Delivering energy today, powering your tomorrow.

Annual Report 2018

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 ended 30 June 2018 (FY2018). An electronic version of this annual report is available on CS Energy's website at **www.csenergy.com.au.**

Cover and inside front cover images: Brisbane is among the areas in South East Queensland that can access electricity from CS Energy's new retail electricity joint venture with Alinta Energy.

Highlights

In FY2018, CS Energy focused on delivering safe and reliable electricity, and improved returns for our shareholder.

0.61
Lost Time Injury Frequency Rate
Steady

441.4
Underlying EBITDA ($ million)
$70 million increase

125.7
Dividend ($ million)
$2.8 million increase

169.4
Debt repaid to repair our balance sheet ($ million)
On track

14,301
Electricity sent out from our trading portfolio (GWh)
1,309 GWh increase

115,000
Customers connected in SEQ through our new retail joint venture with Alinta Energy
On track to meet two-year target

About us

Our Purpose

**Delivering energy today,
powering your tomorrow.**

CS Energy is a Queensland Government Owned Corporation and a major provider of electricity in Australia.

We generate and sell electricity in the National Electricity Market (NEM) and have a trading portfolio of 4,105 megawatts.

We employ more than 500 people at our power station sites in regional Queensland and our Brisbane Corporate Office.

Our Vision

By 2030:

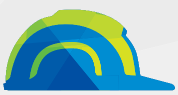
- CS Energy will be a major Australian energy player renowned for our safe, reliable and affordable range of energy solutions.
- The CS Energy brand will be known as an ethical and commercially astute business that consistently delivers exceptional financial, environmental, and community outcomes.
- 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 a national market, 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.

Our Values

Our values and a constructive, high performance culture will enable us to address our current and future challenges, and support our purpose.

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

Our 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 portfolio

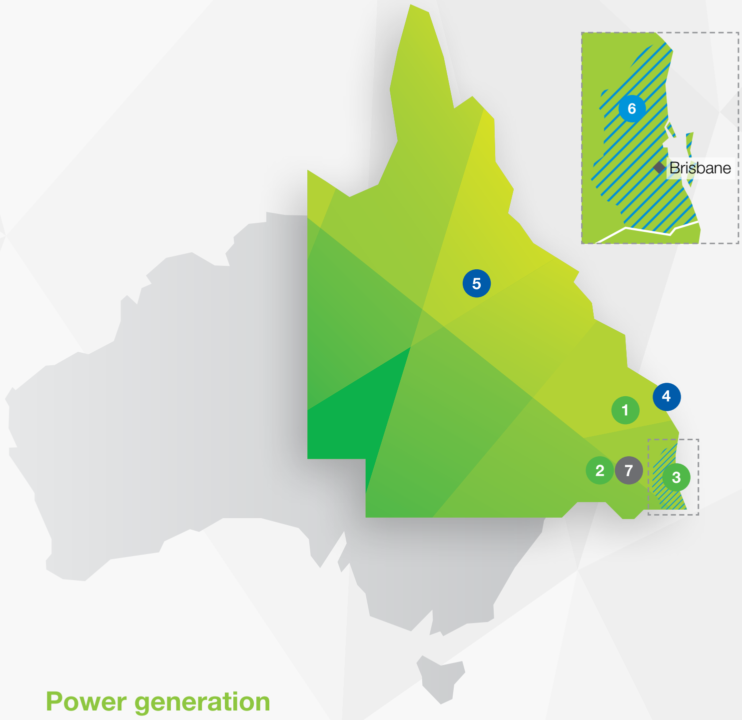
CS Energy owns power generation and coal assets, and in FY2018 we added a retail joint venture and renewable energy trading rights to our portfolio.

CS Energy generates electricity at the Callide B, Kogan Creek and Wivenhoe power stations, which we own and operate. We have a 50 percent interest in the Callide C Power Station, where we provide operations and maintenance services to the Callide C joint venture.

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

In FY2018 we formed a 50/50 joint venture with retailer Alinta Energy to supply electricity to customers in the Energex Distribution Area in South East Queensland. We are helping facilitate renewable energy in Queensland through our offtake agreement with the Kennedy Energy Park, which was signed in FY2018. And we provide retail services to large commercial and industrial users.

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** (Thermal – 1,510 MW)

   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 50/50 joint venture with IG Power (Callide) Limited.

2. **Kogan Creek Power Station** (Thermal – 750 MW)
3. **Wivenhoe Power Station** (Hydroelectric – 570 MW)

   On 30 August 2018 the Queensland Government announced it would transfer Wivenhoe Power Station to 'CleanCo' – a new Government owned energy company to be established in FY2019.

Trading rights

4. **Gladstone Power Station** (Thermal – 1,680 MW)
5. **Kennedy Energy Park** (Wind, solar, battery storage – 60 MW)
   Under construction

6 Retail

Alinta Energy

50/50 joint venture with Alinta Energy to supply small retail customers in the Energex distribution area

7 Coal assets

Kogan Creek Mine (ML 50074 – 130 Mt, MDL 335 – 400 Mt)

Glen Wilga (MDL 382) *Undeveloped*

Haystack Road (MDL 383) *Undeveloped*

Chairman's message

FY2018 was a year of improved returns as we progressed our strategy to transform CS Energy into a commercially sustainable business.

CS Energy continues to operate in an unprecedented environment of change in the energy industry

Our energy portfolio increased its output by more than 10 percent this year, providing reliable electricity into the NEM and stable cash returns to our shareholder, the Queensland Government.

The strong operating performance of the business delivered an Underlying EBITDA of $441.4 million for FY2018 and we recorded a Net Profit After Tax (NPAT) of $230.9 million.

I am pleased to report that CS Energy will pay a dividend of $125.7 million to our shareholder the Queensland Government. This is the third year in a row that CS Energy will pay a dividend – an achievement that we are immensely proud of after the underperformance of the business for many prior years.

This strong financial performance has enabled us to reduce CS Energy's debt, with $169.4 million repaid to the Queensland Treasury Corporation in FY2018. By the end of FY2019 we plan to have paid down $413 million of our debt.

Putting our strategy into action

CS Energy's purpose-led strategy recognises that our energy portfolio will play a critical role in the NEM for years to come, but that we must also find new sources of revenue to create a long-term future for CS Energy.

In FY2018 we took the first steps towards revenue diversification with the formation of a retail joint venture with Alinta Energy and the energy offtake agreement for the hybrid renewable Kennedy Energy Park.

Our strategy is also built around engaging our people and stakeholders in the success of our business. This year we continued our suite of programs to build a more diverse and inclusive workplace and give back to the communities that host our operations.

We achieved gender pay parity for the second year in a row, made good progress towards meeting our 2022 diversity targets and became an Endorsed Employer for women on international jobs platform WORK 180. We also boosted our commitment to developing the next generation of the energy industry by recruiting our first engineering graduates in several years and increased the number of apprentices and trainees working in the business.

In the community, we strengthened our engagement with Traditional Owners at Callide and Kogan Creek and invested in community initiatives including defensive driving for high school students, domestic violence support, and the Western Downs' inaugural Big Skies event.

We continue to set challenging targets for our safety performance and, unfortunately, we did not meet our key safety metric for FY2018 of a total case recordable injury frequency rate of less than three. Improving safety outcomes for our staff and contractors will be a priority for the business in FY2019.

On 30 August 2018, the Queensland Government announced that it will proceed with the restructure of its generation assets and establish a third government owned electricity generator known as CleanCo. The government will establish a working group to manage the transition and CS Energy will play an active role in this process in FY2019.

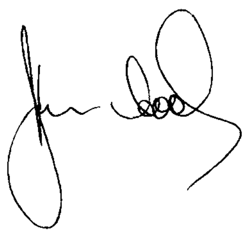
CS Energy continues to operate in an unprecedented environment of change in the energy industry, including lack of clear policy direction at the national level. The Board, together with the CS Energy team, is working hard with our stakeholders to ensure that we provide safe and reliable power today and tomorrow in this ever-changing environment.

Acknowledgements

In August 2018 we farewelled CEO Martin Moore, who left CS Energy to pursue the next chapter in his career. Martin made an outstanding contribution to CS Energy, leading the transformation program that returned the business to profit and introducing our purpose-led strategy.

The recruitment and selection of a new CEO is nearing completion and, in the interim, Executive General Manager Revenue Strategy Darren Busine will serve as Acting CEO.

Thank you to my fellow directors and CS Energy employees for your contribution to the success of the business. To our shareholding Ministers, thank you also for your support. Now, and moving forward, all of us at CS Energy remain focused on delivering energy safely, and creating value for our shareholder, the Queensland Government.



Jim Soorley
Chairman

Key performance indicators

Each year, 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 our shareholding Ministers and is tabled in the Queensland Parliament each year with the annual report.

CS Energy's SCI is guided by our Shareholder Mandate from the Queensland Government, which outlines shareholding Ministers' expectations regarding the performance and strategic direction of the business. CS Energy undertook to achieve the following targets in FY2018, in accordance with our SCI:

Performance against SCI targets – FY2018:

Category	Measure	FY2018 Target	FY2018 Actual
Safety	Total case recordable frequency rate (TCRFR)	<3.00	4.88
Environment	Significant Environmental Incidents (SEI)	0	1
Financial	Return on gross fixed assets (%) (ROGFA)	16.9	17.2
Financial	Free cash flow yield (%) (FCFY)	13.2	13.6
Thermal plant	Equivalent availability capacity factor demand (%) (EACFD)	85.6 or above	84.2
Pumped-hydroelectric plant	Start reliability (%) (SR)	98.0 or above	99.2

For definitions of the various measures, please refer to the Glossary on the inside back cover.

In FY2018, CS Energy met the two key financial metrics set by our shareholder, Free Cash Flow Yield (FCFY) and Return on Gross Fixed Assets (ROGFA).

CS Energy's thermal plant availability of 84.2 percent was its highest in more than five years, but just below the target of 85.6 percent. The pumped hydro Wivenhoe Power Station exceeded its Start Reliability target of 98.0 percent.

We did not meet our key safety or environment benchmarks. There were, however, positive achievements in both of these areas. This included only one lost time injury for the year and our environmental management system being independently certified as meeting ISO 14001:2015

CEO's review

I am pleased to report on another year of strong performance at CS Energy, as I prepare to move on after five years leading the business.

When I joined CS Energy in 2013, my goal was to turn the business around to ensure it was safe, profitable, and sustainable. We began a major program of reform that has since helped return the business to profitability. We resolved the long-standing commercial issues that had held the business back for many years, established new financial and commercial disciplines, introduced new leadership at all levels of the organisation, and embedded a cultural model to build a constructive, high performance culture.

Although the reform process has not always been easy or fast, five years later it is continuing to pay dividends for CS Energy. We are demonstrably a safer, more efficient and profitable business, and we have a strategy in place to ensure we remain so into the future.

These achievements owe much to the efforts of our people, and have been aided by the tailwind from the National Electricity Market (NEM), as demand in Queensland has continued to increase in the last two years.

Whilst the energy landscape is changing rapidly, CS Energy is well positioned to deliver a commercially sustainable future.

Progressing our strategy in a changing market

The sustainability of CS Energy's business relies upon finding earnings growth opportunities outside our core business of predominantly coal-fired generation. This year we secured two highly value accretive deals that begin to deliver that revenue diversification.

The retail joint venture (JV) with Alinta Energy has created long term value for CS Energy, and electricity consumers in South East Queensland. The agreement locks in a portion of our generation output to provide a new revenue stream and asset base. For consumers, Alinta's entry in the South East Queensland retail market has substantially increased competition and delivered better price outcomes.

Since the launch of the JV in August 2017, Alinta has connected more than 115,000 customers and is well on track to reach and exceed its target of 250,000 customers over two years.

In October 2017, we entered into an offtake agreement to purchase the renewable energy produced by the Kennedy Energy Park, which is now under construction. The additional 60 MW of wind and solar generation from Kennedy supports our strategy to facilitate clean energy, where it is commercially advantageous to do so.

During the year we undertook a comprehensive review of our trading operations and our future revenue opportunities and have commenced upgrades to our capabilities including our systems and our people to ensure we can continue to achieve our future revenue growth and diversification objectives.

Improved financial performance

CS Energy delivered another year of significantly improved financial performance, despite softer wholesale electricity prices. Our market returns improved in FY2018 on the back of record generation from the thermal plants in our trading portfolio, and sales growth from the Alinta JV.

Our record Underlying EBITDA of $441.4 million marks the fourth year in a row of sustained improvement in the underlying performance of the business. We met the two key financial metrics set by our shareholder, Free Cash Flow Yield (FCFY) and Return on Gross Fixed Assets (ROGFA).

We will pay a dividend to our shareholder ($125.7 million) for the third year in a row and have continued to pay down debt to repair our balance sheet. We have reduced our debt burden by $169.4 million, and we are on track to have a gearing ratio in line with industry best practice.

We are a safer, more efficient and profitable business, and we have a strategy in place to ensure CS Energy remains so into the future

Driving safety cultural change

Our lost time injury frequency rate remained stable in FY2018 at 0.61 and we had only one lost time injury over the course of the year, an outstanding result. However, poor contractor safety performance during the Callide Unit C4 overhaul in the first few months of the year resulted in CS Energy not meeting its target for the total case recordable injury frequency rate (TCRFR).

Absent the brief lapse in contractor performance during the overhaul, the TCRFR would have been 2.44, well under our target. Although this in no way mitigates management's accountability for keeping every individual safe when they are on a CS Energy worksite, it highlights that we have more work to do in order to consistently align contractor performance and culture with CS Energy's own performance expectations.

Importantly, no recordable injuries were experienced in the June 2018 quarter. Significant energy was also directed into incorporating the lessons learned from the Callide Unit C4 overhaul into future outages.

This year we invested in a cultural improvement program, partnering with Sentis to drive safety behavioural change across the business. The program was rolled out to all employees and contractors to ensure we place safety at the forefront of every decision we make.

CS Energy is also continuing its program on process safety management to ensure that the risk of failure of our plant is well understood, and that we control all 'low likelihood/high consequence' plant risks, in line with industry and international standards.

Doing our core business better

In FY2018 CS Energy transitioned to a best practice asset owner/operator model for our asset management and plant operations functions to improve the performance of our power stations. Improving how we perform in our core business will strengthen our position in the NEM, and ensure that we have the capacity to invest in new initiatives to diversify the business.

Despite missing the scorecard target for thermal plant availability (85.6%), CS Energy set records for both actual plant availability (84.2%) and generation sent out from CS Energy plant (12,613 GWh). As the business continues to improve, management will continue to set realistic but challenging targets.

Callide Power Station performed particularly strongly in FY2018, following considerable investment in the plant issues that had affected availability in recent years.

A key factor in Callide's improved performance was the stable and consistent coal supply from Batchfire Resources' Callide Mine, coupled with a greater focus on coal management from our people. The resolution of the Callide coal supply issue in FY2017 has delivered significant additional value to the business, following many years of disputes and litigation that had constrained the supply of coal to the power station.

Unplanned outages marred Kogan Creek Power Station's performance this year; this was the key factor in missing the thermal plant availability target. These issues will be addressed in the major overhaul of the Kogan Creek unit in July 2019.

The pumped storage hydro Wivenhoe Power Station had another excellent year, exceeding its Start Reliability target and delivering a $11.8 million major overhaul of Unit 2 early and under budget.

We were disappointed to receive a Penalty Infringement Notice and fine from the Department of Environment and Science (DES) – our first since 2009. This related to inadequate erosion and sediment control at a section of the Kogan Creek Mine. While clearly avoidable, none of the matters raised by DES presented a risk of serious harm to the environment and CS Energy is working actively with our contractor to improve their environmental management practices.

Our people

We continue to invest in our people to build a constructive, high performance culture. I am particularly proud of the progress we have made on inclusion and diversity. Our second gender pay parity review found that CS Energy pays men and women equally, we established an Inclusion and Diversity Council, and we have made excellent progress towards meeting our 2022 diversity targets.

Our executive team is the strongest it has ever been, following three key appointments this year. Mark Albertson was appointed as EGM Plant Operations, Colin Duck was appointed as EGM Asset Management, and Malcolm Wilson joined CS Energy as our new Chief Financial Officer. I have an enormous level of confidence that this team has the capability, experience, and commitment to take CS Energy to the next level of performance.

Improvements have been staggering, and the business is very well positioned for the new CEO to take CS Energy to the next level

An evolving market

The NEM is complex, and continues to evolve. Competition is expected to increase and the most value will be captured by participants who have superior market insights and sophisticated systems and capabilities. CS Energy is strengthening its core trading function so that we can expand our capabilities into new markets, commodities, and services in the future.

Farewell

I leave CS Energy with enormous pride in what the team has managed to achieve, and incredible gratitude to the people who have made the transition of the last five years possible. Although the work is not yet complete, the improvements have been staggering, and the business is very well positioned for the new CEO to take CS Energy to the next level.

I would like to express my thanks to the Board, especially the Chair, Mr Jim Soorley, for the support and guidance provided to the management team. Jim has steered the company through some challenging times, and has consistently driven management to be more innovative in pursuit of business improvement and sustainability.

To my Executive Team, and the senior managers who have driven the turnaround of the business, your efforts have made CS Energy a business that every employee and stakeholder can be proud of. I know you will continue to lead the business with the same values, drive, and passion that has been the hallmark of success to date.

Finally, to each and every CS Energy employee, none of this is possible without your commitment to excellence, and your willingness to go 'above and beyond' to deliver outcomes. I know that you will go from strength to strength.

Martin Moore

Chief Executive Officer

August 2018

Progressing our strategy

CS Energy's strategy is crafted around our purpose: Delivering energy today, powering your tomorrow.

Our strategy outlines the role CS Energy will play in an environment of increased renewable energy.

CS Energy recognises the criticality of our existing portfolio to the ongoing affordability and reliability of the NEM. But we must also leverage new technology, business models and partnerships to create a long term future for our business and achieve our vision (page 2).

In FY2018, we organised work around four strategic goals, with short and long-term strategic objectives. Our main focus was on the objectives in the Essential Capabilities and the Core Business columns of the table below. We also began to deliver on our Future Business objectives and work will increase in this area in the years ahead.

For more information on our progress against each strategic goal, please refer to the relevant page number below.

	Our Strategic Pillars		
	Essential Capabilities	**Core Business**	**Future Business**
Our Strategic Goals	**Our Objectives**		
Drive relentlessly towards an injury-free workplace. Page 22	• We believe that all injuries and incidents are preventable • We each play our part in achieving a safe workplace	• We understand and manage our people and plant safety risks and learn from incidents • We always put safety before production	• We place safety outcomes at the forefront of new processes, technologies, businesses, partnerships and systems
Be a major provider of reliable energy to Australian households and businesses. Page 14	• We operate our assets at the right cost for the targeted level of performance • We proactively manage our environmental responsibilities	• We manage our assets to maximise returns in a changing market • We proactively manage our channels to market	• We develop new revenue streams and reach new customers through partnerships, innovative products and clean energy solutions
Engage our people and our stakeholders in the success of our business. Page 26	• Our leaders role model and clearly communicate our values, culture and strategy • We each live the values and positively contribute to our constructive, high performance culture • We understand and take accountability for our role in achieving our strategy	• Our diverse and inclusive workplace attracts, develops and retains the best talent • We are empowered to create solutions that drive long-term value for all stakeholders	• We invest in the development of our people as new revenue streams gain momentum • We work proactively with our people to manage the workforce as assets retire
Deliver value and stable cash returns for our shareholder. Page 10	• We apply rigorous decision making to maximise value • Our planning and execution capabilities enable us to deliver on our potential and promises • Our systems, information and processes enable us to make safe and commercial decisions	• We are an asset-backed energy trader leveraging our current portfolio and accessing wider opportunities • We identify and optimise opportunities and risks through robust, insightful market intelligence • Our balance sheet continues to strengthen as we reduce our debt	• We invest to maximise long-term value, taking into account a range of potential future market scenarios • We identify and deliver innovative and valuable solutions

Financial and market performance

Strategic goal: Deliver value and stable cash returns for our shareholder.

Photo: Energy Trader Alex White in CS Energy's Contract Trading team.

FY2018 at a glance:

- A $70 million increase in Underlying EBITDA to $441.4 million, driven by the strong operating performance of the business.
- Revenue from electricity sales increased 21 percent on the back of a significant increase in electricity generation from the thermal plants in our trading portfolio.
- Provided for a dividend of $125.7 million to our shareholders and the people of Queensland.

Financial performance

CS Energy delivered a strong financial performance in FY2018 through improved thermal plant availability, with increasing revenue year-on-year despite softer wholesale electricity prices.

Business performance

CS Energy's Underlying EBITDA for FY2018 was $441.4 million, an increase of $70 million, which was driven by the strong operating and commercial performance of the business.

Cash flows from operating activities increased to $500 million (FY2017: $183.9 million) due to the strong operating performance and cash inflows on exchange traded contracts in FY2018, compared to cash outflows in the previous year.

A reduction in the NPAT to $230.9 million (FY2017: $282.5 million) is due to the nonrecurrence of asset impairment reversals that were recognised in the FY2017 financial year, partially offset by changes in mark to market fair value adjustments.

For the third year in a row, CS Energy will pay a dividend to our shareholders providing $125.7 million.

Capital management

The strong financial performance and operating cashflows supported the execution of a debt reduction program which commenced in September 2017. A total of $169.4 million was repaid to Queensland Treasury Corporation (QTC) during FY2018. CS Energy also simplified the debt facilities during the year, closing several facilities with QTC and applying funds directly against existing borrowings.

Non-International Financial Reporting Standards information

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

The non-IFRS financial measures are defined as follows:

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

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

Key financial performance measures

	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000
Underlying EBITDA[1] ($'000)	17,140	154,671	193,288	371,351	441,358
Underlying EBIT[1] ($'000)	(71,581)	47,954	90,499	243,462	301,648
NPAT ($'000)	(59,898)	124,151	(23,011)	282,584	230,980
Net cashflow from operating activities ($'000)	(36,361)	33,853	132,194	183,904	499,977
Net cashflow for payments for property, plant and equipment ($'000)	(74,146)	(47,295)	(113,595)	(86,078)	(68,001)
Net Cash Flow ($'000)	(110,507)	(13,442)	18,599	83,995	(95,307)
Underlying interest cover[2] (times)	(1.23)	0.75	1.46	4.11	4.36
Underlying return on capital employed[2] (%)	(6.5%)	3.9%	7.6%	17.9%	23.2%

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.

Market performance

Increased generation from the coal-fired power stations in our trading portfolio contributed to another strong year in the market.

CS Energy generates and sells electricity in the NEM under the *Electricity Act 1994 (Qld)*. We manage plant and financial risk by balancing our presence in the wholesale spot and contract markets.

Our 4,105 MW trading portfolio comprises the power stations we own and operate, and trading rights for the Gladstone Power Station (in excess of what we supply to the Boyne Island aluminium smelter).

We offer retail contracts to large commercial and industrial users in Queensland, and have a 50/50 joint venture with Alinta Energy to supply electricity to residential and small commercial and industrial retail customers in South East Queensland.

We also offer a range of ancillary services to help maintain the power system within the NEM's performance standards.

CS Energy operates in strict accordance with, and takes very seriously, our obligations to comply with all rules and regulations governing our participation and bidding in the NEM.

Market overview

Queensland's wholesale electricity prices were the lowest of any region in the NEM in FY2018. The average annual time-weighted price in Queensland was $72.87/MWh, with spot price outcomes in the summer peak demand period below the previous year despite the state reaching a new maximum demand record of 9,924 MW on 14 February 2018.

This decline in prices followed the Queensland Government's Powering Queensland Plan, which included a direction to Stanwell Corporation in June 2017 to undertake strategies to place downward pressure on wholesale prices. Stanwell was also directed to return the gas-fired Swanbank E Power Station to service to increase supply and reduce volatility in the Queensland wholesale market. Swanbank E was returned to service in January 2018, adding an additional 385 megawatts of capacity.

The retirement of coal-fired generators in South Australia and Victoria in 2016 and 2017 continued to have an impact on the supply-demand balance elsewhere in the NEM. This was coupled with high international market prices for export gas, which led to higher spot prices in southern states. Queensland exported 4,900 GWh of electricity, the equivalent of 10 percent of Queensland demand, to New South Wales to assist in supplying the supply constrained southern states, particularly in periods of low wind.

There has been an unprecedented level of investment in new renewable developments

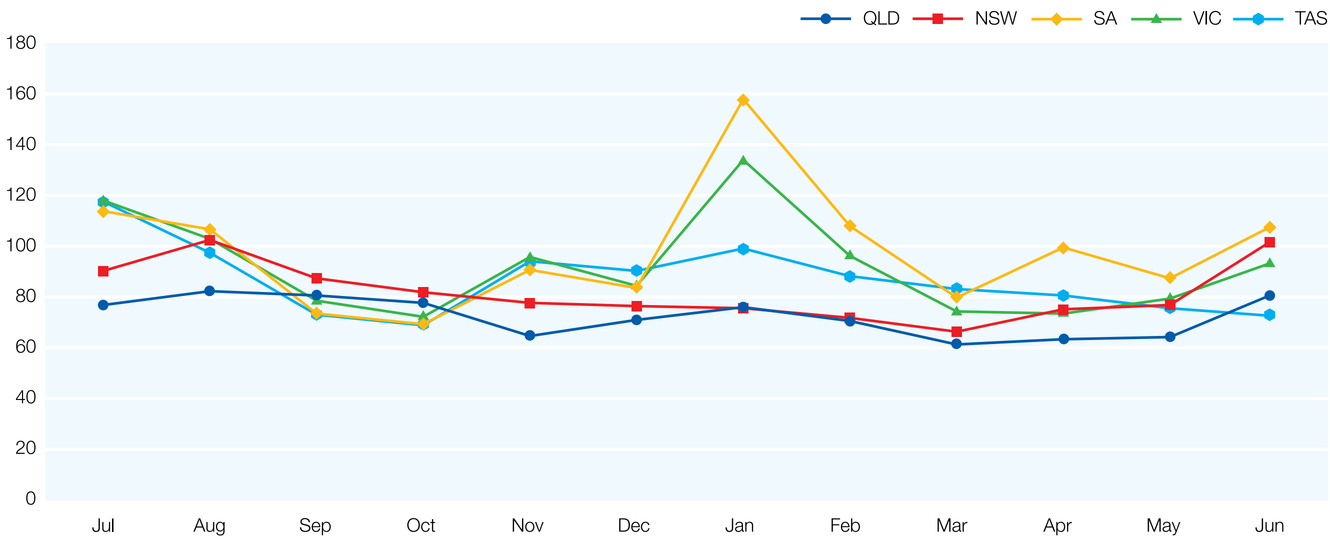
Our performance in the NEM

Above target generation from thermal plants in our trading portfolio contributed to a 21 percent increase in electricity sales in FY2018 to $1,060.7 million.

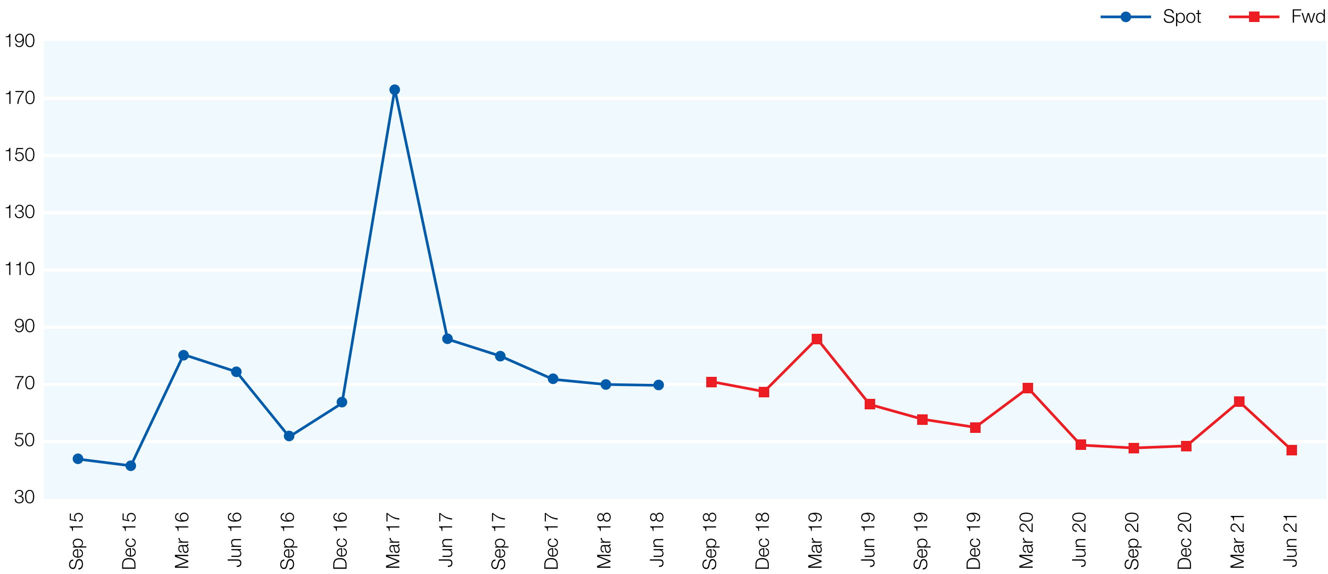
CS Energy sent out 14,301 gigawatt hours of electricity to the NEM in FY2018, an increase of 1,309 GWh, with Callide B and Gladstone power stations both achieving significant increases in output.

By 30 June 2018, the Alinta Energy retail joint venture had connected 115,000 customers in South East Queensland.

FY2018 NEM monthly average pool prices ($/MWh)



QLD Historical and Forward Market (FY16–FY21)



Wholesale prices in Queensland are forecast to decline as new renewable energy generation comes online over the next three years.

Market outlook

Maximum electricity demand has continued to grow in Queensland, however the ongoing penetration of rooftop solar is resulting in lower average demand levels being achieved. On low demand days, the lowest part of system demand is now in the middle of the day rather than overnight and the changing demand profile is expected to continue into the future.

The increasing renewable energy investment entering the NEM has reduced forward prices of electricity and impacted market liquidity for baseload products. Over the past 18 months there has been an unprecedented level of investment in new renewable developments, including more than 1,000 MW of large-scale solar farms in Queensland scheduled to be online before 2020, leading to an increased demand for firming products.

CS Energy's coal-fired power stations will continue to play a critical role in ensuring security of supply in the NEM over the coming decades. In particular, our plant will be essential during peak demand periods in the morning and evening.

Our purpose-led strategy to improve our core business and diversify our revenue streams will ensure CS Energy continues to thrive during the energy market transformation.

Policy and regulatory developments

During the year the Queensland Government investigated a restructure of its two generators (CS Energy and Stanwell Corporation) and the establishment of a third renewable energy focused generator known as 'CleanCo'. On 30 August 2018 the government announced it would proceed with the formation of CleanCo and it is expected to be trading in the NEM in mid-2019. CS Energy's Wivenhoe Power Station will be transferred to CleanCo's asset portfolio, along with renewable and low-emissions assets from Stanwell's portfolio.

At a national level, a new Energy Security Board was established by the COAG Energy Council in August 2017 to coordinate the implementation of the reform blueprint produced by Australia's Chief Scientist, Dr Alan Finkel AO. The Energy Security Board recommended a National Energy Guarantee (NEG) to ensure there is sufficient electricity supply in the system to meet demand while also meeting emissions reduction targets.

The draft detailed design of the NEG was released for public consultation during the year and was considered at the August 2018 meeting of the COAG Energy Council, with a final decision not yet reached. At time of going to press the future of the NEG was uncertain as the Australian Government had announced it planned to substantially change elements of the policy.

Reviews into system reliability, frequency control ancillary services, coordination of generation and transmission investment, and demand response remain ongoing as actions from the Finkel Review.

CS Energy began preparing for the Five Minute Settlement Rule, which starts on 1 July 2021. This significant rule change will align operational dispatch and financial settlement in the spot market, reducing the time interval for financial settlement from 30 minutes to five minutes.

Energy portfolio

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

Photo: A renewed focus on plant availability saw Callide B Power Station achieve its best plant performance in many years in FY2018.

FY2018 at a glance:

- Callide B and C power stations exceeded their availability targets, with Callide B sending out 5,034 GWh, its highest output in more than five years.
- Added a retail joint venture and renewable energy offtake agreement to our energy portfolio.
- Transitioned to a best practice asset owner/operator model to improve the performance of our power stations.
- Our Environmental Management System was independently certified as meeting the ISO 14001:2015 standard.

Operating assets

Improved performance at Callide Power Station offset challenges at Kogan Creek Power Station, delivering another year of increased electricity generation.

CS Energy owns and operates 68 percent of our 4,105 MW trading portfolio in the NEM. Our asset portfolio comprises baseload thermal generators and a peaking pumped storage hydro generator, which will play an important role in supporting system security as Australia transitions to a lower carbon mix.

In FY2018, the power stations we own sent out 12,613 gigawatt hours of electricity, up 192 GWh on the previous year.

Our priority for operating and maintaining our assets is to ensure they deliver flexible, reliable and low cost energy in the fast-changing energy market.

We maximise availability of our baseload thermal generators to run during summer and daily peak demand periods through careful planning of overhauls, maintenance and capital works to support security of electricity supply and achieve our electricity revenue targets.

Thermal plant performance

CS Energy's coal-fired generators are the sub-critical Callide B Power Station built in the late 1980s and the supercritical Callide C and Kogan Creek power stations, which are two of the youngest coal-fired power stations in Australia. While we have the trading rights for Gladstone Power Station (in excess of the requirements of the Boyne Island aluminium smelter) we do not own or operate that power station.

In FY2018, the portfolio availability of our thermal plant increased to 84.2 percent, but was slightly below target due to unplanned outages at Kogan Creek Power Station.

A renewed focus on plant reliability saw Callide Power Station achieve its best plant performance in many years. Considerable investment went into improving clinker management, coal processing and ash handling areas, which had historically been the main sources of availability loss.

Callide B achieved a 90.7 percent Equivalent Availability Capacity Factor (EACFD) in FY2018, up almost 12 percent on the previous year. Callide C also performed well, achieving an 82.3 percent availability, which was 5.1 percent higher than the FY2017 result.

Our Callide plants also continued to benefit from the improved consistency in quality of coal supply from Batchfire Resources' Callide Mine.

A 60-day major overhaul of Unit C4 at Callide Power Station was carried out in the first half of FY2018 prior to the peak summer demand period. The $48.5 million overhaul had a peak workforce of 203 people and included a range of inspections, repairs and refurbishments to keep the unit operating safely and reliably into the future.

Kogan Creek Power Station managed several unplanned plant reliability issues during the year, including boiler tube leaks and a temporary failure in the generator exciter system. As a result, Kogan Creek's availability declined to 80.2 percent compared to 90.9 percent the year before.

In FY2019, CS Energy will overhaul Callide Unit B2 and carry out summer readiness maintenance on Unit C3. In July 2019 a major overhaul of the Kogan Creek unit will include inspections and repairs to areas of the plant that have affected availability.

Hydro plant performance

The pumped storage hydro Wivenhoe Power Station has provided quick start electricity to the national grid since 1984.

In readiness for the peak summer demand period, CS Energy increased Wivenhoe Power Station's capacity from 500 to 570 MW, which is enough to power an extra 100,000 homes.

CS Energy also spent more than $15 million on overhaul and maintenance activities to keep Wivenhoe Power Station operating safely and reliably into the future. This included an $11.8 million overhaul of Unit 2, a $3.08 million refurbishment of the guard gate safety system at Splityard Creek Dam and a $1.1 million overhaul of the power station's bulkhead gates.

Wivenhoe Power Station exceeded its Start Reliability rate target this year, achieving 99.2 percent for the year, up on the previous year's result of 98.5 percent.

In 2019, Wivenhoe Power Station will be transferred to the asset portfolio of the new Queensland Government owned electricity generator CleanCo.

Thermal plant availability

Pumped Hydro Plant Start Reliability

The above metrics were introduced in FY2017 so only two-year comparisons are shown.

We will use improved data analysis to continue identifying and responding to the key issues impacting our plant performance

The massive, 46 tonne steel bulkhead gates at Wivenhoe Power Station were overhauled in FY2018.

Maximising value from our assets

CS Energy transitioned to a best practice asset owner/asset operator model for our plant operations during the year to improve the performance of our power stations. The Operations division was restructured to create the Asset Management and Plant Operations divisions to provide greater levels of expertise and focus on plant strategy and operation.

The structural changes came into effect in March 2018 and were aimed at driving portfolio-wide improvements in availability, capital project delivery and cost effectiveness. Future capital investments and overhauls were reviewed and reprioritised to focus on the plant issues impacting availability and deliver greater returns on investment.

A new project management framework and toolkit was rolled out to support investment and asset management processes and increase the level of project management acumen across the business.

In FY2019 we will use improved data analysis to continue identifying and responding to the key issues impacting our plant performance and develop focused improvement plans.

Managing fuel supplies and costs

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

At Callide Power Station, CS Energy sources up to 5.8 million tonnes of black coal annually from the neighbouring Callide Mine, which is owned and operated by Batchfire Resources. Stable and consistent supply of coal from Callide Mine contributed to the improved performance of Callide Power Station in FY2018.

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.

New business

CS Energy took the first steps towards diversifying our future revenue streams by investing in two strategic deals in FY2018.

Alinta Energy retail joint venture

CS Energy launched a 50/50 joint venture with Alinta Energy in August 2017 to supply electricity to residential and small commercial and industrial customers within the Energex Distribution Area in South East Queensland (SEQ). Under the agreement, CS Energy provides wholesale electricity to the joint venture while Alinta Energy manages the retail business.

The agreement secures value for CS Energy by locking in a portion of our generation output to provide a new revenue stream. The joint venture aligns with CS Energy's long-term strategy to diversify our business to remain competitive in Australia's rapidly changing energy market and supports our strategic goal of delivering value and stable cash returns for shareholder.

On entering the SEQ market, Alinta Energy offered a 25 percent discount on energy usage rates, which increased to a 28 percent discount in February 2018 to all existing and new customers. This resulted in other energy retailers offering similar discounts during the year. Alinta Energy announced that it will reduce its standard tariff by a further 1.6 percent from 2 August 2018.

Alinta Energy's entry into the SEQ retail market has substantially increased competition and delivered better price outcomes for consumers. A Deloitte Report released in July 2018, and commissioned by Alinta Energy, found that Alinta Energy's Home Saver Plus offer provided the lowest bill estimate, including discounts, of offers available in the SEQ retail market as of end of June 2018.

The Deloitte Report also found that since Alinta Energy entered the market almost a year ago, other retailers have responded by almost doubling their discounts – from an average of approximately 8 percent, to the current level of over 15 percent.

In January 2018, Alinta Energy was awarded the Canstar Blue Electricity Award for Most Satisfied Customers in Queensland.

Customer take-up of the Alinta Energy retail offer in SEQ has been strong and it is well on track to reach and exceed the joint venture target of 250,000 customers over two years. By 30 June 2018, more than 180,000 customers had signed up to receive electricity from the joint venture and 115,000 of them had progressed to the connection stage.

Alinta Energy Executive Director Retail Markets Jim Galvin (centre) and former CS Energy CEO Martin Moore (right) at the announcement of the Alinta Energy and CS Energy retail joint venture in August 2017. Also pictured are Queensland Premier Annastacia Palaszczuk and Alinta Energy Brand Ambassador Matthew Hayden.

Kennedy Energy Park will be the first utility-scale wind, solar and storage hybrid generator connected to the national electricity network

Kennedy Energy Park

In October 2017, CS Energy entered into an offtake agreement to purchase the renewable energy produced by Kennedy Energy Park. The agreement supports CS Energy's strategy to facilitate renewable energy development in Queensland, while continuing to provide reliable baseload electricity through our existing portfolio of power stations.

As part of the offtake agreement, CS Energy will also purchase large scale generation certificates from Kennedy Energy Park.

Kennedy Energy Park will be the first utility-scale wind, solar and storage hybrid generator connected to the national electricity network. This renewable energy park is located near Hughenden in North Queensland, tapping into the vast wind and solar resources in the area. Once complete, it will have a capacity of approximately 60 megawatts (15 MW solar photovoltaic, 43.2 MW wind and 2 MW battery storage).

Future business

During the year CS Energy investigated the value propositions of various other renewable energy developments and provided proposals to corporate clients that were seeking to include renewable generation within their energy consumption portfolios. CS Energy expects that this interest in renewable energy projects combined with energy from CS Energy's existing portfolio of assets will continue in the year ahead.

Environment

We successfully transitioned our Environmental Management System to the newer ISO 14001:2015 international standard.

CS Energy maintains a strong focus on complying with our environmental obligations and upholding our social licence in the communities where we operate. We regularly monitor the inputs and outputs of the electricity generation process at our sites to support compliance with Queensland and Australian environmental legislation.

Environmental management system

Our Environmental Management System (EMS) is the main tool we use for ensuring we meet our environmental responsibilities and objectives as set out in our Environment Policy. 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.

CS Energy worked with Epic Environmental during the year to transition our EMS to meet the requirements of the newer international standard for environmental management systems – ISO 14001:2015. Key activity included revising our site EMS manuals and supporting procedures to more clearly present the environmental management requirements for each site.

Following external audits at our sites, independent certification body BSI Group ANZ Pty Ltd confirmed that CS Energy's EMS complied with ISO 14001:2015. No major non-conformances were identified in the audits.

Monitoring our impact

Our power stations have environmental monitoring and measurement schedules in place, which provide 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 one Significant Environmental Incident in FY2018. The Department of Environment and Science (DES) issued CS Energy with a Penalty Infringement Notice and fine of $12,615 for inadequate erosion and sediment control adjacent to the entrance road and carpark of the Kogan Creek Mine.

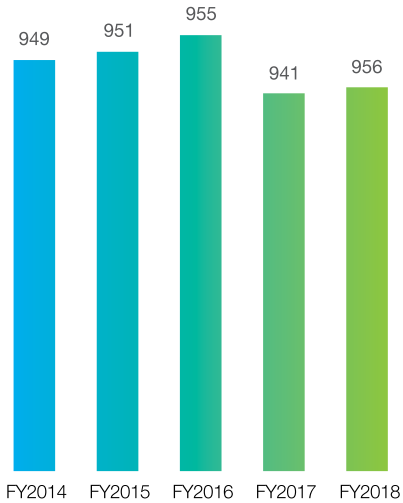
We have worked with the Kogan Creek Mine operator Golding Contractors to take remedial actions to address the issues raised by the DES, none of which presented a serious risk to the environment. This was CS Energy's first Penalty Infringement Notice since 2009.

During the year CS Energy reported two environmental matters to the DES relating to emissions monitoring equipment and minor ash dam seepage at Callide Power Station. The DES advised that they were satisfied with the corrective actions CS Energy took in response to both matters.

In April 2018, CS Energy received a pre-enforcement letter from DES alleging a non-compliance regarding a regulated waste transport certificate issued for Wivenhoe Power Station. CS Energy wrote to DES making representation as to why enforcement action should not be taken and is awaiting a response from DES.

CS Energy received no complaints from members of the public during the reporting period.

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



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 increased its greenhouse gas emissions intensity by 1.6 percent compared to the previous year. This increase was the result of reduced electricity generation from our most efficient plant Kogan Creek Power Station and increased generation from CS Energy's less efficient Callide B Power Station.

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 Science 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's power stations have environmental monitoring and measurement schedules in place, which provide data to ensure compliance limits are met and that any exceedances are reported to regulatory authorities.

Ash management

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 these power stations is collected in a manner that allows it to be recycled or stored on-site in ash dams or ash cells.

In FY2018, CS Energy sold 121 kilotonnes of ash for reuse, primarily for the cement industry. We continue to explore new opportunities for recycling more waste ash from our power stations.

The DES issued CS Energy with a formal warning in June 2018 in relation to delays in implementing two recommendations from an engineering inspection of the Kogan Creek Power Station initial ash disposal area. Both recommendations have since been carried out and were related to maintenance of a batter and removal of a tree growing on an embankment.

Water use

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 our operations by measuring total consumption. In FY2018, our total water consumption was 17,165 megalitres (ML) compared to 15,200 ML in FY2017 due to increased generation from the less water efficient Callide B Power Station.

Kogan Creek continued to reduce its bore water usage by supplementing 25 percent of its water with stormwater water runoff recycled and treated onsite.

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

Inputs and outputs (CS Energy owned portfolio)

Performance	FY2017	FY2018
Significant environmental incidents	0	1
Greenhouse gas emissions intensity (kgCO_2-e/MWhso)[1]	941	956
Greenhouse gas equivalent produced (MtCO_2-e)[1]	11.7	12.0
Coal used as fuel (kt)	6,534	6,731
Ash produced (kt)	1,544	1,575
Ash sold (kt)	108	121[2]
Water consumption (ML)	15,200	17,165

1. NGER Scope 1 emissions only.
2. Basis of calculation changed from 2016/17.

Health and safety

Strategic goal: Drive relentlessly towards an injury-free workplace.

Photo: Electrical/Instrumentation Adult Apprentice Brady McMillan at Callide Power Station.

FY2018 at a glance:

- Delivered a cultural improvement program to all employees and permanent contractors that places safety at the forefront of every decision we make.
- Reviewed incident investigation processes to promote faster delivery of learnings and actions to prevent them from reoccurring.
- Simplified our health and safety management systems by introducing a Health and Safety Handbook and a safety mobile application.

Safety

We increased our focus on behavioural safety to drive improvements in our safety culture and performance.

Our number one priority is making sure everyone at our sites returns home safe at the end of the working day. Our four-part safety strategy focuses on culture, fit and healthy people, simple systems and an injury-free workplace.

Safety performance

CS Energy's FY2018 TCRFR of 4.88 was above our target of three. We recorded eight recordable injuries (comprising one lost time injury and seven medical treatment injuries), an increase of one compared to the previous year. These results are disappointing and can largely be attributed to a poor contractor safety performance during the Callide Unit C4 overhaul in the first half of the year, in which four of our eight recordable injuries occurred.

Despite the increase in TCRFR, there were some highlights achieved in the year. Callide Power Station recognised one year lost time injury (LTI) free, and Wivenhoe exceeded 1,000 days of recordable injury-free.

CS Energy's safety performance improved in the second half of the year, with no recordable injuries in the June 2018 quarter. Our lost time injury frequency rate remained stable at 0.61 for the second year in a row and lead indicators for safety interactions and workplace inspections have improved.

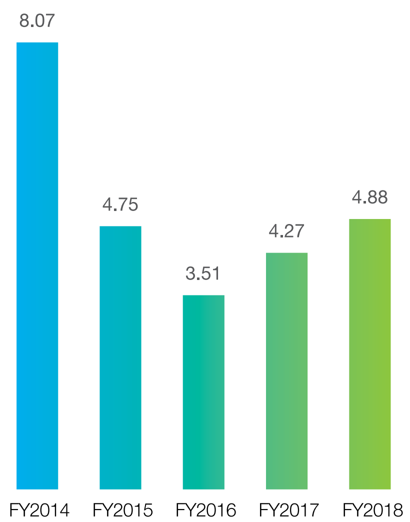
Improving our safety culture

CS Energy rolled out a culture improvement program named CODE to all employees and permanent contractors to ensure they place safety at the forefront of every decision that they make. The program applied psychology to safety, wellbeing and leadership to achieve lasting change and deeply embed our Be Safe value within all who work at CS Energy. It is also a vehicle for driving further improvement in the business.

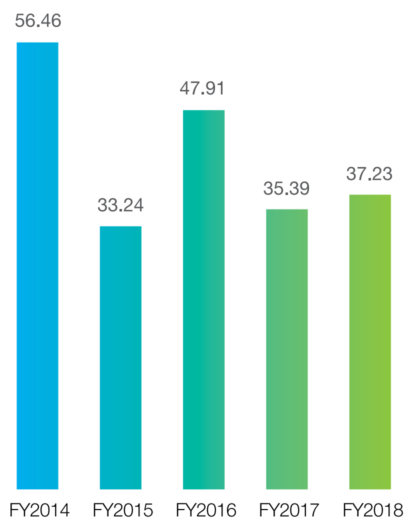
CODE has had a positive impact across the organisation both on our safety culture and the reduction in injuries in the latter part of the year. We will reinforce CODE in FY2019 by further incorporating its key themes into toolbox talks, shift pre-start meetings, contractor pre-overhaul safety forums and our online learning modules.

Building on the foundation of the CODE program, we will provide additional training and support to frontline supervisors in FY2019, in recognition of the key role they play in driving safety culture and performance.

Total case recordable frequency rate



All injury frequency rate



CS Energy launched a new Health and Safety Handbook for employees and contractors to provide a practical one-stop-shop for safety information and procedures

Serious injury and fatality prevention

CS Energy conducted risk reviews to ensure that we have effective controls in place for activities that could potentially lead to a serious injury or fatality (SIF). We piloted a process for verifying these controls in the field at Wivenhoe Power Station and will extend it to all sites in FY2019. We also monitored safety data and trends to identify precursor events and situations, which if left uncontrolled, could lead to a serious injury or fatality.

Producing more consistent safety outcomes during overhauls remains one of our main safety challenges. Significant energy was directed into incorporating lessons learned from the Callide Unit C4 overhaul into our future overhauls. We have since strengthened contractor accountability for safety to improve safety performance in future overhauls.

We have also placed increased priority on completing actions from safety incidents and conducting proactive audits to ensure they are implemented effectively.

Process safety

Along with our focus on behavioural safety, CS Energy developed a program for proactively managing our process safety risks. We operate and maintain a variety of equipment and facilities and it is critical that we have effective controls in place to prevent major equipment failure.

Hazard risk analysis sessions were held with multi-disciplinary teams to identify our process safety risks and identify the controls we have in place. We carried out targeted projects to improve our controls for key process safety risks.

We have established a process safety management system that integrates process safety into our business as usual activities. Beginning in FY2019, CS Energy will monitor and measure our process safety performance in line with industry and international standards.

Simple health and safety systems

CS Energy launched a new Health and Safety Handbook for employees and contractors to provide a practical one-stop-shop for safety information and procedures. This resource now forms a key part of our safety toolkit for employees and contractors and is readily available on our website.

We launched a new safety mobile application, LEAD, for capturing hazards, safety interactions and inspections. The app gives our employees and contractors a faster and easier way to record and manage safety, and includes a real-time dashboard to monitor progress. Since the app's launch there has been a noticeable increase in reporting activity.

We will continue to improve our data capturing systems in FY2019 to support analysis and insight into injury causes, at-risk occupations and high potential near misses.

Health and wellbeing

CS Energy wants our people to be physically and emotionally healthy at work and home. We offer free flu vaccinations and skin health checks to our employees each year, and they can access free counselling through our Employee Assistance Program or the Mates in Energy suicide prevention program.

We have strengthened how we assess and manage occupational hazards in our work environment. During the year we monitored personal dust exposure at our coal-fired sites to ensure that we have appropriate controls in place to protect workers. Our dust management continued to improve with the purchase of real time dust monitors and the development of annual dust improvement plans that capture planned engineering improvements.

CS Energy participated in a Queensland working group of power station operators, unions, technical experts and government to develop a code of practice for dust management in coal-fired power stations. The working group was formed in response to the 55th Parliament Coal Workers' Pneumoconiosis Select Committee – Inquiry into occupational respirable dust issues, Report No.4 September 2017.

CS Energy carries out random drug and alcohol drug testing at all sites to ensure nobody poses an unacceptable safety risk to themselves or others. The ratio of positive drug tests to positive alcohol tests this financial year was 6:1, reflecting reports of increased drug use in the communities where we operate.

CS Energy's new Health and Safety Handbook introduced in FY2018 was designed as a practical, 'go-to' guide for employees and contractors.

People and community

Strategic goal: Engage our people and our stakeholders in the success of our business.

Photo: Planner Sonia van Mol and Technician Trent Agostini at Callide Power Station. This year CS Energy continued our suite of programs to build a more diverse and inclusive workforce.

FY2018 at a glance:

- Our second annual gender pay parity review confirmed that we pay men and women equally at CS Energy.
- Increased female and Aboriginal and Torres Strait Islander participation in the business, in line with our 2022 workforce diversity targets.
- Developed our Employee Value Proposition to ensure we continue to attract and retain the best talent so we can deliver on our strategy.
- Strengthened our engagement with the Traditional Owners that host our operations.

Our people

We invested further in our people in FY2018 to make CS Energy a better place to work and drive business improvement.

At 30 June 2018, CS Energy employed 502 people across our three power station sites and the Brisbane Corporate Office (488 full time equivalents), an increase of 35 on the prior period. There was increased recruitment activity during the year as we pursued our strategy for the business to diversify and thrive in Australia's energy market transformation.

Building a constructive, high performance culture

The creation of a constructive, high performance culture is pivotal to our ability to realise our strategy. CS Energy introduced the CODE Cultural Improvement Program during the year to shift our workforce towards a more constructive culture. The program focused on the cognitive factors that influence safety behaviour.

Feedback from employees and contractors who attended the CODE workshops was very positive. Of the 746 people who attended, 94 percent said it was useful for their work and 85 percent were confident in their ability to apply what they learned during the program.

CS Energy recognises that embedding cultural change in the fabric of the organisation requires a long-term approach. In FY2019 we will use leadership, role modelling, coaching and elearning to integrate constructive behaviours further into our HR and safety processes.

Supporting inclusion and diversity

This year we continued our suite of programs to achieve a more diverse and inclusive workforce. We established an Inclusion and Diversity Council to oversee inclusion and diversity activities and special events such as NAIDOC Week, White Ribbon Day and International Women's Day. The Council is chaired by our CEO and includes representatives from management and employees.

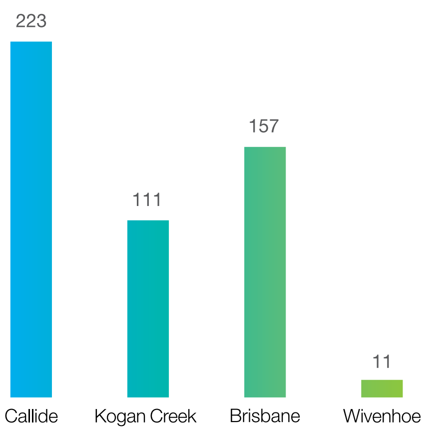
CS Energy has had gender pay parity since 2016 and conducts gender parity reviews each year as part of our annual salary review process, as well as at the time of appointment and promotion. Our gender parity review in FY2018 confirmed that CS Energy pays men and women equally.

Our progress in gender pay parity enabled our CEO to become a Pay Equity Ambassador for the Workplace Gender Equality Agency and an Endorsed Employer for Women on international jobs platform WORK180.

Excellent progress has been made towards meeting our 2022 targets for increasing female participation within the business. In FY2018 we exceeded our forecast target of 25 female hires, hiring a total of 39 and increasing our overall number of women in the workforce by 17 percent.

We are also tracking well towards our 2022 target for increasing Aboriginal and Torres Strait Islanders (ATSI) in the workforce, with two ATSI employees hired in FY2018. We will build on this progress in FY2019 through the development of local community partnerships, diversity targeted recruitment and encouraging ATSI candidates for our apprentice and trainee programs.

Workforce headcount by site



People metrics

Performance	FY2017	FY2018
Employee numbers (FTEs)	453	488
Employee retention (%)	90.2	92.7
Apprentices and trainees	28	30

Workforce diversity

Target group	FY2018 actual (%)	FY2022 target (%)
Women	22	30
Aboriginal and Torres Strait Islanders	0.82	3
Non-traditional roles held by women	7	10
Leadership positions held by women	23	45

Developing our employee value proposition

Attracting and retaining people with the right skills and experience is critical to CS Energy delivering on our strategy. During the year, we developed our employee value proposition (EVP), which is the unique set of benefits that an employee receives in return for the skills, capabilities and experience they bring to CS Energy.

Our new EVP defines the essence of CS Energy – who we are, what we stand for and what it is like to work here. The EVP has been rolled out across our print and online materials, and has ensured CS Energy has access to quality candidates.

Graduates, apprentices and trainees

Eleven new graduates, apprentices and trainees started work at CS Energy in FY2018, as part of our commitment to developing the next generation of the energy industry. CS Energy has broadened its apprentice and trainee program in the last two years to include all sites, in response to the success of the long-running apprentice and trainee program at Callide Power Station.

The new recruits included three graduate mechanical engineers who joined CS Energy's re-established graduate program. The graduates will gain experience across our asset portfolio by rotating between our power station sites and the Brisbane corporate office over a two-year period. CS Energy's graduate program aims to bridge the gap between university and working life for graduates.

Four business administration trainees joined CS Energy's Brisbane Corporate Office, and two mechanical apprentices and two administration trainees joined Kogan Creek Power Station near Chinchilla. In total, there were 30 graduates, apprentices and trainees working at CS Energy as of 30 June 2018.

Graduate mechanical engineers (from left) Mahali Heffner, Andrew Bazeley and Steven Schluter joined CS Energy's re-established graduate program in FY2018.

Learning and development

CS Energy consolidated its approach to learning during the year by focussing on the priority areas of technical skills training, compliance reporting and leadership capability development.

A Learning Management System was introduced to give all employees access to a suite of online e-learning modules, while a new Core Skills Matrix identified role-based training needs and provided site leaders with increased control over their site training plans and regulatory compliance.

A purpose-built tower for delivering on-site, accredited training in Confined Space Entry and Working at Heights training became operational at Callide Power Station. The structure is a reclaimed shipping container, which was modified to deliver consistent learning outcomes and significant cost savings to the business.

Upskilling our power station operators was also a focus in the reporting period. Our operator training program was designed to provide critical skill coverage across all shift rotations, reduce overtime requirements, establish key mentoring and coaching opportunities, and utilise newly acquired training simulators.

Leadership development was supported by the introduction of two, role aligned development programs, which have a focus on action learning, peer coaching and line manager monitoring.

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.

CS Energy negotiated new enterprise agreements at Kogan Creek and Callide power stations in 2017/18 and prepared to negotiate a new Wivenhoe Enterprise Agreement in 2018/19.

The Fair Work Commission approved the new Kogan Creek Power Station Enterprise Agreement on 13 December 2017, following an employee vote where 95.35 percent of the votes were in favour of the agreement.

An employee vote was held on the new Callide Power Station Enterprise Agreement in May 2018, with 98.9 percent of the votes in favour of the proposed agreement. The new Callide Power Station Enterprise Agreement is currently with the Fair Work Commission for approval.

The current Wivenhoe Power Station Enterprise Agreement expired on 29 July 2018, and preparations are advanced for negotiating a new agreement in FY2019.

Community

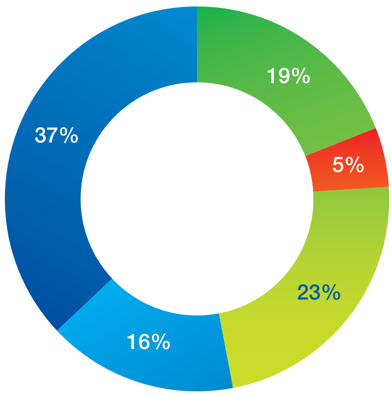
This year we broadened our community relations to support our inclusion and diversity program and continued giving back to the regions that host our operations.

CS Energy is one of Australia's truly regional companies with more than 50 percent of our employees living in the communities where we operate. We're proud to call Biloela, Chinchilla and the Brisbane Valley home, and we're committed to building lasting and positive relationships in these communities.

This year we delivered a successful sponsorships and grants program, investing in educational initiatives, community health and safety, and projects or events that contribute to the economic prosperity of the regions that host our operations.

We have engaged with students, industry groups, and delegations, many of whom have visited our sites to learn more about power generation and CS Energy's role in the NEM.

CS Energy sponsorship spend in FY2018



- Education
- Economic development
- Health, safety or environment
- Culture and art
- Social and community development

Social investment

As locals, we know it's important to play our part in making our communities a better place to live and work.

In the Chinchilla region, we provided $10,000 for Brigalow State School to build a safety fence to provide a noise and safety buffer for the school, which is located on the Warrego Highway. We also sponsored the Western Downs Regional Council's inaugural Big Skies Festival, which culminated in the Day on the Plain rock concert at the historic Jimbour House.

CS Energy teamed up with Banana Shire Council to build a community picnic shelter at the Callide Dam near Biloela. The shelter overlooks Lake Callide and is well utilised by local families and visitors alike. Biloela Junior Cricket Association received a grant for new cricket nets. The new nets replace ageing infrastructure and will be enjoyed by local cricketers for many years to come.

White Ribbon Day was commemorated across CS Energy's sites to raise awareness of domestic and family violence. To assist community members affected by domestic violence, we made a $2,000 donation to Chinchilla Family Support Centre, who deliver frontline assistance to victims in the Western Downs region, and provided a $2,500 donation to the Banana Shire Emergency Accommodation and Support Centre Inc.

Our support for JBOYS continued this year, with a further $5,000 donation towards sending the Biloela State High School Year 12 cohort to a practical driver skills course in Gympie. JBOYS is a not-for-profit organisation that was founded by the friends and family of Jimmy Bryant, who tragically died in a car crash at Thangool in 2016, just 10 days after receiving his P-plates.

More than 50 percent of our employees live in the communities where we operate

CS Energy employees donated more than $12,000 to our workplace giving charities in FY2018

Gangalu artist James Waterton and CS Energy Executive General Manager Plant Operations Mark Albertson with the artwork Mr Waterton was commissioned to paint for the foyer of Callide Power Station.

Indigenous relations

CS Energy employees and representatives of the Gangalu People gathered at Callide Power Station in February for a ceremony to acknowledge the area's rich Indigenous heritage and unveil an artwork by local Indigenous artist James Waterton.

A new Cultural Heritage Management Agreement was signed for Kogan Creek Power Station and Kogan Creek Mine. The four named Barunggam Traditional Owners all executed the new Agreement.

NAIDOC Week was acknowledged at each site with a variety of activities. The inaugural Jules Armstrong Encouragement Award was established at Brigalow State School and meeting rooms at the Brisbane Corporate Office were renamed after the traditional owner groups in the regions that host our operations.

Charitable donations

In FY2018 CS Energy employees donated more than $12,000 through our workplace giving program, *Generosity.* Since its inception in 2009, employees have generously donated $333,065 to our nine partner charities Capricorn Helicopter Rescue, Angel Flight, Cancer Council Queensland, Blue Care, Hear and Say Centre, Greening Australia, Hannah's House, Cerebral Palsy League of Queensland and the National Heart Foundation.

Staff rallied together at Christmas, donating 17 boxes full of non-perishable foods and personal care items to Foodbank Queensland and Anglicare Biloela.

Former CEO Martin Moore took part in the Vinnies CEO Sleepout in Brisbane on 21 June. Martin raised over $10,000 for St Vincent de Paul, who provide essential services to people experiencing homelessness.

Corporate Governance Report

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

CS Energy was established in 1997 under the *Government Owned Corporations Act 1993* (GOC Act). CS Energy is also a registered public company incorporated under, and subject to, the *Corporations Act 2001 (Cth).*

Two Queensland Government Ministers (shareholding Ministers) hold shares in CS Energy on behalf of the people of Queensland:

- The Hon. Jackie Trad MP, Deputy Premier, Treasurer, and Minister for Aboriginal and Torres Strait Islander Partnerships.
- The Hon. Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

Our corporate governance philosophy

The CS Energy Board is accountable to our shareholding Ministers for CS Energy's performance and corporate governance. The Board has delegated specific power and authority to Board Committees and the Chief Executive Officer.

The Chief Executive Officer is responsible for the day-to-day management of CS Energy.

Our Governance Framework Standard – sets out how we comply with the *Corporate Governance Guidelines for Government Owned Corporations, Version 2.0, February 2009,* and the eight principles outlined in those guidelines.

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

The CS Energy Board is accountable for establishing the respective roles and responsibilities of the Board and management, and for ensuring we act with integrity in all our corporate governance practices.

The Board's role and accountabilities are set out in the Board Charter and include:

- setting CS Energy's strategic direction (with the agreement of shareholding Ministers)
- monitoring corporate performance and progress towards achievement of strategic objectives
- risk management oversight
- establishing and demonstrating appropriate standards of behaviour as expressed in CS Energy's Code of Conduct
- stakeholder reporting and communication.

The Board conducts periodic evaluations of its performance against its role and accountabilities.

As at 30 June 2018, the Board comprised five independent, non-executive Directors. Profiles of CS Energy's directors can be found in the Directors' Report section of the Financial Report and on CS Energy's website.

Board committees

There are four Board Committees to assist the Board in the execution of its duties and to consider key business issues:

- People, Safety and Environment Committee
- Audit and Risk Committee
- Innovation and Sustainability Committee
- Reliability and Plant Performance 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.

Reliability and Plant Performance Committee

Reliability and Plant Performance Committee monitors plant performance across CS Energy's plant portfolio and oversees management's response to technical issues affecting plant performance. The committee also monitors the management of overhauls and major capital works at CS Energy.

For information on directors' attendance at Board and committee meetings in FY2018, please refer to the Financial Report.

Composition of Board Committees as at 30 June 2018

Director	Audit and Risk Committee	People, Safety and Environment Committee	Innovation and Sustainability Committee	Reliability and Plant Performance Committee
Jim Soorley	N/A	✓	✓ (Chair)	✓
Brian Green	✓	✓	✓	✓ (Chair)
Julie-Anne Schafer	✓	✓	N/A	N/A
Toni Thornton	✓ (Chair)	N/A	✓	N/A
Peter Schmidt	✓	✓ (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 FY2018.

Principle 2: Structure the Board to add value

Board of Directors

The Board of Directors, including the Chair, 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. Profiles of CS Energy's Directors can be found in the Directors' Report section of the Financial Report and on CS Energy's website.

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

The Board 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 Chair and the Board committees at regular periods, not exceeding two years. A Board evaluation was undertaken during the year.

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 periodically.

Our EEO Policy provides guidance to protect our workforce 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 Chair 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 with CS Energy's Annual Report, in accordance with Section 121 of the GOC Act.

CS Energy's performance against its FY2018 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 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 Report.

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.

Corporate entertainment and hospitality

There were no corporate entertainment and hospitality events over the $5,000 reporting threshold in FY2019.

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.

Martin departed CS Energy at the end of his contract in August 2018 to pursue the next step in his career.

Darren Busine
Executive General Manager Revenue Strategy

BEc FCPA SFFin GAICD

Darren Busine has more than 25 years' experience in senior finance roles in the energy and banking sectors. As Executive General Manager Revenue Strategy, Darren ensures CS Energy's long-term growth strategy is aligned with the business' shorter-term market trading function.

In addition to driving CS Energy's revenue strategy, Darren is responsible for the dispatch of the company's generation portfolio in the NEM, wholesale and retail electricity market contracting strategies, energy market analysis and regulation.

Darren joined CS Energy in May 2016, serving as Chief Financial Officer for 12 months before being appointed to the Executive General Manager Revenue Strategy role in July 2017.

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 Darren 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. Darren 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, Darren 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.

Darren is a director of the Queensland Music Festival where he serves as Treasurer.

Malcolm Wilson
Chief Financial Officer

B.Sc. (Hons), B.Com., FCPA, GAICD, MAusIMM, MIML

Malcolm Wilson leads CS Energy's finance, energy and financial risk, IT, procurement, and business planning and execution functions. He joined CS Energy in April 2018 from the Queensland Department of Health where he had been Chief Finance Officer for four years.

Malcolm has held senior financial roles in large, complex and geographically dispersed organisations in Australia and internationally. He has participated in major greenfield and brownfield capital projects, led significant commercial contract negotiations, been prominent in a number of successful Enterprise Resource Planning System implementations and played a key role in corporate funding, off-balance sheet financing, acquisitions and divestments.

Malcolm holds two degrees from the University of Tasmania – a Bachelor of Science with First Class Honours in Chemistry and a Bachelor of Commerce. He is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors.

Andrew Varvari
Executive General Manager Corporate Services

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

Andrew Varvari leads CS Energy's key corporate functions including health and safety, environment, human resources, organisational development, industrial relations, legal, risk, assurance, Board secretariat and corporate affairs. As an experienced energy and resources executive with over 15 years in the industry, and more than 10 in executive leadership roles, Andrew focuses on safely delivering high value business outcomes.

Andrew joined CS Energy in 2012 as Executive General Counsel and Company Secretary, and in 2016, served as Acting Chief Financial Officer for five months until the appointment of Darren Busine to the CFO role. He then assumed the role of Executive General Manager People & Safety until 2017, when his responsibilities were expanded to include additional corporate functions to leverage greater alignment and cross-functional working relationships between these functions, all of which provide strategic counsel, advice and support across CS Energy's portfolio.

Prior to joining CS Energy, Andrew led BG Group plc's legal function in Australia, which included responsibility for QGC's Legal, Secretariat, Business Services and IT functions. Between 2007-2012, Andrew played a key role in the development of QGC's upstream and midstream businesses as part of its Executive Leadership Team. 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 the $20 billion Queensland Curtis LNG project.

Andrew's experience also includes five years in legal and executive roles at Stanwell Corporation and seven years in private legal practice.

Mark Albertson
Executive General Manager Plant Operations

As Executive General Manager for Plant Operations Mark plays a key role in the safe, reliable, and competitive delivery of our services. Mark is an experienced manager of large operations, and has held operational and maintenance roles in the aviation, mining, and energy sectors. He has a passion for safety and creating an inclusive team culture, and with years of experience in asset management has demonstrated expertise in driving commercial outcomes.

Mark joined CS Energy in November 2016 as Wivenhoe Power Station Site Manager, and quickly brought invaluable expertise and insight into CS Energy's strategic operations. In 2017 Mark moved to Biloela, working as our Callide Power Station Site Manager, where his focus on commercial discipline and operational excellence drove significant performance improvements.

In early 2018 Mark took on the newly created role of Executive General Manager for Plant Operations, and oversees operational performance for all CS Energy power station sites.

Mark's previous roles include Site Senior Executive (SSE) Operations Manager at Century Mine, and Maintenance Manager (Mining) at Loy Yang Power Station. He holds the qualification of SSE Queensland Mining and Quarrying.

Colin Duck
Executive General Manager Asset Management

BE(Hons), MBA MAusIMM, MIML

Colin leads our Asset Management division where he has responsibility for asset management strategy, engineering, capital projects, unit overhauls, plant data analysis and operational excellence. Colin joined CS Energy in late 2017 following over a decade of guiding energy companies through operational and industry change.

His strategy and leadership experience spans a diverse range of energy production including coal-fired power stations, renewable energy and gas production and storage in both private enterprise and government owned corporations. This is backed by extensive experience in power station engineering and operation. Colin has a particular interest in working with people to successfully embed a culture of performance.

He has a track record of transforming business performance while enhancing safety, cost efficiency and productivity.

Prior to joining CS Energy Colin held several roles with AGL. These included transforming AGL's gas business from an exploration business to a commercially sound operational business and streamlining AGL's gas and renewable fleet into one efficient business unit.

While he was a member of Macquarie Generation's executive team Colin managed the operation of its two major power stations, implementing a new structure and processes and negotiating a new enterprise agreement to drive operational excellence. He was also instrumental in preparing Macquarie Generation assets and operations for a successful sale.

Financial Report

for the year ended 30 June 2018

CS ENERGY LIMITED

Directors' report

30 JUNE 2018

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 2018.

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 AM

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 and Catholic Church Insurance Limited. She was previously Chair of RACQ and RACQ Insurance, a non-executive director of Queensland Rail, and was a National Transport Commissioner.

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

Toni Thornton

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 and Habitat Early Learning. 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.

Peter Schmidt

B. Tech, FIEAust, CPEng (1989 to 2012) MBA Technology Management

Non-Executive Director
Director since 12 Oct 2017

Peter Schmidt has more than 30 years' experience in the management of large industrial assets. He has held executive positions in the power generation industry in general management, site management, asset management, engineering, operations and projects.

For the last 15 years, Peter has been the Principal of O&M Management Consulting, which provides strategic operations and maintenance services to the power generation and process industries in Australia and Asia.

His previous roles include Engineering and Operations Manager at Geodynamics, General Manager Pacific Western and General Manager of Production at Stanwell Corporation.

Peter is a mechanical engineer and holds an MBA in Technology Management.

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	
	2018 $'000	2017 $'000
Profit after income tax	230,980	282,584

Dividends

The dividend declared in respect to the current financial year is $125.7 million.

Review of operations

Health and safety

CS Energy believes that all injuries and incidents are preventable and continues to drive towards and an injury free workplace. CS Energy safety performance deteriorated slightly in 2017/18 with a Total Case Recordable Frequency Rate (TCRFR) of 4.8 (up from 4.3 in 2016/17). Despite the increase in TCRFR, there were some highlights achieved in the year. Callide recognised 1-year Lost Time Injury free, and Wivenhoe exceeded 1,000 days recordable injury free.

The focus on safety improvement continues with commencement during the 2017/2018 year of a long-term strategy. This strategy has 4 pillars which includes Injury Prevention; Simple Systems; Occupational Health and Hygiene; Safety Culture.

Performance

CS Energy's profit after income tax was $230.9 million for the year (2017: $282.6 million).

This result was delivered through strong operational and commercial performance outlined below.

CS Energy maximises availability of our baseload thermal generators to run during summer and daily peak demand periods through careful planning of overhauls, maintenance and capital works supporting security of electricity supply and making a significant contribution to CS Energy's increased revenue. Regular overhauls are also essential for ensuring our power stations operate safely, reliably and efficiently into the future.

Revenue from sales of electricity increased 21% ($181.7 million) to $1,060.7 million primarily through significant increased generation from the thermal plants in CS Energy's portfolio, achievement of a higher realised price on the generation and contract portfolios and growth of retail sales through our new joint venture with Alinta Energy.

CS Energy's trading generation portfolio produced 14,301GWh (2017:12,992GWh), an increase of 1,309GWh enabled by improved thermal plant availability during 2018 of 84.2% (2017: 83.3%).

Despite a decline in pool prices with Queensland recording a Time Weighted Pool Price for 2018 of $72.87/MWh (2017: $93.12/MWh), CS Energy increased revenue from sales of electricity. CS Energy entered into forward electricity contracts in prior years for 2018 to reduce the exposure to pool price volatility, therefore achieved a higher realised price on the generation and contract portfolio in 2018 of $74.17/MWh (2017: $67.66/MW h).

Operational cost increased primarily through fuel associated with delivering higher volume, with non-cash costs increasing in 2018, predominantly due to the non-recurrence of positive asset impairment reversal related to Callide B and Callide C power stations recorded in 2017 and changes in the fair value of derivatives through the profit or loss.

Strategy

As a major electricity provider it is critical that CS Energy maintains and invests in our existing assets so they perform at their best to power homes and businesses. CS Energy is taking action now to diversify our business and harness new technologies, so we can keep pace with industry change and stay competitive into the future.

CS Energy's future business involves developing new revenue streams and reaching new customers through partnerships, innovative products and clean energy solutions.

New Business

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 provides the wholesale electricity to the joint venture and Alinta Energy manages the retail business on behalf of the joint venture parties. As at the end of 2017/2018, the CS Energy/Alinta joint venture had amassed over 180,000 customers, and 115,000 connections (with the difference being a time lag in connection).

Forecast revenue from the Alinta Joint Venture (CS Energy's share) in 2018/19 is estimated to be $174 million.

In October 2017, CS Energy entered into an off-take agreement to purchase the renewable energy produced by Kennedy Energy Park. This renewable energy park will be located near Hughenden in North Queensland - tapping into the wind and solar resources in the area. Once complete it will have a capacity of 60 megawatts (MW). The agreement supports CS Energy's strategy to facilitate renewable energy development in Queensland, while continuing to provide reliable baseload electricity through CS Energy's existing portfolio of power stations. As part of the off-take agreement CS Energy will also purchase a proportion of the large-scale generation certificates from Kennedy Energy Park.

CS Energy has seen increased interest from large customers in respect of alternative and long-term product offerings that incorporate both baseload and renewable energy. CS Energy is uniquely positioned to participate in this market given its mix of baseload, intermittent and peaking generation and will be investigating alternate strategies to optimise its value in the changing energy landscape.

CS ENERGY LIMITED

Directors' report

30 JUNE 2018

Policy and regulatory developments

Policy influences the Australian energy market. CS Energy maintains a voice in the policy and regulatory developments by participating in relevant consultation processes and through its membership of the Australian Energy Council.

Subsequent to the review of the National Energy Market by Alan Finkel AO, Chief Scientist of Australia, the new Energy Security Board is developing, on behalf of the Council of Australian Governments Energy Council (COAG), a National Energy Guarantee (NEG), which aims to ensure sufficient supply in the system to meet demand (Reliability Guarantee) whilst also meeting emissions reduction targets (Emissions Guarantee). Subject to agreement by the COAG Energy Council in respect of the design of the NEG, the Reliability Guarantee will commence in 2019/2020 year and the Emissions Guarantee will commence in 2020/2021 year. The majority of the obligations under the NEG will be satisfied by retailers. Retailers will be penalised in circumstances where they fail to contract sufficient firm capacity during periods of forecast reliability gaps, or where they fail to purchase sufficient low emission generation to meet reduction targets. It is likely that the Commonwealth will set the emissions reduction target for the sector at a reduction of 26% of 2005 levels by 2030. CS Energy will have various obligations in respect of the NEG, including to allocate its generation (for the purposes of both emissions and capacity) to relevant retailers.

A number of other regulatory reviews, including in relation to reliability, frequency control ancillary services, co-ordination of generation and transmission investment and demand response remain ongoing as actions from Finkel Review. In addition, the 5 Minute Settlement Rule is set to commence in 2020/21, and CS Energy is commencing preparations for this significant system change.

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 and certain senior executives, to the maximum extent permitted by law, against liabilities that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or is a liability owed to the Company or a related body corporate. The senior executives in question are the Chief Executive Officer, Chief Financial Officer and Executive General Managers of each of the consolidated group's operating divisions. The indemnity includes legal costs and expenses incurred in connection with certain claims or proceedings, excluding criminal proceedings where the director is found guilty or proceedings for liabilities not covered by the indemnity.

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.

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 2018, and the numbers of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Audit and Risk Committee		People, Safety and Environment Committee		Innovation and Sustainability Committee		Reliability and Plant Performance Committee	
Name	H	A	H	A	H	A	H	A	H	A
Jim Soorley	15	15	N/A	N/A	4	3	4	4	4	3
Brian Green	15	15	6	6	4	4	4	4	4	4
Julie-Anne Schafer	15	13	6	6	4	4	N/A	3*	N/A	N/A
Toni Thornton	15	14	6	6	N/A	N/A	4	4	4	1*
Peter Schmidt	11	11	3	3	3	3	3	3	4	4
Mark Williamson	4	4	2	2	1	1	1	1	N/A	N/A

H – number of meetings held during the time the director held office or was a member of the committee during the year.
A – number of meetings attended as a member.
* – not a member of the Committee, but attended for part or entirety of meeting.

CS ENERGY LIMITED
Directors' report
30 JUNE 2018

Matters subsequent to the end of the financial year

The Chief Executive Officer left the business on Friday 10 August 2018 having concluded his contractual term. The Executive General Manager Revenue Strategy has assumed the role of Acting Chief Executive Officer in the interim.

On 30 August 2018 the Queensland Government announced that it will proceed with the restructure of its generation assets and establish a third Government-owned electricity generator. Current CS Energy asset Wivenhoe Power Station is expected to be transferred to this new entity. The new entity is expected to be trading in the National Electricity Market by mid-2019. Details regarding the timing and nature of transactions expected to establish the new electricity generator have not been determined, therefore while this announcement may have a material impact on CS Energy's financial position, an estimate of such cannot be made at the time of the financial report.

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

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

James Gerard Soorley
Chairman

Brian Green
Director

Brisbane
31 August 2018

CS ENERGY LIMITED

Statements of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated		Parent (1)	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Sales of electricity	1	1,060,689	879,034	505,938	166,096
Operation and maintenance services		50,858	36,389	99,875	70,773
Other income	1	18,923	43,662	27,878	27,799
Fuel		(214,892)	(142,519)	(169,225)	(100,616)
Electricity and energy services expense	2	(135,106)	(104,035)	(81,735)	(101,015)
Services and consultants		(114,049)	(97,161)	(96,369)	(64,895)
Finance costs	2	(91,180)	(81,625)	(88,800)	(78,907)
Employee benefit expense	2	(98,617)	(89,354)	(76,044)	(69,827)
Raw materials and consumables		(59,691)	(49,433)	(43,552)	(34,658)
Operating leases		(40,167)	(39,366)	(40,103)	(39,324)
Other expenses	2	(30,969)	(26,858)	(17,102)	(15,711)
Fair value through profit/(loss)		83,528	(77,091)	83,528	(77,091)
Depreciation and amortisation	14	(139,710)	(127,889)	(58,957)	(50,686)
Asset impairment reversal/(expense)	14	3,600	242,428	-	193,537
Onerous contract – re-measurement	15	35,191	37,495	35,191	37,495
Dividends received		-	-	-	300,357
Profit before income tax		**328,408**	**403,677**	**80,523**	**163,327**
Income tax (expense)/benefit	16	(97,428)	(121,093)	(24,158)	41,106
Profit for the year		**230,980**	**282,584**	**56,365**	**204,433**

(1) The Parent includes corporate office, Callide B Power Station, Wivenhoe Power Station, and Gladstone IPPA.

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

CS ENERGY LIMITED

Statements of Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit for the year	**230,980**	**282,584**	**56,365**	**204,433**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	88,175	18,999	88,175	18,999
Items that will not be reclassified to profit or loss				
Actuarial gain defined benefit plan, net of tax	4,351	4,129	4,351	4,129
Other comprehensive income for the year, net of tax	**92,526**	**23,128**	**92,526**	**23,128**
Total comprehensive income for the year	**323,506**	**305,712**	**148,891**	**227,561**
Total comprehensive income for the year is attributable to: Owners of CS Energy Limited	**323,506**	**305,712**	**148,891**	**227,561**

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

CS ENERGY LIMITED

Statements of Financial Position

AS AT 30 JUNE 2018

		Consolidated		Parent	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets					
Current assets					
Cash and cash equivalents	3	36,225	131,532	22,368	129,653
Loans and receivables	5	385,723	258,145	310,006	206,305
Inventories	12	91,060	95,195	37,184	43,130
Derivative financial instruments	6	45,077	59,448	45,077	59,448
Total current assets		**558,085**	**544,320**	**414,635**	**438,536**
Non-current assets					
Derivative financial instruments	6	82,603	81,935	82,603	81,935
Property, plant and equipment	14	1,488,368	1,537,660	422,621	453,384
Deferred tax assets	16	-	5,398	-	122,875
Retirement benefit assets	13	28,379	23,564	28,379	23,564
Equity accounted investments		1	1	-	-
Investment in subsidiaries	24	-	-	51,815	51,815
Other receivables	5	-	9,110	-	9,110
Loans to related parties	5	-	-	561,821	759,812
Total non-current assets		**1,599,351**	**1,657,668**	**1,147,239**	**1,502,495**
Total assets		**2,157,436**	**2,201,988**	**1,561,874**	**1,941,031**
Liabilities					
Current liabilities					
Trade and other payables	7	124,709	96,173	91,314	75,214
Interest bearing liabilities	8	207,748	-	207,748	-
Provisions	15	149,719	161,601	144,816	157,683
Derivative financial instruments	6	90,866	270,293	90,866	270,293
Total current liabilities		**573,042**	**528,067**	**534,744**	**503,190**
Non-current liabilities					
Other payables	7	58	7,373	-	7,272
Interest bearing liabilities	8	434,962	812,081	434,962	812,081
Deferred tax liabilities	16	131,685	-	387	-
Derivative financial instruments	6	15,703	66,055	15,703	66,055
Provisions	15	324,666	308,867	230,615	230,130
Total non-current liabilities		**907,074**	**1,194,376**	**681,667**	**1,115,538**
Total liabilities		**1,480,116**	**1,722,443**	**1,216,411**	**1,618,728**
Net assets		**677,320**	**479,545**	**345,463**	**322,303**
Equity					
Share capital	17	1,114,414	1,114,414	1,114,414	1,114,414
Accumulated losses		(456,452)	(566,052)	(788,309)	(723,294)
Reserves	18	19,358	(68,817)	19,358	(68,817)
Capital and reserves attributable to owners of CS Energy Limited		677,320	479,545	345,463	322,303
Total equity		**677,320**	**479,545**	**345,463**	**322,303**

The above Statements 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 2018

Consolidated

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
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		-	-	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 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**
Changes in equity for 2018					
Balance at 1 July 2017		1,114,414	(68,817)	(566,052)	479,545
Comprehensive income for the year					
Net profit		-	-	230,980	230,980
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	18	-	88,175	-	88,175
Actuarial gain on the defined benefit plan, net of tax	18	-	-	4,351	4,351
Total comprehensive income for the year		**-**	**88,175**	**235,331**	**323,506**
Dividends declared		-	-	(125,731)	(125,731)
Balance at 30 June 2018		**1,114,414**	**19,358**	**(456,452)**	**677,320**

Parent

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
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		-	-	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 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**
Changes in equity for 2018					
Balance at 1 July 2017		1,114,414	(68,817)	(723,294)	322,303
Total comprehensive income for the year					
Net profit		-	-	56,365	56,365
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	18	-	88,175	-	88,175
Actuarial gain on the defined benefit plan, net of tax	18	-	-	4,351	4,351
Total comprehensive income for the year		**-**	**88,175**	**60,716**	**148,891**
Dividends declared		-	-	(125,731)	(125,731)
Balance at 30 June 2018		**1,114,414**	**19,358**	**(788,309)**	**345,463**

The above Statements 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 2018

		Consolidated		Parent	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash flows from operating activities					
Cash receipts from customers		1,239,520	1,007,789	669,600	252,349
Cash payments to suppliers and employees		(821,952)	(612,435)	(559,740)	(416,175)
Cash generated from/(used) in operations		**417,568**	**395,354**	**109,860**	**(163,826)**
Cash margining contributions		149,694	(153,455)	149,694	(153,455)
Interest received		6,094	2,337	6,072	2,277
Operating borrowing costs paid		(72,418)	(60,332)	(72,404)	(59,983)
Tax equivalent payment		(961)	-	(961)	-
Net cash inflow/(outflow) from operating activities	4	**499,977**	**183,904**	**192,261**	**(374,987)**
Cash flows from investing activities					
Payments for property, plant and equipment		(68,001)	(86,078)	(24,705)	(45,410)
Repayments of loans from related parties		-	-	252,442	222,858
Dividends received		-	-	-	300,357
Deposit with General Government Sector advances facility		(235,000)	-	(235,000)	-
Net cash inflow/(outflow) from investing activities		**(303,001)**	**(86,078)**	**(7,263)**	**477,805**
Cash flows from financing activities					
Repayment of borrowings	8	(169,371)	-	(169,371)	-
Dividends paid		(122,912)	(13,831)	(122,912)	(13,831)
Net cash (outflow) from financing activities		(292,283)	(13,831)	(292,283)	(13,831)
Net (decrease) increase in cash and cash equivalents		**(95,307)**	**83,995**	**(107,285)**	**88,987**
Cash and cash equivalents at the beginning of the financial year		131,532	47,537	129,653	40,666
Cash and cash equivalents at the end of the year	3	**36,225**	**131,532**	**22,368**	**129,653**

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

Section 1: Basis of preparation

The statement of profit or loss 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 2018 and were authorised for issue by the Board of Directors on 31 August 2018.

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 the historical cost convention 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 that are effective for reporting periods ending on 30 June 2018;
- 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 2018 reflect a net asset position for the consolidated group of $677.3 million (2017: $479.5 million) and $345.5 million (2017: $322.3 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 pay their debts as and when they fall due.

As at 30 June 2018, the group had approved borrowings of $642.7 million (2017: $812.0 million) with access to further borrowings from the Queensland Treasury Corporation (QTC) subject to approval of an annual State Borrowing Program Limit. The group also had access to a $225 million short term working capital facility with the QTC which was fully undrawn (refer Note 9).

QTC has confirmed in a letter to Management dated 21 June 2018 that there are currently no amounts which are repayable on demand nor any circumstances which would give rise to amounts being payable by CS Energy other than on a specified date.

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 QTC; and
- the continued support of the Queensland Government.

The consolidated group's debt facilities with the QTC are guaranteed by the Treasurer of Queensland pursuant to a Deed of Guarantee dated 1 July 2011 as varied by deed polls dated 20 January 2012 and 26 June 2017. QTC has provided confirmation 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 fall due.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 JUNE 2018

New and amended accounting standards adopted by the consolidated group

No new accounting standards and interpretations have been issued with an application being mandatory for the reporting period beginning on 1 July 2017. Other new accounting standards and interpretations have been issued with their application not being mandatory for the 30 June 2018 financial reporting period and have accordingly not been applied in the financial statements. The consolidated group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* Effective 1 January 2018	AASB 9 *Financial Instruments* applies on a modified retrospective basis to annual periods beginning on or after 1 January 2018. The standard brings together the classification and remeasurement impairment and hedge accounting to replace AASB 139 *Financial Instruments: Recognition and Measurement.* The Group has not early adopted this standard. AASB 9 comprises three broad areas of revised accounting guidance: • classification and measurement of financial instruments; • impairment of financial assets; and • general hedge accounting. The Group has performed an impact assessment of this standard and identified that the introduction of a new impairment model for financial assets will potentially impact the current provision for bad debts. The impact of this is expected to be negligible due to the creditworthiness of the Groups counterparties. The Group does not expect there to be any impact on the classification and measurement of financial instruments or current hedge accounting practices as AASB9 does not impact the financial assets and liabilities owned or payable by the group.
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. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. AASB 15 is applicable to the Group for the financial year ended 30 June 2019 with a transition date on 1 July 2018. 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 Group sells electricity to customers via the Australian Energy Market Operator (AEMO). At the same time the customer simultaneously receives and consumes the energy. It is at this point the Group is not required to fulfil any further performance obligations and will be eligible to recognise the revenue. This approach is consistent with the current revenue accounting policy. The modified approach under the new standard is not expected to significantly impact CS Energy's current revenue recognition policies relating to existing revenue contracts, however it may impact the timing of revenue recognition related to future contracts.
AASB 16 *Leases* Effective 1 January 2019	AASB 16 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.* The new standard 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. The majority of operating leases (as defined by the current AASB 117) will be reported on the balance sheet under AASB 16. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 is applicable to CS Energy for the financial year ended 30 June 2020 with a transition date of 1 July 2019. The impact on the reported assets and liabilities would be largely in proportion to the scale of the CS Energy Limited's leasing activities which will be assessed prior to the transition date of 1 July 2019.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 JUNE 2018

Events occurring after the reporting period

The Chief Executive Officer left the business on Friday 10 August 2018 having concluded his contractual term. The Executive General Manager Revenue Strategy has assumed the role of Acting Chief Executive Officer in the interim.

On 30 August 2018 the Queensland Government announced that it will proceed with the restructure of its generation assets and establish a third Government-owned electricity generator. Current CS Energy asset Wivenhoe Power Station is expected to be transferred to this new entity. The new entity is expected to be trading in the National Electricity Market by mid-2019. Details regarding the timing and nature of transactions expected to establish the new electricity generator have not been determined, therefore while this announcement may have a material impact on CS Energy's financial position, an estimate of such cannot be made at the time of the financial report.

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

Presentation of comparative amounts

During the year the group changed the presentation of its revenue and sales of electricity related expenditure to provide more detail on the categories of revenue generated during the year and to group together expenditure related to participating in both the wholesale and retail market.

This change did not impact the group's profit or loss. The prior year statement of profit or loss and associated notes have been restated below:

Profit or Loss

	Consolidated		Parent	
	2017 amended $'000	2017 $'000	2017 amended $'000	2017 $'000
Sales of electricity	879,034	790,935	166,096	77,997
Operation and maintenance services	36,389	36,389	70,773	70,773
Other income	43,662	43,662	27,799	27,799
Fuel and carbon	(142,519)	(142,519)	(100,616)	(100,616)
Electricity and energy services expense	(104,035)	-	(101,015)	-
Services and consultants	(97,161)	(97,161)	(64,895)	(64,895)
Finance costs	(81,625)	(81,625)	(78,907)	(78,907)
Employee benefit expense	(89,354)	(89,354)	(69,827)	(69,827)
Raw materials and consumables	(49,433)	(49,433)	(34,658)	(34,658)
Operating leases	(39,366)	(39,366)	(39,324)	(39,324)
Other expenses	(26,858)	(42,794)	(15,711)	(28,627)
Fair value through profit/(loss)	(77,091)	(77,091)	(77,091)	(77,091)
Depreciation and amortisation	(127,889)	(127,889)	(50,686)	(50,686)
Asset impairment reversal/(expense)	242,428	242,428	193,537	193,537
Onerous contract – re-measurement	37,495	37,495	37,495	37,495
Dividends received	-	-	300,357	300,357
Profit before income tax	**403,677**	**403,677**	**163,327**	**163,327**
Income tax (expense)/benefit	(121,093)	(121,093)	41,106	41,106
Profit for the year	**282,584**	**282,584**	**204,433**	**204,433**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 JUNE 2018

Sales of electricity

	Consolidated		Parent	
	2017 amended $'000	2017 $'000	2017 amended $'000	2017 $'000
Sales of electricity – wholesale	813,410	790,935	100,472	77,997
Sales of electricity – retail	65,624	-	65,624	-
Total sales of electricity	**879,034**	**790,935**	**166,096**	**77,997**

Electricity and energy services expenses

	Consolidated		Parent	
	2017 amended $'000	2017 $'000	2017 amended $'000	2017 $'000
Wholesale energy	62,132	-	62,132	-
Market and transmission fees	33,472	-	31,318	-
Ancillary services	8,431	-	7,565	-
Total electricity and energy services expenses	**104,035**	**-**	**101,015**	**-**

Other expenses

	Consolidated		Parent	
	2017 amended $'000	2017 $'000	2017 amended $'000	2017 $'000
Network and market costs	-	15,936	-	12,916
Research costs	3,829	3,829	-	-
Administration costs	23,029	23,029	15,711	15,711
Total other expenses	**26,858**	**42,794**	**15,711**	**28,627**

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 – wholesale

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 settlement amount for both effective and ineffective cash flow hedges is recognised in electricity revenue in the period to which the contract settlement relates.

Sales of electricity – retail

Revenue is recognised separately for retail contracts. Retail contract revenue is calculated based on the terms of the individual contracts.

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.

Sales of electricity

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Sales of electricity – wholesale	956,927	813,410	443,938	100,472
Sales of electricity – retail	103,762	65,624	62,000	65,624
Total sales of electricity	**1,060,689**	**879,034**	**505,938**	**166,096**

Other income

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Commercial settlement (1)	-	35,000	-	25,000
Insurance proceeds (2)	10,407	1,800	-	-
Management fee (3)	-	-	20,119	-
Interest income	6,506	2,337	6,484	2,277
Grant revenue (4)	-	3,196	-	-
Other income	2,010	1,329	1,275	522
Total other income	**18,923**	**43,662**	**27,878**	**27,799**

(1) Commercial settlement in 2017 relates to the extinguishment of court proceedings with Anglo American.

(2) Insurance proceeds relate to the finalisation of an insurance claim at Kogan Creek Power Station relating to business interruption.

(3) Management fees relate to the wind up of the Callide Oxyfuel Project.

(4) Grant revenue in 2017 relates to State and Federal funding relating to the Callide Oxyfuel Project.

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Note 2 – Expenses

Electricity and energy services

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Wholesale energy	55,344	62,132	44,308	62,132
Market and transmission fees	43,853	33,472	22,041	31,318
Ancillary services	17,273	8,431	15,386	7,565
Other electricity and energy services expenses	18,636	-	-	-
Total electricity and energy services expenses	**135,106**	**104,035**	**81,735**	**101,015**

Accounting policy

Electricity and energy services comprise of costs directly related to participation in the National Electricity Market as well as costs associated with supplying electricity to the end retail customers.

Finance Costs

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Finance costs	69,206	59,300	69,191	59,121
Onerous contract provision	17,030	17,264	17,030	17,264
Rehabilitation provision	4,944	5,061	2,579	2,522
Total finance costs	**91,180**	**81,625**	**88,800**	**78,907**

Accounting policy

Finance costs comprise interest on borrowings, administration fees, market value realisation charges and the unwinding of the discount on non-employee benefit provisions. A competitive neutrality fee is also paid to remove any competitive advantage that may be obtained from borrowing at a lower interest rate than the private sector by virtue of the group's government ownership.

The group incurs market value realisation charges when it makes repayments of principal to QTC. The market realisation charge with respect to debt repayments made in 2018 is $18.1 million (2017: nil).

Interest costs on the group's long-term borrowings are calculated by the QTC, in accordance with its book rate methodology, which equates to amortised cost using the effective interest rate method.

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 change in time value of money attributed to the carrying amount of future cash flows.

Employee benefit expense

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Wages and salaries expense	86,650	78,381	66,839	61,378
Defined contribution superannuation expense	5,875	5,250	4,408	3,931
Defined benefit plan expense	1,401	1,696	1,401	1,696
Employee performance payments	4,691	4,027	3,396	2,822
Total employee benefits expense	**98,617**	**89,354**	**76,044**	**69,827**

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Research costs	20	3,829	-	-
Administration costs	30,949	23,029	17,102	15,711
Total other expenses	**30,969**	**26,858**	**17,102**	**15,711**

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 was finalised in May 2018.

Administration costs relate to general operational expenses including insurance, advertising and marketing, travel, training, stationery, telecommunication and information technology costs. All administration costs are expensed when incurred.

CS ENERGY LIMITED

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Section 3: Financial assets and financial liabilities

Note 3 – Cash and cash equivalents

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash at bank and on hand	36,225	131,532	22,368	129,653
Total cash and cash equivalents	**36,225**	**131,532**	**22,368**	**129,653**

Cash and cash equivalents comprise cash balances and funds held at call with QTC. It also includes CS Energy's 50% share of cash and cash equivalents related to the joint venture operations of Alinta Energy, Callide Power Management Pty Ltd and Callide Power Trading Pty Ltd. They are highly liquid, subject to an insignificant risk of change in value and have a maturity of three months or less.

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

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit before income tax	328,408	403,677	80,523	163,327
Income tax (expense)/benefit	(97,428)	(121,093)	(24,158)	41,106
Depreciation and amortisation	139,710	127,889	58,957	50,686
Impairment (loss reversal)	(3,600)	(242,428)	-	(193,537)
Net (gain)/ loss on sale of non-current assets	25	(12)	17	60
Fair value adjustment to derivatives	(83,528)	77,091	(83,528)	77,091
Provision for doubtful debts	867	-	-	-
Non-cash retirement benefits adjustment	1,401	1,696	1,401	1,696
Finance cost on provisions	21,974	22,325	19,608	19,786
Rehabilitation change in value	(720)	-	(720)	-
Onerous contract re-measurement and provision utilised	(35,191)	(37,495)	(35,191)	(37,495)
Dividends received	-	-	-	(300,357)
Intercompany transactions	-	-	17,544	-
Other non-cash flow items	(3,623)	(166)	(3,617)	(167)
Change in operating assets and liabilities:				
(Increase) decrease in receivables	101,637	(144,624)	53,519	(282,140)
(Increase) decrease in inventories	4,135	(7,672)	5,946	(7,338)
Decrease in net deferred tax booked to profit/loss	97,428	121,093	83,607	119,786
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	28,482	(12,259)	18,353	(23,373)
(Decrease) increase in financial instruments	-	(4,118)	-	(4,118)
Net cash inflow (outflow) from operating activities	**499,977**	**183,904**	**192,261**	**(374,987)**

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Note 5 – Loans and receivables

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current assets				
Trade receivables	133,100	96,834	58,616	45,685
Collateral (1)	6,081	155,775	6,081	155,775
Advances Facility (2)	235,000	-	235,000	-
Other receivables	5,300	3,992	4,360	3,301
Prepayments	6,242	1,544	5,949	1,544
Total current loans and other receivables	**385,723**	**258,145**	**310,006**	**206,305**
Non-current assets				
Loans to related parties	-	-	561,821	759,812
Other receivables	-	9,110	-	9,110
Total non-current loans and other receivables	**-**	**9,110**	**561,821**	**768,922**

(1) The consolidated group has entered into derivative contracts on the Australian Securities Exchange. Collateral is provided to support the margin requirements to cover these positions.

(2) In 2018, CS Energy deposited funds into the General Government Sector Advances facility with Queensland Treasury.

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 2018 the consolidated group recognised an impairment relating to trade receivables of $0.8 million (2017: nil).

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.

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Note 6 – Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2018 $'000	2017 $'000
Current assets		
Electricity derivative contracts – cash flow hedges	25,579	30,495
Electricity derivative contracts – fair value through profit or loss	19,498	28,953
Total current derivative financial instrument assets	**45,077**	**59,448**
Non-current assets		
Electricity derivative contracts – cash flow hedges	52,187	46,932
Electricity derivative contracts – fair value through profit or loss	30,416	35,003
Total non-current derivative financial instrument assets	**82,603**	**81,935**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2018 $'000	2017 $'000
Current liabilities		
Electricity derivative contracts – cash flow hedges	48,970	152,824
Electricity derivative contracts – fair value through profit or loss	41,896	117,027
Environmental derivative contracts – fair value through profit or loss	-	442
Total current derivative financial instrument liabilities	**90,866**	**270,293**
Non-current liabilities		
Electricity derivative contracts – cash flow hedges	1,141	18,794
Electricity derivative contracts – fair value through profit or loss	14,562	47,206
Environmental derivative contracts – fair value through profit or loss	-	55
Total non-current derivative financial instrument liabilities	**15,703**	**66,055**

Critical accounting estimates and assumptions

The consolidated group enters into financial derivative transactions including Swaps and Options to manage exposure to commodity and financial market risk. The fair value of these transactions is generally 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 additional detail in relation to fair value techniques and assumptions.

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 unrealised gain or loss relating to the ineffective hedges is recognised immediately in profit or loss within the fair value through profit or loss.

The realised gain or loss relating to the effective and ineffective portion of electricity derivatives 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 the statement of profit or loss within revenue from sales of electricity.

Note 7 – Trade and other payables

Current liabilities

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables	84,325	53,194	56,243	39,454
Other payables	33,666	37,791	28,361	30,572
Unearned revenue	6,718	5,188	6,710	5,188
Total current liabilities trade and other payables	**124,709**	**96,173**	**91,314**	**75,214**

Non-current liabilities

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Other payables	58	7,373	-	7,272

Accounting policy

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

Unearned revenue comprises of income received in advance before goods and services are rendered.

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Note 8 – Interest bearing liabilities

Current liabilities – borrowings

	Consolidated and Parent	
	2018 $'000	2017 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	207,748	-

Whilst there is no obligation to make repayments under current loan arrangements with QTC, the group voluntarily commenced a twenty-two (22) month debt reduction program in 2018, with completion planned for 30 June 2019. Monthly debt repayments of $18.7 million are being made subject to surplus cash availability and short-term liquidity requirements.

Management are assessing whether additional repayments will be scheduled following the conclusion of the current debt reduction program in June 2019.

Non-current liabilities – borrowings

	Consolidated and Parent	
	2018 $'000	2017 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	434,962	812,081

The market value of QTC loans as at 30 June 2018 was $720.3 million (2017: $924.2 million).

The market value is the price that the notional underlying debt instruments funding the loan could be realised at balance date as advised by QTC.

QTC must provide at least 24 months' notice to terminate the facility. Upon termination the market value of the loans becomes immediately due and payable.

QTC has structured the debt in accordance with directions specified by the group and manages the facility such that the target duration maintains a relatively smooth and evenly spaced maturity profile out to 11–12 years.

As part of its debt management approach, the group previously operated a Redraw Facility and Debt Offset Facility. In October 2017, the Redraw Facility was closed and in April 2018 the Debt Offset Facility was cancelled, with all funds held in the Debt Offset Facility of $494.5 million applied against the group's existing borrowings with QTC.

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2018 $'000	2017 $'000
Financial liabilities **Queensland Treasury Corporation Loans**		
Opening balance	812,081	812,081
Repayment of borrowings	(169,371)	-
Closing balance	**642,710**	**812,081**

Note 9 – Financial risk management

Commodity price risk

The group has policies and procedures in place to manage the financial risks associated with its operating activities. Exposure to commodity price, credit, interest rate, and liquidity risks arises in the normal course of the group's business. Derivative financial instruments are used to manage certain exposures to fluctuations in electricity prices.

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 2018		
Electricity price – increase 10%	(127,445)	(24,906)
Electricity price – decrease 10%	117,073	16,476
30 June 2017		
Electricity price – increase 10%	(133,500)	(106)
Electricity price – decrease 10%	133,762	(3,707)

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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 committed credit facilities 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. Available lines of funding are disclosed below.

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 2018					
Non-derivative financial instruments					
Loans from QTC	642,710	806,723	33,389	130,624	642,710
Trade and other payables	124,767	124,767	124,709	58	-
Derivative financial liabilities					
Electricity contracts	106,569	108,876	93,330	15,546	-
Total	**874,046**	**1,040,366**	**251,428**	**146,228**	**642,710**
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**

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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 2018					
Non-derivative financial instruments					
Loans from QTC	642,710	806,723	33,389	130,624	642,710
Trade and other payables	91,314	91,314	91,314	-	-
Derivative financial liabilities					
Electricity contracts	106,569	108,876	93,330	15,546	-
Total	**840,593**	**1,006,913**	**218,033**	**146,170**	**642,710**
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**

QTC Facilities	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Facilities used at balance date				
QTC Facilities	642,710	812,081	642,710	812,081
Total	**642,710**	**812,081**	**642,710**	**812,081**
Unused at balance date				
QTC Working Capital Facility (1)	225,000	225,000	225,000	225,000
QTC Eligible Undertaking (2)	700,000	-	700,000	-
Total	**925,000**	**225,000**	**925,000**	**225,000**
Total facilities available				
QTC Facilities	1,567,710	1,037,081	1,567,710	1,037,081
Total	**1,567,710**	**1,037,081**	**1,567,710**	**1,037,081**

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

(2) On 3 April 2018, QTC issued a $700.0 million Eligible Undertaking to replace the Debt Offset Facility of $494.5 million which was cancelled on 1 April 2018. The Eligible Undertaking is utilised to manage compliance with CS Energy Limited's Australian Financial Services Licence, and is not available as cash.

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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 6) 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 2018. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash and cash equivalents				
AA+ to AA-	36,225	131,532	22,368	129,653
Total	**36,225**	**131,532**	**22,368**	**129,653**
Trade and other receivables				
AA+ to AA-	235,058	15,596	235,058	15,596
A+ to A-	6,081	161,560	6,081	161,560
AEMO (1)	79,854	47,011	30,384	-
Other non-rated (2)	64,730	33,978	38,483	29,149
Total	**385,723**	**258,145**	**310,006**	**206,305**
Derivative financial assets				
AA+ to AA-	32,164	35,055	32,164	35,055
A+ to A-	57,191	54,290	57,191	54,290
BBB+ to BBB-	11,945	14,434	11,945	14,434
Non-rated	26,380	37,604	26,380	37,604
Total	**127,680**	**141,383**	**127,680**	**141,383**

(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 2018. 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 including the Alinta joint venture.

Interest rate risk

The consolidated group is exposed to changes in interest rates via its borrowings, cash and cash equivalents and the General Government Sector (GGS) Advances Facility. Floating interest rate borrowings expose the group to interest rate cash flow risk while fixed interest borrowings expose the group to fair value risk.

The group's borrowings with QTC have been classified as loans with a fixed interest rate exposure whilst cash and cash equivalents and the Advances Facility exposes the group to floating interest rate exposures. The group borrows exclusively from QTC and has access to funds via a client specific pool/portfolio linked loan, which has an interest only in perpetuity repayment profile.

On 1 September 2017, the group commenced a twenty-two (22) month debt reduction program with completion planned for 30 June 2019. The group incurs market value realisation charges when it makes repayments of principal to QTC. The market value realisation charges are included as an adjustment to finance charges in the Statements of profit or loss.

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, administration fee and a competitive neutrality fee (CNF).

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 2017.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Cash and cash equivalents	362	(362)
Advances facility	2,350	(2,350)
Borrowings	(300)	329

Consolidated	2018			2017		
	Floating Interest Rate $'000	Fixed Interest Rate $'000	Weighted average Interest Rate $'000	Floating Interest Rate $'000	Fixed Interest Rate $'000	Weighted average Interest Rate $'000
Financial Assets						
Cash and cash equivalents	36,225	-	1.50%	131,532	-	1.55%
Advances facility	235,000	-	2.41%	-	-	-
Total Financial Assets	**271,225**	**-**	**1.57%**	**131,532**	**-**	**1.55%**
Financial Liabilities						
Queensland Treasury Corporation loans	-	642,710	6.68%	-	812,081	7.14%
Total Financial Liabilities	**-**	**642,710**	**6.68%**	**-**	**812,081**	**7.14%**

Capital management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders through the optimisation of its debt and equity capital.

In May 2018, the group executed new lending terms with QTC, which requires the group to maintain a minimum investment grade credit rating of BBB-.

The group borrows exclusively from QTC, with facilities provided reflecting an interest only in perpetuity repayment profile.

QTC manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the group in accordance with agreed benchmarks. QTC borrows in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with refinancing maturing loans.

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.

The group monitors capital on the basis of the agreed financial covenants (EBITDA interest cover, total debt to EBITDA and total debt to total capital ratio). All ratios have been reviewed and reported on a monthly basis and are compliant with the lending terms as at 30 June 2018.

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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).

	Consolidated and Parent			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2018				
Derivative financial assets				
Electricity contracts	56,143	64,818	6,719	127,680
	56,143	**64,818**	**6,719**	**127,680**
Derivative financial liabilities				
Electricity contracts	56,705	28,273	21,592	106,570
	56,705	**28,273**	**21,592**	**106,570**
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**

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

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 input are used in level 2 valuations.

- Published forward prices for over the counter transactions
- Sydney Futures Exchange trade prices
- Credit risks factors
- Historic market volatilities
- Extrapolation rates

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

During the year the Group entered into transactions that are valued using level 3 valuation techniques. These transactions are classified as level 3 as management inputs are required to determine the fair value. These include estimation of forward market prices and forecast volumes for load following arrangements.

For long term renewable power purchasing agreements the Group has determined a market price based on publicly available information, internal expertise and external advisors. Specific assumptions incorporated in market modelling include:

- Long term market assumptions have primarily been determined with reference to the Australian Energy Market Operator and Powerlink forecasts.
- Queensland Renewable Energy Target and Victorian Renewable Energy Target are assumed to be in place and driving construction of additional renewable generation over the forecast period.
- The impact of emerging technologies.

For load following transactions the Group derived forecast volumes based on meter estimates provided by the counterparty which are validated internally.

The below table shows the pre-tax sensitivities relating to key management inputs for level 3 valuations.

	Consolidated and Parent	
	Electricity price $'000	Forecast volume $'000
30 June 2018		
10% increase	(10,217)	(2,155)
10% decrease	10,217	1,948

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	
	2018 $'000	2017 $'000
Carrying amount	642,710	812,081
Fair Value (level 2)	720,323	924,234

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Stores [1]	53,446	48,075	32,529	26,684
Fuel at weighted average cost (finished goods)	9,026	21,064	4,655	14,971
Fuel at weighted average cost (work in progress)	28,588	24,581	-	-
Environmental certificates	-	1,475	-	1,475
Total Inventory	**91,060**	**95,195**	**37,184**	**43,130**

(1) Stores balance includes a net realisable value adjustment of $10.1 million (2018) and $7.7 million (2017).

Inventories expensed during the year ended 30 June 2018 were $227.5 million (2017: $206.2 million).

Accounting policy

Inventories comprise stores, fuel and environmental certificates, 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 2018 resulting in a defined benefit asset being recognised at 30 June 2018 (30 June 2017: Defined benefit asset recognised).

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

	Consolidated and Parent	
	2018 $'000	2017 $'000
Present value of the defined benefit obligation	(55,818)	(60,729)
Fair value of defined benefit plan assets	79,940	80,758
Net asset before adjustment for contributions tax	**24,122**	**20,029**
Adjustments for contributions tax	4,257	3,535
Total	**28,379**	**23,564**

Reconciliation

	Consolidated and Parent	
	2018 $'000	2017 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	57,194	58,354
Current service cost	2,174	2,249
Interest cost	2,197	1,926
Actuarial (gains) and losses recognised in equity	(2,696)	458
Benefits paid by the plan	(7,907)	(6,387)
Contributions by plan participants	599	594
Balance at the end of the year (net of contributions tax)	**51,561**	**57,194**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	80,758	77,715
Expected return on plan assets	2,970	2,479
Actuarial gains and (losses) recognised in equity	3,520	6,357
Benefits paid by the plan	(7,907)	(6,387)
Contributions by plan participants	599	594
Balance at the end of the year	**79,940**	**80,758**

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Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2018 $'000	2017 $'000
Cash	3,997	4,038
Equity instrument	39,970	40,379
Debt instrument	7,994	8,076
Property	7,994	8,076
Other assets	19,985	20,189
Total	**79,940**	**80,758**

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					
	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Defined benefit plan obligation	(55,818)	(60,729)	(61,258)	(58,329)	(69,938)
Plan assets	79,940	80,758	77,715	75,201	79,153
Surplus	24,122	20,029	16,457	16,872	9,215
Experience adjustments arising on plan liabilities	2,696	(458)	704	7,057	(1,716)
Experience adjustments arising on plan assets	3,520	6,357	221	3,678	10,113

Actuarial assumptions and sensitivity

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

	Consolidated and Parent	
	2018 $'000	2017 $'000
Discount rate	3.7%	3.8%
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 4.2%	Increase by 4.5%
Salary growth rate	0.5%	Increase by 4.5%	Decrease by 4.3%

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 2017							
Opening net book amount	1,163,440	100,918	12,849	17,834	15,748	62,360	1,373,149
Transfers	(8,932)	1,233	15,366	(9,653)	929	1,057	-
Additions	9,177	44,230	4,277	2,200	40	8	59,932
Disposals	(8,690)	-	(1,270)	-	-	-	(9,960)
Impairment reversal (1)	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**
Movements for the year ended 30 June 2018							
Opening net book amount	1,327,875	95,776	27,817	10,381	14,700	61,111	1,537,660
Additions	22,104	20,702	1,628	42,006	-	498	86,938
Transfers	3,380	(227)	1,676	(4,846)	-	17	-
Disposals	-	-	(103)	-	-	(17)	(120)
Impairment reversal (2)	-	-	-	-	-	3,600	3,600
Depreciation	(81,555)	(50,250)	(4,295)	-	(1,321)	(2,289)	(139,710)
Closing net book amount	**1,271,804**	**66,001**	**26,723**	**47,541**	**13,379**	**62,920**	**1,488,368**
At 30 June 2018							
Cost	2,403,917	204,055	89,173	47,541	29,744	86,666	2,861,096
Accumulated depreciation/impairment	(1,132,113)	(138,054)	(62,450)	-	(16,365)	(23,746)	(1,372,728)
Net book amount	**1,271,804**	**66,001**	**26,723**	**47,541**	**13,379**	**62,920**	**1,488,368**

(1) $242.4 million relates to the impairment reversal of Callide B and Callide C Power station during 2017.

(2) $3.6 million relates to the reversal of the impairment after the revaluation of Glen Wilga land.

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Parent	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
Movements for the year ended 30 June 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	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**
Movements for the year ended 30 June 2018							
Opening net book amount	392,067	40,113	8,598	3,247	-	9,359	453,384
Additions	2,298	76	480	24,859	-	497	28,210
Transfers	760	-	234	(994)	-	-	-
Disposals	-	-	-	-	-	(16)	(16)
Depreciation	(35,465)	(20,550)	(2,648)	-	-	(294)	(58,957)
Closing net book amount	**359,660**	**19,639**	**6,664**	**27,112**	**-**	**9,546**	**422,621**
At 30 June 2018							
Cost	902,641	86,629	44,589	27,112	-	12,217	1,073,188
Accumulated depreciation/impairment	(542,981)	(66,990)	(37,925)	-	-	(2,671)	(650,567)
Net book amount	**359,660**	**19,639**	**6,664**	**27,112**	**-**	**9,546**	**422,621**

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 station assets	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	-159.1	180.7

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:

- Demand projection has been referenced to the Powerlink 2017 Transmission Annual Planning Report.
- Long term market assumptions have primarily been determined with reference to AEMO and Powerlink forecasts.
- Gas and coal price assumptions have largely been based on forecasts developed by the external advisor.
- Queensland Renewable Energy Target and Victorian Renewable Energy Target are assumed to be in place and driving construction of additional renewable generation over the forecast period.
- The impact of emerging technologies on the market modelling has been considered over the remaining asset lives of the Power Station assets, including a further increase in embedded Solar Photovoltaic and a progressive uptake of home storage solutions.

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

		+5%	-5%
Electricity price sensitivity (+/-5%)	$m	310.1	-310.1

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.

The Queensland State Government is committed to a 50 per cent renewable energy target (QRET) by 2030.

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.

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Note 15 – Provisions

Current liabilities

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Employee benefits	23,988	22,652	19,085	18,734
Onerous contracts	-	16,037	-	16,037
Dividends declared	125,731	122,912	125,731	122,912
Total	**149,719**	**161,601**	**144,816**	**157,683**

Non-current liabilities

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Employee benefits	1,151	1,683	673	1,075
Rehabilitation and site closure costs	180,557	162,102	86,984	83,973
Onerous contracts	142,958	145,082	142,958	145,082
Total	**324,666**	**308,867**	**230,615**	**230,130**

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.

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Current liabilities

	Consolidated and Parent	
	2018 $'000	2017 $'000
Onerous Contracts		
Carrying amount at start of year	16,037	19,740
Provision used during the year (1)	(31,449)	(37,004)
Reclassification from non-current liabilities	25,224	29,390
Changes from re-measurement (1)	(11,507)	-
Finance Costs	1,695	3,911
Carrying amount at end of year	**-**	**16,037**

Non-current liabilities

	Consolidated and Parent	
	2018 $'000	2017 $'000
Onerous Contracts		
Carrying amount at start of year	145,082	161,611
Changes from re-measurement (1)	7,765	(491)
Reclassification to current liabilities	(25,224)	(29,390)
Finance costs	15,335	13,352
Carrying amount at end of year	**142,958**	**145,082**

(1) Total onerous contract remeasurement including provision used during the year is $35.2 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 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 Gladstone Inter-connection & Power Pooling Agreement onerous contract has been completed to establish an appropriate value for inclusion in the financial statements at 30 June 2018, resulting in a decrease in the provision to $143.0 million. 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:

		+1%	-1%
Discount rate sensitivity (+/-1% pre tax)	$m	7.4	-8.0
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	19.6	-19.6

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 2017/18 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Carrying amount at start of year	162,102	167,233	83,973	83,699
Change from re-measurement	13,920	(9,462)	570	(1,550)
Provision used during the year	(409)	(731)	(138)	(699)
Finance costs	4,944	5,062	2,579	2,523
Carrying amount at end of year	**180,557**	**162,102**	**86,984**	**83,973**

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 experiences are used to evaluate and update rehabilitation assumptions. During the year an update was made to the rehabilitation assumptions for mining assets. Power station assets were updated in 2016–2017.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income tax expense/(benefit)				
Current tax on profits for the year	67,020	74,472	7,555	(82,169)
Deferred tax	30,423	46,632	16,603	41,063
Adjustments for current tax of prior periods	(15)	(11)	-	-
Income tax expense/(benefit)	**97,428**	**121,093**	**24,158**	**(41,106)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	15,330	(14,583)	21,103	(16,333)
(Decrease) increase in deferred tax liabilities	15,093	61,215	(4,500)	57,396
Income tax expense attributable to profit from continuing operations	**30,423**	**46,632**	**16,603**	**41,063**
Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate				
Profit from operations before income tax expense	**328,408**	**403,677**	**80,523**	**163,327**
Tax at the Australian tax rate of 30% (2017 – 30%)	98,522	121,103	24,157	48,998
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	1	1	1	1
Current year capital gain for which no deferred tax asset is recognised	(1,080)	-	-	-
Non taxable dividends	-	-	-	(90,105)
	97,443	121,104	24,158	(41,106)
Adjustments for current tax of prior periods	(15)	(11)	-	-
Income tax expense	**97,428**	**121,093**	**24,158**	**(41,106)**
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	37,789	8,142	37,789	8,142
Actuarial gain on defined benefit plan	1,865	1,770	1,865	1,770
Total	**39,654**	**9,912**	**39,654**	**9,912**
Tax losses				
Unused capital tax losses for which no deferred tax asset has been recognised	87,421	87,421	87,421	87,421
Potential tax benefit @ 30%	**26,226**	**26,226**	**26,226**	**26,226**

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Accounting policy

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

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

Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated group are recognised as amounts receivable from or payable to other members of the group.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of 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 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)
(Charged) directly to equity	(8,142)	-	-	-	-	(8,142)
(Utilisation) of losses	-	-	-	(83,003)	-	(83,003)
At 30 June 2017	**54,508**	**55,847**	**48,631**	**77,161**	**2,513**	**238,660**
Credited/(charged) to profit or loss	(25,015)	(4,475)	5,536	-	327	(23,627)
Under provision prior year	-	-	-	15	-	15
(Charged) directly to equity	(29,493)	-	-	-	-	(29,493)
(Utilisation) of losses	-	-	-	(67,021)	-	(67,021)
Net deferred tax assets at 30 June 2018	**-**	**51,372**	**54,167**	**10,155**	**2,840**	**118,534**

Parent

	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
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
(Charged) directly to equity	(8,142)	-	-	-	-	(8,142)
(Utilisation) of losses	-	-	-	(83,003)	-	(83,003)
At 30 June 2017	**54,508**	**54,846**	**25,192**	**77,161**	**877**	**212,584**
Credited/(charged) to profit or loss	(25,015)	(5,161)	903	-	(127)	(29,400)
Under provision prior year	-	-	-	15	-	15
(Charged) directly to equity	(29,493)	-	-	-	-	(29,493)
(Utilisation) of losses	-	-	-	(67,020)	-	(67,020)
Net deferred tax assets at 30 June 2018	**-**	**49,685**	**26,095**	**10,156**	**750**	**86,686**

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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 directly to equity	-	1,770	-	-	1,770
At 30 June 2017	-	7,069	211,934	14,259	233,262
Credited/(charged) to profit or loss	(1,193)	(421)	10,896	(2,485)	6,797
Under provision prior year	-	-	-	(1)	(1)
Charged directly to equity	8,296	1,865	-	-	10,161
Net deferred tax liabilities at 30 June 2018	**7,103**	**8,513**	**222,830**	**11,773**	**250,219**

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2016	-	5,808	21,104	7,911	34,823
Credited/(charged) to profit or loss	-	(509)	57,014	891	57,396
Under provision prior year	-	-	-	(4,280)	(4,280)
Charged directly to equity	-	1,770	-	-	1,770
At 30 June 2017	-	7,069	78,118	4,522	89,709
Credited/(charged) to profit or loss	(1,193)	(420)	(8,058)	(3,126)	(12,797)
Charged directly to equity	8,296	1,865	-	-	10,161
Net deferred tax liabilities at 30 June 2018	**7,103**	**8,514**	**70,060**	**1,396**	**87,073**

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Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
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
At 30 June 2017	238,660	(233,262)	5,398
Movement during the year	(120,126)	(16,957)	(137,083)
At 30 June 2018	**118,534**	**(250,219)**	**(131,685)**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
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
At 30 June 2017	212,584	(89,709)	122,875
Movement during the year	(125,898)	2,636	(123,262)
At 30 June 2018	**86,686**	**(87,073)**	**(387)**

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

	2018 Shares	2017 Shares
Ordinary shares-fully paid		
A Class (voting)	291,910,252	291,910,252
B Class (non-voting)	822,503,917	822,503,917
	1,114,414,169	**1,114,414,169**

The shares are held by the Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and the Minister for Natural Resources, Mines and Energy. The shareholding changed from Treasurer, Minister for Trade and Investment and Minister for Main Roads, Road Safety and Ports, Energy, Biofuels and Water in December 2017.

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	
	2018 $'000	2017 $'000
Opening balance at 1 July 2017	(68,817)	(87,816)
Revaluation of electricity derivative contracts – gross	8,820	(79,868)
Electricity derivative contracts realised as revenue – gross	117,144	107,009
Net deferred tax	(37,789)	(8,142)
	88,175	18,999
Closing balance at 30 June 2018	**19,358**	**(68,817)**

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Opening balance at 1 July 2017	(566,052)	(729,853)	(723,294)	(808,944)
Net gain/(loss) for the year	230,980	282,584	56,365	204,433
Actuarial gain/(loss) on the defined benefit plan	6,216	5,899	6,216	5,899
Defined benefit tax	(1,865)	(1,770)	(1,865)	(1,770)
Dividend provided for	(125,731)	(122,912)	(125,731)	(122,912)
Closing balance at 30 June 2018	**(456,452)**	**(566,052)**	**(788,309)**	**(723,294)**

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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 Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and the Honourable Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

Changes made to the shareholding Minister during the financial year are as follows:

- On the 11 August 2017, Annastacia Palaszczuk MP, Premier and Minister for the Arts is nominated to be the portfolio Minister to CS Energy going forward replacing the Honourable Mark Bailey.
- On the 27 September 2017, Mark Bailey, Minister for Main Roads, Road Safety and Ports, Energy, Biofuels and Water Supply is nominated to be the portfolio Minister to CS Energy going forward replacing the Honourable Annastacia Palaszczuk MP.
- On the 12 December 2017, Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships is nominated to be the portfolio Minister for CS Energy going forward replacing the Honourable Curtis Pitt.
- On the 12 December 2017, Anthony Lynham MP, Minister for Natural Resources, Mines and Energy 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 2017–18, 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	Chairman/Non-Executive Director	**2018**	89	8	97
		2017	89	8	97
Brian Green	Non-Executive Director	**2018**	44	4	48
		2017	44	4	48
Mark Williamson (3)	Non-Executive Director	**2018**	11	1	12
		2017	45	4	49
Julie-Anne Schafer	Non-Executive Director	**2018**	39	4	43
		2017	39	4	43
Toni Thornton	Non-Executive Director	**2018**	41	4	45
		2017	41	4	45
Peter Schmidt (4)	Non-Executive Director	**2018**	33	3	36
Total 2018		**2018**	**257**	**24**	**281**
Total 2017		**2017**	**258**	**24**	**282**

(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 2018 are in respect of the period 1 July 2017 to 30 September 2017.

(4) Remuneration details for 2018 are in respect of the period 12 October 2017 to 30 June 2018.

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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 is reviewed annually.

Current Executive employment contract details

Executive	Position	Contract Start	Employment Term	Contract Expiry	Opportunity to extend (i)	Termination notice (ii)	End of contract payment (iii)	Termination benefit (iv)	Termination date
Current Executive employment contract details									
Martin Moore	Chief Executive Officer	05/08/2013	5 years (ix)	04/08/2018 (ix)	yes	not less than 6 months written notice (ii)	12 weeks remuneration (iii)	yes (iv)	10/08/2018
Andrew Varvari	Executive General Manager Corporate Services (xiii)	14/12/2017 (xiv)	Open tenure	not applicable	not applicable	not less than 3 months written notice (v)	not applicable	yes (viii)	not applicable
Darren Busine	Chief Financial Officer and Executive General Manager Revenue Strategy (xi)	25/05/2016	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	not applicable
Colin Duck	Executive General Manager Asset Management	26/03/2018	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	not applicable
Mark Albertson	Executive General Manager Plant Operations	26/03/2018	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	not applicable
Malcolm Wilson	Chief Financial Officer	16/04/2018	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	not applicable
Former Executive employment contract details									
Joanne Keen	Executive General Counsel and Company Secretary (xv)	13/03/2017	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	30/11/2017
David Down	Executive General Manager Operations (xv)	17/10/2016	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (viii)	02/03/2018
Cameron Collins	Acting Chief Financial Officer (xii)	17/03/2018	Open tenure	not applicable	not applicable	not less than 1 months written notice (x)	maximum of 75 weeks (vi)	no	not applicable

(i) Current contract has been extended to the maximum termination date. Any further extension would require a new agreement in accordance with the Policy for Government Owned Corporations Chief and Senior Executive employment arrangements.

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

(iii) An end of contract 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) with an additional 1 week provided by CS Energy if at the time of the termination the Executive is aged over 45 years and has completed at least 2 years continuous service with CS Energy.

(vi) 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).

(vii) 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 the termination the Executive is aged over 45 years and has completed at least 2 years continuous service with CS Energy.

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

(ix) In February 2013, initial three contract extended an additional 2 years to 04/08/2018.

(x) Termination notice of not less than one month's written notice by either party.

(xi) Chief Executive Officer until 16/07/2017, Executive General Manager Revenue Strategy effective from 17/07/2017.

(xii) Acting Chief Financial Officer for the period 17/07/2017 to 15/04/2018. Engaged on a non-executive employment agreement.

(xiii) Position previously titled Executive General Manager People and Safety until 11/03/2018.

(xiv) Previous Executive contract effective from 14/12/2012. Offered and accepted a new Executive contract effective from 14/12/2017.

(xv) Roles no longer exist as a result of an executive restructure.

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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 (1)	**2018**	770	77	9	25	8	-	889
	Martin Moore (14)	2017	757	70	9	26	7	-	869
Chief Financial Officer	Darren Busine (2)	**2018**	15	52	-	1	-	-	68
	Darren Busine (15)	2017	385	-	9	25	2	-	421
Chief Financial Officer (acting)	Cameron Collins (3)	**2018**	228	-	7	21	8	-	264
Chief Financial Officer	Malcolm Wilson (4)	**2018**	86	-	2	5	1	-	94
Executive General Manager Operations	David Down (5)	**2018**	301	32	6	17	-	134	490
	David Down (16)	2017	313	-	6	17	1	-	337
Executive General Manager Operations	Mark Moran (17)	2017	285	46	8	20	-	98	457
Executive General Manager Operations	Mark Albertson (6)	**2018**	28	-	-	2	-	-	30
Executive General Manager Plant Operations	Mark Albertson (7)	**2018**	111	-	2	8	1	-	122
Executive General Counsel and Company Secretary	Joanne Keen (8)	**2018**	158	10	2	19	-	113	302
	Joanne Keen (18)	2017	99	-	2	9	3	-	113
Executive General Counsel and Company Secretary (acting)	Emma Roberts (19)	2017	227	32	6	21	1	-	287
Executive General Manager Energy Markets (acting)	David Warman (9)	**2018**	13	46	-	1	-	-	60
	David Warman (20)	2017	356	41	9	34	18	-	458
Executive General Manager Revenue Strategy	Darren Busine (10)	**2018**	431	-	9	24	3	-	467
Executive General Manager Strategy and Commercial	Owen Sela (21)	2017	210	45	4	18	-	-	277
Executive General Manager Corporate Services	Andrew Varvari (12)	**2018**	124	-	4	8	1	-	137
Executive General Manager People and Safety	Andrew Varvari (11)	**2018**	277	50	5	17	6	-	355
	Andrew Varvari (22)	2017	393	47	9	30	5	-	484
Executive General Manager People and Safety	Tom Wiltshire (23)	**2017**	20	-	-	-	-	89	109
Executive General Manager Asset Management	Colin Duck (13)	**2018**	101	-	2	10	-	-	113
		2018	**2,643**	**267**	**48**	**158**	**28**	**247**	**3,391**
		2017	**3,045**	**281**	**62**	**200**	**37**	**187**	**3,812**

(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 during September each year.

(3) Non-monetary benefits represent the value of car parking provided to the executive and the associated fringe benefits tax.

(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).

2018 Notes

(1) Remuneration details for 2018 for the period 1 July 2017–30 June 2018
(2) Remuneration details for 2018 for the period 1 July 2017–16 July 2017
(3) Remuneration details for 2018 for the period 17 July 2017–15 April 2018
(4) Remuneration details for 2018 for the period 16 April 2018–30 June 2018
(5) Remuneration details for 2018 for the period 1 July 2017–2 March 2018
(6) Remuneration details for 2018 for the period 5 February 2018–11 March 2018
(7) Remuneration details for 2018 for the period 12 March 2018–30 June 2018
(8) Remuneration details for 2018 for the period 1 July 2017–30 November 2017
(9) Remuneration details for 2018 for the period 1 July 2017–16 July 2017
(10) Remuneration details for 2018 for the period 17 July 2017–30 June 2018
(11) Remuneration details for 2018 for the period 1 July 2017–11 March 2018
(12) Remuneration details for 2018 for the period 11 March 2018–30 June 2018
(13) Remuneration details for 2018 for the period 26 March 2018–30 June 2018

2017 Notes

(14) Remuneration details for 2017 for the period 1 July 2016–30 June 2017
(15) Remuneration details for 2017 for the period 1 July 2016–30 June 2017
(16) Remuneration details for 2017 for the period 17 October 2016–30 June 2017
(17) Remuneration details for 2017 for the period 1 July 2016–27 January 2017
(18) Remuneration details for 2017 for the period 13 March 2017–30 June 2017
(19) Remuneration details for 2017 for the Acting period 1 July 2016–12 March 2017
(20) Remuneration details for 2017 for the Acting period 1 July 2016–30 June 2017
(21) Remuneration details for 2017 for the period 1 July 2016–6 January 2017
(22) Remuneration details for 2017 for the period 1 July 2016–30 June 2017
(23) Remuneration details for 2017 for the period 1 July 2016–5 July 2016

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 2018

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:

	2018 $'000	2017 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	77	70
Senior Executives	190	211
Contract employees	2,680	2,193
Enterprise Bargaining Agreement employees	908	858
	3,855	**3,332**
Aggregate remuneration (including at-risk performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	81,997	76,153
Number of employees to whom a performance payment is paid	471	439

(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 baseremuneration Wivenhoe EBA); (cap of $3,420 Corporate EBA) (3); (cap of $3,815.56 Callide EBA) (3); (cap of $3,000 Kogan EBA)

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

Accounting policy

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.

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.

Section 8: Other information

Note 20 – Remuneration of auditors

	Consolidated		Parent	
	2018 $	2017 $	2018 $	2017 $
Audit and other assurance services				
Auditor-General of Queensland [1]	353,000	347,300	353,000	347,300
Crowe Horwath [2]	7,650	7,425	-	-
PricewaterhouseCoopers [3][4]	32,600	29,047	-	-
KPMG [5]	22,917	-	-	-
Total audit and other assurance service fees	**416,167**	**383,772**	**353,000**	**347,300**

The amounts above are GST exclusive.

(1) The audit of the 2018 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 Trading.

(3) PricewaterhouseCoopers audits Callide Power Management.

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

(5) Figure is representative of CS Energy's share of audit fees for the Alinta joint venture as advised.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Capital commitments				
Property, plant and equipment				
Within one year	36,198	19,738	18,258	5,482
Later than one year, but no later than five years	39,672	56,996	-	-
Total capital commitments	**75,870**	**76,734**	**18,258**	**5,482**

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 IPPA.

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Operating lease commitments – group as lessee				
Within one year	41,439	41,136	41,439	41,136
Later than one year, but not later than five years	187,929	194,939	187,929	194,939
Later than five years	344,083	368,936	344,083	368,936
Total operating lease commitments	**573,451**	**605,011**	**573,451**	**605,011**

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 JUNE 2018

Other expenditure commitments

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

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Other expenditure commitments				
Within one year	192,750	172,129	82,095	110,342
Later than one year, but not later than five years	605,197	705,058	317,820	456,294
Later than five years	555,355	1,053,314	447,120	959,216
Total other expenditure commitments	**1,353,302**	**1,930,501**	**847,035**	**1,525,852**

Note 22 – Related party transactions

Directors and executives (A)

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
	2018 $	2018 $
Energy Super	**1,504,566**	**1,123,173**

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 (B)

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	23,696	234,480	23,696	234,480
Operations and maintenance received from Joint Venture	-	-	20,767	34,385
Interest received on deposits from QTC	2,642	182	2,642	182
Dividends received	-	-	-	300,357
Total	**26,338**	**234,662**	**47,105**	**569,404**
Expenses				
Competitive neutrality fee paid to Queensland Treasury	(9,930)	(10,779)	(9,930)	(10,779)
Interest on QTC borrowings	(58,382)	(47,884)	(58,382)	(47,884)
Costs paid to State of Queensland controlled entities	(44,806)	(56,932)	(36,366)	(49,539)
Dividends paid to Queensland Treasury	(122,912)	(13,831)	(122,912)	(13,831)
Total	**(236,030)**	**(129,426)**	**(227,590)**	**(122,033)**
Assets				
Trade receivables due from subsidiaries	-	-	3,418	2,598
Trade receivables from State of Queensland controlled entities	-	14,979	-	14,979
Advances facility held with Queensland Treasury	235,000	-	235,000	-
Total	**235,000**	**14,979**	**238,418**	**17,577**
Liabilities				
Trade payables to State of Queensland controlled entities	14,897	16,451	14,672	16,265
Borrowings from QTC	642,710	812,081	642,710	812,081
Dividends payable to Queensland Treasury	125,731	122,912	125,731	122,912
Total	**783,338**	**951,444**	**783,113**	**951,258**

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	
	2018 $'000	2017 $'000
Balance at 1 July	759,812	821,777
Loans advanced	312,238	585,545
Loans repayments received	(510,229)	(647,510)
Total	**561,821**	**759,812**

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 2018 (2017 – 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 2018

Note 23 – Contingencies

CS Energy has provided, through QTC, 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.

Guarantees

Guarantees are issued to third parties to support trading obligations and environmental rehabilitation obligations. All guarantees are provided in the form of unconditional undertakings provided by QTC. The total value of guarantees issued to third parties was $223.2 million (2017: $217.7 million). The fair value of these guarantees is $ nil (2017: $ nil).

Note 24 – Investment and interest in subsidiaries

	Consolidated		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Investment in subsidiaries	-	-	**51,815**	**51,815**

These assets are carried at cost.

The consolidated group has an interest in the following entities:

			2018	2017
Name of Entity	**Country of Incorporation**	**Class of Shares**	**Interest %(1)**	**Interest %(1)**
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

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

Note 25 – Joint operation

Incorporated Joint Operations

Name of Entity	Principal activities	Country of Incorporation	2018 Interest %	2017 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
CS Energy Oxyfuel Pty Ltd.	Electricity generation	Australia	75.22	75.22

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

Unincorporated Joint Operations

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.

CS Energy Limited through its subsidiary entity, CS Energy Group Holdings Limited is entitled to 50% of the earnings generated by Alinta Energy Retail Sales Pty Ltd in the small residential retail market in South East Queensland.

Note 26 – Deed of cross guarantee

Pursuant to ASIC Instrument 2016/785 dated 17 December 2016, the wholly-owned subsidiaries listed above 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.

Consolidated statements of comprehensive income and a summary of movements in consolidated accumulated losses

There is no change in the Closed Group for the year ended 30 June 2018.

CS ENERGY LIMITED

Directors' declaration

30 JUNE 2018

In the directors' opinion:

(a) The financial statements and notes set out on pages 42 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 2018 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

Brian Green
Director

31 August 2018

CS ENERGY LIMITED

Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2018

To the Directors of CS Energy Limited

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

Independence declaration

As lead auditor for the audit of CS Energy Limited for the financial year ended 30 June 2018, 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

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

31 August 2018
Queensland Audit Office
Brisbane

Damon Olive
as delegate of the Auditor-General

CS ENERGY LIMITED

Independent Auditors' Report

30 JUNE 2018

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 parent) and its controlled entities (the group).

In my opinion, the financial report:

(a) gives a true and fair view of the parent's and the group's financial positions as at 30 June 2018, and their financial performance and cash flows for the year then ended

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

The financial report comprises the statements of financial position as at 30 June 2018, 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, 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 parent and group in accordance with 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 am also independent of the parent and group in accordance with the auditor independence requirements of the *Corporations Act 2001,* and 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 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 addressed the key audit matter</th></tr>
<tr><td>Carrying value of power stations
The group and company held Property, plant and equipment totalling $1,488.4 million and $422.6 million respectively and is principally comprised of power station assets.
As disclosed 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, including:
• forecasted electricity demand, price and generation
• the discount rate
• judgement in respect of the absenceof formal Federal and State emissions reduction mechanisms.</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 recoverable amount of the company and group's power station assets
• evaluating the scope, competency, 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 emissions reduction mechanisms
• in conjunction with my electricity market experts, challenging management's adopted assumptions by making comparison against my own independent key assumptions including:
  • forecast electricity demand, price and generation
  • carbon policy and pricing mechanism with reference to global economic and industry forecasts
  • discount rate
• performing a retrospective review of the accuracy of estimates made by management in the discounted cash flow models used in the previous year
• assessing the appropriateness of the disclosures included in Note 14 to the financial statements.</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 $142.9 million is estimated using a discounted cash flow model, which requires the exercise of significant judgement in determining the key assumptions supporting the model, including:
• future wholesale prices, generation, supply of electricity and costs related to the contract
• discount rate.</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 model 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, challenging management's adopted assumptions by making comparison against my own independent key assumptions including:
  • forecast electricity demand, price and generation
  • discount rate
• performing a retrospective review of the accuracy of estimates made by management in the discounted cash flow model used in the previous year
• assessing the appropriateness of the disclosures included in Note 15 to the financial statements.</td></tr>
<tr><td>Fair value estimation of the derivative financial instruments categorised within level 3 of the fair value hierarchy
As disclosed in Note 10, the estimation of the fair value of the derivative financial instruments categorised within Level 3 of the fair value hierarchy requires significant assumptions:
• the long-term nature of the derivative financial instruments requires the future forecasted electricity price curve to be estimated using non-observable market data in the medium to longterm period where observable market data becomes unavailable
• the volume for these contracts is variable and future volumes need to be forecasted in order to value the contracts.</td><td>My procedures included, but were not limited to:
• obtaining an understanding of the key controls associated with the preparation of the valuation model used to estimate the fair value of the derivative financial instruments categorised within level 3 of the fair value hierarchy
• testing consistency of forward price curve assumptions and methodology used in determining the fair values of the derivative financial instruments categorised within level 3 of the fair value hierarchy
• in conjunction with my internal valuation experts, challenging management's adopted assumptions by making comparison against my own independent key assumptions in relation to the forward price curve
• assessing the appropriateness of the disclosures included in Note 10 to the financial statements.</td></tr>
</table>

CS ENERGY LIMITED

Independent Auditors' Report

30 JUNE 2018

Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

The directors are responsible for the other information.

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 company's directors 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 parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the parent 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 parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's 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 parent's 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 parent 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 audit of the group. 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.

Damon Olive
as delegate of the Auditor-General

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Queensland Audit Office
Brisbane

Glossary and abbreviations

Term	Definition
All injury frequency rate	A rolling 12-month average of the number of injuries per million hours worked.
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 (2,425 MW)	• Kogan Creek Power Station (750 MW) • Callide B Power Station (700 MW) • Callide C (405 MW – excludes InterGen share) • Wivenhoe Power Station (570 MW)
CS Energy trading portfolio (4,105 MW)	• Kogan Creek Power Station (750 MW) • Callide B Power Station (700 MW) • Callide C (405 MW – excludes InterGen share) • Wivenhoe Power Station (570 MW) • Gladstone Power Station (1,680 MW – in excess of what we supply to the Boyne aluminium smelter)
Energy sent out	The amount of electricity sent to the grid.
EACFD	Equivalent Availability Capacity Factor Demand. EACFD is CS Energy's key performance indicator for the performance of our thermal plant. 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.
FTE	Full time equivalent.
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 14001:2015	An international standard for Environmental Management Systems.
LTI	Lost time injury. A Lost time injury is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred.
LTIFR	Lost time injury frequency rate. The number of Lost time injuries per million hours worked by employees and contractors (calculated on a 12-month moving average).
ML	Megalitre (one ML = one million litres).
MW	Megawatt (one MW = one million watts).
MWh	Megawatt hour (one megawatt generating for one hour).
NEM	National Electricity Market
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
ROGFA	Return on Gross Fixed Assets. ROGFA is calculated by: Underlying EBITDAIF/Gross Fixed Assets + Net Working Capital.
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.
SR	Start Reliability – the key performance indicator for our pumped storage hydro plant. 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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