Delivering energy today, powering your tomorrow.

Annual Report 2016/17

CS energy

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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 2016 to 30 June 2017. An electronic version of this annual report is available on CS Energy's website at **www.csenergy.com.au.**

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Highlights

In 2016/17, CS Energy significantly improved its financial performance and achieved positive results in a number of safety, generation and environment measures.

0.61 Lost Time Injury Frequency Rate
47% REDUCTION

371.4 Underlying EBITDA ($ million)
$178.1 MILLION INCREASE

122.9 Dividend ($ million)
$109.1 MILLION INCREASE

84 Net cash flow ($ million)
$65.4 MILLION INCREASE

12,421 Energy sent out from CS Energy owned generation (GWh)
1,458 GWh INCREASE

0 Significant environmental incidents
STEADY

About CS Energy

Our purpose

Delivering energy today, powering your tomorrow.

CS Energy is a Queensland government owned corporation and a major wholesale provider of electricity in Australia. We employ more than 450 people and have a trading portfolio of 4,035 megawatts in the National Electricity Market (NEM).

Our values

Be safe **Create value** **Take accountability** **Act with integrity**

Our values and the constructive, high performance culture we are building at CS Energy will enable us to address our current and future challenges, and support our purpose.

Portfolio

Our portfolio includes thermal and hydroelectric power stations, electricity trading rights and coal assets.

CS Energy owns and operates the Callide B, Kogan Creek and Wivenhoe power stations and has a 50 percent interest in the Callide C Power Station. We provide operations and maintenance services to the joint venture owners of the Callide C Power Station.

CS Energy is a party to the Gladstone Interconnection and Power Pooling Agreement (IPPA), which entitles CS Energy 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.

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)

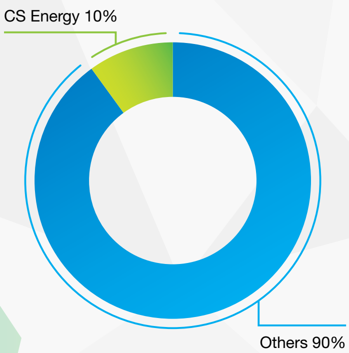
5. **Coal assets**

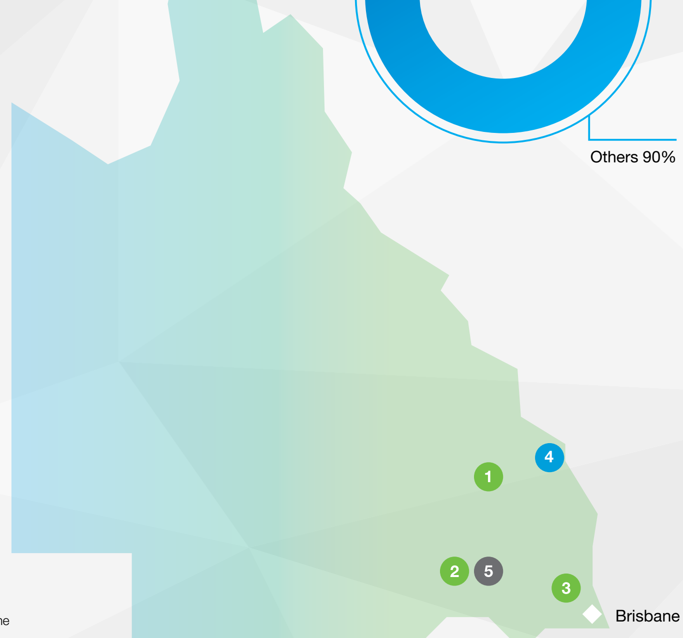
   Kogan Creek Mine (MDL 335 – 400 Mt)

   Glen Wilga (MDL 382 – undeveloped)

   Haystack Road (MDL 383 – undeveloped)

2017 Contribution to supplying NEM demand





*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.

Strategy

In 2016/17, CS Energy renewed its long-term business strategy in response to the changes occurring in the energy market. We now have a clear purpose, vision and strategy for who we are, and where we want to be, in the Australian energy industry.

In the past year, there was heightened awareness of the critical role energy plays in Australia's economic prosperity. The changing mix of generation sources and retirement of old coal-fired plant in the southern states has put the challenges of energy affordability and security firmly in the national spotlight.

The industry in which CS Energy has operated for many years is shifting to become something fundamentally different from what we have become used to. This is why the time is right to clearly articulate CS Energy's strategy for the future.

Our purpose-led strategy has been designed around the fundamental principle that, as the use of fossil fuels for electricity generation diminishes, we need to clearly articulate the role that CS Energy will play in this new landscape.

While recognising the criticality of our existing portfolio to the ongoing affordability, security and reliability of the NEM, we also need to leverage new technology, business models and partnership to create a long-term future for CS Energy.

Delivering energy today, powering your tomorrow.

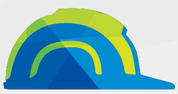
Vision

Our vision is that, by 2030:

- CS Energy will be a major Australian energy player renowned for its safe, reliable and affordable range of energy solutions.
- The CS Energy brand will be known as an ethical and commercially astute business that consistently delivers exceptional financial, environmental, and community outcomes.
- We will retain a best-in-class portfolio of generation assets that deliver flexible, reliable, low-cost energy in an evolving market.
- We will provide 50 percent of Queensland's baseload generation capacity, however at least 30 percent of our earnings will be derived from innovative products and services, independent of our physical assets.
- We will operate in national markets, and our experience in transitioning to a clean energy world will make our expertise globally sought after.
- Our constructive, high-performance culture will be widely recognised and attract the best talent to our business.
- Our people will be empowered to create and deliver solutions that drive long-term value for all stakeholders.

Strategic goals for 2017/18

In the year ahead, CS Energy will implement its renewed strategy to deliver positive business outcomes in accordance with our purpose and vision. We will organise our work around four strategic goals:



Drive relentlessly towards an injury free workplace.

Be a major provider of reliable energy to Australian households and businesses.

Engage our people and our stakeholders in the success of our business.

Deliver value and stable cash returns for our shareholder.

Our vision and strategy will steer us to achieve our ultimate purpose.

Chairman's message

CS Energy created value for our shareholders this year by delivering strong returns and refreshing our long-term strategy.

We will explore new sources of revenue to become a diversified energy business

CS Energy started the 2016/17 financial year with clear direction from our owner the Queensland Government on the role of CS Energy in Queensland's energy future. This followed the government developing Shareholder Mandates for its energy businesses late in 2015/16.

CS Energy's Shareholder Mandate provided clarity on the government's performance expectations and the available avenues for future growth. The mandate recognises the critical role of CS Energy, as a publicly owned asset, to continue providing reliable electricity while also delivering an appropriate level of financial returns to Queensland.

In response, CS Energy developed a new long-term strategy, which outlines our vision to be a major provider of reliable energy to Australian households and businesses. We will also explore new sources of revenue to become a diversified energy business and ensure that we remain competitive in Australia's rapidly changing energy market. I am pleased to report that we are making good progress in putting our strategy into action.

Supporting energy affordability

In August 2017 CS Energy formed a 50/50 retail joint venture with Alinta Energy to supply electricity to residential and small commercial and industrial customers within the Energex Distribution Area. Alinta Energy's entry into the South-East Queensland retail market will increase competition in the retail electricity market and put downward pressure on power prices.

The arrangement with Alinta Energy supports CS Energy's strategic goal to deliver value and stable cash returns for our shareholder. The 10-year deal enables CS Energy to lock in a portion of our generation output to provide a new revenue stream, in a part of the market where we could not do so alone.

People, safety and the community

CS Energy progressed a number of initiatives to make the company a safer, more inclusive and diverse place to work. This included a new, three-year health and safety strategy, and workforce inclusion and diversity initiatives.

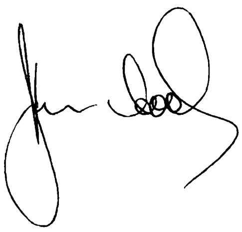
In the community, I was pleased to launch CS Energy's sponsorship of defensive driving for Year 12 students at Biloela State High School as part of the JBOYS program, which aligns with CS Energy's number one priority to Be Safe.

Powering Queensland Plan

In June 2017, the Queensland Government released its *Powering Queensland Plan* to address the state's current and future energy needs. The plan focuses on improving energy affordability and supporting the transition to a cleaner energy sector. Among its initiatives is an investigation into the restructure of government owned generators, which will provide recommendations in the first half of 2018.

Acknowledgements

I would like to thank my fellow Board members, Chief Executive Officer Martin Moore and his leadership team, and all CS Energy employees for their hard work and dedication this year. I would also like to thank our shareholding Ministers for their support and reaffirm our commitment to responsibly manage the business for the benefit of the State of Queensland.



Jim Soorley

Chairman

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 our strategies, objectives and targets for the financial year ahead.

The SCI is CS Energy's formal performance agreement with its shareholding Ministers and is tabled in the Queensland Parliament each year with its annual report.

For 2016/17, CS Energy introduced several new metrics for monitoring its financial and plant performance, in accordance with the Shareholder Mandate issued by the Queensland Government.

Definitions of both new and continuing metrics are outlined under the table below. For information on how the measures are calculated, please refer to the Glossary and abbreviations on the inside back cover.

In 2016/17, CS Energy significantly improved its financial performance and achieved positive results in its environment and pumped-hydro electric plant measures.

We did not achieve our primary safety target nor our main benchmark for our thermal plant, however there were positive trends in other measures for these areas (see pages 16 and 20).

CS Energy's performance against 2016/17 SCI targets:

Category	Measure	2016/17 Actual	2016/17 Target
Safety	Total Case Recordable Frequency Rate[1]	4.27	< 3.00
Environment	Significant Environmental Incidents[2]	0	0
Finance	Return on Gross Fixed Assets (%)[3]	16.0	10.6
Finance	Free Cash Flow Yield (%)[3]	9.9	6.4
Thermal plant performance	Equivalent Availability Capacity Factor Demand (%)[4]	83.3	87.5
Pumped-hydroelectric plant performance	Start Reliability (%)[5]	98.5	95

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. Data is for CS Energy employees and contractors.
2. Significant Environmental Incidents are defined as incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
3. Return on Gross Fixed Assets (ROGFA) and Free Cash Flow Yield (FCFY) are new measures for providing information regarding net operating earnings generated from capital investment (ROGFA) and cash available for tax payments, debt and equity financing flows and dividend payments following allowances for capital expenditure (FCFY). FCFY calculation includes variation margin contributions.
4. Equivalent Availability Capacity Factor Demand is a new measure of the performance of CS Energy's thermal plant.
5. Start Reliability is a new measure of the performance of CS Energy's hydroelectric plant.

CEO's review

CS Energy's performance in the 2017 financial year saw the culmination of several years of concerted effort, with results continuing to improve in all areas of the business.

Our commercial, operational, and revenue performance all exceeded previous performance benchmarks, and enabled the business to realise the benefits of a sustained transformation program.

A smaller and more streamlined CS Energy executive team was strengthened with the addition of three new members, as we take on the challenge of moving to the next level of performance and value delivery.

Electricity market evolution

The Australian energy industry is at a crossroads. It is evolving ever more rapidly in response to the demand for new, cleaner sources of generation, which in turn is placing pressure on both prices and security of supply. In the past year, energy has emerged as a key issue at the forefront of political and social debate, due to the critical role that it plays in our country's prosperity.

Price increases, particularly in the commercial and industrial market, have been met with well organised public campaigns aimed at securing intervention from governments at the state and national level. After the high priced events of the most recent summer, wholesale generators have been particularly in the spotlight.

CS Energy has navigated the market environment well, finding ways to optimise returns from the NEM, while ensuring that our market trading strategies do not damage long-term price sustainability.

Although the 2016/17 results show a vast improvement in CS Energy's returns, we must bear in mind that this is on the back of many years of underperformance, and that the CS Energy balance sheet still carries retained losses of more than $566 million.

In pursuit of our new strategy, we have been able to consolidate our traditional revenue streams, and at the same time invest in new deals that diversify and secure our future income while bringing value to customers. The recently announced retail joint venture with Alinta Energy is the most striking example of this.

With the release of the Finkel Review in June, and the increasing appetite for governments around the country to intervene in the market, we are hopeful that the much sought after policy certainty will emerge this year, loosening the atrophy that has stymied investment in the NEM for several years.

Callide coal supply issue resolved

After many years of disputes that had constrained the supply of coal to the Callide Power Station, CS Energy negotiated and facilitated the transition of ownership in the Callide Mine from Anglo American to Batchfire Resources. This complex transaction saw a new owner/operator take control of the mine on 1 November 2016, with new coal supply agreements that preserved the existing fuel price and, consequently, the value of the Callide Power Station assets.

This resulted in generation from Callide exceeding original expectations, and delivering significant additional value to CS Energy's Gross Margin. The deal has also been recognised on the balance sheet by reversing previous impairments to the Callide assets.

The first several months of operation have demonstrated that the new Batchfire team is not only a competent miner capable of delivering on its contractual commitments, but also an astute counterparty that CS Energy and the Callide Power Management joint venture partners can work with collaboratively to further improve commercial returns for both the mine and power station assets.

Continued trajectory of strong financial performance

CS Energy's financial performance continues to improve as a result of the ongoing business transformation and favourable market conditions. Improved outcomes in operating and capital investment, portfolio generation performance, and prudent trading strategies contributed to the record Underlying EBITDA of $371.4 million.

The key financial metrics monitored by our shareholder were exceeded with Return on Gross Fixed Assets (ROGFA) at 16 percent, and Free Cash Flow Yield (FCFY) at 9.9 percent. This will enable CS Energy to not only return a greater dividend to the Queensland Government ($122.9m), but also to accelerate the pay down of debt as we seek to repair the balance sheet and drive towards a more competitive gearing level.

There still remains a significant opportunity to further improve the CS Energy business, particularly in respect of safety and thermal plant performance. Failure to achieve some of our Corporate Scorecard targets this year, despite the excellent performance of the business, reminds us that the quest for excellence is elusive, and encourages us to redouble our efforts in 2017/18.

Safety continues to improve

We reduced the number of people injured in 2016/17, achieving an All Injury Frequency Rate of 34.78, one of our lowest for the past five years. Our Lost Time Injury Frequency Rate of 0.61 was the best it has ever been, with only one Lost Time Injury sustained during the year.

However, we experienced seven recordable injuries, which resulted in a Total Case Recordable Injury Rate (TCRFR) of 4.27, well above our Corporate Scorecard target of 3.0. Although all of these injuries were sustained by contract workers, this in no way alters CS Energy's commitment to keep all people safe when they are on one of our sites.

We continue to invest prudently in the safety of our people, with major programs being undertaken in 2017/18 for both behavioural and process safety.

CS Energy's financial performance continues to improve as a result of the ongoing transformation and favourable market conditions

Best plant performance in five years

Although we failed to meet the ambitious targets set for the operational performance of our coal-based fleet this year, the average availability, reliability, and actual generation sent out all reached historical highs. This is largely to be expected after the significant capital investment in plant overhaul and maintenance activity in the past two years.

Kogan Creek was returned to its historical nameplate capacity (750 MW) after the 2016 overhaul rectified the turbine vibration issues, and the Wivenhoe pumped storage hydro electric plant continued to perform very well, with above target Start Reliability. However, the Callide Power Station struggled to reach its operational performance targets, with a range of unplanned outages in the second half of the year.

As we continue to invest significant capital into our assets, we will closely monitor our cost/performance metrics to ensure that the returns are not only consistent with our commercial benchmarks, but also recognise the future life of the assets in a rapidly evolving market.

New capability in the senior leadership

During the year, I restructured the Executive Leadership Team to place more focus on the growing synergies between trading in today's market, and the revenue streams of the future. The creation of the Revenue Strategy division, and the appointment of former CFO, Darren Busine, to this role will deliver enhanced ability to make the necessary tradeoffs between short and long-term earnings.

The executive team has been further strengthened with the appointment of David Down as EGM Operations, and Joanne Keen as Executive General Counsel and Company Secretary.

The Revenue Strategy and Operations divisions now form the 'engine room' of the business, with functional leadership delivered from the three supporting divisions of Finance, People & Safety, and Legal/Company Secretariat.

Board performance

The Board has been instrumental in commencing the successful transition of the business from a wholesale generation utility to a market player of the future. I am personally very appreciative of the support given to me and the management team by each and every one of the directors. Their guidance and wisdom continues to serve CS Energy and all its stakeholders exceptionally well.

Looking forward

The challenges ahead are many, as we see a confluence of political, economic, technological, and market forces changing the energy landscape, both in Australia and globally. CS Energy is well positioned to evolve in this landscape, and we have already started that evolution by delivering on innovative, value accretive partnerships.

We will also continue to strengthen our internal capability with a clearer focus on successful execution of our strategy. Key initiatives in the 2018 year will continue to build on the organisational transformation program, enhancing safety, operating performance, and market trading strategy.

Our people continue to be the lifeblood of the business, and I extend my sincere thanks and gratitude to all CS Energy employees, contractors, and suppliers for the critical role they continue to play in the success of the business.

As we continue to thrive and grow, we will deliver on our purpose; "Delivering energy today, powering your tomorrow".

Martin Moore
Chief Executive Officer

Financial performance

Strong market conditions and increased generation from our portfolio drove improved returns this year.

Photo: Kogan Creek Power Station provided an extra 1,339 gigawatt hours of electricity to the NEM in 2016/17 following a major overhaul the year before.

CS Energy improved its financial performance in 2016/17, reflecting the strong market conditions, increase in generation from our portfolio and commercial discipline across the business. CS Energy was able to pay a dividend for only the second time in the past eight years.

Business performance

CS Energy's Underlying EBITDA increased from $193.3 million in 2015/16 to $371.4 million in 2016/17. The $178.1 million improvement in Underlying EBITDA can be attributed to above budget generation output, robust demand in the NEM and a continued focus on value-based investment decisions. In particular, good asset availability during high demand periods in the market was critical to CS Energy's improved earnings this year.

A number of accounting adjustments resulted in CS Energy recording a net profit after tax of $282.6 million, including the impairment write-back of the Callide B and Callide C power station assets. This impairment was previously recognised due to poor reliability, coal supply uncertainty and litigation with Anglo America Metallurgical (Anglo), which have now been resolved.

CS Energy has provided for a dividend payment of $122.9 million, which reflects the positive underlying financial performance of the business.

Key financial performance measures

	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000
Underlying EBITDA[1] ($'000)	35,483	17,140	154,671	193,288	371,351
Underlying EBIT[1] ($'000)	(52,956)	(71,581)	47,954	90,499	243,462
NPAT ($'000)	(47,875)	(59,898)	124,151	(23,011)	282,584
Net cashflow from operating activities ($'000)	(23,045)	(36,361)	33,853	132,194	183,904
Net cashflow for payments for property, plant and equipment ($'000)	(69,681)	(74,146)	(47,295)	(113,595)	(86,078)
Net Cash Flow($'000)	(92,726)	(110,507)	(13,442)	18,599	83,995
Underlying interest cover[2] (times)	(0.81)	(1.23)	0.75	1.46	4.11
Underlying return on capital employed[2] (%)	(4.6%)	(6.5%)	3.9 %	7.6%	17.9%

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

Good asset availability during high demand periods in the market was critical to CS Energy's improved earnings this year.

Capital investment

CS Energy continued to focus on project delivery accountability and improving cost discipline across the business. Net cash flow for payments for property, plant and equipment was $86.1 million for the 2016/17 financial year. This included overhauls at Callide and Wivenhoe, as well as other plant investment activities.

Capital structure

CS Energy continued its rigorous approach to capital projects to ensure our major projects deliver a return on investment. We have improved our 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 $51.7 million to $183.9 million in 2016/17 compared to $132.2 million in 2015/16.

As a result of the improved financial performance, whilst managing margin call investments on the Australian Securities Exchange, CS Energy has been able to effectively manage 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 4.11 times in 2016/17, from 1.46 times in 2015/16. CS Energy's underlying return on capital employed has increased to 17.9 percent, from 7.6 percent in 2015/16.

Non-International Financial Reporting Standards information

The CS Energy Board of Directors believes 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.

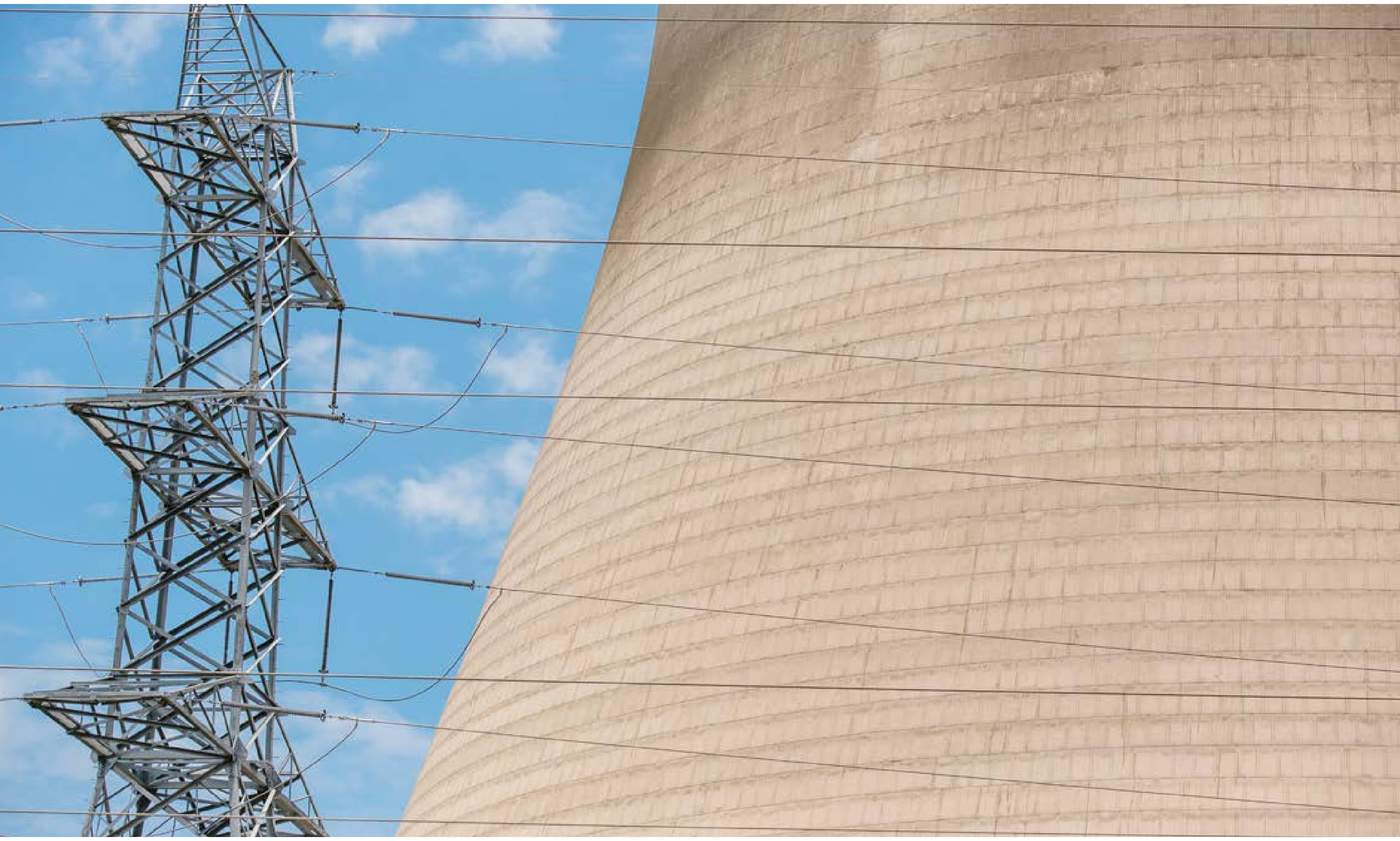
CS Energy has been able to deliver a significant capital program with no net increase in borrowings for the year.

Reconciliation of underlying results to statutory results

	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000
Underlying EBITDA	**35,483**	**17,140**	**154,671**	**193,288**	**371,351**
Depreciation and amortisation	(88,439)	(88,721)	(106,717)	(102,789)	(127,889)
Underlying EBIT	**(52,956)**	**(71,581)**	**47,954**	**90,499**	**243,462**
Government grants	6,992	10,863	4,133	29,741	3,196
Research and development	(9,685)	(16,096)	(7,194)	-	(3,829)
Insurance recoveries	1,000	2,662	51	-	1,800
Oxyfuel electricity revenue[1]	-	2,703	3,925	-	-
Rehabilitation provision re-measurement	11,115	(4,473)	-	-	-
Net gain / loss on disposal of property, plant and equipment	(13)	820	(1,042)	132	12
Net gain / (loss) on fair value of derivative contracts	(8,162)	1,399	(8,908)	(8,284)	(77,091)
Exploration and evaluation expenditure write-off	-	(25,372)	-	-	-
Onerous contract provision used during the year	51,154	42,751	56,357	(42,788)	37,495
Finance costs - Rehabilitation & Onerous contract provision	(9,802)	(13,243)	(48,554)	(24,761)	(22,324)
Net Impairment loss/loss reversal	-	266,900	-	(72,466)	242,428
Onerous contract re-measurement	-	(234,845)	194,586	(24,288)	491
Commercial Settlements	-	-	-	-	35,000
EBIT	**(10,357)**	**(37,512)**	**241,308**	**33,361**	**460,640**
Interest income	8,000	1,903	191	502	2,337
Interest and finance charges	(65,312)	(58,170)	(64,045)	(62,000)	(59,300)
Income tax benefit	19,794	33,881	(53,303)	5,126	(121,093)
Statutory Net Profit/(Loss) after tax	**(47,875)**	**(59,898)**	**124,151**	**(23,011)**	**282,584**

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

Market performance



CS Energy achieved above target revenue from electricity sales in 2016/17 on the back of robust demand in the NEM.

Photo: Callide B Power Station near Biloela.
CS Energy's trading portfolio contributed 10 percent of the electricity dispatched in the NEM in 2016/17.

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 spot and contract markets.

CS Energy also holds an electricity retail licence and offers retail contracts to large commercial and industrial users in Queensland.

In early 2017/18, CS Energy commenced a 50/50 joint venture with Alinta Energy to supply electricity to residential and small commercial and industrial retail customers in South-East Queensland.

Prices reflect changing market

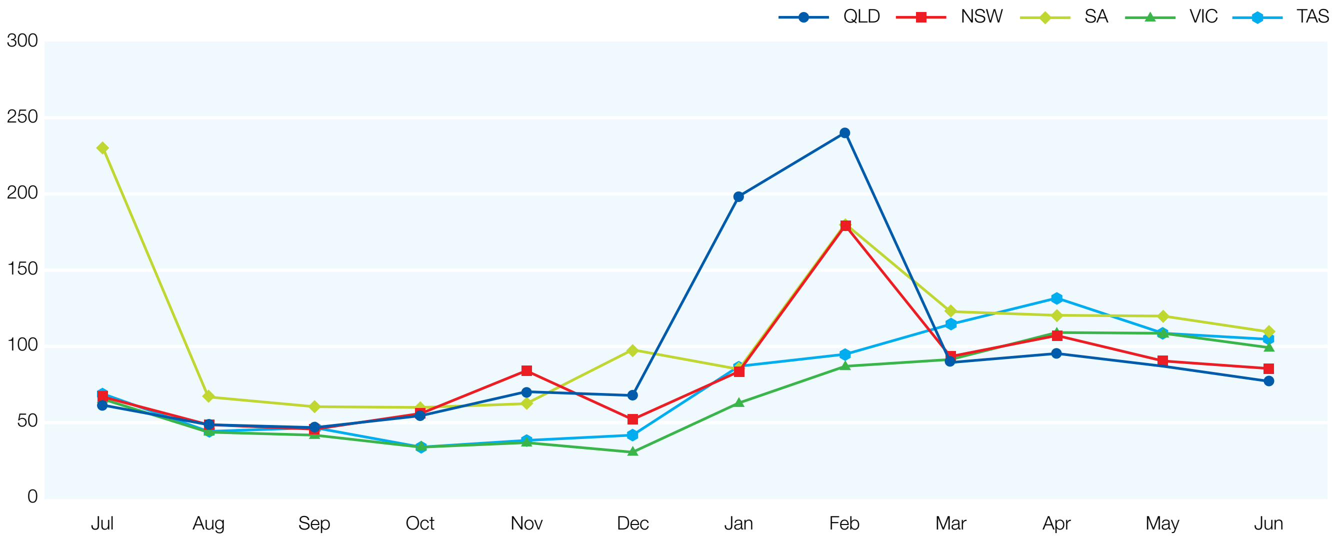
Wholesale electricity prices were elevated throughout the NEM in 2016/17 due to changes in the underlying energy mix and an overall tightening in the demand-supply balance, coupled with one of the hottest summers on record across eastern Australia. Queensland posted its highest annual time-weighted average price of $93.12/MWh since commencement of the NEM in 1998.

The fundamentals of the Australian electricity market are undergoing rapid change as the baseload mix shifts from thermal to renewable sources, and increasing linkages emerge between electricity and gas markets. Increased penetration of new wind and solar generation has resulted in the retirement of traditional baseload coal generators, including the Northern and Hazelwood power stations in 2016 and 2017 respectively, and contributed to higher prices throughout the NEM.

The remaining two liquefied natural gas trains came online at Gladstone, driving a significant increase in on-grid electricity

The fundamentals of the Australian electricity market are undergoing rapid change

2016/17 NEM monthly average pool prices ($/MWh)



demand while concurrently diverting gas away from electricity generation. The Queensland LNG sector's consumption of on-grid demand increased by 200 MW on average in 2016/17, while gas prices averaged $8.23/GJ after being less than $5/GJ on average the prior financial year. A combination of higher demand and retirement of baseload plant resulted in these more expensive gas plants often setting dispatch prices. In response to the tightening domestic gas market the Federal Government enacted the Australian Domestic Gas Reservation Mechanism, which aims to ensure gas export projects are net contributors to the domestic market.

The growth in demand from the LNG sector, coupled with extremely hot weather conditions through January and February 2017 drove spot price volatility in Queensland and New South Wales to levels previously unseen. As the hot conditions subsided, Queensland's wholesale prices declined and, from March 2017, the state had the lowest average pool price of any state for the remainder of 2016/17.

In June 2017, the Queensland Government announced the *Powering Queensland Plan,* which included a direction to Stanwell Corporation to maximise output dispatched and return the 385 MW Swanbank E gas-fired power station to service from 1 January 2018. Since this announcement, Queensland wholesale and forward contract prices have fallen materially. The government will also investigate the restructure of government owned generators and consider establishing a 'CleanCo' generator to operate Queensland's existing renewable and low emissions generation assets and develop new renewable energy projects.

2017 Contribution to supplying Queensland demand

Our performance in the NEM

CS Energy achieved above target revenue from electricity sales in 2016/17 as a result of strong market conditions and the improved availability of our thermal plant. Periods of unscheduled plant availability were managed successfully to limit market exposure and resulting financial impacts.

Revenue from electricity sales totalled $790.9 million in 2016/17, compared with $582.8 million the previous financial year. The increase made a significant contribution to CS Energy's higher overall earnings in 2016/17 and reflects the higher spot and contract prices in the NEM during 2016/17.

Policy and regulatory developments

There was increased scrutiny of the NEM as a result of system security issues in South Australia; high prices across all states, tightening of the gas market, and concerns over the competitiveness of the retail market. Compounding matters further, there was an extremely hot summer in Queensland and New South Wales, coupled with instances of load shedding in South Australia and New South Wales.

In response to these issues, the Australian Energy Market Commission and the Australian Energy Market Operator conducted reviews into system security, and the Australian Competition and Consumer Commission began an inquiry into electricity supply and prices.

Most significant for the electricity sector was the Independent Review into the Future Security of the National Electricity Market by Australia's Chief Scientist Dr Alan Finkel AO. The review recommended that the Australian Government implement policy to achieve the 2030 and 2050 Paris commitments, including an emissions trajectory and Clean Energy Target for the NEM. CS Energy is supportive of these proposals on the basis of a need for investment certainty. The COAG Energy Council endorsed 49 of the 50 recommendations of the Finkel Review on 14 July 2017, however the recommendation regarding the Clean Energy Target was not endorsed.

Under the Safeguard Mechanism, CS Energy's facilities are subject to individual facility emission baselines, which only apply in subsequent years if a sectoral baseline of grid-connected generators exceeds 198 million tonnes of carbon dioxide equivalents (tCO_2-e). Given the closure of Hazelwood Power Station in 2016/17, it is unlikely the sectoral baseline will be exceeded prior to 2020.

CS Energy's trading portfolio

Power station	Capacity
Kogan Creek Power Station	750 MW
Callide B Power Station	700 MW
Callide C Power Station[1]	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.

Outlook

While challenges exist, the outlook for CS Energy's trading portfolio in 2017/18 remains positive.

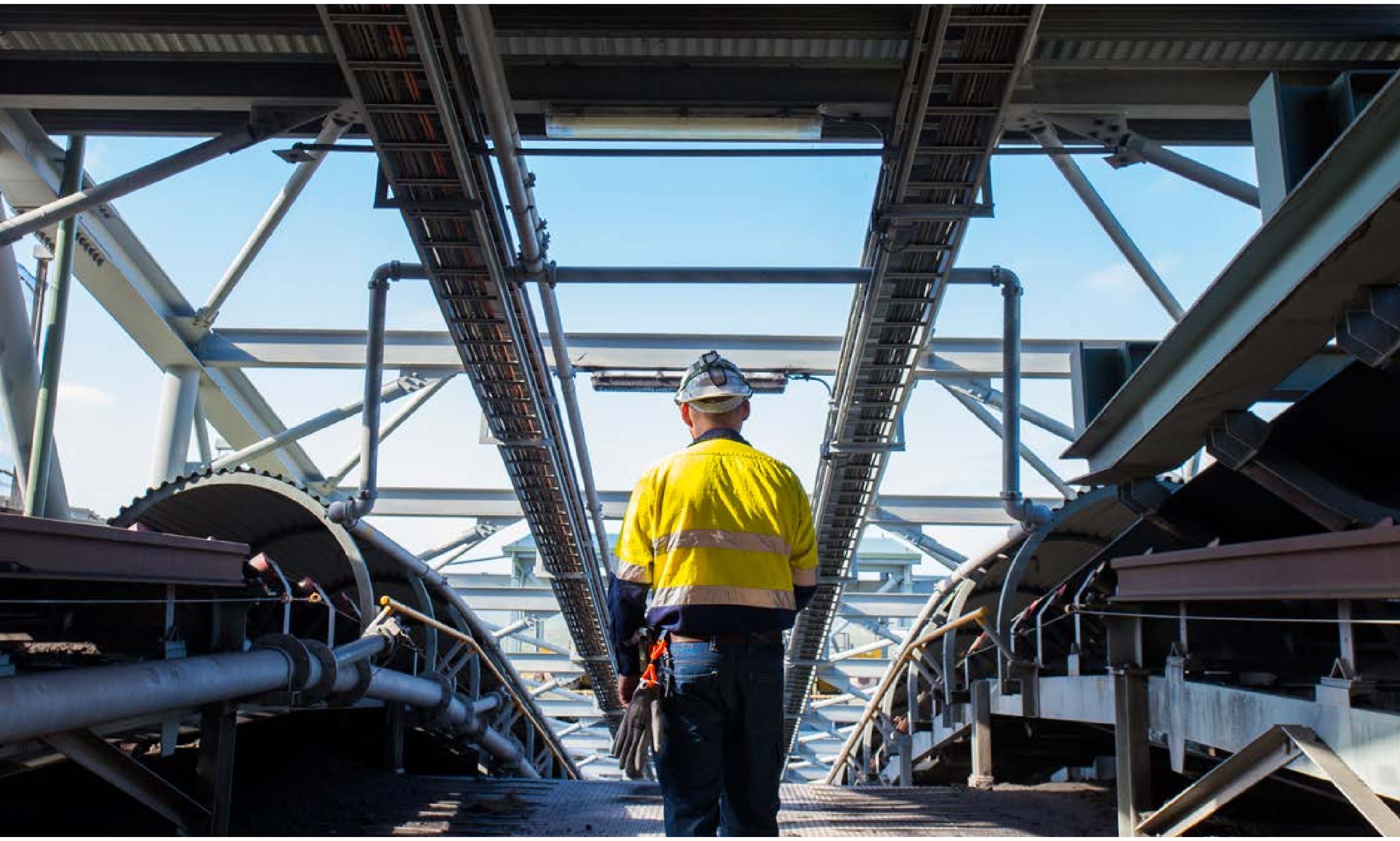
In the near term, demand for thermal baseload generation will remain robust due to the tight underlying demand-supply balance throughout the NEM. The impact of the *Powering Queensland Plan* on wholesale market outcomes is unclear at this stage. Prices are expected to soften as a result of the direction to Stanwell Corporation and the additional capacity on offer from Swanbank E Power Station from January 2018. The Australian Government's Australian Domestic Gas Reservation Mechanism is not expected to have a material impact on CS Energy dispatch.

The combination of falling technology costs, rising retail prices and State and Federal renewable schemes is expected to drive significant investment in new renewable capacity and emerging technologies throughout the NEM. This in turn will reduce the demand for thermal baseload generation. The response from incumbent market participants to the influx of new renewable capacity creates a challenge for the NEM and policy makers to balance the competing needs of system reliability and emissions abatement policy. While Queensland is not currently as reliant on intermittent capacity as other NEM regions, the project pipeline points to a rapid increase in renewable capacity in the coming years.

Uncertainty around the regulatory framework governing the NEM will continue to affect the investment decisions of incumbent market participants and investors. Resolution and bi-partisan agreement as to the policy to achieve Australia's climate policy objectives remains the key risk for industry and energy users moving forward.

The outlook for CS Energy's trading portfolio in 2017/18 remains positive

Portfolio performance



In 2016/17, CS Energy improved the availability of the power stations that we own and operate.

Photo: A CS Energy employee does a plant walk through on the coal plant at Kogan Creek Power Station.

CS Energy owns and operates 68 percent of the company's 4,035 MW trading portfolio. Our asset portfolio comprises baseload thermal generators and a peaking pumped storage hydro generator.

CS Energy's strategy and purpose recognise the critical role our assets will play in providing reliable electricity to the NEM over the coming decades as Australia transitions to a lower carbon generation mix.

Improved plant performance

In 2016/17, CS Energy's owned generation portfolio sent out 12,421 gigawatt hours (GWh) of electricity, which was significantly above target and more than 1,450 GWh above the previous year. This positive result was largely due to increased generation at Callide B, as a result of improved coal delivery, and a full year of production from Kogan Creek Power Station. The major overhaul of Kogan Creek in 2015/16 included replacement of the high pressure turbine, the result of which has restored the station to its nameplate capacity.

The improved performance of CS Energy's thermal plant produced a 83.3 percent availability result for 2016/17, however this was still below our target of 87.5 percent. The main factors impacting on thermal plant availability were clinker issues at Callide C, boiler tube leaks at Callide B1 and Kogan Creek, an outage of the furnace ash conveyors at Callide B2 and a transformer protection fault at Kogan Creek.

CS Energy effectively managed the unplanned outages to minimise plant downtime and ensure our baseload thermal generators were available to run during the summer peak demand period, supporting security of electricity supply and making a significant contribution to CS Energy's increased gross margin. Availability for CS Energy's thermal plant during the summer peak demand period was 88.2 percent (1 December 2016 – 28 February 2017).

The pumped storage hydro-electric Wivenhoe Power Station achieved an excellent Start Reliability rate for the year of 98.5 percent.

Looking ahead, CS Energy will continue to focus on operating our assets at the right cost to achieve their targeted level of performance in a competitive market.

Optimising the capital value of our assets

CS Energy carefully plans 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. Regular overhauls are also essential for ensuring our power stations operate safely, reliably and efficiently into the future.

CS Energy has managed a busy overhaul program in recent years, peaking in 2015/16 with overhauls at all three of our power station sites. In 2016/17, CS Energy executed overhauls at the Callide and Wivenhoe power stations.

At Callide, $49 million was spent overhauling units B1 and C3, and summer readiness maintenance was carried out on Unit C4. Unit 1 at Wivenhoe Power Station was overhauled during the year at a cost of $10.6 million, which was $2.9 million under the original budget estimate.

In 2017/18, CS Energy will overhaul Unit C4 at Callide and Unit 2 at Wivenhoe, and carry out detailed planning and scoping for overhauls of Kogan Creek and Unit B2 at Callide in readiness for execution in 2018/19.

Thermal plant performance

Year	Energy sent out (GWh)	EACFD (%)[1]	Planned outage factor (%)	Unplanned outage factor (%)
Kogan Creek Power Station performance (750 MW)				
2016/17	5,409	90.9	0.2	8.6
2015/16	4,070	68.7	19.7	11.6
2014/15	5,224	88.4	0	11.7
2013/14	4,821	81.8	11.5	6.7
2012/13	5,188	87.9	0	12.1
Callide B Power Station (700 MW)				
2016/17	4,370	78.8	7.6	13.6
2015/16	3,932	70.7	16.1	13.2
2014/15	3,212	73.5	7.9	18.6
2013/14	2,527	77.0	0	23.0
2012/13	3,575	78.8	10.6	10.6
Callide C Power Station (405 MW)[2]				
2016/17	2,576	77.0	8.4	14.6
2015/16	2,875	86.1	1.3	12.5
2014/15	2,668	81.3	5.7	12.8
2013/14	1,467	76.5	15.0	8.5
2012/13	2,136	84.2	8.7	7.0

1. Equivalent availability capacity factor demand.
2. Includes only CS Energy's 50 percent share of Callide C Power Station.

Pumped hydro plant performance

Year	Energy sent out (GWh)	Reliability (%)[1]	Planned outage factor (%)	Unplanned outage factor (%)
2016/17	66	98.5	11.3	2.5
2015/16	86	89.0	8.7	2.3
2014/15	17	75.9	16.8	7.3
2013/14	14	89.4	4.4	6.1
2012/13	23	54.6	13.6	31.8

1. Start Reliability measure used for 2016/17. Reliability measured used for years preceding. Refer to glossary for definitions.

Batchfire's acquisition of the Callide Mine has provided ongoing stability for the operations of Callide Power Station

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 owned generation portfolio.

Maintaining a reliable supply of coal for the ongoing operations of Callide Power Station has been a key priority in recent years. Callide Power Station is an important asset in our portfolio and a key part of the Queensland electricity supply chain.

In October 2016, CS Energy welcomed the announcement of the completion of the sale of Anglo American's Callide Mine to Batchfire Resources. Callide Power Station is the major customer of Callide Mine as it is the sole, economic source of coal for the power station. Batchfire took control of the Callide Mine from Anglo on 1 November 2016, and CS Energy negotiated with Batchfire amended terms to the Coal Supply Agreements for the supply of coal to the power station.

Batchfire's acquisition of the mine has provided ongoing stability and certainty for the operations at the Callide Power Station. Batchfire has met delivery and quality requirements under the new coal supply agreement and the variability of delivered coal quality has reduced. This stability of supply is a critical component in improving the reliability and performance of Callide Power Station.

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. Golding has continued to show flexibility and reliability that ensures a consistent coal product for the power station.

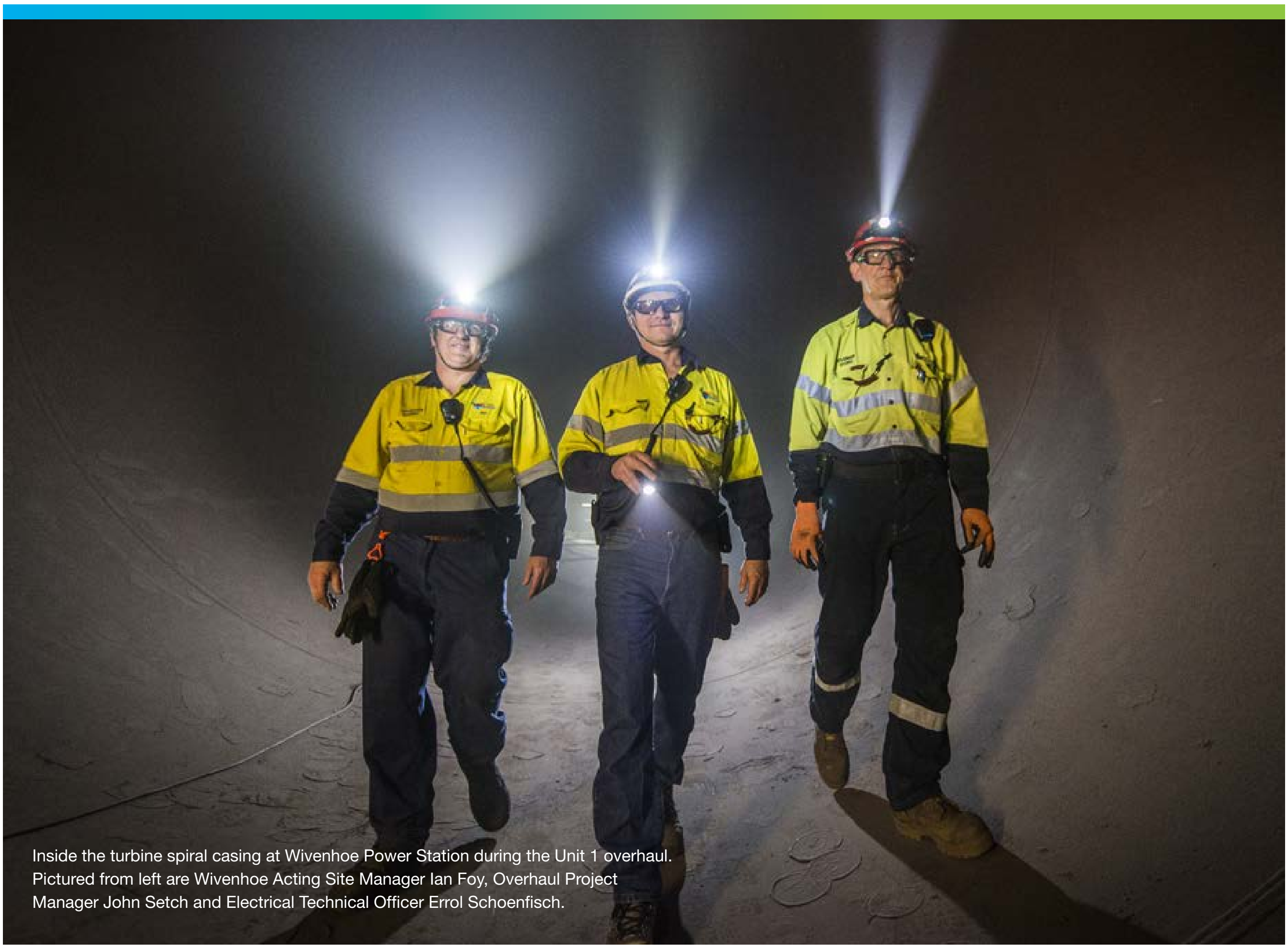
New business

CS Energy explored new business activities during the year in line with our purpose, vision and strategy. As the use of fossil fuels gradually declines over the coming decades, CS Energy will require new sources of earnings. This will involve facilitating renewable energy development in Queensland while continuing to provide reliable baseload electricity through our existing portfolio of power stations, along with deriving earnings from innovative products and services.

In a future environment of increased intermittent renewable generation, energy storage solutions will play an important role. Wivenhoe Power Station is an existing energy storage provider of significant scale and capability and CS Energy will be investigating alternate strategies to optimise its value in the changing energy landscape.

In August 2017, CS Energy and Alinta Energy formed a 50/50 joint venture to supply electricity to residential and small commercial and industrial customers within the Energex Distribution Area (South-East Queensland). Under the arrangement, CS Energy will provide wholesale electricity to the joint venture and Alinta Energy will manage the retail business on behalf of the joint venture parties.

Alongside exploring new business opportunities, CS Energy is working to improve its core trading and financial risk management capabilities. A detailed review of the current operating model and business capability will be carried out in early 2017/18, with planning and implementation of enhancements to occur in the coming years. Not only will these enhancements enable the business to take full advantage of the flexibility of our current asset base, it will position CS Energy well for incorporating innovative products and services into our revenue activities.



Inside the turbine spiral casing at Wivenhoe Power Station during the Unit 1 overhaul. Pictured from left are Wivenhoe Acting Site Manager Ian Foy, Overhaul Project Manager John Setch and Electrical Technical Officer Errol Schoenfisch.

Case Study: Overhauling Queensland's largest 'battery'

The $10.6 million, 85-day major overhaul at CS Energy's pumped storage hydroelectric Wivenhoe Power Station finished ahead of schedule and under budget in 2016/17.

The latest battery technology may be dominating the headlines when it comes to energy storage, but pumped storage hydroelectric power stations like Wivenhoe have been around for decades.

Wivenhoe Power Station works like a giant rechargeable battery because it stores and generates energy by cycling water between an upper and lower reservoir. It is the only pumped storage hydroelectric plant in Queensland and consists of two 250 megawatt units that are the largest hydro machines in Australia.

From 1 August–20 October 2016, CS Energy carried out a major overhaul on Unit 1 at the power station, which is located on the eastern side of Lake Wivenhoe near Brisbane.

More than 47,000 hours were worked on the overhaul and there were no lost time injuries or medical treatment injuries. The overhaul brought more than 90 contractors to site, used more than 100 tonnes of scaffolding, 50 tonnes of garnet for sandblasting and 2,300 litres of paint.

Key works included the replacement of the draft tube bearing, internal pump painting, replacement of the guard gate rollers at Splityard Creek Dam and replacement of the generator transformer high voltage protection system.

The early completion of the overhaul was largely the result of the unit being in better condition than expected since its last major overhaul. Originally budgeted at $13.5 million, the overhaul came in $2.9 million under budget.

Executive General Manager Operations David Down said Wivenhoe Power Station is a valuable strategic asset in CS Energy's portfolio because of its fast ramping capability.

"Wivenhoe Power Station has a design life of 100 years, so keeping it operating in peak condition means it will provide reliable electricity for many years to come," he said.

Health and safety

We reset our health and safety strategy in 2016/17 to prioritise activity around four areas with the greatest potential to achieve an injury-free workplace.

Photo: Production Officer Sean McKinney (left) and Electrical Engineer Leonard Nhokwara in the Wivenhoe Permit to Work Office. We use the Permit to Work system to safely isolate plant and manage work.

Our number one priority at CS Energy is ensuring that everyone at our sites returns home safely at the end of their workday. We believe that all injuries are preventable and are building a safety culture that aligns with the constructive culture model CS Energy has adopted.

The CS Energy Board endorsed a new, three-year health and safety strategy, which focuses on the four areas of injury prevention, safety culture, fit and healthy people, and simple systems. The strategy aims to achieve predictable and sustainable health and safety performance outcomes and supports our strategic goal to drive relentlessly towards an injury-free workplace.

Health and safety performance

In 2016/17, CS Energy did not achieve our primary safety target of a Total Case Recordable Frequency Rate (TCRFR) of less than three, finishing the year with a TCRFR of 4.27. TCRFR is a rolling 12 month average of the number of injuries requiring medical treatment or time away from work per million hours worked. CS Energy recorded a total of seven recordable injuries (comprising one lost time injury and six medical treatment injuries) compared with six in the previous year.

There were positive downward trends in other safety performance measures, including a 32 percent decrease in the total number of injuries, a material decrease in the lost time injury frequency rate (LTIFR) to 0.61, and a reduction in the rate of serious near miss incidents. Our lead indicators also improved compared to previous years.

By 30 June 2017, CS Energy employees had achieved more than one year without a recordable injury. Although many organisations report their injury statistics by excluding injuries to contractors, CS Energy believes that, regardless of the physical employment arrangements, it is our responsibility to keep any person who enters a CS Energy site free from injury.

By 30 June 2017, CS Energy employees had achieved more than one year without a recordable injury

Managing occupational hazards

CS Energy established an Occupational Hygiene Project to strengthen the systems and processes we have in place to assess and manage occupational hazards in our work environments. This project is a critical part of our commitment to our value to Be Safe and the care and concern we have for the physical and emotional wellbeing of everyone at our sites. The project examined hazards such as noise, vibration, atmospheric contaminants such as coal dust and fly ash, biological or chemical hazards, and ergonomic stressors.

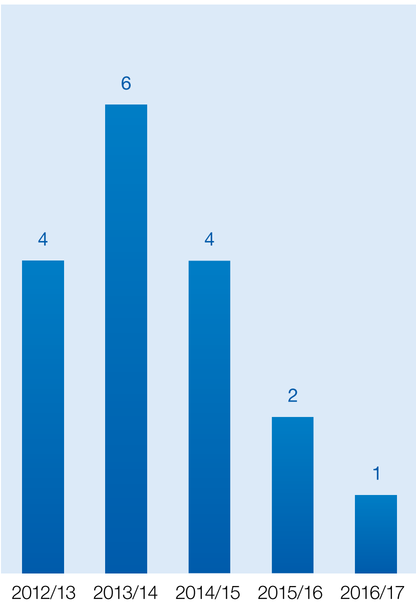
CS Energy engaged an external occupational hygiene specialist to conduct a risk assessment of health and hygiene hazards at all sites. This included assessment of the risks associated with coal dust exposure, following the re-emergence of Black Lung disease in Queensland. While initial results showed that the risk of coal dust exposure at our sites is low, CS Energy will implement quarterly monitoring programs in 2017/18 to enhance our control of this potential occupational exposure. CS Energy took the proactive step of offering voluntary respiratory health assessments by suitably qualified health professionals for all employees and contractors who may be concerned about their respiratory health.

Ensuring workers are fit for duty

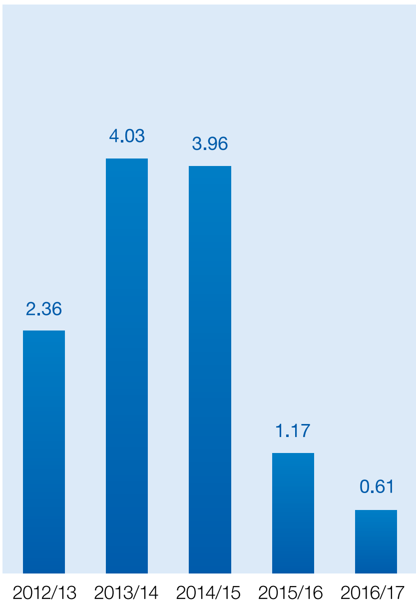
CS Energy carries out random alcohol and other drug testing at all sites and procedures are in place to manage fit for duty risks, especially during peak operational periods and overhauls. The testing is conducted to ensure nobody at our sites poses an unacceptable safety risk to themselves or others. Seven positive test results were recorded in 2016/17, which is a 46 percent reduction compared to the previous year.

During the year CS Energy expanded the use of voluntary employee health assessments, which provide employees with important information relating to health and wellbeing. All sites continued employee health programs including free skin checks, flu vaccinations, and fitness programs.

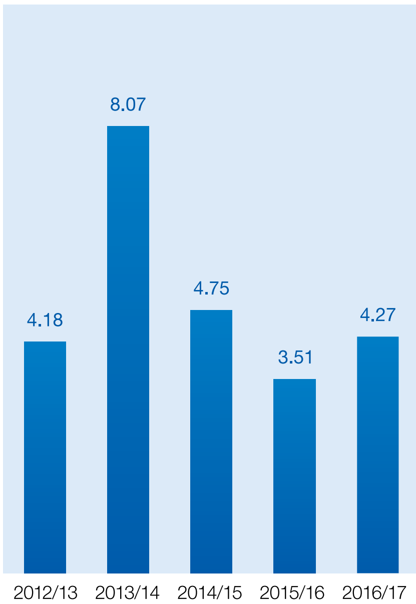
Lost time injuries



Lost time injury frequency rate



Total case recordable frequency rate



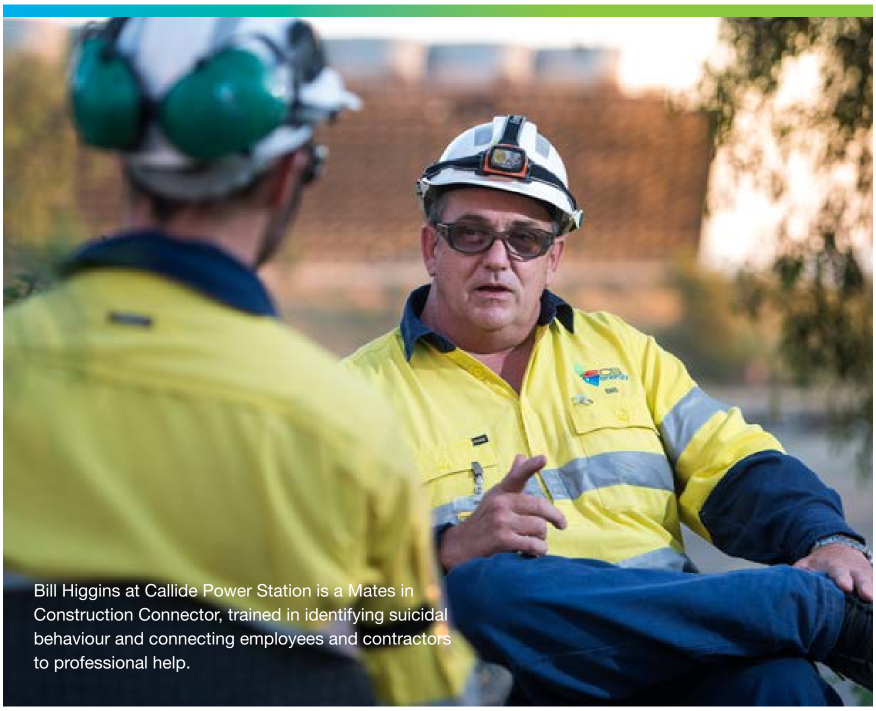
Improving our safety culture

In recognition of the relationship between organisational culture and safety behaviour, CS Energy's Cultural Improvement Program initiated in 2016/17 has health and safety as one of its key focus areas. The program includes behavioural safety elements to ensure our workers place safety at the forefront of every decision that they make.

A Safety Culture Survey of all employees was conducted in June 2017 to identify areas where CS Energy is performing well with safety, and areas where additional work is needed. The results of the survey, and on-site interviews and focus groups, will inform the development of a Cultural Improvement Program in 2017/18 that will apply psychology to workplace safety, wellbeing, and leadership. For more information on the Cultural Improvement Program, refer to the People section of this report.

Simplifying our health and safety management systems

CS Energy conducted an extensive review of our health and safety management systems. This review triggered the development of a health and safety framework to provide clearer information and accountabilities and a more accessible system with simpler interfaces for users, such as a mobile app.



Bill Higgins at Callide Power Station is a Mates in Construction Connector, trained in identifying suicidal behaviour and connecting employees and contractors to professional help.

Case Study: Supporting mental health and wellbeing

In 2016/17, CS Energy continued building a stronger, more supportive workplace that is able to respond to our people when they are in need of help.

By working with suicide prevention charity MATES in Construction (MIC), CS Energy has provided its people with the skills and tools to help themselves and their colleagues.

Following the formation of our partnership with MIC in 2015/16, all of our sites achieved the requirements for CS Energy becoming an accredited MIC employer in November 2016.

Head of Health and Safety Steve Faulkner said the accreditation requirements included providing suicide awareness training for at least 80 percent of our workforce and additional specialist training for volunteer employees.

"CS Energy now has 57 people across our four sites trained in how to talk to someone if they are thinking about suicide and assisting them to access professional help," he said.

"We became involved with the MIC program as part of our commitment to our value to Be Safe and the emotional and physical wellbeing of our employees.

"The response from the CS Energy workforce to this program has been overwhelming because suicide is an issue that has touched so many people in the community."

Callide Overhaul Quality Inspector Bill Higgins is trained as a MIC 'Connector', which involves keeping someone safe while connecting them to professional help.

"Taking the first step to confide in someone is often the biggest challenge for many people," Bill said.

CS Energy sites safety performance

Callide Power Station	2012/13	2013/14	2014/15	2015/16	2016/17
Lost time injuries	3	5	1	1	1
Medical treatment injuries	1	4	0	3	5
Lost time injury frequency rate	2.88	5.88	1.39	1.15	1.03
TCRFR	3.85	10.58	1.39	4.62	6.17
Wivenhoe Power Station	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Lost time injuries	1	1	1	1	0
Medical treatment injuries	1	1	0	0	0
Lost time injury frequency rate	14.87	16.46	17.80	15.63	0
TCRFR	14.87	32.92	17.80	15.63	0
Kogan Creek Power Station	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Lost time injuries	0	0	3	0	0
Medical treatment injuries	2	1	1	1	1
Lost time injury frequency rate	0	0	11.64	0	0
TCRFR	8.25	3.19	15.53	1.92	3.08
Brisbane office Performance	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Lost time injuries	0	0	0	0	0
Medical treatment injuries	0	0	0	0	0
Lost time injury frequency rate	0	0	0	0	0
TCRFR	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	2012/13	2013/14	2014/15	2015/16	2016/17
Lost time injuries	0	0	1	0	0
Medical treatment injuries	1	0	0	0	0
Lost time injury frequency rate	0	0	6.35	0	0
TCRFR	5.90	0	6.35	0	0

People

CS Energy expanded our suite of people initiatives in 2016/17 to build a constructive, high performance culture.

Photo: Administration Officer Ash Higgins (left) and Project Support Officer Tia Geisel in the Callide Power Station overhaul office.

CS Energy employs 468 people across three power station sites and the Brisbane Office (453 full time equivalents). Our people work across a range of occupations including technical, trades, professional and administrative roles.

CS Energy advanced a number of strategic workforce initiatives in 2016/17 designed to attract and retain the best talent and build a constructive, high performance culture.

Inclusion and diversity initiatives

CS Energy demonstrated its commitment to an inclusive and diverse workplace through the implementation of our Inclusion and Diversity Plan. The plan includes targets for increasing the number of females, females in leadership positions, new hires from non-English speaking backgrounds and new hires who identify as Aboriginal and Torres Strait Islander. Our targets are closely aligned with the Public Service Commission's inclusion and diversity targets and highlight our commitment to building a workforce that better reflects the community in which we operate.

Procedures for flexible working arrangements and transitioning to retirement came into effect on 1 July 2016. These procedures were two of our first inclusion and diversity initiatives and provide guidance for tailoring work arrangements to meet individual and business requirements. As of 30 June 2017, there were 20 formal flexible work arrangements in place, with a number of informal arrangements also in existence.

CS Energy introduced a new training framework and established priority areas for employee training

People metrics

Performance	2012/13	2013/14	2014/15	2015/16	2016/17
Employee numbers (FTEs)	454	414	392	437	453
Employee retention (%)	91.9	91.0	89	91.4	90.2
Apprentices and trainees	31	12	21	24	28

Workforce diversity

Target group	2016/17 actual (%)	2022 target (%)
Women	20	30
Aboriginal and Torres Strait Islanders	0.44	3
Non-traditional roles held by women	4	10
Leadership positions held by women	24	45

CS Energy coordinated a number of employee events during the year to raise awareness about inclusion and diversity. This included internal promotion of White Ribbon Day, International Women's Day and NAIDOC Week, to further highlight our commitment to an inclusive and diverse work environment.

Improving culture and leadership capability

CS Energy believes that a constructive high performance culture founded on our company values will enable the business to meet our current and future challenges. Over the last three years, CS Energy has made a concerted effort to build a constructive culture and has carried out periodic internal culture surveys to track progress. Results from the most recent internal culture survey conducted in 2016/17 showed strong positive cultural shifts in most areas of the business, but little improvement in our larger operational sites.

A Cultural Improvement Program commenced in May 2017 to shift our workforce towards a more constructive culture and achieve the flow-on business benefits. This work has a particular focus on improving safety behaviours, as well as being a foundation to improve all aspects of CS Energy's business. The Cultural Improvement Program will gain momentum in 2017/18 when a cognitive behavioural program will be deployed to support a safe and productive working environment. The program will incorporate employee feedback and supports CS Energy's strategic goals of driving relentlessly towards an injury-free workplace and engaging our people and stakeholders in the success of our business.

New leadership programs developed during the year will also support the cultural improvement work and improve leadership capability. Two programs will be rolled out in 2017/18 to provide skills development opportunities for both frontline people leaders and middle management.

Reinvigorated training program

Training will play a key role in helping CS Energy improve our capability to meet the challenges presented by industry changes; ensure safe, efficient and reliable operations; and realise the full value of our portfolio of assets.

CS Energy introduced a new training framework in 2016/17 to enable our people to develop the skills and competencies needed to achieve our business goals. The framework draws on industry practice and insight from our employees, and aligns with our 70:20:10 learning model which is based on a mix of self-directed learning, coaching and formal training.

Training priorities established for the business during the year include training for new and existing power station operators, e-learning and a training matrix identifying role-based training needs. Rollout of training will commence in 2017/18.

Re-establishing our graduate program

In response to the improved financial performance of the business, CS Energy re-established our graduate program in 2016/17. Recruitment for graduate mechanical, electrical and chemical engineers will be carried out in July 2017. A targeted recruitment campaign will be utilised to attract diverse candidates, with the successful candidates to commence work in early 2018.

Graduates will be provided the opportunity to gain experience across our broad portfolio of plant as they rotate between our three power station sites and Brisbane office over a two-year period. An integral component of this program will be the support provided by our leaders and mentors.

Industrial relations

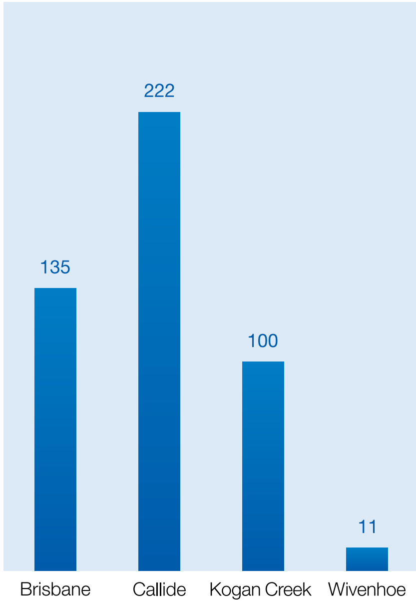
CS Energy maintains separate enterprise agreements for each of our three power station sites and the Brisbane Office. The enterprise agreements are tailored to reflect the workforce characteristics, efficiencies, plant technologies and associated requirements of each site. More than half of our employees 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 Brisbane Corporate Office Enterprise Agreement on 20 February 2017. A total of 79 Corporate Office employees voted on the new agreement in November 2016, with 98.7 percent of the votes in favour of the proposed agreement.

The Kogan Creek Power Station Enterprise Agreement expired on 31 March 2017. Bargaining for the new agreement commenced in early 2017 in accordance in accordance with the *Fair Work Act 2009* and the Queensland Government's GOC Wages Policy. Following more than six months of negotiations, in-principle agreement was reached on 4 August 2017 at a meeting facilitated by the Fair Work Commissioner.

In 2017/18, CS Energy will negotiate a new Callide Power Station Enterprise Agreement which expires on 28 February 2018.

Workforce headcount by site



There were 20 formal flexible work arrangements in place this year at CS Energy


Callide's Helene Schmidt won industry recognition during her time as a trainee and is now working as a Health, Safety and Security Administration Support Officer at the power station.

Case Study: Supporting bright young talent

CS Energy broadened our apprentice and trainee program this year as part of our genuine commitment to developing the next generation.

Building on the long-running success of the Callide Power Station apprentices and trainee program, we expanded our intake of apprentices and trainees in 2016/17 to 28.

Our Brisbane Office welcomed three new senior school leavers as trainees to provide them with work experience and on-the-job training while they studied for a Certificate of Business Administration.

Wivenhoe Power Station welcomed its first apprentice in many years when an electrical apprentice joined the team and there were four apprentices and trainees working at Kogan Creek Power Station.

The Callide program continued to provide a healthy flow of talent into the business, with seven new electrical and mechanical apprentices starting work, and Business Administration Trainee Helene Schmidt being named as a regional finalist in the prestigious Queensland Training Awards.

While Helene did not progress to the state finals, her nomination illustrates how vocational education and training provides employment and learning pathways for young people.

Just one month after completing her traineeship, Helene was appointed as the Health, Safety and Security Administration Support Officer at Callide and is now studying a Certificate IV in Workplace Health and Safety.

In August 2017, Helene won the Apprentice and Trainee Award for the Biloela region in the Gladstone Area Group Apprentices Awards.

"It really was an amazing opportunity to get as far as I did in the training awards," she said. "I am thankful to everyone at the power station and my group training provider GAGAL for supporting me throughout my traineeship."

Environment

CS Energy's Environmental Management System passed external audits to confirm our compliance with the ISO 14001:2004 international standard.

Photo: CS Energy increased its emergency spill response capability at Wivenhoe Power Station by providing accredited specialist skills training for employees.

CS Energy strives 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.

Environmental Management System

A key tool for ensuring we meet our environmental responsibilities, as set out in CS Energy's 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.

Audits to support continual improvement of CS Energy's EMS were conducted by Epic Environmental in 2016/17. Subsequent audits by certification body BSI Group ANZ Pty Ltd identified no major non-conformances with ISO14001:2004.

In the year ahead, CS Energy will continue to proactively manage our environmental responsibilities and transition our certified Environmental Management System to the later ISO14001 (2015) standard.

CS Energy will continue to proactively manage our environmental responsibilities

Monitoring our environmental impact

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.

We target zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. CS Energy had no Significant Environmental Incidents in 2016/17.

During the year, CS Energy reported five environmental matters to the Department of Environment and Heritage Protection (EHP). The matters related to the temporary failure of the stack emissions monitoring system at Callide and Kogan Creek power stations, on-site fish deaths at Callide Power Station and the formation of a 'bubble' containing ash water between the liner and the compacted base of the out-of-pit ash cell at Kogan Creek Power Station. The EHP advised that they were satisfied with all of the actions that CS Energy took to address these matters.

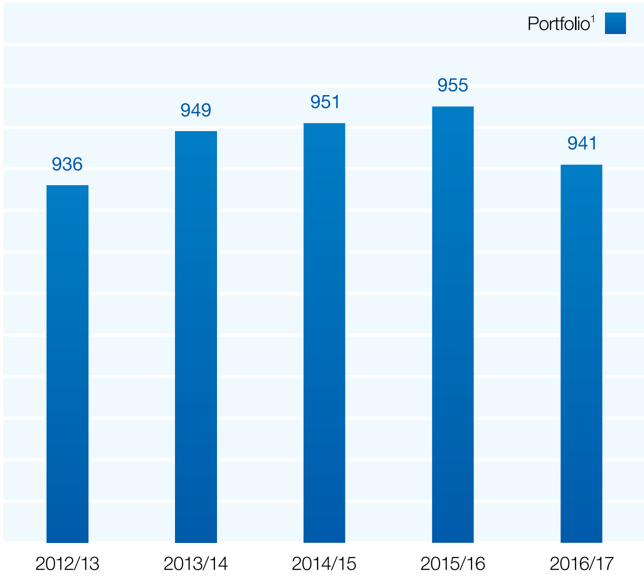
CS Energy received two warning letters from the EHP regarding the Kogan Creek Mine, which related to erosion and sediment control and discrepancies in the reported area of land disturbance for mining.

CS Energy's contractor for Kogan Creek Mine installed additional erosion and sediment control measures and the discrepancy in land disturbance figures was corrected with the submission of a new Plan of Operations for the mine to the EHP.

CS Energy received two external complaints in relation to fugitive dust and stack dust emissions at Callide Power Station. In response, CS Energy implemented dust mitigation measures and contacted the complainants to advise them of the actions taken.

CS Energy increased its capability in regard to emergency spill response at Wivenhoe Power Station by providing accredited specialist skills training to relevant employees, which involved a competency assessment exercise and partnering with an external specialist emergency spill response company.

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



1. Emissions data for CS Energy's owned generation portfolio. NGER Scope 1 emissions only.

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 reduced its greenhouse gas emissions intensity by 1.5 percent in 2016/17 compared to the previous year. This reduction was the result of increased electricity generation from Kogan Creek Power Station, which has the lowest greenhouse gas emissions intensity in our portfolio. CS Energy's total greenhouse gas emissions increased by 11.5 percent, which was in line with the 13 per cent increase in generation in 2016/17. 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 are 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.**

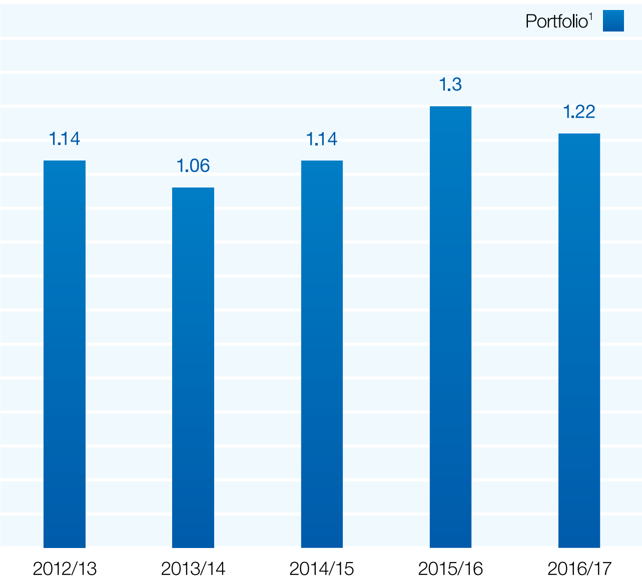
CS Energy uses a combination of recycled, raw and town water at our power stations

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 2016/17, CS Energy supplied 108 kilotonnes of ash for reuse, primarily to the cement industry.

CS Energy continues to explore new opportunities for the recycling of waste ash from our coal fired power stations. Furnace ash from Kogan Creek Power Station was trialled by a national company for soil amelioration application in the production of an AS4419 rated soil product.

Water use intensity per energy sent out (ML/GWhso)



1. CS Energy's owned generation portfolio.

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'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 cycles water between an upper and lower reservoir to generate electricity.

CS Energy tracks water use across its operations by measuring total consumption. In 2016/17, the total, water consumption was 15,200 megalitres (ML) compared with 14,321 ML in 2015/16.

CS Energy's water consumption was higher as a result of increased generation at Callide B Power Station, which has the highest water usage intensity in the portfolio.

Kogan Creek was able to reduce its bore water usage during the year by supplementing 20 percent (115 ML) of its water supply with water recycled from on-site stormwater run-off dams. The stormwater was treated using an onsite clarification plant that was commissioned in December 2016.

Inputs and outputs (CS Energy owned portfolio)

Performance	2012/13	2013/14	2014/15	2015/16	2016/17
Significant environmental incidents	0	0	0	0	0
Greenhouse gas emissions intensity (kgCO_2-e/MWhso)[1]	936	949	951	955	941
Greenhouse gas equivalent produced (MtCO_2-e) [1]	10.2	8.4	10.6	10.5	11.7
Coal used as fuel (kt)	5,820	4,789	6,021	5,951	6,534
Ash produced (kt)	1,415	1,194	1,464	1,474	1,544
Ash sold (kt)	90	44	96	97	108
Water consumption (ML)	12,461	9,361	12,723	14,321	15,200

1. NGER Scope 1 emissions only.

Community

We expanded our community relations program, building new partnerships and strengthening local relationships.

Photo: Kogan Creek Power Station Manager Mining Brendan Davies in front of CS Energy's watermelon 'pip-spitting' stall at the Chinchilla Melon Festival.

CS Energy's vision is to be recognised as an ethical and commercially astute business renowned for our safe, reliable and affordable range of energy solutions. Key to achieving this vision is the need to engage with our stakeholders, to improve the quality of our relationships and help build our licence to operate in the future.

CS Energy strives to invest in community partnerships with efficiency and integrity, in line with our values. We look to create positive partnerships through our sponsorship, grants and donations program and support activities that have lasting benefits in the community.

Community partnerships

As a major employer in the regions that host our operations – the Banana Shire, Western Downs and the Brisbane Valley – we place a strong emphasis on contributing to the social and economic wellbeing of the community.

In Chinchilla, we were major supporters of the inaugural Fusions on the Field music festival in November 2016 and Chinchilla Melon Festival in February 2017. Together with our Kogan Creek employees, we raised funds for local primary schools and community organisations providing mental health, domestic violence and emergency relief services in the region.

A partnership with local Biloela charity JBOYS saw defensive driving education delivered to 24 Year 12 Biloela State High School students. We also assisted the Biloela State High School to rebuild shade structures following a devastating fire in 2016. Together with our Callide employees, we raised funds to support mental health and domestic violence services and emergency relief services in Biloela.

The Wivenhoe Power Station was a major sponsor of the Somerset Regional Rail Trail fun run in the Brisbane Valley, and helped Mercy Community Services provide emergency relief in the Lowood and Fernvale communities over the Christmas period. During the major overhaul at Wivenhoe, three charity BBQs were held, with employees and contractors raising more than $7,500 for charity, as well as two additional fundraisers for fellow workers and their families who were doing it tough.

CS Energy also contributed to the Queensland Museum Repatriation Fund, to assist them to continue the complex work of repatriating Ancestral Remains, Burial Goods and secret and/or Sacred Objects in partnership with the Traditional Owners of our country.

Chinchilla Community Benefits Trust

The tenth round of funding of the Chinchilla Community Benefits Trust was administered in early 2017, with $50,000 in funding flowing to nine local community infrastructure projects.

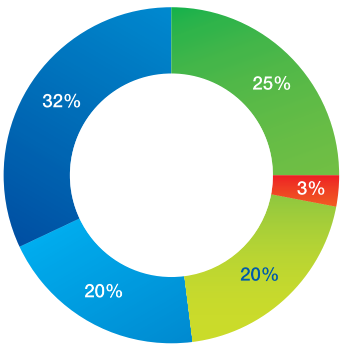
The Trust was established in 2004 to support the community throughout the construction of the Kogan Creek Power Station and beyond. The Trust has delivered more than $1 million in funding to 115 local projects, and is continuing a legacy of enhancing the economic, cultural and social development of the Chinchilla region.

Successful projects in Round 10 were from local art, youth business and sporting groups.

Workplace Giving

In 2016/2017, CS Energy employees donated $13,400 through our workplace giving program, *Generosity.* Since its inception in 2009, this program has seen more than $378,400 donated to our six partner charities: Angel Flight, Blue Care, The Cancer Council of Queensland, Greening Australia, Hannah's House and the Hear and Say Centre.

CS Energy sponsorship in 2016/17



- Education and youth support
- Economic development and job creation
- Health and safety
- Arts/culture
- Social and community development

CS Energy strives to invest in community partnerships with efficiency and integrity

CS Energy Chair Jim Soorley, former Callide Power Station General Manager Roy Powell, and JBOYS founder Barbara Bryant-Dunshea with Biloela State High School Captain Gabrielle Byrne.

Case Study: JBOYS defensive driving partnership

CS Energy partnered with Biloela charity JBOYS to help make our roads safer.

In a partnership that strikes at the heart of CS Energy's value of safety, we joined forces with JBOYS, to deliver defensive driving to Year 12 Biloela State High School students in 2016/17.

JBOYS is a not-for-profit organisation that was founded by friends and family of Jimmy Bryant, who died in a car crash at Thangool in 2016, just 10 days after receiving his P plates.

Former Callide Power Station General Manager, Roy Powell said the response to the partnership, both from CS Energy employees and the broader community, had been outstanding.

"At CS Energy our first priority is to be safe so it made perfect sense for us to support the great work JBOYS is doing to provide local young people with driver safety training," he said.

"The positive impacts of this driver safety training will flow beyond the students to the entire Biloela community."

JBOYS co-founder, and Jimmy's mother, Barbara Bryant-Dunshea praised CS Energy's support of the cause.

"One tragic road accident is one too many," she said. "And sadly young drivers under 25 make up a high proportion of driver fatalities on Australia's roads.

"Driver inexperience played a part in Jimmy's accident so this training will create a priceless legacy by helping young people with learning how to drive safely."

Corporate Governance Report

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

Photo: Mechanical Services Engineering Manager Ian Rawlings (left) and Specialist Mechanical Engineering Services Wade Underhill examine a section of damaged boiler tubing removed during an overhaul. Understanding the condition of our assets is a key part of CS Energy's approach to risk management.

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 2017, CS Energy's shareholding Ministers were:

- The Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment.
- The Honourable 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 high standards of corporate governance in everything we do. We understand and respect our role and responsibility to our shareholders and the people of Queensland.

CS Energy's Board is responsible for the good governance of the Company. For transparency, the Board reports against the Queensland Government's *Corporate Governance Guidelines for Government Owned Corporations* and the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations.*

Our Governance Standard sets out CS Energy's governance framework and how CS Energy addresses the Queensland Government's 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 2017, the Board comprised five independent, non-executive Directors. Please refer to the Directors' Report section in the Financial Report for profiles of CS Energy's directors in 2016/17.

The CS Energy Board Charter outlines the Board's responsibilities and functions. The conduct of the Board is also governed by the Corporations Act and the GOC Act.

CS Energy's Chief Executive Officer, supported by the Executive Leadership Team, is responsible for implementing the Company's strategic objectives, 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 to consider specific matters. The Board is responsible for setting our corporate strategy and performance objectives. The Board reports to CS Energy's shareholding Ministers on our performance against financial and non-financial performance targets set out in CS Energy's Statement of Corporate Intent (SCI).

Board committees

Three specialist committees assist the Board discharge its duties and 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 in those areas.

Audit and Risk Committee

The Audit and Risk Committee oversees CS Energy's internal control framework, financial reporting, and governance, risk and compliance management, to ensure that the company's financial and non-financial objectives are achieved and accurately reported.

The committee 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).

Innovation and Sustainability Committee

The Innovation and Sustainability Committee assesses 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 to explore new business opportunities.

Please refer to the table on page 36 for information on directors' attendance at Board and Committee meetings in 2016/17.

Composition of Board Committees as at 30 June 2017

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, online resource centre and a personal induction to enhance their operational and industry knowledge and ensure they are fully aware of their governance responsibilities.

Executive Leadership Team

CS Energy's Executive Leadership Team comprises the Chief Executive Officer and Executive General Managers. The Board approves the appointment of the Chief Executive Officer and Executive General Managers, in consultation with shareholding Ministers.

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 the Executive Leadership Team Profiles section in this report for profiles of executive level managers at CS Energy in 2016/17.

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. Performance reviews for 2015/16 were undertaken during the year. More information on performance and remuneration of CS Energy employees, Executives and the Board can be found under Principle 8, and in the Financial Report.

Board and Committee meeting attendance

Name	Board		Audit & Risk Committee		People, Safety & Environment Committee		Innovation and Sustainability Committee	
	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	14	14	N/A	N/A	4	4	2	2
Brian Green	14	14	6	6	4	4	2	2
Julie-Anne Schafer	14	14	6	6	4	4	N/A	N/A
Toni Thornton	14	13	6	6	N/A	N/A	2	2
Mark Williamson	14	11	6	5	4	4	2	2

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 section in the Financial Report for profiles of CS Energy's directors in 2016/17.

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. A Board evaluation was undertaken during the year.

Our Code of Conduct applies to the Board, management, employees, contractors and visitors to our sites

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, 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 standards of behaviour required of everyone at CS Energy.

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

Declaration of interests by Board members is a standing agenda item at monthly Board meetings. All employees are required to declare actual or potential conflicts of interest as they arise. Members of the Executive Leadership Team and select other employees are also required to provide annual declarations of interests. An audit of these declarations against publicly available databases is carried out annually.

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

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

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

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The Audit and Risk Committee assists the Board to establish and monitor risk oversight, management and internal control systems 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 committee:

- 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 committee 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 controls. It has an independent reporting line to the Audit and Risk Committee.

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

- CS Energy's financial report is prepared in accordance with 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.

Consistent with continuous disclosure obligations, 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 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 *Corporate Governance Principles and 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 key 2016/17 SCI targets is summarised on page 5 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 has approved 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 Audit and Risk Committee, 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 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:

- Sets performance expectations through Role Purpose Statements and annual Individual Achievement Plans.
- 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 2013, after forging a successful career with a range of blue chip companies across multiple industries.

Since that time, Martin has led the business transformation program that has seen CS Energy dramatically turn around its operational and commercial performance, resolve long standing commercial disputes, and capture a number of revenue growth opportunities.

In a career spanning more than 30 years, Martin has held senior executive roles in sales and marketing, finance, strategy, and IT. Prior to joining CS Energy, Martin spent five years at Aurizon (formerly QR National), where he was an integral part of the executive team that took the company to one of the largest and most successful IPOs in Australian corporate history. He has also held executive level roles at National Transport Insurance and Mt Isa Mines.

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 was Chief Financial Officer for 2016/17 at CS Energy where he was responsible for the Finance, Business Systems and Energy and Financial Risk teams.

On 17 July 2017, Darren was appointed to the role of Executive General Manager Revenue Strategy, where he will ensure CS Energy's long-term growth strategy is aligned with the business' shorter term market trading function.

Prior to joining CS Energy, 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.

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.

David Down
Executive General Manager Operations
B.E. (Hons), MBA, GAICD

David Down joined CS Energy in October 2016 and is an experienced executive level leader with a successful track record in the process industry, infrastructure and supply chain logistics. He has led multi-disciplinary teams in asset-intensive businesses to achieve outstanding commercial outcomes safely, and embedding discipline and teamwork into operations.

As Executive General Manager Operations, David 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.

David has worked in a variety of operational and technical roles in Queensland, New South Wales and Victoria with companies including Pasminco, Pacific National and most recently, Aurizon. At Aurizon, he held the executive level roles of Vice President Service Delivery and General Manager Enterprise Business Development.

David Warman
Acting Executive General Manager Energy Markets

B Agricultural Economics

David Warman was Acting Executive General Manager Energy Markets for the 2016/17 year. In this role he was 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 National Electricity Market, development and execution of wholesale and retail electricity market contracting strategies, energy market analysis and regulation.

Following Darren Busine's appointment to the role of Executive General Manager Revenue Strategy on 17 July 2017, David is now heading CS Energy's Trading function.

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

Joanne Keen
Executive General Counsel and Company Secretary

LLB(Hons), LLM (Hons) MAICD

Joanne Keen is a highly accomplished leader and legal professional who has more than 13 years experience in the energy industry. Joanne joined CS Energy in March 2017 and leads the legal, governance, risk and compliance, internal audit, and corporate affairs functions.

Joanne was the General Counsel for Energex from 2011-2016, where she transformed the Energex legal team into a high performing valued business partner. While at Energex, Joanne implemented new safety governance frameworks to support Board decision making and was an active member of Energex's Diversity and Inclusion Council.

Prior to joining Energex, Joanne spent eight years with Ergon Energy and was appointed as the company's Group Legal Counsel in 2008.

Joanne is committed to developing future leaders and creating a safe and positive workplace culture through the sponsorship of leadership and safety leadership programs. An experienced company director, Joanne is a Director of Australian Sailing and was previously a Director of the Leukaemia Foundation.

Andrew Varvari
Executive General Manager People & Safety

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

Andrew Varvari leads CS Energy's health and safety, environment, human resources, industrial relations and organisational development functions. He 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 as Executive General Counsel and Company Secretary, where he led CS Energy's legal, governance, risk, compliance and assurance functions for three years. In 2016, Andrew served as Acting Chief Financial Officer for five months until the appointment of Darren Busine to the CFO role in May 2016. He was then Acting Executive General Manager People & Safety for the remainder of the year and was permanently appointed to the role in December 2016.

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, Andrew 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.

Financial report

for the year ended 30 June 2017

CS ENERGY LIMITED

Directors' report

for the year ended 30 June 2017

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 2017.

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

BA, MA

Non-Executive Chairman
Director since 1 October 2015

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 liveability.

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. He is also a non-executive director of resources company TerraCom, which has a portfolio of assets in Mongolia and Queensland Australia.

Brian Green

B.Bus (Mgt), Dip Eng (Elec), MAICD

Non-Executive Director
Director since 23 August 2012

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

Brian has broad experience in the private power generation industry in Australia and overseas 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.

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

Brian has wide experience as an executive director and non-executive director, previously serving on a number of Australian boards including ASX listed companies.

Julie-Anne Schafer

L.L.B (Hons), FAICD

Non-Executive Director
Director since 1 October 2015

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 and Aviation Australia Pty Ltd. 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

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM

Non-Executive Director
Director since 2 October 2015

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 also chairs 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 has more than eight years experience in audit at Board level, 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

MAICD

Non-Executive Director
Director since 1 July 2011

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

Mark is currently the Chair of Energy Super, Deputy Chair of ESIS (Q), a Managing Director of Transmax Pty Ltd. He is also a member of 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 2017

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	
	2017 $'000	2016 $'000
Profit/(Loss) after income tax	282,584	(23,011)

Dividends

Dividend declared in respect to the current financial year is $122.9 million.

Review of operations

Health and safety

CS Energy safety performance deteriorated slightly in 2016/17 with a Total Case Recordable Frequency Rate (TCRFR) of 4.27 (up from 3.51 in 2015/16). This result was underpinned by 7 recordable cases compared with 6 in 2015/16; This also exceeded the target TCRFR of 3.0 for the year.

By 30 June 2017, CS Energy employees had achieved more than one year without a recordable injury. Although many organisations report their injury statistics by excluding injuries to contractors, CS Energy believes that, regardless of the physical employment arrangements, it is our responsibility to keep any person who enters a CS Energy site free from injury.

As all of the recordable injuries at our sites in 2016/17 were sustained by contractors, CS Energy has increased its focus on working with key contractors to reiterate the safety culture and standards that we expect from anyone working at our sites. This work to align contractors with our safety systems and expectations will continue in 2017/18.

Some important safety initiatives that are intended to address current performance and also provide a foundation for long term sustainable improvement have commenced through the year. This includes an Organisational Wide Safety Culture Improvement program through Sentis consultants (intended to address safety behaviours), a Risk based Occupational Hygiene program (to monitor and reduce health risks in the workplace), improvements to the health and safety management system improvements, and contractor management practices, and delivery of targeted Supervisor Development programs.

Market performance

CS Energy achieved above target revenue from electricity sales in 2016/17 on the back of robust demand in the NEM.

Wholesale electricity prices were elevated throughout the NEM in 2016/17 due to changes in the underlying energy mix and an overall tightening in the demand-supply balance, coupled with one of the hottest summers on record across eastern Australia. Queensland posted its highest annual time-weighted average price of $93.12/MWh since commencement of the NEM in 1998.

As the hot conditions subsided, Queensland's wholesale prices declined and, from March 2017, the state had the lowest average pool price of any state for the remainder of 2016/17.

The fundamentals of the Australian electricity market are undergoing rapid change as the baseload mix shifts from thermal to renewable sources, and increasing linkages emerge between electricity and gas markets. Increased penetration of new wind and solar generation has resulted in the retirement of traditional baseload coal generators, including the Northern and Hazelwood power stations in 2016 and 2017 respectively, and contributed to higher prices throughout the NEM.

The remaining two liquefied natural gas trains came online at Gladstone, driving a significant increase in on-grid electricity demand while concurrently diverting gas away from electricity generation. The Queensland LNG sector's consumption of on-grid demand increased by 200 MW on average in 2016/17, while gas prices averaged $8.23/GJ after being less than $5/GJ on average the prior financial year. A combination of higher demand and retirement of baseload plant resulted in these more expensive gas plants often setting dispatch prices.

New Business

In a future environment of increased intermittent renewable generation, energy storage solutions will play an important role. Wivenhoe Power Station is an existing energy storage provider of significant scale and capability and CS Energy will be investigating alternate strategies to optimise its value in the changing energy landscape.

In August 2017, CS Energy and Alinta Energy formed a 50/50 joint venture to supply electricity to residential and small commercial and industrial customers within the Energex Distribution Area (South-East Queensland). Under the arrangement, CS Energy will provide wholesale electricity to the joint venture and Alinta Energy will manage the retail business on behalf of the joint venture parties.

Plant Operation

In 2016/17, CS Energy's portfolio generation was 13.3% above budget. This positive result was largely due to increased generation at Callide B, as a result of improved coal delivery, and a full year of production from Kogan Creek Power Station after a major overhaul in 2015/16. CS Energy's thermal plant availability increased 10 percent to 83.3 percent in 2016/17. CS Energy effectively managed the unplanned outages to minimise plant down time and ensure our baseload thermal generators were available to run during the summer peak demand period, supporting security of electricity supply and making a significant contribution to CS Energy's increased gross margin.

CS Energy carefully plans overhauls and maintenance to ensure that any major capital investment maximises the availability of our ageing assets during peak demand periods and delivers a commercial return for the business. Regular overhauls are also essential for ensuring our power stations operate safely, reliably and efficiently into the future.

Impairment

During 2017, the group recognised impairment write back of $242.4 million relating to the Callide B and Callide C Power Station assets. The impairment was previously recognised due to the poor reliability and certainty of the coal supply and the ongoing litigation with Anglo American Metallurgical Coal (Anglo).

The write back of the impairment of these assets was recognised on the basis that:

- the purchase of the Callide Mine by Batchfire Resources Limited and the revision of the Coal Supply Agreement (CSA) which has significantly improved the likelihood of long term reliability of coal supply and consequently the reduction in the inherent delivery risk that existed through Anglo American (Anglo) ownership;

- the settlement of the litigation with Anglo, proceeds disclosed in Other Income, which has extinguished the risk of termination of the CSA; and
- the calculation of the recoverable amount as at 30 June 2017 supported the write back.

Policy and regulatory developments

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, where CS Energy Chief Executive Officer Martin Moore sits on the Board.

CS Energy developed a package of proposals to improve dispatch and pricing in the NEM in response to Australian Energy Market Commission (AEMC) public consultation on a five minute settlement rule change and a review of system security. CS Energy recommended measures to include system frequency and improve marginal price signals, which would assist in developing demand side markets. These topics were among the issues explored in the subsequent review of the NEM by Alan Finkel AO, Chief Scientist of Australia, following the South Australian blackout.

Under the Safeguard Mechanism, CS Energy's facilities are subject to individual facility emission baselines, which apply in subsequent years if a sectoral baseline of grid-connected generators exceeds 198 million tonnes of carbon dioxide equivalents (tCO_2-e). The total emissions from grid-connected generators in 2015/16 was 179 million tonnes of carbon dioxide equivalents, well underneath the sectoral baseline. The Clean Energy Regulator will publish sectoral emissions for 2016/17 by 28 February 2018. Given the closure of Hazelwood Power Station in 2016/17, it is unlikely the sectoral baseline will be exceeded prior to 2020.

In June 2017, the Queensland Government announced its Powering Queensland Plan, which sets out a range of measures to secure the state's long-term electricity supply. One of the key initiatives in the plan is an investigation into a restructure of the government-owned generators, CS Energy and Stanwell Corporation, and the potential establishment of a 'CleanCo'. The 'CleanCo' business is expected to operate Queensland's existing renewable and low-emissions energy generation assets, and develop new renewable energy projects. The review is expected to take up to 12 months.

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 law governing these activities are the *Environmental Protection Act 1994 (Qld).* The consolidated group operates its power stations and coal mine in accordance with the approvals it holds under this Act, and its various generating licenses.

During the year, five 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 to address these matters. CS Energy also received two warning letters from DEHP. 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.

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 93.

Preparation of Parent Entity Accounts

The parent entity is a company of a kind referred to in Legislative Instruments CO 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 2017

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 2017, 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	14	14	N/A	N/A
Brian Green	14	14	6	6
Julie-Anne Schafer	14	14	6	6
Toni Thornton	14	13	6	6
Mark Williamson	14	11	6	5

Matters subsequent to the end of the financial year

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

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

James Gerard Soorley
Chairman
28 August 2017

Antonia Thornton
Director
28 August 2017

CS ENERGY LIMITED

Statements of Profit or Loss

for the year ended 30 June 2017

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Sales of electricity		790,935	582,818	77,997	196,168
Operation and maintenance services		36,389	23,026	70,773	42,868
Other income	1	43,662	32,929	27,799	13,093
Fuel and carbon		(142,519)	(133,223)	(100,616)	(89,548)
Services and consultants		(97,161)	(91,540)	(64,895)	(52,619)
Finance costs	2	(81,625)	(86,761)	(78,907)	(83,824)
Employee benefit expense	2	(89,354)	(78,449)	(69,827)	(63,508)
Raw materials and consumables		(49,433)	(37,798)	(34,658)	(24,983)
Operating leases		(39,366)	(39,177)	(39,324)	(39,171)
Other expenses	2	(42,794)	(34,923)	(28,627)	(26,091)
Fair value through profit/(loss)		(77,091)	(8,284)	(77,091)	(8,284)
Depreciation and amortisation	14	(127,889)	(102,789)	(50,686)	(38,357)
Asset impairment reversal/(expense)	14	242,428	(72,466)	193,537	(2,441)
Onerous contract – re-measurement	15	37,495	18,500	37,495	18,500
Dividends received		-	-	300,357	56,664
Profit/(Loss) before income tax		**403,677**	**(28,137)**	**163,327**	**(101,533)**
Income tax (expense)/benefit	16	(121,093)	5,126	41,106	47,430
Profit/(Loss) for the year		**282,584**	**(23,011)**	**204,433**	**(54,103)**

CS ENERGY LIMITED

Statements of Other Comprehensive Income

for the year ended 30 June 2017

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Profit/(Loss) for the year	**282,584**	**(23,011)**	**204,433**	**(54,103)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	18,999	(73,001)	18,999	(73,001)
Items that will not be reclassified to profit or loss				
Actuarial gain/(loss) defined benefit plan, net of tax	4,129	648	4,129	648
Other comprehensive income for the year, net of tax	**23,128**	**(72,353)**	**23,128**	**(72,353)**
Total comprehensive income for the year	**305,712**	**(95,364)**	**227,561**	**(126,456)**
Total comprehensive income for the year is attributable to: Owners of CS Energy Limited	**305,712**	**(95,364)**	**227,561**	**(126,456)**

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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Assets					
Current assets					
Cash and cash equivalents	3	131,532	47,537	129,653	40,666
Loans and receivables	5	258,145	114,059	206,305	75,594
Inventories	12	95,195	87,523	43,130	35,792
Derivative financial instruments	6	59,448	21,677	59,448	21,677
Total current assets		**544,320**	**270,796**	**438,536**	**173,729**
Non-current assets					
Derivative financial instruments	6	81,935	3,235	81,935	3,235
Property, plant and equipment	14	1,537,660	1,373,149	453,384	267,196
Deferred tax assets	16	5,398	136,402	122,875	252,573
Retirement benefit assets	13	23,564	19,361	23,564	19,361
Equity accounted investments		1	1	-	-
Investment in subsidiaries	24	-	-	51,815	51,815
Other receivables	5	9,110	5,887	9,110	5,887
Loans to related parties	5	-	-	759,812	821,777
Total non-current assets		**1,657,668**	**1,538,035**	**1,502,495**	**1,421,844**
Total assets		**2,201,988**	**1,808,831**	**1,941,031**	**1,595,573**
Liabilities					
Current liabilities					
Trade and other payables	7	96,173	130,297	75,214	84,221
Provisions	15	161,601	54,786	157,683	51,037
Derivative financial instruments	6	270,293	151,798	270,293	151,798
Total current liabilities		**528,067**	**336,881**	**503,190**	**287,056**
Non-current liabilities					
Other payables	7	7,373	2,241	7,272	1,956
Interest bearing liabilities	8	812,081	812,081	812,081	812,081
Derivative financial instruments	6	66,055	30,372	66,055	30,372
Provisions	15	308,867	330,511	230,130	246,454
Total non-current liabilities		**1,194,376**	**1,175,205**	**1,115,538**	**1,090,863**
Total liabilities		**1,722,443**	**1,512,086**	**1,618,728**	**1,377,919**
Net assets		**479,545**	**296,745**	**322,303**	**217,654**
Equity					
Share capital	17	1,114,414	1,114,414	1,114,414	1,114,414
Accumulated losses		(566,052)	(729,853)	(723,294)	(808,944)
Reserves	18	(68,817)	(87,816)	(68,817)	(87,816)
Capital and reserves attributable to owners of CS Energy Limited		479,545	296,745	322,303	217,654
Total equity		**479,545**	**296,745**	**322,303**	**217,654**

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 2017

Consolidated	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2016					
Balance at 1 July 2015		1,114,414	(14,815)	(693,659)	405,940
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	18	-	(73,001)	-	(73,001)
Actuarial gain/(loss) on the defined benefit plan, net of tax	18	-	-	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**
Changes in equity for 2017					
Balance at 1 July 2016		1,114,414	(87,816)	(729,853)	296,745
Comprehensive income for the year					
Net profit/(loss)		-	-	282,584	282,584
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	18	-	18,999	-	18,999
Actuarial gain/(loss) on the defined benefit plan, net of tax	18	-	-	4,129	4,129
Total comprehensive income for the year		**-**	**18,999**	**286,713**	**305,712**
Dividends declared		-	-	(122,912)	(122,912)
Balance at 30 June 2017		**1,114,414**	**(68,817)**	**(566,052)**	**479,545**

Parent	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2016					
Balance at 1 July 2015		1,114,414	(14,815)	(741,658)	357,941
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	18	-	(73,001)	-	(73,001)
Actuarial gain/(loss) on the defined benefit plan, net of tax	18	-	-	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**
Changes in equity for 2017					
Balance at 1 July 2016		1,114,414	(87,816)	(808,944)	217,654
Total comprehensive income for the year					
Net profit/(loss)		-	-	204,433	204,433
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	18	-	18,999	-	18,999
Actuarial gain/(loss) on the defined benefit plan, net of tax	18	-	-	4,129	4,129
Total comprehensive income for the year		**-**	**18,999**	**208,562**	**227,561**
Dividends declared		-	-	(122,912)	(122,912)
Balance at 30 June 2017		**1,114,414**	**(68,817)**	**(723,294)**	**322,303**

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 2017

	Note	Consolidated		Parent	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash flows from operating activities					
Cash receipts from customers		1,007,789	666,038	252,349	305,525
Cash payments to suppliers and employees		(612,435)	(471,876)	(416,175)	(320,907)
Cash generated from/used in operations		**395,354**	**194,162**	**(163,826)**	**(15,382)**
Cash margining contributions		(153,455)	(99)	(153,455)	(99)
Interest received		2,337	502	2,277	455
Operating borrowing costs paid		(60,332)	(62,371)	(59,983)	(62,510)
Net cash inflow/(outflow) from operating activities	4	**183,904**	**132,194**	**(374,987)**	**(77,536)**
Cash flows from investing activities					
Payments for property, plant and equipment		(86,078)	(113,595)	(45,410)	(58,114)
Repayments of loans from related parties		-	-	222,858	107,651
Dividends received		-	-	300,357	56,664
Net cash inflow/(outflow) from investing activities		**(86,078)**	**(113,595)**	**477,805**	**106,201**
Cash flows from financing activities					
Dividends paid		(13,831)	-	(13,831)	-
Net cash inflow/(outflow) from financing activities		(13,831)	-	(13,831)	-
Net increase in cash and cash equivalents		**83,995**	**18,599**	**88,987**	**28,665**
Cash and cash equivalents at the beginning of the financial year		47,537	28,938	40,666	12,001
Cash and cash equivalents at the end of the year	3	**131,532**	**47,537**	**129,653**	**40,666**

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

Section 1: Basis of preparation

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 group's 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, Queensland 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 2017 and were authorised for issue by the Board of Directors on 28 August 2017.

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 ending on or after 30 June 2017;
- Do not early adopt any new Accounting Standards or Interpretations; and
- Have been prepared in accordance with Legislative Instruments 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 2017 reflect a net asset position for the consolidated group of $479.5 million (2016: $296.7 million) and $322.3 million (2016: $217.7 million) for the parent. 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 2017 are $588.5 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 22 June 2017. 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.

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New and amended accounting standards adopted by the consolidated group

Certain new accounting standards and interpretations have been issued with their application being mandatory for the 1 July 2016 financial reporting period and have accordingly been applied in the financial statements. Other new accounting standards and interpretations have been issued with their application not being mandatory for the 30 June 2017 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 124 *Related Party Disclosures* effective 1 July 2016	The Australian Accounting Standards Board (AASB) extended the scope of AASB 124 *Related Party Disclosures* to include public sector entities. This revised reporting requirement will apply to departments and not-for-profit agencies for the first time from 1 July 2016 (from the 2016-17 financial year), with no comparatives required for the first period to which these changes apply. As a result, all public sector entities will be required to disclose related party transactions in the same way as private sector entities.
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 2017 financial reporting period. Upon initial evaluation, we do not expect the impact of these changes to be material.
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 2017 financial reporting period. Upon initial evaluation, we do not expect the impact of these changes to be material.
AASB 16 *Leases* 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.

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 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 and ineffective portion of electricity derivatives designated as cash flow hedges and those derivatives not designated as cash flow hedges are 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

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commercial settlement [(1)]	35,000	-	25,000	-
Grant revenue [(2)]	3,196	29,741	-	-
Other income	5,466	3,188	2,799	13,093
Total other income	**43,662**	**32,929**	**27,799**	**13,093**

(1) Commercial settlement relates to the extinguishment of court proceedings with Anglo American.

(2) Grant revenue relates to State and Federal funding relating to the Callide Oxyfuel Project (2016 grant revenue relates to the Kogan Creek Solar Boost Project).

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Note 2 – Expenses

Finance costs

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Finance costs	59,300	62,000	59,121	61,969
Onerous contract provision	17,264	19,083	17,264	19,083
Rehabilitation provision	5,061	5,678	2,522	2,772
Total finance costs	**81,625**	**86,761**	**78,907**	**83,824**

Accounting policy

Finance costs comprise interest on borrowings and the unwinding of the discount on non-employee benefit 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 rehabilitation provision represents the time change in time value of money attributed to the carrying amount of future cash flows.

Employee benefit expense

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Wages and salaries expense	78,381	69,047	61,378	55,838
Defined contribution superannuation expense	5,250	4,882	3,931	3,714
Defined benefit plan expense	1,696	1,541	1,696	1,541
Employee performance payments	4,027	2,979	2,822	2,415
Total employee benefits expense	**89,354**	**78,449**	**69,827**	**63,508**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Network and market costs	15,936	13,961	12,916	11,314
Research costs	3,829	-	-	-
Administration costs	23,029	20,962	15,711	14,777
Total other expenses	**42,794**	**34,923**	**28,627**	**26,091**

Accounting policy

Research costs relate to expenditure associated with the Oxyfuel carbon capture and storage project. All research costs are expensed during the period they are incurred. The Oxyfuel carbon capture storage project is expected to be finalised by December 2017.

Section 3: Financial assets and financial liabilities

Note 3 – Cash and cash equivalents

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at bank and on hand	131,532	47,537	129,653	40,666
Total cash and cash equivalents	**131,532**	**47,537**	**129,653**	**40,666**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Profit/(Loss) before income tax	403,677	(28,137)	163,327	(101,533)
Income tax (expense)/benefit	(121,093)	5,126	41,106	47,430
Depreciation and amortisation	127,889	102,789	50,686	38,357
Impairment (loss reversal)/loss	(242,428)	72,466	(193,537)	2,441
Net (gain) loss on sale of non-current assets	(12)	(132)	60	28
Fair value adjustment to derivatives	77,091	8,284	77,091	8,284
Non-cash retirement benefits adjustment	1,696	1,413	1,696	1,413
Finance cost on provisions	22,325	24,761	19,786	21,855
Onerous contract re-measurement and provision utilised	(37,495)	(18,500)	(37,495)	(18,500)
Dividends received	-	-	(300,357)	(56,664)
Other non-cash flow items	(166)	-	(167)	-
Change in operating assets and liabilities:				
(Increase) decrease in receivables	(144,624)	(33,817)	(282,140)	(54,549)
(Increase) decrease in inventories	(7,672)	(3,722)	(7,338)	8,272
(Increase) decrease in net deferred tax booked to profit/loss	121,093	(5,126)	119,786	(7,680)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	(12,259)	6,789	(23,373)	33,310
(Decrease) increase in financial instruments	(4,118)	-	(4,118)	-
Net cash inflow (outflow) from operating activities	**183,904**	**132,194**	**(374,987)**	**(77,536)**

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Note 5 – Loans and receivables

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current assets				
Trade receivables	96,834	102,458	45,685	66,218
Collateral	155,775	2,320	155,775	2,320
Other receivables	3,992	5,527	3,301	3,581
Prepayments	1,544	3,754	1,544	3,475
Total current loans and other receivables	**258,145**	**114,059**	**206,305**	**75,594**
Non-current assets				
Loans to related parties	-	-	759,812	821,777
Other receivables	9,110	5,887	9,110	5,887
Total non-current loans and other receivables	**9,110**	**5,887**	**768,922**	**827,664**

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 2017 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.

The Consolidated Group has entered into a variety of contracts on the Australian Securities Exchange. Collateral is provided to support the margin requirements to cover these positions.

Note 6 – Financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2017 $'000	2016 $'000
Current assets		
Electricity derivative contracts – cash flow hedges	30,495	317
Electricity derivative contracts – fair value through profit or loss	28,953	20,386
Environmental derivative contracts – fair value through profit or loss	-	974
Total current derivative financial instrument assets	**59,448**	**21,677**
Non-current assets		
Electricity derivative contracts – cash flow hedges	46,932	40
Electricity derivative contracts – fair value through profit or loss	35,003	3,195
Total non-current derivative financial instrument assets	**81,935**	**3,235**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2017 $'000	2016 $'000
Current liabilities		
Electricity derivative contracts – cash flow hedges	152,824	108,844
Electricity derivative contracts – fair value through profit or loss	117,027	42,954
Environmental derivative contracts – fair value through profit or loss	442	-
Total current derivative financial instrument liabilities	**270,293**	**151,798**
Non-current liabilities		
Electricity derivative contracts – cash flow hedges	18,794	17,544
Electricity derivative contracts – fair value through profit or loss	47,206	12,828
Environmental derivative contracts – fair value through profit or loss	55	-
Total non-current derivative financial instrument liabilities	**66,055**	**30,372**

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.
- Financial delta's to account for option volatility.
- Discount rates.

Refer Note 10 for fair value techniques.

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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 and ineffective 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 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 within revenue from sales of electricity.

Note 7 – Trade and other payables

Current liabilities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables	53,194	86,490	39,454	45,480
Other payables	37,791	33,039	30,572	31,169
Unearned revenue	5,188	10,768	5,188	7,572
Total current liabilities trade and other payables	**96,173**	**130,297**	**75,214**	**84,221**

Non-current liabilities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other payables	7,373	2,241	7,272	1,956

Accounting policy

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

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.

Note 8 – Interest bearing liabilities

Non-current liabilities – borrowing

	Consolidated and Parent	
	2017 $'000	2016 $'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 one day's 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 2017 was $924 million ($966 million 2016).

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 2017		
Electricity price – increase 10%	(133,500)	(106)
Electricity price – decrease 10%	133,762	(3,707)
30 June 2016		
Electricity price – increase 10%	(97,677)	8,875
Electricity price – decrease 10%	79,493	8,992

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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 2017					
Non-derivative financial instruments					
Loans from QTC	812,081	1,033,122	44,825	176,216	812,081
Trade and other payables	103,546	103,546	96,173	7,373	-
Derivative financial liabilities					
Electricity contracts	335,850	338,069	271,353	66,716	-
Total	**1,251,477**	**1,474,737**	**412,351**	**250,305**	**812,081**
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**

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 2017					
Non-derivative financial instruments					
Loans from QTC	812,081	1,033,122	44,825	176,216	812,081
Trade and other payables	82,486	82,486	75,214	7,272	-
Derivative financial liabilities					
Electricity contracts	335,850	338,069	271,353	66,716	-
Total	**1,230,417**	**1,453,677**	**391,392**	**250,204**	**812,081**
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**

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Facilities used at balance date				
QTC Facilities	812,081	812,081	812,081	812,081
Total	**812,081**	**812,081**	**812,081**	**812,081**
Unused at balance date				
Unrestricted QTC Facilities (1)	588,483	589,589	588,483	589,589
Restricted QTC Facilities (2)	617,700	437,000	601,178	430,500
Total	**1,206,183**	**1,026,589**	**1,189,661**	**1,020,089**
Total facilities available				
QTC Facilities	2,018,264	1,838,670	2,001,742	1,832,170
Total	**2,018,264**	**1,838,670**	**2,001,742**	**1,832,170**

(1) The consolidated group has access to an unrestricted working capital and redraw facility to manage day to day cash flow requirements.

(2) This balance includes guarantees issued to third parties to support revenue from operations and restricted facilities to manage compliance with CS Energy Limited's Australian Financial Services Licence.

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Credit risk exposures

For financial instruments, credit risk arises from the potential failure of counterparties to meet their financial obligations under their respective contracts. A material exposure arises from OTC swap contracts and the consolidated group is exposed to loss in the event that counterparties fail to settle the contracted amounts. 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, 5 and 8) 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 2017. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash and cash equivalents				
AA+ to AA-	131,532	47,537	129,653	40,666
Total	**131,532**	**47,537**	**129,653**	**40,666**
Trade and other receivables				
AA+ to AA-	15,596	29,290	15,596	29,290
A+ to A-	161,560	26,537	161,560	26,537
BBB+ to BBB-	-	2,027	-	2,027
AEMO (1)	47,011	36,284	-	(1,481)
Other non-rated (2)	33,978	29,921	29,149	29,221
Total	**258,145**	**124,059**	**206,305**	**85,594**
Derivative financial assets				
AA+ to AA-	35,055	3,265	35,055	3,265
A+ to A-	54,290	21,201	54,290	21,201
BBB+ to BBB-	14,434	446	14,434	446
Non-rated	37,604	-	37,604	-
Total	**141,383**	**24,912**	**141,383**	**24,912**

(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 2017. 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.

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 2016.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Variable rate borrowings		
30 June 2017	(606)	658
30 June 2016	(630)	653

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 2017 and 30 June 2016 were as follows:

	Consolidated	
	2017	2016
Net debt ($'000)	680,549	764,544
Adjusted equity ($'000)	548,362	384,561
Gearing ratio (%)	55	67

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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). There are no Level 3 financial instruments.

	Consolidated and Parent		
	Level 1 $'000	Level 2 $'000	Total $'000
30 June 2017			
Derivative financial assets			
Electricity contracts	53,150	88,233	141,383
	53,150	**88,233**	**141,383**
Derivative financial liabilities			
Electricity contracts	192,405	143,446	335,851
Environmental contracts	-	497	497
	192,405	**143,943**	**336,348**
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**

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.

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 2017 Consolidated and Parent		Valuation technique(s) and key input(s)
	Assets $'000	Liabilities $'000	
Options	45,333	60,830	Option pricing model with observable electricity forward curves and implied volatility at the end of the reporting period as key inputs.
Swaps	96,050	275,021	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.
Environmental's	-	497	Discounted cash flow method using observable electricity forward curves and observable yield curves at the end of the reporting period as key inputs.

A swap is a derivative contract that the group enters into whereby it is agreed to exchange a fixed volume of electricity for an agreed price.

An option is a derivative contract that the group enters into where one party has the right but not the obligation to buy or sell an agreed volume of electricity at a fixed price in exchange for a premium payment.

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	
	2017 $'000	2016 $'000
Carrying amount	812,081	812,081
Fair Value (level 2)	924,234	966,420

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 or 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.

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Section 4: Operating assets and liabilities

Note 12 – Inventories

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Stores [1]	48,075	39,893	26,684	20,499
Fuel at weighted average cost (finished goods)	21,064	19,078	14,971	11,652
Fuel at weighted average cost (work in progress)	24,581	24,911	-	-
Environmental certificates	1,475	3,641	1,475	3,641
Total Inventory	**95,195**	**87,523**	**43,130**	**35,792**

(1) Stores balance includes a net realisable adjustment of $7.7 million (2017) and $6.4 million (2016).

Inventories expensed during the year ended 30 June 2017 were $206.2 million (2016 $177.7 million).

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.

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 2017 resulting in a defined benefit asset being recognised at 30 June 2017 (30 June 2016: Defined benefit asset recognised).

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

	Consolidated and Parent	
	2017 $'000	2016 $'000
Present value of the defined benefit obligation	(60,729)	(61,258)
Fair value of defined benefit plan assets	80,758	77,715
Net asset/(liability) before adjustment for contributions tax	**20,029**	**16,457**
Adjustments for contributions tax	3,535	2,904
Total	**23,564**	**19,361**

Reconciliation

	Consolidated and Parent	
	2017 $'000	2016 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	58,354	55,352
Current service cost	2,249	2,291
Interest cost	1,926	2,392
Actuarial gains and (losses) recognised in equity	458	(704)
Benefits paid by the plan	(6,387)	(1,637)
Contributions by plan participants	594	660
Balance at the end of the year (net of contributions tax)	**57,194**	**58,354**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	77,715	75,201
Expected return on plan assets	2,479	3,142
Actuarial gains and (losses) recognised in equity	6,357	221
Contributions by group companies into the plan	-	128
Benefits paid by the plan	(6,387)	(1,637)
Contributions by plan participants	594	660
Balance at the end of the year	**80,758**	**77,715**

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Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2017 $'000	2016 $'000
Cash	4,038	3,886
Equity instruments	40,379	38,856
Debt instrument	8,076	7,772
Property	8,076	7,772
Other assets	20,189	19,429
Total	**80,758**	**77,715**

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 2016.

The actuary recommended in the actuarial review as at the 30 June 2016, the payment of employers contributions to the fund of 0% of salaries for employees who are members of the defined benefit section.

Historic summary

Consolidated entity					
	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Defined benefit plan obligation	(60,729)	(61,258)	(58,329)	(69,938)	(72,169)
Plan assets	80,758	77,715	75,201	79,153	75,296
Surplus	20,029	16,457	16,872	9,215	3,127
Experience adjustments arising on plan liabilities	(458)	704	7,057	(1,716)	5,401
Experience adjustments arising on plan assets	6,357	221	3,678	10,113	5,458

Actuarial assumption and sensitivity

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

	Consolidated and Parent	
	2017	2016
Discount rate	3.8%	3.3%
Future salary increases – 1st year	3.0%	3.0%
Future salary increases – long term	3.0%	3.0%

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 4.3%	Increase by 4.5%
Salary growth rate	0.5%	Increase by 4.6%	Decrease by 4.4%

Accounting policy

Employee retirements benefits

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

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

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.

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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 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	(59,495)	(36,421)	(2,587)	-	(1,989)	(2,296)	(102,788)
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**
Movements for the year ended 30 June 2017							
Opening net book amount	1,163,440	100,918	12,849	17,834	15,748	62,360	1,373,149
Additions	9,177	44,230	4,277	2,200	40	8	59,932
Transfers	(8,932)	1,233	15,366	(9,653)	929	1,057	-
Disposals	(8,690)	-	(1,270)	-	-	-	(9,960)
Impairment reversal (2)	242,428	-	-	-	-	-	242,428
Depreciation	(69,548)	(50,605)	(3,405)	-	(2,017)	(2,314)	(127,889)
Closing net book amount	**1,327,875**	**95,776**	**27,817**	**10,381**	**14,700**	**61,111**	**1,537,660**
At 30 June 2017							
Cost	2,378,433	183,580	86,377	10,381	29,744	82,571	2,771,086
Accumulated depreciation/impairment	(1,050,558)	(87,804)	(58,560)	-	(15,044)	(21,460)	(1,233,426)
Net book amount	**1,327,875**	**95,776**	**27,817**	**10,381**	**14,700**	**61,111**	**1,537,660**

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

(2) $242.4 million relates to the impairment reversal of Callide B and Callide C Power station.

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 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 (1)	(2,441)	-	-	-	-	-	(2,441)
Depreciation	(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**
Movements for the year ended 30 June 2017							
Opening net book amount	213,912	28,352	5,813	9,507	-	9,612	267,196
Additions	6,250	33,158	4,008	21	-	8	43,445
Transfers	2,275	2,942	1,036	(6,281)	-	28	-
Disposals	-	-	(108)	-	-	-	(108)
Impairment reversal (2)	193,537	-	-	-	-	-	193,537
Depreciation	(23,907)	(24,339)	(2,151)	-	-	(289)	(50,686)
Closing net book amount	**392,067**	**40,113**	**8,598**	**3,247**	**-**	**9,359**	**453,384**
At 30 June 2017							
Cost	899,583	86,553	44,192	3,247	-	11,740	1,045,315
Accumulated depreciation/impairment	(507,516)	(46,440)	(35,594)	-	-	(2,381)	(591,931)
Net book amount	**392,067**	**40,113**	**8,598**	**3,247**	**-**	**9,359**	**453,384**

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

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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, 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 value in use calculations, for the other CGUs, are based on financial forecasts covering the lives of the assets up to 35 years.

The calculations have been based on the assumptions outlined below.

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.

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	-261.3	301.26

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

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 Powerlink 2016 Transmission Annual Planning Report (TAPR). Long term Market assumptions have primarily been determined with reference to Australian Energy Market Operator (AEMO) and Powerlink Energy and Demand forecasts. 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.
- Renewable and Carbon Abatement policy has the potential to have a material impact on forecast market outcomes. Given the high level of policy uncertainty and varying policy frameworks between political parties. Base level assumptions have been derived with reference to incumbent policies and proposed new policy only to the extent that it is highly probable.
- Potential carbon liability resulting from a change in greenhouse gas abatement policy has been incorporated in the market modelling as sensitivity for financial year 2020 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:
  - a 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	348.94	-348.94

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.

Plant reliability and forecast operating and capital expenditure

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 the consolidated group'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.

Impairment

During 2017, the group recognised impairment write back of $242.4 million relating to the Callide B and Callide C Power Station assets. The impairment was previously recognised due to the poor reliability and certainty of the coal supply and the ongoing litigation with Anglo American Metallurgical Coal (Anglo).

The write back of the impairment of these assets was recognised on the basis that:

- the purchase of the Callide Mine by Batchfire Resources Limited and the revision of the Coal Supply Agreement (CSA) which has significantly improved the likelihood of long term reliability of coal supply and consequently the reduction in the inherent delivery risk that existed through Anglo American (Anglo) ownership;
- the settlement of the litigation with Anglo, proceeds disclosed in Other Income, which has extinguished the risk of termination of the CSA; and
- the calculation of the recoverable amount as at 30 June 2017 supported the write back.

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Note 15 – Provisions

Current liabilities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Employee benefits	22,652	21,215	18,734	17,466
Onerous contracts	16,037	19,740	16,037	19,740
Dividends declared	122,912	13,831	122,912	13,831
Total	**161,601**	**54,786**	**157,683**	**51,037**

Non-current liabilities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Employee benefits	1,683	1,667	1,075	1,144
Rehabilitation and site closure costs	162,102	167,233	83,973	83,699
Onerous contracts	145,082	161,611	145,082	161,611
Total	**308,867**	**330,511**	**230,130**	**246,454**

Employee benefits

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

The entire amount of the provision for annual leave and vesting sick leave is presented as current, since the consolidated group does not have an unconditional right to defer settlement for any of these obligations.

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

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.

Onerous contracts

Current liabilities

	Consolidated and Parent	
	2017 $'000	2016 $'000
Onerous Contracts		
Carrying amount at start of year	19,740	23,706
Provision used during the year (1)	(37,004)	(42,788)
Reclassification to current liabilities	29,390	33,718
Finance costs	3,911	5,104
Carrying amount at end of year	**16,037**	**19,740**

Non-current liabilities

	Consolidated and Parent	
	2017 $'000	2016 $'000
Onerous Contracts		
Carrying amount at start of year	161,611	157,062
Changes from re-measurement (1)	(491)	24,288
Reclassification to current liabilities	(29,390)	(33,718)
Finance costs	13,352	13,979
Carrying amount at end of year	**145,082**	**161,611**

(1) Total onerous contract remeasurement $37.4 million.

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 (IPPA). 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 2017, resulting in a decrease in the provision to $161.1 million ($0.5 million re-measurement). The decrease in the onerous contract provision is due 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 ($161.1) million.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	5.46	-5.82
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	21.5	-21.5

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

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

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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 *Government Owned Corporations Act 1993.* The dividends are not franked.

The 2016/17 final dividend is based on 80% of operating profit after income tax equivalent expenses, and after adjustments made for certain end of reporting 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Carrying amount at start of year	167,233	128,758	83,699	62,847
Change from re-measurement	(9,462)	33,088	(1,550)	18,371
Provision used during the year	(731)	(291)	(699)	(291)
Finance costs	5,062	5,678	2,523	2,772
Carrying amount at end of year	**162,102**	**167,233**	**83,973**	**83,699**

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 but not yet rehabilitated. The present value of these obligations is recognised as a non-current liability with a corresponding asset, which is depreciated over the relevant useful life. The discount is also unwound over the relevant useful life, with the cost recognised in profit or loss as 'finance costs'.

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

Significant estimates made with respect to this provision are the:

- 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.

Section 5: Taxation

Note 16 – Taxation

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Income tax expense/(benefit)				
Current tax on profits for the year	74,472	(7,841)	(82,169)	(47,527)
Deferred tax	46,632	2,725	41,063	94
Adjustments for current tax of prior periods	(11)	(10)	-	3
Income tax expense/(benefit)	**121,093**	**(5,126)**	**(41,106)**	**(47,430)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	(14,583)	(2,269)	(16,333)	(8,810)
(Decrease) increase in deferred tax liabilities	61,215	4,994	57,396	8,904
Income tax expense attributable to profit from continuing operations	**46,632**	**2,725**	**41,063**	**94**
Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate				
Profit/(loss) from operations before income tax expense	**403,677**	**(28,137)**	**163,327**	**(101,533)**
Tax at the Australian tax rate of 30% (2016 – 30%)	121,103	(8,441)	48,998	(30,460)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	1	1	1	1
Sundry	-	23	-	25
Taxable inter-company revenue	-	3,301	-	-
Non taxable dividends	-	-	(90,105)	(16,999)
	121,104	(5,116)	(41,106)	(47,433)
Adjustments for current tax of prior periods	(11)	(10)	-	3
Income tax expense	**121,093**	**(5,126)**	**(41,106)**	**(47,430)**
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	8,142	(31,286)	8,142	(31,286)
Actuarial gain/(loss) on defined benefit plan	1,770	277	1,770	277
Total	**9,912**	**(31,009)**	**9,912**	**(31,009)**
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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Notes to the consolidated financial statements

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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 the 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 inter-company 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 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	74
Credited/(charged) directly to equity	31,286	-	-	-	-	31,286
Acquisition/(utilisation) of losses	-	-	-	7,777	-	7,777
At 30 June 2016	**40,759**	**61,466**	**50,170**	**160,164**	**2,701**	**315,260**
Credited/(charged) to profit or loss	21,891	(5,619)	(1,539)	-	(150)	14,583
Under provision prior year	-	-	-	-	(38)	(38)
Credited/(charged) directly to equity	(8,142)	-	-	-	-	(8,142)
Acquisition/ (utilisation) of losses	-	-	-	(83,003)	-	(83,003)
Net deferred tax assets at 30 June 2017	**54,508**	**55,847**	**48,631**	**77,161**	**2,513**	**238,660**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
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
At 30 June 2016	**40,759**	**60,422**	**25,109**	**160,164**	**942**	**287,396**
Credited/(charged) to profit or loss	21,891	(5,576)	83	-	(65)	16,333
Credited/(charged) directly to equity	(8,142)	-	-	-	-	(8,142)
Acquisition/(utilisation) of losses	-	-	-	(83,003)	-	(83,003)
Net deferred tax assets at 30 June 2017	**54,508**	**54,846**	**25,192**	**77,161**	**877**	**212,584**

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined Benefit Asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2015	-	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
At 30 June 2016	-	5,808	150,387	22,663	178,858
Credited/(charged) to profit or loss	-	(509)	61,547	177	61,215
Under provision prior year	-	-	-	(8,581)	(8,581)
Charged/(credited) directly to equity	-	1,770	-	-	1,770
Net deferred tax liabilities at 30 June 2017	**-**	**7,069**	**211,934**	**14,259**	**233,262**

Parent	Derivative financial instruments $'000	Defined Benefit Asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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
Under provision prior year	-	-	-	1	1
Charged/(credited) directly to equity	-	277	-	-	277
At 30 June 2016	-	5,808	21,104	7,911	34,823
Charged/(credited) to profit or loss	-	(509)	57,014	891	57,396
Under provision prior year	-	-	-	(4,280)	(4,280)
Charged/(credited) directly to equity	-	1,770	-	-	1,770
Net deferred tax liabilities at 30 June 2017	**-**	**7,069**	**78,118**	**4,522**	**89,709**

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Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2015	273,854	(173,586)	100,268
Movement during the year	41,406	(5,272)	36,134
At 30 June 2016	315,260	(178,858)	136,402
At 30 June 2016	315,260	(178,858)	136,402
Movement during the year	(76,600)	(54,404)	(131,004)
At 30 June 2017	**238,660**	**(233,262)**	**5,398**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2015	239,526	(25,641)	213,885
Movement during the year	47,870	(9,182)	38,688
At 30 June 2016	287,396	(34,823)	252,573
At 30 June 2016	287,396	(34,823)	252,573
Movement during the year	(74,812)	(54,886)	(129,698)
At 30 June 2017	**212,584**	**(89,709)**	**122,875**

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 taxable profits in the foreseeable future, with the tax losses expected to be fully utilised in this time. Deferred tax is accounted for using the liability method.

The current year deferred tax liability is offset against deferred tax assets, comparative amounts have been re-classified accordingly.

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 17 – Contributed equity

Share Capital

	2017 Shares	2016 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 Trade and Investment and Minister for Main Roads, Road Safety and Ports, Energy, Biofuels and Water Supply. This shareholding has not changed since the 2016 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 18 – Reserves and accumulated losses

Hedging reserve – cash flow hedges

	Consolidated and Parent	
	2017 $'000	2016 $'000
Opening balance at 1 July 2016	(87,816)	(14,815)
Revaluation of electricity derivative contracts – gross	(79,868)	(118,230)
Electricity derivative contracts realised as revenue – gross	107,009	13,943
Net deferred tax	(8,142)	31,286
	18,999	(73,001)
Closing balance at 30 June 2017	**(68,817)**	**(87,816)**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Opening balance at 1 July 2016	(729,853)	(693,659)	(808,944)	(741,658)
Net gain/(loss) for the year	282,584	(23,011)	204,433	(54,103)
Actuarial gain/(loss) on the defined benefit plan	5,899	925	5,899	925
Defined benefit tax	(1,770)	(277)	(1,770)	(277)
Dividend provided for	(122,912)	(13,831)	(122,912)	(13,831)
Closing balance at 30 June 2017	**(566,052)**	**(729,853)**	**(723,294)**	**(808,944)**

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Notes to the consolidated financial statements

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Section 7: Key management personnel

Note 19 – Key management personnel disclosures

Shareholding Ministers

Government Owned Corporations (GOC's) shareholding Ministers are identified as part of the GOC's Key Management Personnel (KMP). These Ministers are the Honourable Curtis Pitt, Treasurer, Minister for Trade and Investment and the Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports, Energy, Biofuels and Water Supply.

As of the 10th day of August 2017 the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts is nominated to be the portfolio Minister for CS Energy going forward replacing the Honourable Mark Bailey.

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.

KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016–17, which are published as part of Queensland Treasury's Report on State Finances.

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 (3)	Chairman/Non-Executive Director	**2017**	89	8	97
		2016	67	6	73
Brian Green	Non-Executive Director	**2017**	44	4	48
		2016	42	4	46
Mark Williamson	Non-Executive Director	**2017**	45	4	49
		2016	44	4	48
Julie-Anne Schafer (3)	Non-Executive Director	**2017**	39	4	43
		2016	30	3	33
Toni Thornton (3)	Non-Executive Director	**2017**	41	4	45
		2016	31	3	34
Ross Rolfe (4)	Chairman/Non-Executive Director	2016	21	2	23
Shane O'Kane (4)	Non-Executive Director	2016	9	1	10
John Pegler (4)	Non-Executive Director	2016	9	1	10
Total 2017		**2017**	**258**	**24**	**282**
Total 2016		**2016**	**253**	**24**	**277**

(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 October 2015 to 30 June 2016.

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

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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.

All remuneration 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	05/08/2013	3 years	04/08/2018 (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	26/11/2012	3 years	25/11/2017 (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)	27/01/2017
Andrew Varvari	Executive General Counsel and Company Secretary, Acting Chief Financial Officer and Executive General Manager People and Safety	14/12/2012	3 years	13/12/2017 (xiii)	yes	not less than 3months written notice (v)	12 weeks remuneration (iii)	yes (iv)	not applicable
Owen Sela	Executive General Manager Strategy and Commercial	06/01/2014	3 years	06/01/2017	yes	not less than 3 months written notice (v)	12 weeks remuneration (iii)	yes (iv)	06/01/2017
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	01/01/2015	Open tenure	not applicable	not applicable	not less than 1 months written notice (viii)	not applicable	yes (ix)	05/07/2016
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
Joanne Keen	Executive General Counsel and Company Secretary	13/03/2017	Open tenure	not applicable	not applicable	not less than 1 months written notice (viii)	not applicable	yes (ix)	not applicable
David Down	Executive General Manager Operations	17/10/2016	Open tenure	not applicable	not applicable	not less than 1 months written notice (viii)	not applicable	yes (ix)	not applicable

(i) Contract maybe extended beyond termination date under the existing agreement or extended 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)

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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 (7)	**2017**	757	70	9	26	7	-	869
	Martin Moore (17)	2016	757	107	9	30	5	-	908
Chief Financial Officer	Darren Busine (8)	**2017**	385		9	25	2		421
	Darren Busine (18)	2016	37	-	1	4	-	-	42
Chief Financial Officer	Scott Turner (19)	2016	249	60	4	20	-	-	333
Chief Financial Officer	Andrew Varvari (20)	2016	144	-	4	10	1	-	159
Executive General Manager Operations	David Down (9)	**2017**	313		6	17	1		337
Executive General Manager Operations	Mark Moran (10)	**2017**	285	46	8	20		98	457
	Mark Moran (21)	2016	436	52	18	30	4	-	540
Executive General Counsel and Company Secretary	Joanne Keen (11)	**2017**	99		2	9	3		113
Executive General Counsel and Company Secretary	Emma Roberts (12)	**2017**	227	32	6	21	1		287
	Emma Roberts (22)	2016	138	-	-	13	2	-	153
Executive General Counsel and Company Secretary	Andrew Varvari (23)	2016	195	55	4	18	2	-	274
Executive General Manager Energy Markets	David Warman (13)	**2017**	356	41	9	34	18	-	458
	David Warman (24)	2016	347	46	9	30	8	-	440
Executive General Manager Strategy and Commercial	Owen Sela (14)	**2017**	210	45	4	18			277
	Owen Sela (25)	2016	388	47	9	29	3	-	476
Executive General Manager People and Safety	Andrew Varvari (15)	**2017**	393	47	9	30	5		484
	Andrew Varvari (26)	2016	35	-	1	2	-	-	38
Executive General Manager People and Safety	Tom Wiltshire (16)	**2017**	20					89	109
	Tom Wiltshire (27)	2016	366	37	9	29	2	-	443
		2017	**3,045**	**281**	**62**	**200**	**37**	**187**	**3,812**
		2016	**3,092**	**404**	**68**	**215**	**27**	**-**	**3,806**

2017 Notes

(7) Remuneration details for 2017 for the period 1 July 2016–30 June 2017

(8) Remuneration details for 2017 for the period 1 July 2016–30 June 2017

(9) Remuneration details for 2017 for the period 17 October 2016–30 June 2017

(10) Remuneration details for 2017 for the period 1 July 2016–27 January 2017

(11) Remuneration details for 2017 for the period 13 March 2017–30 June 2017

(12) Remuneration details for 2017 for the Acting period 1 July 2016–12 March 2017

(13) Remuneration details for 2017 for the Acting period 1 July 2016–30 June 2017

(14) Remuneration details for 2017 for the period 1 July 2016–6 January 2017

(15) Remuneration details for 2017 for the period 1 July 2016–30 June 2017

(16) Remuneration details for 2017 for the period 1 July 2016–5 July 2016

2016 Notes

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

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

(19) Remuneration details for 2016 for the Acting period 1 July 2015–27 January 2016

(20) Remuneration details for 2016 for the Acting period 11 January 2016–26 May 2016

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

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

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

(24) Remuneration details for 2016 for the Acting period 1 July 2015–30 June 2016

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

(26) Remuneration details for 2016 for the Acting period 27 May 2016–30 June 2016

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

(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 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).

Principles used to determine the nature and amount of remuneration

Executives receive a base salary (incorporating cash, allowances and non-monetary benefits), superannuation, other benefits and a performance payment. Executive remuneration is established by using external independent quantitative benchmarks to compare the position requirements with similar positions across a broad cross section of the labour market. The performance payment is up to a maximum of 15% of total fixed remuneration for Executives and up to a maximum of 15% of base salary for non-executive positions.

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

Relationship between remuneration and entity's performance

The remuneration for executives is designed to attract and retain executives with the calibre necessary to ensure the organisation's success. The performance payment is conditional upon attainment of specified and measurable performance outcomes outlined in Individual Achievement Plans (IAPs). The IAPs are directly related to measures the Board of Directors considers to be indicators of good corporate performance.

Service contracts

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

The remuneration and other terms of employment for each executive is specified in individual employment agreements. Annual adjustments to the remuneration are made in accordance with the Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements. The agreement provides a total remuneration package that enables each executive to receive a range of benefits.

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

30 June 2017

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 IAPs 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:

	2017 $'000	2016 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	70	107
Senior Executives	211	297
Contract employees	2,193	2,383
Enterprise Bargaining Agreement employees	858	805
	3,332	**3,592**
Aggregate remuneration (including at-risk performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	76,153	71,290
Number of employees to whom a performance payment is paid	439	405

(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 15 under Employee benefits.

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

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) 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 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 20 – Remuneration of auditors

	Consolidated		Parent	
	2017 $	2016 $	2017 $	2016 $
Audit and other assurance services				
Auditor-General of Queensland (1)	347,300	336,920	347,300	336,920
Crowe Horwath (2)	7,425	7,200	-	-
PricewaterhouseCoopers (3)(4)	29,047	34,328	-	-
Total audit and other assurance service fees	**383,772**	**378,448**	**347,300**	**336,920**
Non-audit services				
Taxation compliance and advisory services				
PricewaterhouseCoopers (3)	103,656	80,900	103,656	80,900
Total non-audit service fees	**103,656**	**80,900**	**103,656**	**80,900**
Total professional fees	**487,428**	**459,348**	**450,956**	**417,820**

The amounts above are GST exclusive.

(1) The audit of the 2016-7 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. Manzillo Insurance cell closed trading 31 December 2015.

(4) Callide Power Project Market Trader and Callide Power Project fees represent 50% of CS Energy's share in the joint operations.

Note 21 – 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Capital commitments				
Property, plant and equipment				
Within one year	19,738	14,010	5,482	4,587
Later than one year, but no later than five years	56,996	49,356	-	-
Total capital commitments	**76,734**	**63,366**	**5,482**	**4,587**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Operating lease commitments – group as lessee				
Within one year	41,136	42,165	41,136	42,165
Later than one year, but not later than five years	194,939	188,235	194,939	188,235
Later than five years	368,936	416,061	368,936	416,061
Total operating lease commitments	**605,011**	**646,461**	**605,011**	**646,461**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2017

Other expenditure commitments

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

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other expenditure commitments				
Within one year	172,129	171,031	110,342	82,178
Later than one year, but not later than five years	705,058	746,386	456,294	345,284
Later than five years	1,053,314	314,891	959,216	191,830
Total other expenditure commitments	**1,930,501**	**1,232,308**	**1,525,852**	**619,292**

Note 22 – 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 which might reasonably be expected to be available, or similar transactions to non-related entities on arm's length basis. These directors were also at no stage involved in the engagement of the relevant entities.

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

	Consolidated	Parent
	2017 $	2017 $
SingTel Optus Limited	1,112	683
Energy Super	5,526,213	4,222,344
	5,527,325	**4,223,027**

Parent entities

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

Investments in controlled entities

Details of investments in controlled entities are set out in Note 24.

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	234,480	220,069	234,480	220,069
Operations and maintenance received from Joint Venture	-	-	34,385	19,843
Dividends received	-	-	300,357	56,664
Total	**234,480**	**220,069**	**569,222**	**296,576**
Expenses				
Interest on QTC borrowings paid to Queensland Treasury	(58,663)	(61,968)	(58,663)	(61,968)
Costs paid to State of Queensland controlled entities	(56,932)	(58,799)	(49,539)	(51,469)
Total	**(115,595)**	**(120,767)**	**(108,202)**	**(113,437)**
Assets				
Trade receivables due from subsidiaries	**-**	**-**	**2,598**	**2,421**
Trade receivables from State of Queensland controlled entities	**14,979**	**18,493**	**14,979**	**18,493**
Total	**14,979**	**18,493**	**17,577**	**20,914**
Liabilities				
Trade payables to State of Queensland controlled entities	**16,451**	**17,633**	**16,265**	**17,419**
Borrowings from QTC	**812,081**	**812,081**	**812,081**	**812,081**
Total	**828,532**	**829,714**	**828,346**	**829,500**

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	
	2017 $'000	2016 $'000
Balance at 1 July	821,777	889,677
Loans advanced	585,545	243,278
Loans repayments received	(647,510)	(311,178)
Total	**759,812**	**821,777**

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 2017 (2016 – nil).

The terms and conditions of the tax funding agreement are set out in Note 16.

Outstanding balances are unsecured and are repayable in cash.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2017

Note 23 – Contingencies

CS Energy has provided, through Queensland Treasury Corporation, a bank guarantee on behalf of Batchfire Resources Pty Ltd (Batchfire). The bank guarantee amount is calculated in accordance with the financial assurance provisions of the *Environmental Protection Act 1994 (Qld).* CS Energy provided the bank guarantee on behalf of Batchfire as part of Batchfire's purchase of the Callide Mine. The provision of the bank guarantee was to ensure that CS Energy's interests are protected through a broad package of secured funds and general security agreements and mortgages over the assets and undertakings of the Batchfire group.

Through the provision of the bank guarantee, CS Energy is not exposed to the environmental performance of Batchfire, and the guarantee will only be called upon in the instance that Batchfire is not performing to its rehabilitation plan and does not have the required funds to do so.

Batchfire has had ownership of the Callide Mine since 1 November 2016, and no matters of concern in respect of the bank guarantee have arisen.

Note 24 – Investment and interest in subsidiaries

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Investment in subsidiaries	-	-	**51,815**	**51,815**

These assets are carried at cost.

The consolidated group has an interest in the following entities:

			2017	2016
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

(1) Manzillo Insurance (PCC) Ltd – Cell EnMach was closed in last year's reporting period.

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

Note 25 – Joint operation

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

			2017	2016
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 shortly thereafter, receivers and managers Ferrier Hodgson were appointed by IGPC's financiers.

As of 23 December 2016, Ferrier Hodgson has retired as receivers and managers of IGPC's and IGPC'S was placed back in to administration. As at the 31 March 2017, IGPC's was removed from administration.

The Callide C Power Station continued to operate as normal through this period.

Note 26 – Deed of cross guarantee

Pursuant to ASIC Instrument 2016/785 dated 17 December 2016, 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 24 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

Manzillo Insurance cell closed trading 31 December 2015. The final net impact for the year ended 30 June 2016 was an adjustment of the Net Profit After Tax of ($7.7 million).

There is no change in the Closed Group for the year ended 30 June 2017.

CS ENERGY LIMITED (AND CONTROLLED ENTITIES)

Directors' declaration

for the year ended 30 June 2017

In the directors' opinion:

(a) The financial statements and notes set out on pages 47 to 91 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 2017 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 24 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 Instrument 2016/785.

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 24 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 26.

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.

James Gerard Soorley
Chairman
28 August 2017

Antonia Thornton
Director
28 August 2017

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 Ltd for the year ended 30 June 2017, 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.

Rachel Vagg
Sector Director
as delegate of the Auditor-General of Queensland
28 August 2017

Queensland Audit Office
Brisbane

CS ENERGY LIMITED (AND CONTROLLED ENTITIES)

Independent Auditors' Report

for the year ended 30 June 2017

To the Members of CS Energy Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of CS Energy Limited (the "Company") and its controlled entities (the "Group").

In my opinion, the financial report:

(a) gives a true and fair view of the Company and Group's financial position as at 30 June 2017, and their financial performance and cash flows for the year then ended

(b) complies with the *Corporations Act 2001,* Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2017, 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 summaries of significant accounting policies and other explanatory information of the company and the group, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Company and Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards.*

I confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report for the Company and the Group of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How my audit addresses the key audit matter</th></tr>
<tr><td>Carrying value of power stations

The Group and Company held Property, plant and equipment totalling $1,537.7 million and $453.4 million respectively and is principally comprised of power station assets.

As outlined in Note 14 the recoverable amount of these assets is estimated using a discounted cash flow model that requires management to exercise significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets, the most significant of which included:
forecasted electricity demand, price and generation;
the discount rate; and
judgement in respect of the absence of lack of formal Federal and State carbon policy and pricing mechanisms.</td><td>My procedures included, but were not limited to:
obtaining an understanding of the key controls associated with the preparation of discounted cash flow models used to assess the recoverable amount of Company and Group's power station assets;
evaluating the scope, competency, capability and objectivity of management's external expert used to provide the key assumptions adopted by management. These assumptions included forecast electricity price, demand and generation as well as assumptions in relation to carbon policy and pricing mechanisms;
in conjunction with my electricity market experts, I challenged management's adopted assumptions by making comparison against my own independent key assumptions:
forecast electricity demand, price and generation;
carbon policy and pricing mechanism with reference to global economic and industry forecasts;
discount rate; and
performed sensitivity analysis around the forecasted electricity demand, price and generation as well as impact from the potential introduction of carbon policy and pricing mechanism;
consideration and assessment of external and internal sources of information that indicate impairment losses recognised in prior periods no longer exist; and
evaluating the appropriateness of the disclosures included in Notes 14 to the financial report.</td></tr>
<tr><td>Estimation of the amount of the onerous contract obligation in relation to Gladstone Interconnection and Power Pooling Agreement (IPPA)

As disclosed in Note 15, the Gladstone IPPA contract is an onerous contract in the company and the group's financial statements. The provision of $161.1 million is estimated using a discounted cash flow model, which requires the exercise of significant judgement in determining the key assumptions supporting the model. The most significant assumptions are consistent with the Key Audit Matter in relation to the Carrying value of power stations above.</td><td>My procedures included but were not limited to:
obtaining an understanding of the key controls associated with the preparation of the discounted cash flow models used to assess the value of the onerous contract provision;
testing consistency of assumptions used in the discounted cash flow model to the assumptions used in the model for the carrying value of power stations (above);
in conjunction with my electricity market experts, I challenged management's adopted assumptions by making comparison against my own independent key assumptions:
forecast electricity demand, price and generation;
carbon policy and pricing mechanism with reference to global economic and industry forecasts;
discount rate; and
performed sensitivity analysis around the forecasted electricity demand, price and generation as well as impact from the potential introduction of carbon policy and pricing mechanism; and
evaluating the appropriateness of the disclosures included in Note 15 to the financial report.</td></tr>
</table>

CS ENERGY LIMITED (AND CONTROLLED ENTITIES)

Independent Auditors' Report

for the year ended 30 June 2017

Other information

Other information comprises the information included in the annual report for the year ended 30 June 2017, but does not included the financial report and my auditor's report thereon.

Those directors of the company are responsible for the other information. At the date of this auditor's report, the other information that the Company's directors had approved was the directors' report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company 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 the *Corporations Act 2001,* the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the Company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company and the group.
- Conclude on the appropriateness of the company's and groups use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group's audit. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rachel Vagg
as delegate of the Auditor-General

QUEENSLAND
30 AUG 2017
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 IG Power (Callide) Limited 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 IG Power (Callide) Limited share) • Wivenhoe Power Station (500 MW) • Gladstone Power Station (1,680 MW)
Energy sent out	The amount of electricity sent to the grid.
EACFD	Equivalent Availability Capacity Factor Demand. EACFD = 100 – (EFOF + EMOF + EPOF + SD) % Where: EACFD = Equivalent Availability Capacity Factor Demand EFOF = Equivalent Forced Outage Factor EMOF = Equivalent Maintenance Outage Factor EPOF = Equivalent Planned Outage Factor SD = Seasonal De-ratings
FCFY	Free Cash Flow Yield. FCFY is calculated by: Free Cash Flow/Gross Fixed Assets + Net Working Capital.
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).
ML/GWhso	Water use intensity per energy sent out. The amount of water used, expressed in megalitres per unit of electricity sent out to the grid.
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.
Start Reliability	Start Reliability is calculated by the number of starting successes/(Number of starting successes + Number of starting failures), measured as a percentage.
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.

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