plant.

CS Energy strengthened its environmental framework in 2015/16, as part of our commitment to responsible environmental management.

CS Energy manages its business to ensure that we comply with our environmental obligations and maintain our social licence in the communities in which we operate. We closely monitor the inputs and outputs of the electricity generation process at all of our sites to ensure compliance with relevant Queensland and Australian environmental legislation.

Revised Environmental Policy provides greater clarity

In December 2015, CS Energy's Board approved updates to the company's Environment Policy, which outlines our commitment to environmental responsibility, compliance and improving performance. The updated policy provides greater clarity about environmental responsibilities across the business, from the Board and senior leaders, to site management, employees and contractors. The policy has clear linkages with CS Energy's Code of Conduct and empowers all employees and contractors to report any environmental incident or concern to their supervisor.

A key tool for ensuring CS Energy meets its environmental responsibilities, as set out in the Environment Policy, is our Environmental Management System (EMS). The EMS assists in monitoring environmental performance and integrating environmental management into daily operations, long-term planning and risk management systems.

All of CS Energy's power stations and the Brisbane Office operate within the EMS. In May 2016, CS Energy's EMS was re-certified by an independent external auditor as meeting the requirements of the international standard for environmental management systems – ISO 14001:2004.

Monitoring our environmental impact

As part of our EMS, CS Energy has environmental monitoring and measurement schedules in place at each power station, providing data to ensure compliance limits are met and that any exceedances are reported to regulatory authorities.

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. During 2015/16, CS Energy had no Significant Environmental Incidents.

No environmental complaints were received about CS Energy's operations during the year. Three incidents reported to the Department of Environment and Heritage Protection (DEHP) in 2015/16 are summarised in the table on page 32.

Reporting our emissions

CS Energy reports its greenhouse emissions, energy consumption and energy production to the Australian Government on an annual basis under the National Greenhouse and Energy Reporting (NGER) Scheme. CS Energy's total greenhouse emissions decreased in line with the one percent decrease in the company's electricity generation during the year.

The greenhouse gas emission intensity of CS Energy's portfolio slightly increased in 2015/16 to reach 955 kilograms of carbon dioxide equivalent per megawatt hour of electricity sent out (kgCO_2-e/MWhso), compared to 951 the year before. The increase was due to lower generation output from the Kogan Creek Power Station, which has the lowest greenhouse gas emission intensity in CS Energy's portfolio. 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 to the Department of Environment and Heritage Protection on a range of parameters including the oxides of nitrogen (NOx) and sulphur (SOx) that is emitted from our power stations. 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 percent 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 2015/16, CS Energy supplied 97 kilotonnes (kt) of ash for reuse.

At Callide Power Station, CS Energy continued water management measures initiated in the previous year to reduce the water level in Callide Ash Dam B. The measures were required after significant rainfall from Tropical Cyclone Marcia in February 2015 resulted in the Callide Ash Dam B rising above its Mandatory Reporting Level (MRL). Control measures, such as a portable Reverse Osmosis water treatment plant, reduced the water level in the ash dam to well below the spillway level and below the MRL.

› During 2015/16, CS Energy had **no Significant Environmental Incidents**

Inputs and outputs (CS Energy owned portfolio)

Performance	2011/12	2012/13	2013/14	2014/15	2015/16
Significant environmental incidents	0	0	0	0	0
Greenhouse gas emissions intensity ($kgCO_2$-e/MWhso)[1]	952	936	949	951[2]	955
Greenhouse gas equivalent produced ($MtCO_2$-e)[1]	9.8	10.2	8.4	10.6	10.5
Coal used as fuel (kt)	5,557	5,820	4,789	6,021	5,951
Ash produced (kt)	1,385	1,415	1,194	1,464	1,474
Ash sold (kt)	67	90	44	96	97
Water consumption (ML)[3]	12,616	12,461	9,361	12,723	14,321

1. NGER Scope 1 emissions only.

2. Number revised to align with finalised data reported to the Clean Energy Regulator in October 2015.

3. 2011/12–2014/15 numbers revised following discovery of errors in previous years' calculations.

Environmental incidents reported to DEHP in 2015/16

Site	Date	Comments
Callide Power Station	January 2016	A review of monitoring data for the Callide Ash Dam 2 Release Point identified two omissions in carrying out flow rate monitoring, and that some releases were marginally above the upper pH licence limit. In response, the scheduling of monitoring was improved and algal clean-out reduced pH levels. DEHP have investigated and closed the matter without further action.
	February 2016	A very small quantity of ash slurry water was released to the Northern Stormwater Diversion Channel associated with the Callide Waste Containment Facility. In response, the ash was cleaned up and containment systems improved. DEHP issued a warning letter over the matter.
Kogan Creek Power Station	April 2016	Two minor chimney particulate emission exceedance events occurred while the unit was running down in load prior to an overhaul. While the licence limit does not strictly apply during such times of abnormal operation, DEHP were notified and also updated on preparations for the overhaul. DEHP have taken no action over the matter.

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 its operations by measuring total consumption. In 2015/16, the total water consumption was 14,321 megalitres (ML) compared with 12,723 ML in 2014/15. The increase was primarily due to higher generation output from the Callide Power Station, which uses more water than our other sites.

CS Energy's most water efficient plants are the dry-cooled Kogan Creek Power Station, which uses 95 percent 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 us to measure ambient dust levels to monitor the effectiveness of fugitive dust controls implemented at these sites.

Environment Specialist Sam Harabasz carries out water sampling at Kogan Creek.

› Case Study: Environmental management system meets international standard

In 2015/16, CS Energy underwent the rigorous external audit process for having its EMS re-certified to the international standard ISO 14001:2004.

Participation in the ISO 14001 certification process is voluntary and CS Energy has a proud record of our EMS being certified since 2000. CS Energy devotes time and resources to maintaining its EMS to this standard because it demonstrates to the company's stakeholders our commitment to environmental risk management and compliance.

ISO 14001 is the internationally accepted standard for effective environmental management. It sets out how a company can put in place an EMS that identifies current and future environmental risks and impacts, and actions for managing these risks.

CS Energy Head of Environment Roger Hartigan said the re-certification process included a comprehensive two-stage audit by internationally-accredited auditing company BSI Group ANZ Pty Limited.

Between December 2015 and March 2016, BSI completed 10 days of auditing at CS Energy sites. All components of the EMS were covered during the audit including identification of environmental impacts, objectives and targets; operational and emergency procedures, responsibilities and reporting structures; and the focus on continual improvement.

"For CS Energy, the types of environmental impacts we manage range from air emissions and water discharges to ash disposal, and it is important that the power plant equipment associated with these risks is properly maintained and operated," Mr Hartigan said.

"The auditors gave us some positive feedback relating to our internal audit processes and the ongoing enhancements to our risk and compliance systems, as well as suggestions for areas where we could improve."

bsi. ISO 14001 Environmental Management

EMS 603811

Community

More than half of CS Energy's employees live in the communities that host our operations, including Callide Power Station Operator Ian Swift.

CS Energy reinvigorated its community relations programs in 2015/16 to support the company's busy overhaul program and strengthen local relationships.

CS Energy strives to be recognised and trusted as a socially responsible business. We understand that our 'licence to operate' relies on us building and maintaining good relationships in the regional communities where we operate and where more than half of our employees live. We do this by building open and active lines of communication within our local communities – the towns of Biloela, Chinchilla and Fernvale, as well as their surrounding areas.

Informing the community about our operations

CS Energy provided proactive information to local communities to support our busy overhaul program in 2015/16. Overhauls typically bring hundreds of short-term contractors to our sites to carry out the maintenance and upgrades to power station equipment. These extra workers bring flow-on benefits to the local communities surrounding CS Energy's power stations, particularly for accommodation, hospitality and retail services.

As our operations are adjacent to rural residential properties, we ensured our neighbours were aware of the additional activity and workforce numbers during the overhauls. We also communicated with other important local stakeholders such as community groups, elected representatives and emergency services.

Sponsorship, grants and donations

CS Energy re-established its social investment program during the year, in response to the company's improved financial performance in 2014/15. CS Energy allocated a modest budget to social investment, which we strived to invest with efficiency and integrity, in line with our values.

When making social investment decisions, we place a strong emphasis on contributing to social and economic wellbeing in the communities that host our operations. At Biloela, CS Energy sponsored the Callide Valley Show and provided a small donation to the Biloela Christmas Festival. Our Callide Power Station employees raised more than $3,000 for the Leukaemia Foundation's Shave for a Cure and donated cash and goods to Anglicare's 2015 Adopt a Family Christmas Appeal.

In May 2016, a fundraising barbecue held for workers during the major overhaul of Kogan Creek Power Station raised $6,000 for LifeFlight (formerly RACQ CareFlight Rescue). The funds raised comprised $1,200 donated by the overhaul workforce, with CS Energy and the three major overhaul contractors MHPS Plant Services, Siemens and Australian Laboratory Services each providing matching donations of $1,200 each.

CS Energy established a $5,000 annual QUT scholarship to support promising but financially disadvantaged students undertaking studies in an undergraduate Bachelor Degree in engineering or science relevant to the power generation industry. The scholarship will be awarded through QUT's Learning Potential Fund, a perpetual endowment striving to bring opportunity to those who might otherwise not have the chance to pursue a university education. The university matches donations to the fund dollar-for-dollar.

› **CS Energy employees donated more than $16,000** to our workplace giving charities in 2015/16

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 11 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 2015/16, seven local community groups began spending funds received from the Trust the year before. The groups shared in $55,000 in funding, enabling work to begin on projects such as the Kogan Fire Station extension, a power upgrade of the Chinchilla Polocrosse Grounds and a canteen upgrade at the Brigalow Recreation Grounds. Applications for the next round of the Trust will open in 2016/17.

Workplace Giving program

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 $365,000 for our charity partners. In 2015/16, CS Energy employees donated $16,650 to the charities.

Corporate Governance Report

Governance, Risk and Compliance Group Manager Kirrily Hawker (centre) discusses plant risk management with Electrical Services Engineering Manager Charles Tema and Senior Governance, Risk and Compliance Advisor Lara Kayess.

CS Energy reports against the eight Principles of Good Corporate Governance issued by the ASX.

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 2016, CS Energy's shareholding Ministers were:

- The Hon. Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport.
- The Hon. Mark Bailey MP, Minister for Main Roads, Road Safety and Ports, and Minister for Energy, Biofuels 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 2016, the Board comprised five independent, non-executive Directors. Please refer to the Directors' Report on page 46 for profiles of CS Energy's Directors in 2015/16.

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

Three 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
- Audit and Risk Committee, and
- Innovation and Sustainability 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.

Innovation and Sustainability Committee

The Innovation and Sustainability Committee is a new Board committee that was established in 2015/16 to assess technology and trends that support CS Energy's business strategy and the long-term success of the company. The Committee's primary role is to understand the factors that may impact the long-term sustainability of CS Energy and explore new business opportunities.

Please refer to the table on page 38 for information on directors' attendance at Board and Committee meetings in 2015/16.

Composition of Board Committees as at 30 June 2016

Director	Audit and Risk Committee	People, Safety and Environment Committee	Innovation and Sustainability Committee
Jim Soorley		✓	✓ (Chair)
Brian Green	✓	✓	✓
Julie-Anne Schafer	✓	✓	
Toni Thornton	✓ (Chair)		✓
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.

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. Please refer to page 42 of this report for profiles of CS Energy's 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 2014/15 performance targets. More information on performance and remuneration of CS Energy employees, Executives and the Board can be found under Principles 8, on page 41 and in the Financial Statements.

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. Please refer to the Directors' Report on page 46 for profiles of CS Energy's directors in 2015/16.

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. No Board evaluation was conducted in 2015/16 as three new directors were appointed to the Board during the year. The last Board evaluation occurred in December 2014.

Principle 3: Promote ethical and responsible decision making

CS Energy is committed to conducting all business activities with integrity, honesty and in compliance with relevant laws and standards. Our key governance policies to promote ethical and responsible decision making include 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 Code of Conduct applies to CS Energy's Board of Directors, management and employees as well as contractors and consultants, and visitors to CS Energy sites.

The 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.

Board and Committee meeting attendance

	Board		People, Safety & Environment Committee		Audit & Risk Committee		Innovation and Sustainability Committee	
Name	Meetings held while a director	Number attended	Meetings held while a director	Number attended	Meetings held while a director	Number attended	Meetings held while a director	Number attended
Jim Soorley	9	9	3	3	–	–	3	3
Ross Rolfe[1]	4	4	1	1	–	–	–	–
Brian Green	13	13	4	4	3	3	3	3
Shane O'Kane[1]	4	4	–	–	3	3	–	–
John Pegler[1]	4	3	–	–	3	3	–	–
Julie-Anne Schafer	9	8	3	3	3	3	–	–
Toni Thornton	9	9	–	–	3	3	3	3
Mark Williamson	13	11	4	4	6	4	3	3

1. Directorship ceased on 30 September 2015

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 four key documents to ensure that our shareholding Ministers are regularly and appropriately informed about 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.
- Quarterly Reports on progress against the performance targets and measures in the SCI.
- An Annual Report on performance for each financial year, which meets the requirements of section 120 of the GOC Act and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

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

Statement of Corporate Intent

Under the GOC Act, CS Energy is required to prepare an SCI each financial year. The SCI is a 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.

CS Energy's performance against its 2015/16 SCI targets is summarised on page 6 of this report.

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.

There were no directions or notifications received during the reporting period.

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.

Management reports to the Board, through the ARC, on the effectiveness of CS Energy's management of its material business risks.

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 Officer. 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 20 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.

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 more than 30 years, Martin has held senior executive roles in sales and marketing, finance, strategy, and IT. He has a reputation as an exceptional leader, and is renowned for his ability to drive successful commercial outcomes.

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

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

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

Martin holds an Executive MBA from the QUT Graduate School of Business, and is a graduate of Harvard Business School's Advanced Management Program. He is currently a director on the Board of the Australian Energy Council.

Darren Busine
Chief Financial Officer

BEc FCPA SFFin GAIC

Darren Busine has more than 25 years experience in senior finance roles in the energy and banking sectors. Darren joined CS Energy in May 2016 as Chief Financial Officer and is responsible for the Finance, Business Systems and Energy and Financial Risk teams.

Most recently, Darren was CFO at QEnergy, an energy retailer based in Queensland but targeting the small to medium size business market across the eastern seaboard of Australia.

Prior to this, Darren was the CFO of Energex from 2007 to 2014. During this time he led the finance, legal, company secretariat, and risk and governance teams. Joining Energex after the sale of their retail operations, Darren played a key role in the transformation of the Energex business, including implementing significant improvements to financial management and reporting.

From 2000 to 2007 Darren was with Ergon Energy, initially as Group Finance Manager and then CFO from 2006. He was responsible for integrating the finance functions of newly merged distribution entities. He also undertook improvement roles, including the setup of joint venture operations for billing and IT services with Energex.

Prior to his experience in the energy industry, Darren spent 10 years with Suncorp. Initially with Metway Bank, he undertook financial and commercial roles and took a key role in the integration of the finance functions following the merger of Suncorp, QIDC and Metway Bank.

Andrew Varvari
Acting Executive General Manager People & Safety

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

Andrew Varvari is an experienced energy and resources executive with 15 years in the industry, and more than 10 in executive roles. Andrew joined CS Energy in 2012 and is currently Acting Executive General Manager People & Safety. In this role he leads the health and safety, environment, human resources, industrial relations and organisational development functions at CS Energy.

Andrew previously served as Acting Chief Financial Officer for five months until the appointment of Darren Busine to the CFO role in May 2016. Andrew's substantive position is Executive General Counsel and Company Secretary, where he leads the legal, governance, risk, compliance and assurance functions at CS Energy.

Prior to joining CS Energy, Andrew led 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, he played a key role in the development of QGC's upstream and midstream businesses. This included the integration of the existing Queensland Gas Company and BG Australia businesses following the 2008 takeover of QGC by BG Group plc, and the development and construction of BG Group's $20 billion Queensland Curtis LNG project.

Andrew's previous experience includes five years in legal and executive roles at Stanwell Corporation and, before that, private legal practice for seven years.

Mark Moran

Executive General Manager Operations

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

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

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

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

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

David Warman

Acting Executive General Manager Energy Markets

B Agricultural Economics

David Warman is responsible for driving CS Energy's revenue strategy through the management of teams that are accountable for the dispatch of the company's generation portfolio in the NEM, development and execution of wholesale and retail electricity market contracting strategies, energy market analysis and regulation.

Before he stepped into the role of Acting Executive General Manager Energy Markets, David was the Group Manager Sales & Marketing. This role saw David draw on his extensive electricity market experience to execute CS Energy's market revenue strategy by developing and implementing the company's contracting strategy.

David 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 Queensland's major electricity companies including 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.

His previous roles include Retail Trading Manager for Stanwell, Sales Strategy and Analysis Manager for Origin Energy/Sun Retail and Corporate Operations Manager for Ergon Energy. David's application of his technical knowledge and expertise, coupled with a focus on building constructive relationships, has seen him make a significant contribution to CS Energy's development and implementation of competitive market strategies.

Owen Sela

Executive General Manager Strategy & Commercial

B.IT (S'ware Eng)

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

Owen joined CS Energy in 2014. He 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, Owen 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. Owen 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

Emma Roberts

Acting Executive General Counsel & Company Secretary

LLB (Hons), B.AppSci

Emma Roberts has been Acting Executive General Counsel and Company Secretary since January 2016. In this role she leads CS Energy's legal, governance, risk, compliance and assurance functions.

Emma's substantive position is CS Energy Senior Legal Counsel, where she has provided legal advice on a range of CS Energy's business activities since 2012.

Prior to joining CS Energy, Emma was a senior associate at McCullough Robertson Lawyers where she worked for eight years, specialising in corporate advisory, capital raising and intellectual property.

In addition to her legal qualifications, Emma holds a Bachelor of Science, with a major in ecology.

Former Executive Leadership Team profiles

Tom Wiltshire
Executive General Manager People & Safety

(Until June 2016)

Tom Wiltshire led the health and safety, environment, human resources, industrial relations and organisational development functions at CS Energy. Tom 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.

Tom has a strong track record in leading safety, environment and human resources teams in challenging and geographically diverse environments in the rail, electricity, aged care and consulting sectors.

Prior to moving into rail, he 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.

Scott Turner
Acting Chief Financial Officer

B.Bus (Accounting), CPA

(Until January 2016)

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

Scott 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, Scott was responsible for the development and implementation of the various companies' National Electricity Market contracts strategies, commercial agreements and management, plant dispatch and regulatory positioning.

Prior to joining CS Energy, Scott held the role of Commercial Manager Clean Energy for Energy Developments. 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.

Financial report

for the year ended 30 June 2016

CS ENERGY LIMITED

Directors' report

for the year ended 30 June 2016

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 2016.

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:

Jim Soorley

Non-Executive Chairman since 1 October 2015

MA, BA

Jim Soorley was the Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of $1.6 billion and a workforce of 7,000. Jim lists his greatest achievement as Lord Mayor as transforming Brisbane from a city with a 'country town' mentality into a vibrant urban metropolis, without compromising its livability.

Since leaving the Mayoralty, Jim has worked as a consultant for government and business across a range of issues relating to sustainable development, partnerships between government and corporations, and environmental initiatives.

Jim is currently Chair of Unitywater, a business that provides water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers.

Brian Green

Non-Executive Director since 23 August 2012

B.Bus (Mgt), Dip Eng (Elec), M.A.I.C.D.

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.

Brian 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, Brian was employed by NRG Energy, an American-owned energy company, as General Manager of Operations for its power generation assets in Australia.

Julie-Anne Schafer

Non-Executive Director since 1 October 2015

L.L.B (Hons), FAICD

Julie-Anne Schafer is an accomplished company director with experience in diverse and highly regulated sectors, including financial services, transport, member services and health. She has ASX, unlisted public company, government and advisory board experience.

Julie-Anne is the President of the National Competition Council.

Her current non-executive directorships include AV Super, Catholic Church Insurance Limited, Aviation Australia Pty Ltd, and Collection House Limited. She was previously Chair of RACQ and RACQ Insurance, a non-executive director of Queensland Rail, and was a National Transport Commissioner.

Julie-Anne holds an honours degree in law and was a partner in two Queensland legal professional services firms. She is a Fellow of the Australian Institute of Company Directors and facilitates in risk and strategy. Julie-Anne is also a former Queensland Telstra Business Woman's award winner.

Toni Thornton

Non-Executive Director since 2 October 2015

BA PolSci Ec, GradCert AppFin, ADA1, FAIM

Toni Thornton is a successful businesswoman who has worked in corporate finance agencies for more than 15 years. Toni brings a strategic commercial focus to the CS Energy Board, having previously held senior positions with both JBWere and Goldman Sachs JBWere. Toni has over eight years experience in audit at board level and is the chair of CS Energy's Audit and Risk Committee. Her current directorships include Devcorp, Habitat Early Learning and the Gallipoli Medical Research Foundation. Toni was previously a Board member of South Bank Corporation and chair of the strategic advisory group to the RSL Queensland.

Toni is a responsible executive with the ASX, holds derivative and RG146 accreditation, and is a licensed Real Estate Agent. She has also completed an Accelerated Executive Management program through AGSM MBA (The Australian School of Business), the Goldman Sachs JBWere Non-Profit Leadership Program and the Goldman Sachs Executive Director Leadership Program. Toni is a Fellow of the Australian Institute of Management, and has significant leadership experience with not-for-profit organisations, advising a number of significant Queensland hospital groups and other well known not-for-profit groups.

Mark Williamson

Non-Executive Director since 1 July 2011

M.A.I.C.D

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

Mark is currently the Chair of Energy Super, Deputy Chair of ESIS (Q), a Managing Director of Transmax Pty Ltd, and holds a membership with the Australian Institute of Company Directors.

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

CS ENERGY LIMITED
Directors' report
for the year ended 30 June 2016

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	
	2016 $'000	2015 $'000
Profit/(Loss) after income tax	(23,011)	124,151

Dividends – CS Energy Limited

Dividend declared in respect to the current financial year is $13,830,731.

Review of operations

Health and safety

CS Energy improved its safety performance in 2015/16 demonstrated by a reduction in our Total Case Recordable Frequency Rate (TCRFR) from 4.75 in 2014/15 to 3.51 in 2015/16; however this was still above our target TCRFR of less than three.

The continued development of our safety culture focused on behavioral safety through ongoing coaching of line leadership to develop skills such as safety interactions, increased incident reporting, risk assessments for work, incident investigation, root cause analysis and improved overhaul safety management.

Market performance

In 2015/16, 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 transform with the commissioning of the Liquefied Natural Gas (LNG) projects, changes in the regulatory landscape 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 record maximum electricity demand during summer; and the completion of the four of six LNG trains at Gladstone in Central Queensland with the fifth commissioned late in the year.

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 2015/16, CS Energy's portfolio generation was 9.5% above budget. This played a significant role in our improved market performance and the resulting positive underlying financial outcomes. This increase in generation was achieved largely as a result of 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 specification in terms of quality.

CS Energy again adopted an asset management strategy that focused on maximising availability during high demand periods, increasing the flexibility of our assets and maintained rigorous assessment of capital investment proposals. A number of overhauls have been delivered at all three sites with the Kogan Creek Major Overhaul in April, including high pressure turbine replacement, being the critical focus for the capital program. The successful delivery of this program is critical to the reliability and capability of the plant over the coming two to three years which will drive CS Energy's financial success.

Impairment

During 2016, the group recognised impairments of $72.5 million. The charge principally relates to impairment of property, plant and equipment in respect to the Solar Boost project. The decision not to complete the project was made due to a number of technical and contractual difficulties encountered during construction and the resultant negative impact on the project's commercial prospects.

Following this decision, the group has been preparing a detailed plan to decommission the site and salvage plant and equipment in the most value accretive way for the business. Preliminary discussions have also been held with potential partners who expressed interest in using the site. Revenue Grant funding received from the Queensland Government and the Australian Renewable Energy Agency in respect to the Solar Boost project has also been recognised as other income during the period.

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) was 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. The mechanism started on 1 July 2016.

The mechanism includes a special option for electricity generation. Under this option, if the annual emissions reported by grid connected generators exceeds 198MtCO_2-e, from the second year awards individual facility baselines will apply, with the baseline for each facility being the maximum reported emissions, updated for 2015 global warming potentials, under the NGERs Act over 2009/10 to 2013/14. The earliest a baseline can apply to each of CS Energy's facilities is 2018/19 and it is possible that no facility baseline will apply for the period to 2020.

CS ENERGY LIMITED

Directors' report

for the year ended 30 June 2016

In the longer term it is likely the Safeguard Mechanism will be amended, with legislative amendments made in the current parliamentary term and commencing 2020/21. Amendments are expected to reflect Australia's commitment to reduce emissions by 2030.

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 licenses.

During the year, three environmental matters were reported by CS Energy to the Department of Environment and Heritage Protection (DEHP) and DEHP were satisfied with the actions taken by CS Energy. Further details of these environmental matters are provided in the Environment section of the Annual Report.

There are no known environmental enforcement actions pending against the consolidated group.

Further information on the consolidated group's environmental performance can be found in the 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 also 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 also 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 also 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 97.

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 ASIC Corporations (Rounding in Financial/Directors') Instrument 2016/191, 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 Instrument, unless otherwise indicated.

CS ENERGY LIMITED

Directors' report

for the year ended 30 June 2016

Directors' meetings

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Audit & Risk Committee	
Name	Meetings held while a Director	Number attended	Meetings held while a Director	Number attended
Jim Soorley	9	9	0	0
Ross Rolfe [1]	4	4	0	0
Brian Green	13	13	3	3
Shane O' Kane [1]	4	4	3	3
John Pegler [1]	4	3	3	3
Julie-Anne Schafer	9	8	3	3
Toni Thornton	9	9	3	3
Mark Williamson	13	11	6	4

(1) Directorship ceased on 30 September 2015.

Matters subsequent to the end of the financial year

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

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

James Gerard Soorley
Chairman
28 August 2016

Antonia Thornton
Director
28 August 2016

CS ENERGY LIMITED

Statements of Profit or Loss

for the year ended 30 June 2016

		Consolidated		Parent	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Sales of electricity		582,818	518,347	196,168	104,767
Operation and maintenance services		23,026	48,640	42,868	82,566
Other income		32,929	9,339	13,093	3,560
Fuel and carbon		(133,223)	(116,435)	(89,548)	(75,043)
Services and consultants		(91,540)	(106,165)	(52,619)	(82,765)
Finance costs	2	(86,761)	(112,599)	(83,824)	(109,805)
Employee benefit expense	2	(78,449)	(77,912)	(63,508)	(63,266)
Raw materials and consumables		(37,798)	(41,923)	(24,983)	(27,395)
Operating leases		(39,177)	(38,985)	(39,171)	(38,675)
Other expenses	2	(34,923)	(40,171)	(26,091)	(62,736)
Fair value through profit / (loss)		(8,284)	(8,908)	(8,284)	(8,908)
Depreciation and amortisation	14	(102,789)	(106,717)	(38,357)	(31,396)
Asset impairment	14	(72,466)	-	(2,441)	-
Onerous contract - re-measurement		18,500	250,943	18,500	250,943
Dividends received		-	-	56,664	80,361
Impairment reversal of loans to related parties		-	-	-	80,929
Profit/(Loss) before income tax		**(28,137)**	**177,454**	**(101,533)**	**103,137**
Income tax (expense)/benefit	17	5,126	(53,303)	47,430	5,996
Profit/(Loss) for the year		**(23,011)**	**124,151**	**(54,103)**	**109,133**

CS ENERGY LIMITED

Statements of Other Comprehensive Income

for the year ended 30 June 2016

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit/(Loss) for the year	**(23,011)**	**124,151**	**(54,103)**	**109,133**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	(73,001)	(40,660)	(73,001)	(40,660)
Items that will not be reclassified to profit or loss				
Actuarial gain/(loss) defined benefit plan, net of tax	648	7,515	648	7,515
Other comprehensive income for the year, net of tax	**(72,353)**	**(33,145)**	**(72,353)**	**(33,145)**
Total comprehensive income for the year	**(95,364)**	**91,006**	**(126,456)**	**75,988**
Total comprehensive income for the year is attributable to: Owners of CS Energy Limited	(95,364)	91,006	(126,456)	75,988

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

CS ENERGY LIMITED

Statements of Financial Position

as at 30 June 2016

		Consolidated		Parent	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets					
Current assets					
Cash and cash equivalents	3	47,537	28,938	40,666	12,001
Loans and receivables	5	124,059	83,760	85,594	64,314
Inventories	12	87,523	83,801	35,792	44,064
Derivative financial instruments	6	21,677	19,701	21,677	19,701
Total current assets		**280,796**	**216,200**	**183,729**	**140,080**
Non-current assets					
Derivative financial instruments	6	3,235	9,539	3,235	9,539
Property, plant and equipment	14	1,373,149	1,389,934	267,196	236,250
Deferred tax assets	17	315,260	273,854	287,396	239,526
Retirement benefit assets	13	19,361	19,849	19,361	19,849
Equity accounted investments		1	1	-	-
Investment in subsidiaries	25	-	-	51,815	51,815
Other receivables	5	5,887	10,265	5,887	10,265
Loans to related parties	5	-	-	821,777	889,677
Total non-current assets		**1,716,893**	**1,703,442**	**1,456,667**	**1,456,921**
Total assets		**1,997,689**	**1,919,642**	**1,640,396**	**1,597,001**
Liabilities					
Current liabilities					
Trade and other payables	7	140,297	80,110	94,221	62,958
Provisions	16	54,786	43,979	51,037	41,121
Derivative financial instruments	6	151,798	47,451	151,798	47,451
Total current liabilities		**346,881**	**171,540**	**297,056**	**151,530**
Non-current liabilities					
Other payables	7	2,241	1,103	1,956	959
Interest bearing liabilities	8	812,081	812,081	812,081	812,081
Deferred tax liabilities	17	178,858	173,586	34,823	25,641
Other liabilities	15	-	40,130	-	-
Derivative financial instruments	6	30,372	27,506	30,372	27,506
Provisions	16	330,511	287,756	246,454	221,343
Total non-current liabilities		**1,354,063**	**1,342,162**	**1,125,686**	**1,087,530**
Total liabilities		**1,700,944**	**1,513,702**	**1,422,742**	**1,239,060**
Net assets		**296,745**	**405,940**	**217,654**	**357,941**
Equity					
Share capital	18	1,114,414	1,114,414	1,114,414	1,114,414
Retained earnings		(729,853)	(693,659)	(808,944)	(741,658)
Reserves	19	(87,816)	(14,815)	(87,816)	(14,815)
Capital and reserves attributable to owners of CS Energy Limited		296,745	405,940	217,654	357,941
Total equity		**296,745**	**405,940**	**217,654**	**357,941**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CS ENERGY LIMITED

Statements of Changes in Equity

for the year ended 30 June 2016

Consolidated

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2015					
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	19	-	(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**
Changes in equity for 2016					
Comprehensive income for the year					
Net profit/(loss)		-	-	(23,011)	(23,011)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(73,001)	-	(73,001)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	648	648
Total comprehensive income for the year		**-**	**(73,001)**	**(22,363)**	**(95,364)**
Dividends declared		-	-	(13,831)	(13,831)
Balance at 30 June 2016		**1,114,414**	**(87,816)**	**(729,853)**	**296,745**

Parent

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2015					
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	19	-	(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**
Changes in equity for 2016					
Total comprehensive income for the year					
Net profit/(loss)		-	-	(54,103)	(54,103)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(73,001)	-	(73,001)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	648	648
Total comprehensive income for the year		**-**	**(73,001)**	**(53,455)**	**(126,456)**
Dividends declared		-	-	(13,831)	(13,831)
Balance at 30 June 2016		**1,114,414**	**(87,816)**	**(808,944)**	**217,654**

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

CS ENERGY LIMITED

Statements of Cash Flows

for the year ended 30 June 2016

		Consolidated		Parent	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash flows from operating activities					
Cash receipts from customers		666,464	679,669	305,951	246,121
Cash payments to suppliers and employees		(472,401)	(583,625)	(321,432)	(392,082)
Cash generated from operations		**194,063**	**96,044**	**(15,481)**	**(145,961)**
Interest received		502	191	455	187
Operating borrowing costs paid		(62,371)	(62,382)	(62,510)	(62,382)
Net cash inflow/(outflow) from operating activities	4	**132,194**	**33,853**	**(77,536)**	**(208,156)**
Cash flows from investing activities					
Payments for property, plant and equipment		(113,595)	(47,295)	(58,114)	(19,272)
Repayments of loans from related parties		-	-	107,651	137,587
Dividends received		-	-	56,664	80,361
Net cash inflow/(outflow) from investing activities		**(113,595)**	**(47,295)**	**106,201**	**198,676**
Cash flows from financing activities					
Net cash inflow / (outflow) from financing activities		-	-	-	-
Net increase in cash and cash equivalents		**18,599**	**(13,442)**	**28,665**	**(9,480)**
Cash and cash equivalents at the beginning of the financial year		28,938	42,380	12,001	21,481
Cash and cash equivalents at the end of the year	3	**47,537**	**28,938**	**40,666**	**12,001**

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Section 1: Basis of preparation

In preparing these accounts, the consolidated group has made a number of changes to the structure of the profit or loss and layout of the notes to the financial statements. The profit or loss for the financial year has been prepared using the nature of the revenues and expenses, rather than the function, to provide more reliable and relevant information regarding the consolidated groups operations.

The notes to the financial statements have been categorised into eight sections:

- **Section 1: Basis of preparation**
- **Section 2: Results for the year**
- **Section 3: Financial assets and financial liabilities**
- **Section 4: Operating assets and liabilities**
- **Section 5: Taxation**
- **Section 6: Capital Structure**
- **Section 7: Key management personnel**
- **Section 8: Other information**

The above sections have been presented to show the accounting policy and key judgments and estimates subsequent to the quantitative disclosures.

Notwithstanding this, 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.

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 consolidated financial statements are general purpose financial statements for the year ended 30 June 2016 and were authorised for issue by the Board of Directors on 26 August 2016.

The consolidated group's financial statements:

- Have 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;
- Were prepared using historical cost conventions with the exception of derivative financial instruments measured at fair value and the superannuation defined benefit plan;
- Are presented in Australian dollars. The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar;
- Adopt all new Accounting Standards and Interpretations issued by the AASB and are effective for reporting periods on or after 30 June 2016;
- Do not early adopt any new Accounting Standards or Interpretations with the exception of *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative;* and
- Have been prepared in accordance with 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.

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 2016 reflect a net asset position of $296.7 million (2015: $405.9 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 Limited 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 2016 are $590 million (refer Note 9).

The ability of CS Energy Limited and the consolidated group to continue as a going concern is dependent upon:

- Continued access to 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 21 July 2016. Queensland Treasury Corporation has provided confirmations that facilities reported in Note 9 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.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

New and amended accounting standards adopted by the consolidated group

Certain new accounting standards and interpretations have been issued with their application not being mandatory for the 30 June 2016 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:

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 2016 financial reporting period. The consolidated group is currently evaluating the impact this new standard may have on the financial statements.
AASB 15 *Revenue from Contracts and Customers* Effective 1 January 2018	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. The new standard allows entities to early adopt, however CS Energy has chosen not to early adopt for the 30 June 2016 financial reporting period. The consolidated group is currently evaluating the impact this new standard may have on the financial statements. Consequently, AASB 16 *Leases,* which replaces AASB 117 *Leases,* has not been early adopted.
AASB 16 *Lease* Effective 1 January 2019	This Standard will become effective for reporting periods beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 *Leases,* AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* Unlike AASB 117 Leases, AASB 16 introduces a single lease accounting model. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value. Majority of operating leases (as defined by the current AASB 117) will be reported on the balance sheet under AASB 16. The impact on the reported assets and liabilities would be largely in proportion to the scale of the CS Energy Limited's leasing activities. CS Energy Limited has not yet quantified the impact on the profit or loss or the balance sheet of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

Events occurring after the reporting period

No significant events occurred between the financial year end and the date of this report.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Reclassifications in the presentation of financial statements

The profit or loss for the financial year has been prepared using the nature of the revenues and expenses rather than the function. The prior year statement of profit or loss has been restated below.

	Consolidated		Parent	
	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Statements of Profit or Loss	**amended**		**amended**	
Sales of electricity	518,347	-	104,767	-
Operation and maintenance services	48,640	-	82,566	-
Revenue from continuing operations	-	571,900	-	190,623
Other income	9,339	4,401	3,560	268
Cost of sales	-	(245,740)	-	(121,609)
Fuel and carbon	(116,435)	-	(75,043)	-
Services and consultants	(106,165)	-	(82,765)	-
Finance costs	(112,599)	(112,599)	(109,805)	(109,805)
Employee benefit expense	(77,912)	-	(63,266)	-
Raw materials and consumables	(41,923)	-	(27,395)	-
Operating leases	(38,985)	-	(38,675)	-
Administration costs	-	(203,040)	-	(152,579)
Other expenses	(40,171)	(32,054)	(62,736)	(59,637)
Fair value through profit/(loss)	(8,908)	-	(8,908)	-
Depreciation and amortisation	(106,717)	-	(31,396)	-
Onerous contract – re-measurement	250,943	194,586	250,943	194,586
Dividends received	-	-	80,361	80,361
Impairment reversal of loans to related parties	-	-	80,929	80,929
Profit/(Loss) before income tax	**177,454**	**177,454**	**103,137**	**103,137**
Income tax (expense)/benefit	(53,303)	(53,303)	5,996	5,996
Profit/(Loss) for the year	**124,151**	**124,151**	**109,133**	**109,133**

Section 2: Results for the year

Note 1 – Income

The consolidated group derives its revenue through the selling of energy into the National Electricity Market (NEM). To reduce the volatility of cash flow earnings, a portion of the consolidated group's available energy is hedged through the use of various electricity contracts such as Swaps and Options. The value of open contract positions as at the reporting date can be found in Section 3.

Revenue is recognised when significant risk and rewards have transferred to the buyer. All revenue is measured at the fair value of the consideration received or receivable.

Sales of electricity

Revenue from the sale of electricity is recognised as the electricity generated is dispatched into the 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 market is recognised in electricity revenue in the period to which the contract settlement relates.

Revenue from operation and maintenance services

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.

Other income

Other income for the consolidated group includes the recognition of government grant funding of $30.1 million relating to the Kogan Creek Solar Boost Project.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Note 2 – Expenses

Finance costs

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Finance costs	62,000	64,045	61,969	64,045
Onerous contract provision	19,083	43,090	19,083	43,090
Rehabilitation provision	5,678	5,464	2,772	2,670
Total finance costs	**86,761**	**112,599**	**83,824**	**109,805**

Accounting policy

Finance costs comprise interest on borrowings and the unwinding of the discount on non-employee benefits 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.

Finance costs in relation to the onerous contract provision represents the change in time value of money attributed to the unwind of the current period cash flows and the change in time value of money attributed to the carrying amount of future cash flows for periods other than the current.

Finance costs pertaining to the asset rehabilitation provision represents the change in time value of money attributed to the carrying amount of future cash flows.

Employee benefit expense

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Wages and salaries expense	69,047	68,334	55,838	54,909
Defined contribution superannuation expense	4,882	4,869	3,714	3,786
Defined benefit plan expense	1,541	2,495	1,541	2,495
Employee performance payments	2,979	2,214	2,415	2,076
Total employee benefits expense	**78,449**	**77,912**	**63,508**	**63,266**

Accounting policy

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.

Other Expenses

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Network and market costs	13,961	14,693	11,314	11,921
Research and development	-	7,194	-	-
Administration costs	20,962	18,284	14,777	13,266
Debt forgiveness	-	-	-	37,549
Total other expenses	**34,923**	**40,171**	**26,091**	**62,736**

Accounting policy

Research and development costs relate to expenditure associated with the Oxyfuel carbon capture and storage project. All research and development costs are expensed during the period they are incurred.

Debt forgiveness relates to the forgiveness of loans provided to CS Energy Oxyfuel Services Pty Ltd by the Parent.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Section 3: Financial assets and financial liabilities

Note 3 – Cash and cash equivalents

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at bank and on hand	47,537	28,938	40,666	12,001
Total cash and cash equivalents	**47,537**	**28,938**	**40,666**	**12,001**

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

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand and funds held at call with Queensland Treasury Corporation.

Note 4 – Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit/(Loss) before income tax	(28,137)	177,454	(101,533)	103,137
Income tax benefit	5,126	(53,303)	47,430	5,996
Depreciation and amortisation	102,789	106,717	38,357	31,397
Impairment (loss reversal) / loss	72,466	-	2,441	-
Net (gain) loss on sale of non-current assets	(132)	1,042	28	1,042
Fair value adjustment to derivatives	8,284	8,907	8,284	8,907
Provision for Non Recovery	-	-	-	(80,929)
Non-cash retirement benefits adjustment	1,413	1,727	1,413	1,727
Finance cost on provisions	24,761	48,555	21,855	45,761
Onerous contract re-measurement	(18,500)	(250,943)	(18,500)	(250,943)
Dividends received	-	-	(56,664)	(80,361)
Debt forgiveness	-	-	-	37,549
Change in operating assets and liabilities:				
(Increase) decrease in receivables	(33,817)	20,410	(54,549)	(25,795)
(Increase) decrease in inventories	(3,722)	(6,975)	8,272	(8,425)
(Increase) decrease in net deferred tax	(5,126)	53,302	(7,680)	42,602
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	6,789	(73,040)	33,310	(39,821)
Net cash inflow (outflow) from operating activities	**132,194**	**33,853**	**(77,536)**	**(208,156)**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Note 5 – Loans and receivables

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets				
Trade receivables	114,778	76,197	78,537	57,613
Other receivables	5,527	3,735	3,582	3,010
Prepayments	3,754	3,828	3,475	3,691
Total current loans and other receivables	**124,059**	**83,760**	**85,594**	**64,314**
Non-current assets				
Loans to related parties	-	-	821,777	889,677
Other receivables	5,887	10,265	5,887	10,265
Total non-current loans and other receivables	**5,887**	**10,265**	**827,664**	**899,942**

Accounting policy

Loans and receivables are recognised on the date that they originated and when the consolidated group has the legal right to receive the cash or cash equivalent or economic benefit. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. 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. As at 30 June 2016 no trade and other receivables were impaired or written off.

Due to the nature of over the counter electricity contracts (OTC), the settlement is performed on a net basis with the respective counterparty. The net amount receivable at the reporting date is included in trade receivables.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Note 6 – Financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2016 $'000	2015 $'000
Current assets		
Electricity derivative contracts – cash flow hedges	317	11,616
Electricity derivative contracts – fair value through profit or loss	20,386	6,712
Environmental derivative contracts – fair value through profit or loss	974	1,373
Total current derivative financial instrument assets	**21,677**	**19,701**
Non-current assets		
Electricity derivative contracts – cash flow hedges	40	6,792
Electricity derivative contracts – fair value through profit or loss	3,195	2,352
Environmental derivative contracts – fair value through profit or loss	-	395
Total non-current derivative financial instrument assets	**3,235**	**9,539**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2016 $'000	2015 $'000
Current liabilities		
Electricity derivative contracts – cash flow hedges	108,844	25,605
Electricity derivative contracts – fair value through profit or loss	42,954	21,789
Environmental derivative contracts – fair value through profit or loss	-	57
Total current derivative financial instrument liabilities	**151,798**	**47,451**
Non-current liabilities		
Electricity derivative contracts - cash flow hedges	17,544	12,873
Electricity derivative contracts - fair value through profit or loss	12,828	14,633
Total non-current derivative financial instrument liabilities	**30,372**	**27,506**

Critical accounting estimates and assumptions

The consolidated group enters into financial derivative transactions including Swaps, Options and Swaptions to manage exposure to commodity and financial market risk. The fair value of these transactions is determined using observable market prices. The above valuations were influenced by assumptions made in the following areas:

- Forward prices and generation output.
- Delta rates to account for option volatility.
- Discount rates.

Refer Note 10 for fair value techniques.

Hedge accounting

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 re-measured 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 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 sales of electricity'.

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.

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 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.

Note 7 – Trade and other payables

Current liabilities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables	96,490	42,078	55,480	30,477
Other payables	33,039	30,390	31,169	27,692
Unearned revenue	10,768	7,642	7,572	4,789
Total current liabilities trade and other payables	**140,297**	**80,110**	**94,221**	**62,958**

Non-current liabilities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Other payables	2,241	1,103	1,956	959

Accounting policy

Trade and other payables represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. These amounts are unsecured and are financial liabilities measure at amortised cost.

Unearned revenue comprises of income received in advance before goods and services are rendered. Including retail revenue, electricity contract premiums and government grant revenue received in respect to the Callide Oxyfuel project.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Note 8 – Interest bearing liabilities

Non-current liabilities – borrowing

	Consolidated and Parent	
	2016 $'000	2015 $'000
Unsecured loans		
Loans from QTC	812,081	812,081

Principal repayments are not required for long-term debt funding with QTC and amounts can only be called by QTC giving twelve months and days notice. QTC funds the debt through a notional pool of bonds that effectively mirror a five year debt maturity. The bond structure is in accordance with the direction given by the consolidated group.

Accounting policy

Borrowings are measured at amortised cost, using the effective interest method. The fair value of the consolidated groups borrowings as at 30 June 16 was $966 million ($939 million 2015).

Note 9 – Financial risk management

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 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.

Over-the-counter electricity contracts (OTC)

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.

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.

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 and Parent	
	Equity $'000	Impact on pre-tax Profit or (loss) $'000
30 June 2016		
Electricity price – increase 10%	(97,677)	8,875
Electricity price – decrease 10%	79,493	8,992
30 June 2015		
Electricity price – increase 10%	(46,125)	(19,759)
Electricity price – decrease 10%	46,125	19,125

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. 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	1–5 years $'000	More than 5 years $'000
30 June 2016					
Non-derivative financial instruments					
Loans from QTC	812,081	1,109,580	57,631	230,682	821,267
Trade and other payables	142,538	142,538	140,297	2,241	-
Derivative financial liabilities					
Electricity contracts	182,170	184,017	153,091	30,926	-
Total	**1,136,789**	**1,436,135**	**351,019**	**263,849**	**821,267**
30 June 2015					
Non-derivative financial instruments					
Loans from QTC	812,081	1,131,131	62,396	249,067	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	28,959	-
Environmental contracts	57	58	58	-	-
Total	**1,008,379**	**1,328,471**	**189,544**	**319,259**	**819,668**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Parent	Carrying amount $'000	Total contractual cash flows $'000	Less than one year $'000	1–5 years $'000	More than 5 years $'000
30 June 2016					
Non-derivative financial instruments					
Loans from QTC	812,081	1,109,580	57,631	230,682	821,267
Trade and other payables	96,177	96,177	94,221	1,956	-
Derivative financial liabilities					
Electricity contracts	182,170	184,017	153,091	30,926	-
Total	**1,090,428**	**1,389,774**	**304,943**	**263,564**	**821,267**
30 June 2015					
Non-derivative financial instruments					
Loans from QTC	812,081	1,131,131	62,396	249,067	819,668
Trade and other payables	63,917	63,917	62,958	959	-
Derivative financial liabilities					
Electricity contracts	74,899	75,940	46,981	28,959	-
Environmental contracts	57	58	58	-	-
Total	**950,954**	**1,271,046**	**172,393**	**278,985**	**819,668**

The consolidated group has access to an unrestricted working capital facility of $225 million to manage day to day cash flow requirements. Access to restricted facilities is used to manage compliance with CS Energy Limited's Australian Financial Services License.

	Consolidated and Parent 2016 $'000	Consolidated and Parent 2015 $'000
Facilities used at balance date		
QTC Facilities	812,081	812,081
	812,081	812,081
Unused at balance date		
Un-restricted QTC Facilities	589,589	589,589
Restricted QTC Facilities	400,000	400,000
	989,589	989,589
Total facilities available		
QTC Facilities	1,801,670	1,801,670
	1,801,670	1,801,670

Notes to the consolidated financial statements

30 June 2016

Commodity price risk

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 3, 6 and 9) 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 2016. 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and cash equivalents				
AA+ to AA-	47,537	28,938	40,666	12,001
Total	**47,537**	**28,938**	**40,666**	**12,001**
Trade and other receivables				
AA+ to AA-	29,290	25,612	29,290	25,612
A+ to A-	26,537	6,127	26,537	6,127
BBB+ to BBB-	2,027	3,107	2,027	3,107
AEMO (1)	36,284	8,963	(1,481)	(12,777)
Other non-rated (2)	29,921	39,951	29,221	42,245
Total	**124,059**	**83,760**	**85,594**	**64,314**
Derivative financial assets				
AA+ to AA-	3,265	18,913	3,265	18,913
A+ to A-	21,201	7,876	21,201	7,876
BBB+ to BBB-	446	2,451	446	2,451
Total	**24,912**	**29,240**	**24,912**	**29,240**

(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 2016. 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.

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Interest rate risk

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

The consolidated group has access to funding arrangements with Queensland Treasury Corporation (QTC), including funding via a client specific pool which reflects an interest only perpetual facility. QTC manages to an overall target duration for the consolidated group's funding pool and manages the underlying debt on a term structure with various component maturities. The duration 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 cost of debt comprises of a book interest rate and a competitive neutrality fee (CNF).

The CNF is charged by the Queensland Government which acts to ensure the consolidated group does not gain an uncompetitive advantage through obtaining a lower cost of debt than those in the private sector. The consolidated group is exposed to book interest rate movements as pricing for the debt is set based on QTC's financing cost to issue its own debt instruments of equivalent terms.

Sensitivity analysis

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 2015.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Variable rate borrowings		
30 June 2016	(630)	653
30 June 2015	(589)	619

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 2016 and 30 June 2015 were as follows:

	Consolidated	
	2016	2015
Net debt ($'000)	764,544	783,143
Adjusted equity ($'000)	384,561	420,755
Gearing ratio (%)	67	65

Note 10 – Fair values

Fair value is the price that the consolidated group would receive for an asset or pay for a liability in the ordinary course of business.

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

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

	Consolidated and Parent		
	Level 1 $'000	Level 2 $'000	Total $'000
30 June 2016			
Derivative financial assets			
Electricity contracts	19,620	4,318	23,938
Environmental contracts	-	974	974
	19,620	**5,292**	**24,912**
Derivative financial liabilities			
Electricity contracts	28,664	153,506	182,170
	28,664	**153,506**	**182,170**
30 June 2015			
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**

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.

The consolidated group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers in or out of level 3 fair values.

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Valuation techniques used to determine fair values

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.

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

Description	Fair Value as at 30 June 2016 Consolidated and Parent		Valuation technique(s) and key input(s)
	Assets $'000	Liabilities $'000	
Options	2,709	15,566	Option pricing model with observable electricity forward curves and implied volatility at the end of the reporting period as key inputs.
Swaps	15,069	139,051	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.
Environmental	974	-	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.

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

	Consolidated and Parent	
	2016 $'000	2015 $'000
Carrying amount	812,081	812,081
Fair Value (level 2)	966,420	938,681

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

All other financial assets and liabilities are recognised at cost with the exception of derivative products.

Note 11 – Master netting arrangement

Agreements with derivative counterparties are based on the 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.

Section 4: Operating assets and liabilities

Note 12 – Inventories

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Stores	46,290	43,900	24,404	24,968
Fuel at weighted average cost (finished goods)	19,078	28,169	11,652	22,985
Fuel at weighted average cost (work in progress)	24,911	18,113	-	-
Environmental certificates	3,641	16	3,641	16
Provision for obsolescence of stores	(6,397)	(6,397)	(3,905)	(3,905)
Total Inventory	**87,523**	**83,801**	**35,792**	**44,064**

Inventories expensed during the year ended 30 June 2016 were $177,715,219 (2015: $173,153,440).

Accounting policy

Inventories comprise stores, fuel 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 inventory is recognised as finished goods once the coal has been extracted and delivered to the coal stockpile at the power stations. Overburden that is removed in advance at the Aberdare coal mine is recognised as work in progress and unwound once the coal is extracted.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the associated revenue is recognised.

The group provides for inventory obsolescence based on the ageing of stock holdings and changes in technology that would render certain parts obsolete.

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Note 13 – Employee retirement benefit obligations

Defined benefit obligation

Some employees of the consolidated group are entitled to benefits from the industry multiple employer superannuation plans, 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.

Due to a higher than expected return on the actual investment plan assets the total fair value of the plan assets were greater than the present value of the future obligations in 2016 resulting in a defined benefit asset being recognised at 30 June 2016 (30 June 2015: Defined benefit asset recognised).

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated and Parent	
	2016 $'000	2015 $'000
Present value of the defined benefit obligation	(61,258)	(58,329)
Fair value of defined benefit plan assets	77,715	75,201
Net asset/(liability) before adjustment for contributions tax	**16,457**	**16,872**
Adjustments for contributions tax	2,904	2,977
Total	**19,361**	**19,849**

Reconciliation

	Consolidated and Parent	
	2016 $'000	2015 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	55,352	68,312
Current service cost	2,291	2,841
Interest cost	2,392	2,344
Actuarial gains and (losses) recognised in equity	(704)	(7,057)
Benefits paid by the plan	(1,637)	(11,774)
Contributions by plan participants	660	686
Balance at the end of the year (net of contributions tax)	**58,354**	**55,352**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	75,201	79,153
Expected return on plan assets	3,142	2,690
Actuarial gains and (losses) recognised in equity	221	3,678
Contributions by group companies into the plan	128	768
Benefits paid by the plan	(1,637)	(11,774)
Contributions by plan participants	660	686
Balance at the end of the year	**77,715**	**75,201**

Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2016 $'000	2015 $'000
Cash	3,886	9,024
Equity instruments	38,856	39,105
Debt instrument	7,772	5,264
Property	7,772	7,520
Other assets	19,429	14,288
Total	**77,715**	**75,201**

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. An actuarial assessment will be completed for the reporting period ended 30 June 2016, the results of which are due to be made available in September 2016.

The actuary recommended in the actuarial review as at 30 June 2013, the payment of employer contributions to the fund of 4% of salaries for employees who are members of the defined benefit section. In August 2015, following an interim actuarial review, as requested by CS Energy, the actuary made a recommendation that in view of the current financial position of the sub plan as at 30 June 2015 and the projected results of the plan the employer contributions be revised down to 0% of salaries of employees. No further contributions have been made to the fund since this assessment.

Historic summary

Consolidated entity					
	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Defined benefit plan obligation	(61,258)	(58,329)	(69,938)	(72,169)	(81,446)
Plan assets	77,715	75,201	79,153	75,296	75,056
Surplus/(deficit)	16,457	16,872	9,215	3,127	(6,390)
Experience adjustments arising on plan liabilities	704	7,057	(1,716)	5,401	(8,168)
Experience adjustments arising on plan assets	221	3,678	10,113	5,458	(4,506)

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Actuarial assumption and sensitivity

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

	Consolidated and Parent	
	2016	2015
Discount rate	3.3%	4.3%
Future salary increases – 1st year	3.0%	3.0%
Future salary increases – long-term	3.0%	4.0%

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.

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.5%	Increase by 4.8%
Salary growth rate	0.5%	Increase by 4.8%	Decrease by 4.6%

Accounting policy

Employee retirement benefits

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.

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.

Note 14 – Property, plant and equipment

Consolidated	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
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	8,766	29,496	1,675	8,154	90	3	48,184
Transfers	11,073	1,291	1,636	(14,000)	-	(1)	(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/Impairment	(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**
Movements for the year ended 30 June 2016							
Opening net book amount	1,144,727	40,477	10,576	113,370	17,607	63,177	1,389,934
Additions	57,569	86,971	3,778	9,522	130	1,809	159,779
Transfers	23,080	9,909	1,122	(34,144)	-	33	-
Disposals	-	(18)	(40)	(889)	-	(363)	(1,310)
Impairment loss (1)	(2,441)	-	-	(70,025)	-	-	(72,466)
Depreciation charge	(59,495)	(36,421)	(2,587)	-	(1,989)	(2,296)	(102,789)
Closing net book amount	**1,163,440**	**100,918**	**12,849**	**17,834**	**15,748**	**62,360**	**1,373,149**
At 30 June 2016							
Cost	2,016,227	147,103	64,588	17,834	28,775	81,507	2,356,034
Accumulated depreciation/ Impairment	(852,787)	(46,185)	(51,739)	-	(13,027)	(19,147)	(982,885)
Net book amount	**1,163,440**	**100,918**	**12,849**	**17,834**	**15,748**	**62,360**	**1,373,149**

(1) $70.0 million relates to the impairment of the Kogan Creek Solar Boost Project.

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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 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	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	547,760	101,421	44,092	25,576	-	11,697	730,546
Accumulated depreciation/Impairment	(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**
Movements for the year ended 30 June 2016							
Opening net book amount	189,910	6,435	4,435	25,576	-	9,894	236,250
Additions	24,468	40,169	2,249	5,787	-	8	72,681
Transfers	18,719	1,637	610	(20,967)	-	(2)	(3)
Disposals	-	(18)	(27)	(889)	-	-	(934)
Impairment loss	(2,441)	-	-	-	-	-	(2,441)
Depreciation charge	(16,744)	(19,871)	(1,454)	-	-	(288)	(38,357)
Closing net book amount	**213,912**	**28,352**	**5,813**	**9,507**	**-**	**9,612**	**267,196**
At 30 June 2016							
Cost	588,506	50,453	41,153	9,507	-	11,704	701,323
Accumulated depreciation/Impairment	(374,594)	(22,101)	(35,340)	-	-	(2,092)	(434,127)
Net book amount	**213,912**	**28,352**	**5,813**	**9,507**	**-**	**9,612**	**267,196**

Accounting policy

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. Costs 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:

Asset category	Useful life (years)
Power stations	2–35 years
Capitalised overhauls	1–4 years
Mining assets	9–35 years
Buildings	1–40 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.

Mining assets

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

Critical estimates and judgments

Assets are reviewed and tested at each reporting date for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money the industry risk profit adjusted for risks specific to the asset, which have not been included in cash flow.

The 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 Pty Ltd.

The fair value assessments for Aberdare Collieries properties and Wivenhoe Power Station 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, is based on financial forecasts covering the lives of the assets up to 35 years. During the reporting period the useful life of certain asset categories relating to Kogan Creek Power Station were extended from 30 years to 35 years.

The calculations have been based on the assumptions outlined above.

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	-183.2	211.4

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

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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 solar, 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 Forecasting Report (NEFR) published by the Australian Energy Market Operator (AEMO) in June 2015 and the NEFR update in December 2015. The demand projection is based on the medium growth outlook and the 50% Probability of Exceedance (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 current 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.
- Potential carbon liability resulting from a change in greenhouse gas abatement policy has been incorporated in the market modelling as sensitivity for financial year 2021 and beyond. The policy structure and pricing instrument is based on that previously enacted under the *Clean Energy Act 2011*.
- The impact of emerging technologies on the market modelling has been considered over the remaining asset lives of the Power Station assets, key developments include:
  - increased demand from the improving economics of Electric Vehicles;
  - further increase in embedded Solar Photovoltaic, driven by expected technology developments; and
  - a progressive uptake of home storage solutions, driven by technology and scale improvements in value.

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	296.4	-296.4

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

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 units impacted. Disclosure of the detail of these estimates would prejudice CS Energy's legal position

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.

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.

Australia has set a post 2020 target following the United Nations Framework Convention on Climate Change held in Paris in December 2015 to reduce carbon emissions by 26–28 per cent below 2005 levels by 2030. This new target builds on the 2020 target of reducing emissions by five per cent below 2000 levels.

Through amendments to the Carbon Farming Initiative Bill 2014 (passed in November 2014) the Emissions Reduction Fund (ERF) has been supplemented by a Safeguarding Mechanism, which commenced on 1 July 2016 and is planned to enable emissions reductions to meet the 2020 target. An emissions baseline of 198 $mtCo_2$-e (million tonnes of CO_2 equivalent) will apply across the electricity sector, corresponding to the highest point of sectoral emissions over the period 2009/10 to 2013/14. No carbon liability is forecast for CS Energy under this existing policy.

Impairment

During the financial year, the group recognised asset impairment adjustments of $72.5 million. The charge principally relates to the full impairment of property, plant and equipment in respect to the Solar Boost project. The decision not to complete the project was made due to a number of technical and contractual difficulties encountered during construction and the resultant negative impact on the project's commercial prospects.

Following this decision, the group has been preparing a detailed plan to decommission the site and salvage plant and equipment in the most value accretive way for the business. Preliminary discussions have also been held with potential partners who expressed interest in using the site. As at 30 June 2016 it has been assessed that the expected recoverable amount of the property, plant and equipment is unlikely to result in a net economic benefit to the group.

Note 15 – Non-current liabilities – Other liabilities

Unearned Revenue represents net 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. An amount of $30.1m was recognised in other income in the current reporting period.

Note 16 – Provisions

Current liabilities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Employee benefits	21,215	20,273	17,466	17,415
Onerous contracts	19,740	23,706	19,740	23,706
Dividends declared	13,831	-	13,831	-
Total	**54,786**	**43,979**	**51,037**	**41,121**

Non-current liabilities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Employee benefits	1,667	1,936	1,144	1,434
Rehabilitation and site closure costs	167,233	128,758	83,699	62,847
Onerous contracts	161,611	157,062	161,611	157,062
Total	**330,511**	**287,756**	**246,454**	**221,343**

Employee benefits

Employee benefits include annual leave, vesting sick leave, and 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.

Accounting policy and critical estimates

Current liabilities

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.

Non-current liabilities

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.

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Onerous contracts

Current liabilities

	Consolidated and Parent	
	2016 $'000	2015 $'000
Onerous Contracts		
Carrying amount at start of year	23,706	53,270
Provision used during the year	(42,788)	(56,357)
Reclassification to current liabilities	33,718	20,070
Finance costs	5,104	6,723
Carrying amount at end of year	**19,740**	**23,706**

Non-current liabilities

	Consolidated and Parent	
	2016 $'000	2015 $'000
Onerous Contracts		
Carrying amount at start of year	157,062	335,350
Changes from re-measurement	24,288	(194,586)
Finance Costs	13,979	36,368
Reclassification to current liabilities	(33,718)	(20,070)
Carrying amount at the end of year	**161,611**	**157,062**

Accounting policy and critical estimates

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.

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:

- Future wholesale prices, generation, supply of electricity and unavoidable costs related to the contract; and
- 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 2016, resulting in an increase in the provision to $181.3 million ($24.3 million re-measurement). The increase in the onerous contract provision is due to a change in market price and generation dispatch outcomes associated with the market forecasts discussed in the Property Plant and Equipment critical estimates market factors section.

A change in discount rate and electricity price outcomes would result in the following adjustment to the onerous contract provision recorded of ($181.3) million.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	6.3	-6.7
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	23.8	-23.8

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.

Dividends declared

Accounting policy

Provision is made for the amount of any dividend declared, being authorised and no longer at the discretion of the group, on or before the end of the reporting period but not distributed at the end of the reporting period. Recommendation on the dividend to be paid is determined after consultation with the shareholding Ministers in accordance with the GOC Act 1993. The dividends are not franked.

The 2015/16 final dividend is based on 80% of operating profit after income tax equivalent expense, and after adjustments made for certain end of reporting period non-cash accounting re-measurements including asset impairment, fair value assessment on financial derivatives and onerous contract re-measurement.

Site rehabilitation and closure costs

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Carrying amount at start of year	128,758	121,468	62,847	59,043
Change from re-measurement	33,088	1,826	18,371	1,134
Provision used during the year	(291)	-	(291)	-
Finance costs	5,678	5,464	2,772	2,670
Carrying amount at end of year	**167,233**	**128,758**	**83,699**	**62,847**

Accounting policy and critical estimates

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, for the estimated cost of rehabilitation and closure costs relating to areas disturbed during mining operations up to reporting date 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'.

External consultants with industry specific experience have been historically to evaluate and update rehabilitation assumptions relating to power station assets.

Significant estimates made with respect to this provision are the:

- Costs to fulfil the consolidated group's obligation, including assumptions in relation to technology and techniques applied;
- Determination of an appropriate discount rate; and
- Timing of rehabilitation

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Section 5: Taxation

Note 17 – Taxation

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income tax expense/(benefit)				
Current tax	(7,841)	(21,050)	(47,527)	(68,754)
Deferred tax	2,725	74,366	94	62,759
Adjustment for current tax of prior periods	(10)	(13)	3	(1)
Income tax expense/(benefit)	**(5,126)**	**53,303**	**(47,430)**	**(5,996)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	(2,269)	70,950	(8,810)	62,973
(Decrease) increase in deferred tax liabilities	4,994	3,416	8,904	(214)
Income tax expense attributable to profit from continuing operations	**2,725**	**74,366**	**94**	**62,759**
Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate				
Profit/(loss) from operations before income tax expense	**(28,137)**	**177,454**	**(101,533)**	**103,137**
Tax at the Australian tax rate of 30% (2015 – 30%)	(8,441)	53,236	(30,460)	30,941
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	1	2	1	1
Sundry	23	(108)	25	-
Non-deductible provided expenditure	-	-	-	(24,279)
Non-deductible expenditure	-	-	-	11,264
Current year capital loss for which no deferred tax asset is recognised	-	186	-	186
Taxable Inter-company Revenue	3,301	-	-	-
Non-taxable Dividends	-	-	(16,999)	(24,108)
	(5,116)	53,316	(47,433)	(5,995)
Adjustments for current tax of prior periods	(10)	(13)	3	(1)
Income tax expense/(benefit)	**(5,126)**	**53,303**	**(47,430)**	**(5,996)**
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	(31,286)	(17,425)	(31,286)	(17,425)
Actuarial gain/(loss) on defined benefit plan	277	3,221	277	3,221
Total	**(31,009)**	**(14,204)**	**(31,009)**	**(14,204)**
Tax losses				
Unused capital tax losses for which no deferred tax asset has been recognised	87,421	87,421	87,421	87,421
Potential tax benefit @ 30%	**26,226**	**26,226**	**26,226**	**26,226**

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Accounting policy

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.

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.

CS Energy Limited has adopted the stand alone taxpayer method for measuring the current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head entity 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.

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.

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.

Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2014	-	123,287	37,040	132,203	27,261	319,791
Credited/(charged) to profit or loss	2,680	(62,319)	1,587	-	(12,898)	(70,950)
Under provision prior year	-	-	-	-	521	521
Credited/(charged) directly to equity	4,308	-	-	-	-	4,308
Acquisition/(utilisation) of losses	-	-	-	20,184	-	20,184
At 30 June 2015	**6,988**	**60,968**	**38,627**	**152,387**	**14,884**	**273,854**
Credited/(charged) to profit or loss	2,485	498	11,543	-	(12,257)	2,269
Under provision prior year	-	-	-	-	74	75
Credited/(charged) directly to equity	31,286	-	-	-	-	31,286
Acquisition/(utilisation) of losses	-	-	-	7,777	-	7,776
Net deferred tax assets at 30 June 2016	**40,759**	**61,466**	**50,170**	**160,164**	**2,701**	**315,260**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2014	-	122,332	17,713	132,203	5,786	278,034
Credited/(charged) to profit or loss	2,680	(62,189)	1,141	-	(4,605)	(62,973)
Under provision prior year	-	-	-	-	(27)	(27)
Credited/(charged) directly to equity	4,308	-	-	-	-	4,308
Acquisition/(utilisation) of losses	-	-	-	20,184	-	20,184
At 30 June 2015	**6,988**	**60,143**	**18,854**	**152,387**	**1,154**	**239,526**
Credited/(charged) to profit or loss	2,485	279	6,255	-	(209)	8,810
Under provision prior year	-	-	-	-	(3)	(3)
Credited/(charged) directly to equity	31,286	-	-	-	-	31,286
Acquisition/(utilisation) of losses	-	-	-	7,777	-	7,777
Net deferred tax assets at 30 June 2016	**40,759**	**60,422**	**25,109**	**160,164**	**942**	**287,396**

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Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined Benefit Asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2014	13,117	3,253	141,783	22,272	180,425
Credited / (charged) 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)
At 30 June 2015	0	5,955	139,841	27,790	173,586
Credited / (charged) to profit or loss	-	(424)	10,546	(5,128)	4,994
Under provision prior year	-	-	-	1	1
Charged / (credited) directly to equity	-	277	-	-	277
Net deferred tax liabilities at 30 June 2016	**0**	**5,808**	**150,387**	**22,663**	**178,858**

Parent	Derivative financial instruments $'000	Defined Benefit Asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2014	13,117	3,253	9,689	9,692	35,751
Credited / (charged) to profit or loss	-	(519)	(2,723)	3,028	(214)
True-up of prior year deferred tax	-	-	-	-	-
Charged / (credited) directly to equity	(13,117)	3,221	-	-	(9,896)
At 30 June 2015	-	5,955	6,966	12,720	25,641
Credited / (charged) to profit or loss	-	(424)	14,138	(4,810)	8,904
True-up of prior year deferred tax	-	-	-	1	1
Charged / (credited) directly to equity	-	277	-	-	277
Net deferred tax liabilities at 30 June 2016	**-**	**5,808**	**21,104**	**7,911**	**34,823**

Accounting policy and critical estimates

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.

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.

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.

Section 6: Capital structure

Note 18 – Contributed equity

Share Capital

	2016 Shares	2015 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. This shareholding has not changed since the 2015 financial year.

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.

Note 19 – Reserves and accumulated losses

Hedging reserve – cash flow hedges

	Consolidated and Parent	
	2016 $'000	2015 $'000
Opening balance at 1 July	(14,815)	25,845
Revaluation of electricity derivative contracts - gross	(118,230)	(38,377)
Electricity derivative contracts realised as revenue– gross	13,943	(19,708)
Deferred tax	31,286	17,425
	(73,001)	(40,660)
Closing balance at 30 June	**(87,816)**	**(14,815)**

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. Amounts are recognised in profit or loss when the associated hedged transaction affects income.

Accumulated losses

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Opening balance at 1 July	(693,659)	(825,325)	(741,658)	(858,306)
Net gain/(loss) for the year	(23,011)	124,151	(54,103)	109,133
Actuarial gain/(loss) on the defined benefit plan,	925	10,735	925	10,735
Defined benefit tax	(277)	(3,220)	(277)	(3,220)
Dividend provided for	(13,831)	-	(13,831)	-
Closing balance at 30 June	**(729,853)**	**(693,659)**	**(808,944)**	**(741,658)**

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Section 7: Key management personnel

Note 20 – Key management personnel 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.

Directors

Principles used to determine the nature and amount of remuneration

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

Superannuation

Directors receiving personal payments are also entitled to superannuation contributions.

Relationship between remuneration and entity's performance

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

Remuneration

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

Name	Position	Year	Salary and fees(1) $'000	Post-employment benefits(2) $'000	Total $'000
Jim Soorley (4)	Chairman/Non-Executive Director	**2016**	67	6	73
		2015	-	-	-
Ross Rolfe (3)	Chairman/Non-Executive Director	**2016**	21	2	23
		2015	83	8	91
Brian Green	Non-Executive Director	**2016**	42	4	46
		2015	35	3	38
Shane O'Kane (3)	Non-Executive Director	**2016**	9	1	10
		2015	36	3	39
John Pegler (3)	Non-Executive Director	**2016**	9	1	10
		2015	35	4	39
Julie-Anne Schafer (4)	Non-Executive Director	**2016**	30	3	33
		2015	-	-	-
Toni Thornton (4)	Non-Executive Director	**2016**	31	3	34
		2015	-	-	-
Mark Williamson	Non-Executive Director	**2016**	44	4	48
		2015	41	4	45
Total 2016		**2016**	**253**	**24**	**277**
Total 2015		**2015**	**230**	**22**	**252**

(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) Remuneration details for 2016 are in respect of the period 1 July 2015 to 30 September 2015.

(4) Remuneration details for 2016 are in respect of the period 1 October 2015 to 30 June 2016.

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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:

Executive employment contract details

All remuneration is reviewed annually

Executive	Position	Contract Commencement	Employment Term	Contract Expiry	Opportunity to extend (i)	Termination notice (ii)	Severance payment (iii)	Termination benefit (iv)	Termination date
Martin Moore	Chief Executive Officer	5/08/2013	3 years	4/08/2018 (x)	yes	not less than 6 months written notice (ii)	12 weeks remuneration (iii)	yes (iv)	not applicable
Scott Turner	Executive General Manager Energy Markets and Acting Chief Financial Officer	25/11/2012	3 years	26/11/2017 (xi)	yes	not less than 6 months written notice (ii)	12 weeks remuneration (iii)	yes (iv)	27/01/2016
Mark Moran	Executive General Manager Operations	29/01/2013	3 years	27/01/2017 (xii)	yes	not less than 3 months written notice (v)	12 weeks remuneration (iii)	yes (iv)	not applicable
Andrew Varvari	Executive General Counsel and Company Secretary, Acting Chief Financial Officer and Acting Executive General Manager People and Safety	14/12/2012	3 years	13/12/2017 (xiii)	yes	not less than 3 months written notice (v)	12 weeks remuneration (iii)	yes (iv)	not applicable
Owen Sela	Executive General Manager Strategy and Commercial	6/01/2014	3 years	6/01/2017	yes	not less than 3 months written notice (v)	12 weeks remuneration (iii)	yes (iv)	not applicable
David Warman	Group Manager Sales and Marketing (Acting Executive General Manager Energy Markets)	24/10/2011	Open tenure	Not applicable	Not applicable	not less than 1 months written notice (vi)	maximum of 75 weeks (vii)	no	not applicable
Tom Wiltshire	Executive General Manager People and Safety	1/01/2015	Open tenure	Not applicable	Not applicable	not less than 1 months written notice (viii)	not applicable	yes (ix)	5/07/2016
Darren Busine	Chief Financial Officer	25/05/2016	Open tenure	Not applicable	Not applicable	not less than 1 months written notice (viii)	not applicable	yes (ix)	not applicable
Emma Roberts	Acting Executive General Counsel and Company Secretary	18/06/2012	Open tenure	Not applicable	Not applicable	not less than 1 months written notice (xiv)	maximum of 75 weeks (vii)	no	not applicable

(i) Contract maybe extended beyond termination date under the existing agreement or extends beyond the termination date under the terms of a new agreement

(ii) Termination of not less than 6 months written notice by either party (other than for disciplinary or incapacity reasons)

(iii) Payment of a severance payment of 12 weeks' remuneration, if the employment contract is not renewed upon serving the full term of the contract

(iv) 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)

(v) Termination notice of not less than 3 months written notice by either party (other than for disciplinary or incapacity reasons)

(vi) 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

(vii) 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

(viii) 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

(ix) Payment of a termination benefit on termination without cause by CS Energy, equivalent to 3 months of base salary

(x) In February 2016, contract extended an additional 2 years to 04/08/2018

(xi) In June 2015, contract extended an additional 2 years to 25/11/2017

(xii) In November 2015, contract extended an additional 1 year to 27/01/2017

(xiii) In June 2015, contract extended an additional 2 years to 13/12/2017

(xiv) Termination notice of not less than 1 week's written notice by either party within the probation period 18/06/2012 to 17/12/2012; or from 18/12/2012 not less than 1 months written notice by either party; (other than for disciplinary reasons)

CS ENERGY LIMITED

Notes to the consolidated financial statements

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Executive remuneration

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

					Short-term employee benefits				
Remuneration – Short-term employment benefits	**Executive**	**Year**	**Salary and fees[1] $'000**	**Cash bonus[2] $'000**	**Non-monetary benefits[3] $'000**	**Post-employment benefits[4] $'000**	**Other long-term benefits[5] $'000**	**Termination benefits[6] $'000**	**Total $'000**
Chief Executive Officer	Martin Moore [12]	**2016**	757	107	9	30	5	0	908
	Martin Moore	2015	735	0	6	19	4	0	764
Chief Financial Officer	Scott Turner [7]	**2016**	249	60	4	20	0	0	333
	Andrew Varvari [8]	**2016**	144	0	4	10	1	0	159
	Darren Busine [9]	**2016**	37	0	1	4	0	0	42
Chief Financial Officer	Ulrich Elsaesser [14]	2015	57	9	1	7	37	209	320
	Scott Turner [15]	2015	345	0	5	22	3	0	375
Executive General Manager Operations	Mark Moran [12]	**2016**	436	52	18	30	4	0	540
	Mark Moran	2015	424	16	15	35	3	0	493
Executive General Counsel and Company Secretary	Andrew Varvari [10]	**2016**	195	55	4	18	2	0	274
	Emma Roberts [11]	**2016**	138	0	0	13	2	0	153
	Andrew Varvari	2015	357	14	6	26	3	0	406
Executive General Manager Energy Markets	David Warman [12]	**2016**	347	46	9	30	8	0	440
Executive General Manager Energy Markets	David Warman [17]	2015	274	0	5	26	2	0	307
Executive General Manager Energy Markets	Scott Turner [16]	2015	50	15	1	4	0	0	70
Executive General Manager Strategy and Commercial	Owen Sela [12]	**2016**	388	47	9	29	3	0	476
Executive General Manager Strategy and Commercial	Owen Sela	2015	374	7	6	26	2	0	415
Executive General Manager People and Safety	Tom Wilshire [12]	**2016**	366	37	9	29	2	0	443
Executive General Manager People and Safety	Andrew Varvari [13]	**2016**	35	0	1	2	0	0	38
Executive General Manager People and Safety	Tom Wilshire [18] [20]	2015	245	0	3	15	1	0	264
Group Manager Health & Safety	Kriss Ussher [19]	2015	104	4	2	11	15	46	182
Group Manager People and Culture	Tanya Absolon [21]	2015	117	6	4	13	24	149	313
		2015	**3,082**	**71**	**54**	**204**	**94**	**404**	**3,909**
		2016	**3,092**	**404**	**68**	**215**	**27**	**0**	**3,806**

Executive remuneration notes

(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 on the 15 September 2015.

(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).

2016 Notes

(7) Remuneration details for 2016 for the Acting period 1 July 2015–27 Jan 2016.

(8) Remuneration details for 2016 for the Acting period 11 January 2016–29 May 2016.

(9) Remuneration details for 2016 for the period 25 May 2016–30 June 2016.

(10) Remuneration details for 2016 for the period 1 July 2015–10 January 2016.

(11) Remuneration details for 2016 for the Acting period 11 January 2016–30 June 2016.

(12) Remuneration details for 2016 for the period 1 July 2015–30 June 2016.

(13) Remuneration details for 2016 for the Acting period 30 May 2016–30 June 2016.

2015 Notes

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

(15) Remuneration details for 2015 for the Acting period 1 September 2014–30 June 2015.

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

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

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

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

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

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

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 are 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.

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.

CS ENERGY LIMITED

Notes to the consolidated financial statements

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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.

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

	2016 $'000	2015 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	107	
Senior Executives	297	61
Contract employees	2,383	833
Enterprise Bargaining Agreement employees	805	737
	3,592	**1,631**
Aggregate remuneration (including at risk-performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	71,290	64,233
Number of employees to whom a performance payment is paid	405	436

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 $3,360 Corporate EBA) (3); (cap of $3,689.03 Callide EBA) (3) (cap of $3,000 Kogan 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 13 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.

Accounting policy

Performance payments are paid in the year indicated but relate to the prior financial year, these payments are not authorised until they are approved by the Board. The total fixed remuneration includes a base salary, overtime payments, other work-related allowances, performance payments and superannuation. Employees who are part of the Enterprise Bargaining Agreement (EBA) receive a performance incentive that is indexed annually for Consumer Price Index.

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.

Section 8: Other information

Note 21 – Remuneration of auditors

	Consolidated		Parent	
	2016 $	2015 $	2016 $	2015 $
Audit and other assurance services				
Auditor-General of Queensland (1)	336,920	319,500	336,920	319,500
Crowe Horwath (2)	7,200	9,500	-	-
PricewaterhouseCoopers (3)(4)	34,328	40,662	-	-
Total audit and other assurance service fees	**378,448**	**369,662**	**336,920**	**319,500**
Non-audit services				
Taxation compliance and advisory services				
PricewaterhouseCoopers (3)	80,900	101,600	80,900	101,600
Total non-audit service fees	**80,900**	**101,600**	**80,900**	**101,600**
Total professional fees	**459,348**	**471,262**	**417,820**	**421,100**

The amounts above are GST exclusive.

(1) The audit of the 2015/16 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.

Note 22 – Commitments

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Capital commitments				
Property, plant and equipment				
Within one year	14,010	11,122	4,587	5,425
Later than one year, but no later than five years	49,356	62,503	-	3,452
Total capital commitments	**63,366**	**73,625**	**4,587**	**8,877**

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operating lease commitments – group as lessee				
Within one year	42,165	45,127	42,165	45,127
Later than one year, but not later than five years	188,235	176,667	188,235	176,667
Later than five years	416,061	540,745	416,061	540,745
Total operating lease commitments	**646,461**	**762,539**	**646,461**	**762,539**

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Other expenditure commitments

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

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Other expenditure commitments				
Within one year	171,031	164,523	82,178	80,065
Later than one year, but not later than five years	746,386	175,342	345,284	93,340
Later than five years	314,891	333,514	191,830	225,803
Total other expenditure commitments	**1,232,308**	**673,379**	**619,292**	**399,208**

Note 23 – Related party transactions

Directors and executives

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 might reasonably be expected to be available or similar transaction to non-related entities on arm's length basis. These directors were also at no stage involved in the engagement of the relevant entities.

Transactions with those related entities disclosed in the Directors' Report are summarised below:

	Consolidated	Parent
	2016 $	2016 $
SingTel Optus Limited	944	647
Energy Super	5,321,318	4,163,161
Lend Lease	104,911	104,911
	5,427,173	**4,268,719**

Parent entities

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

Investment in controlled entities

Details of investments in controlled entities are set out in Note 25.

Transactions with related parties & State controlled entities

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	220,069	100,127	220,069	100,127
Operations and maintenance received from Joint Venture	-	-	19,843	33,926
Sale of goods and service – sale of coal to Callide A	-	-	-	430
Impairment reversal of loans to related parties	-	-	-	80,929
Dividends received	-	-	56,664	80,361
Total	**220,069**	**100,127**	**296,576**	**295,773**
Expenses				
Administration Costs – Insurance premiums paid to subsidiary	-	-	-	(310)
Debt forgiveness of loan funds advanced to subsidiary	-	-	-	(37,549)
Interest on QTC borrowings paid to Queensland Treasury	(61,968)	(64,043)	(61,968)	(64,043)
Costs paid to State of Queensland controlled entities	(58,799)	(53,451)	(51,469)	(46,296)
Total	**(120,767)**	**(117,494)**	**(113,437)**	**(148,198)**
Assets				
Trade receivables due from subsidiaries	**-**	**-**	**2,421**	**4,000**
Trade receivables from State of Queensland controlled entities	**18,493**	**12,407**	**18,493**	**12,407**
Total	**18,493**	**12,407**	**20,914**	**16,407**
Liabilities				
Trade payables due to subsidiaries	**-**	**-**	**-**	**1,336**
Trade payables to State of Queensland controlled entities	**17,633**	**17,811**	**17,419**	**17,621**
Borrowings from QTC	**812,081**	**812,081**	**812,081**	**812,081**
Total	**829,714**	**829,892**	**829,500**	**831,038**

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.

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

	Parent	
	2016 $'000	2015 $'000
Balance at 1 July	889,677	935,284
Loans advanced	243,277	330,280
Loan repayments received	(311,178)	(456,816)
Impairment Allowance	-	80,929
Total	**821,777**	**889,677**

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. There was no interest charged on loans during the 2016 (2015 – nil).

The terms and conditions of the tax funding agreement are set out in Note 17.

Outstanding balances are unsecured and are repayable in cash.

CS ENERGY LIMITED

Notes to the consolidated financial statements

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Note 24 – Contingencies

CS Energy is currently engaged in litigation with Anglo in relation to revenue compensation for losses incurred by Anglo's non-performance of the Coal Supply Agreements (CSAs). As part of this litigation, Anglo has, among other things, sought to partially terminate the Callide B and Callide C CSAs. Anglo is of the view that as at 25 February 2014 it had the right to terminate part of its obligations under the CSAs as these supply obligations were impacted by a force majeure event that continued for more than 365 days. Anglo's purported termination relates to approximately 30% of coal deliveries under the CSAs.

If Anglo is successful in establishing its claim of force majeure, and that it had the right to partially terminate the CSAs:

- CS Energy is potentially obliged to pay restitution to Anglo for that coal delivered by Anglo and accepted by CS Energy above the partial termination level (i.e. on approximately 30% of the coal delivered since 25 February 2014.
- CS Energy would also have the future cash flows of the Callide B and C Power Station assets reduced given the loss of future coal volumes. The extent of any impact would be subject to the volume reduced, the energy market assumptions and amendments to the operating and capital costs of the power stations as a consequence of this.

Further to this, in November 2013, Anglo served notices on CS Energy purporting to be Change Event Notices under the CSAs. The Change Event Notices seek to amend the terms and conditions of the CSAs, with effect from 1 January 2014. The changes proposed by Anglo are material, and potentially include a doubling of the current coal price under the CSAs. CS Energy is challenging the validity of the Change Event Notices.

If Anglo was successful in establishing that the Change Event Notices are valid and that it is entitled to claim adjustments to the CSAs, it is likely that CS Energy will be liable to make a retrospective payment to Anglo. The Change Event matter, as considered by the Board, remains a difficult matter to interpret and to determine prospects, which also means it is difficult to form a view on the valuation impact. Anglo has also counterclaimed and is seeking amongst other things for the court to adjust the CSA terms or alternatively determine the CSAs are "frustrated" and orderly exit of the CSAs should be undertaken.

Like the purported partial termination matter, the Change Event matter also remains the subject of court proceedings and absent a settlement, is a relevant consideration for the purposes of the finalisation of this year's financial accounts. The Anglo litigation (partial termination and change event) needs to be considered from an accounting perspective to determine whether it gives rise to any specific recognition or additional disclosure requirements.

In addition to the above, during the months of February to September 2015, CS Energy and Anglo negotiated to determine whether revised terms and conditions (including price) would apply for the second option term of the CSA (due to commence in August 2016). The negotiation was in accordance with the terms of the CSA, however, as the parties did not reach agreement by the end of the negotiating period, CS Energy issued a notice to extend the CSA for the second option term, on the terms that applied for the first option period (also in accordance with the terms of the CSA).

Upon receipt of the notice, Anglo alleged that it would not be required to deliver coal in accordance with the terms of the CSA after the end of the first option term (13 August 2016). Accordingly, to protect its interests, CS Energy sought a declaration from the Supreme Court of Queensland that Anglo would be required to supply coal during the second option term.

Since launching those proceedings, Anglo has provided an undertaking to continue to supply coal after 13 August 2016 (until at least 13 December 2016) and accordingly, the court proceedings are currently in abeyance, with either party required to give 14 days' notice to re-enliven the proceedings.

As at the end of the financial year, management has considered the requirements of AASB 137 *Provision, contingent liabilities and Contingent asset* and determined that it is unlikely but not remote that a settlement option exists. However, disclosure on the potential financial effect and uncertainties relating to the settlement would likely seriously prejudice CS Energy in negotiating an outcome.

CS ENERGY LIMITED

Notes to the consolidated financial statements

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Note 25 – Investment and interest in subsidiaries

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investment in subsidiaries	-	-	**51,815**	**51,815**

These assets are carried at cost.

The consolidated group has an interest in the following entities:

			2016	2015
Name of Entity	**Country of Incorporation**	**Class of Shares**	**Interest %[2]**	**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 [1]	Guernsey	Ordinary	100	100

(1) Manzillo Insurance (PCC) Ltd – Cell EnMach was closed during the reporting period.

(2) The proportion of ownership interest is equal to the proportion of voting power held.

Note 26 – Joint operation

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

			2016	2015
Name of Entity	**Principal activities**	**Country of Incorporation**	**Interest %**	**Interest %**
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

The proportion of ownership interest is equal to the proportion of voting power held.

CS Energy Limited through its subsidiary entity, Callide Energy Pty Ltd is a 50% owner of the Callide C Power Station through the unincorporated Callide Power Project Joint Venture. Its joint venture partner, IG Power (Callide) Ltd (IGPC) advised on 14 June 2016 that it had been placed into voluntary administration and that shortly thereafter, receivers and managers Ferrier Hodgson were appointed by IGPC's financiers. The Callide C Power Station continues to operate as normal following this appointment, with CS Energy Limited continuing in its role as Operator of the asset.

CS ENERGY LIMITED

Notes to the consolidated financial statements

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Note 27 – 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 listed in Note 25 are subject to this deed with the exception of Manzillo Insurance (PCC) Ltd.

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 Other Comprehensive Income and a summary of movements in consolidated accumulated losses for the year ended 30 June 2016 of the Closed Group.

	2016 $'000	2015 $'000
Statements of Profit or Loss and Other Comprehensive Income		
Sales of electricity	582,818	518,347
Operation and maintenance services	23,026	48,640
Other income	32,312	8,890
Fuel and carbon	(133,223)	(116,435)
Services and consultants	(91,540)	(106,165)
Finance costs	(86,761)	(112,599)
Employee benefit expense	(78,449)	(77,912)
Raw materials and consumables	(37,798)	(41,923)
Operating leases	(39,177)	(38,985)
Other expenses	(23,302)	(40,078)
Fair value through profit / (loss)	(8,284)	(8,908)
Depreciation and amortisation	(102,789)	(106,717)
Asset impairment	(72,466)	-
Onerous contract – re-measurement	18,500	250,943
Profit/(loss) before income tax	**(17,133)**	**177,098**
Income tax (expense)/benefit	1,825	(53,196)
Profit/(loss) for the year	**(15,308)**	**123,902**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	(73,001)	(40,660)
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit plan, net of tax	648	7,515
Other comprehensive income/(loss) for the year, net of tax	**(72,353)**	**(33,145)**
Total comprehensive profit/(loss) for the year	**(87,661)**	**90,757**
Gain/(loss) is attributable to:		
Owners of CS Energy Limited	(15,308)	123,902
Total comprehensive gain/(loss) is attributable to:		
Owners of CS Energy Limited	(87,661)	90,757
Summary of movements in Closed Group's Accumulated losses		
Net profit/(loss) for the year	(15,308)	123,902
Actuarial gain/(loss) on defined benefit plan, net of tax	648	7,515
Closing balance at 30 June	**(14,660)**	**131,417**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2016

Statements of Financial Position

Set out below is the consolidated Statements of Financial Position as at 30 June 2016 of the Closed Group.

	2016 $'000	2015 $'000
Assets		
Current assets		
Cash and cash equivalents	47,537	17,262
Loans and receivables	124,059	83,730
Inventories	87,523	83,801
Derivative financial instruments	21,677	19,701
Total current assets	**280,796**	**204,494**
Non-current assets		
Derivative financial instruments	3,235	9,539
Property, plant and equipment	1,373,149	1,389,934
Deferred tax assets	311,959	273,961
Retirement benefit assets	19,361	19,849
Equity accounted investments	1	1
Other receivables	5,887	10,265
Total non-current assets	**1,713,592**	**1,703,549**
Total assets	**1,994,388**	**1,908,043**
Liabilities		
Current Liabilities		
Trade and other payables	140,297	79,408
Provisions	54,786	43,979
Derivative financial instruments	151,798	47,451
Total current liabilities	**346,881**	**170,838**
Non-current liabilities		
Other payables	2,241	1,103
Interest bearing liabilities	812,081	812,081
Deferred tax liabilities	178,858	173,586
Other liabilities	-	40,130
Derivative financial instruments	30,372	27,506
Provisions	330,511	287,756
Total non-current liabilities	**1,354,063**	**1,342,162**
Total liabilities	**1,700,944**	**1,513,000**
Net assets	**293,444**	**395,043**
Equity		
Share capital	1,114,414	1,114,414
Reserves	(87,816)	(14,815)
Retained earnings	(733,154)	(704,556)
Total equity	**293,444**	**395,043**

CS ENERGY LIMITED

Directors' declaration

for the year ended 30 June 2016

In the Directors' opinion:

(a) The financial statements and notes set out on pages 50 to 95 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 2016 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 25 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 27 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 27.

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 James Gerard Soorley
Chairman
26 August 2016

Ms Antonia Thornton
Director
26 August 2016

Auditor's Independence Declaration

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 Limited for the year ended 30 June 2016, 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.

QUEENSLAND
26 AUG 2016
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

CS ENERGY LIMITED (AND CONTROLLED ENTITIES)

Independent Auditors' Report

for the year ended 30 June 2016

Independent Auditor's Report

To the Members of CS Energy Limited

Report on the Financial Report

I have audited the accompanying financial report of CS Energy Limited, which comprises the statements of financial position as at 30 June 2016, the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including 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 2016 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
3 1 AUG 2016
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.
kgCO_2-e/MWhso	Greenhouse gas emission intensity per energy sent out. 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). Greenhouse gas emissions intensity is a way of measuring the efficiency of an electricity generator, by dividing total emissions by the amount of electricity produced.
ISO 14001:2004	An 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 or resulted in enforcement action by a regulator.
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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