Delivering energy today, powering your tomorrow.

Annual Report 2019

CS energy

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 2019 (FY2019).

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

Cover image: CS Energy Graduate Mechanical Engineers Andrew Bazeley (left) and Mahali Heffner, with Plant Engineer Steve Schluter at Kogan Creek Power Station.

Contact

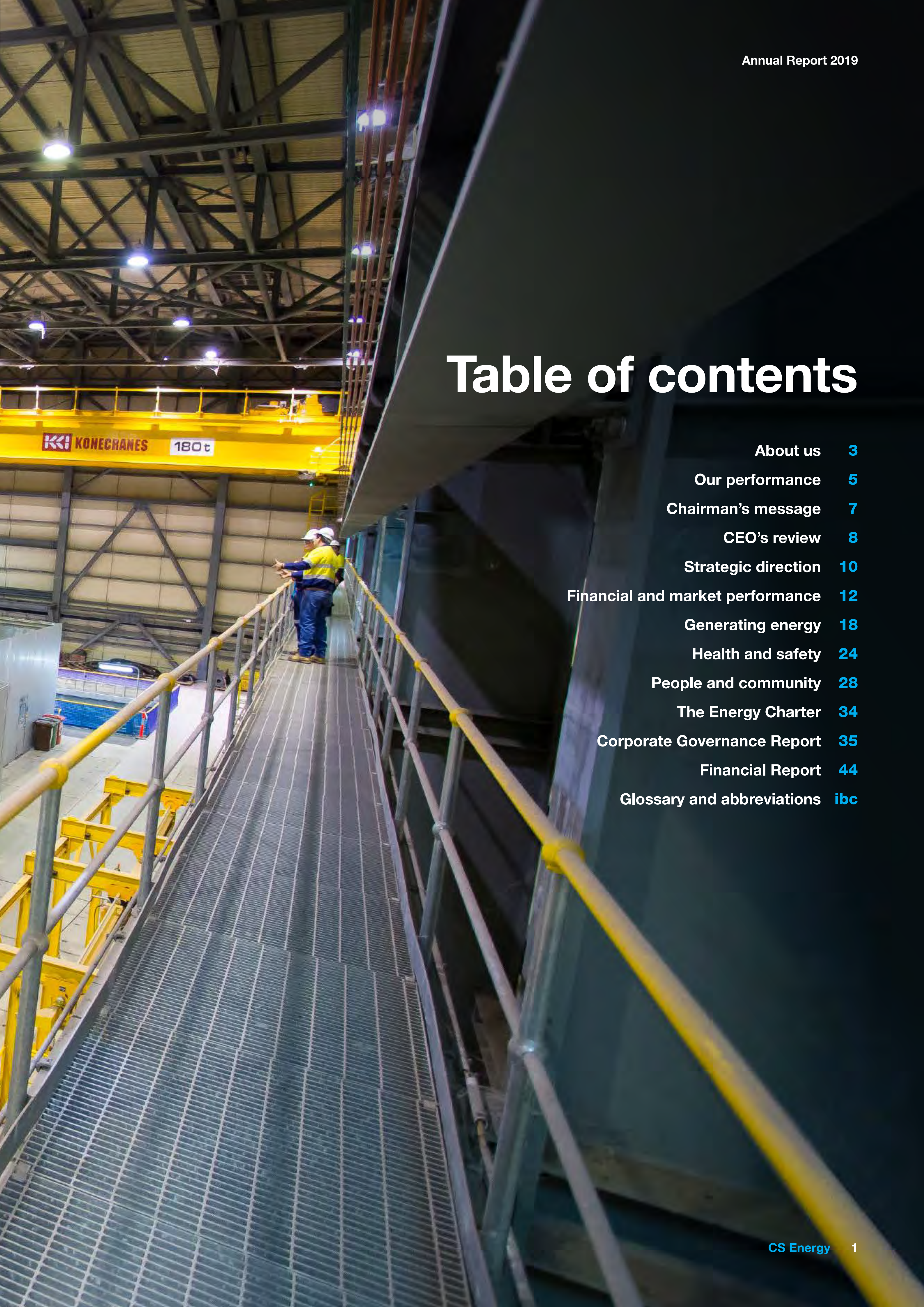
Brisbane office and registered office

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

PO Box 2227
Fortitude Valley BC Qld 4006

P: +61 7 3854 7777
E: energyinfo@csenergy.com.au
W: **www.csenergy.com.au**

ABN 54 078 848 745



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Delivering energy today, powering your tomorrow.

About us

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) where we have a trading portfolio of 4,105 megawatts (MW).

CS Energy employs more than 500 people at our power station sites in regional Queensland and our Brisbane Corporate Office.

Our purpose

Our purpose of ***'Delivering energy today, powering your tomorrow'*** drives everything that we do at CS Energy. It informs our strategy for guiding the business through the rapid changes occurring in the energy market.

CS Energy strives for operational excellence in how we run our portfolio of power stations to ensure their continued profitability for our shareholder and the ongoing reliability of the NEM. We are also focussing on diversification opportunities that leverage technology and renewables so that we can **adapt now to thrive in a rapidly changing energy world.**

Our vision

To be a leading provider of diversified energy solutions to our customers.

Our values

Be safe | **Act with integrity** | **Take accountability** | **Make a difference**

Our portfolio

We are diversifying beyond our traditional business of thermal power generation into other parts of the energy value chain, such as retail electricity and renewable energy offtake agreements, to meet customer requirements.

CS Energy operates three power stations that provide reliable and affordable energy for Queensland and Australia's national grid.

We own and operate the Callide B, Kogan Creek and Wivenhoe power stations and we have a 50 per cent interest in the Callide C Power Station, where we provide operations and maintenance services to the Callide C joint venture.

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

We have a 50/50 joint venture with retailer Alinta Energy to supply electricity to customers in the Energex Distribution Area in South East Queensland. We also provide retail services to large commercial and industrial users.

CS Energy is helping to facilitate renewable energy in Queensland through our offtake agreement with Kennedy Energy Park.

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)

Transfers to CleanCo's portfolio 31 October 2019.

Trading rights

4 **Gladstone Power Station** (Thermal – 1,680 MW)

5 **Kennedy Energy Park** (Wind, solar, battery storage – 60 MW)

Retail

6 **Alinta Energy 50/50 joint venture**

7 Coal assets

Kogan Creek Mine (ML 50074 – 130 Mt, MDL 335 – 400 Mt)
Glen Wilga (MDL 382) *Undeveloped*
Haystack Road (MDL 383) *Undeveloped*

Our performance

FY2019 Highlights

31.8 All Injury Frequency Rate
LOWEST ON RECORD

480 Underlying EBITDA ($ million)
$38 MILLION INCREASE

165 Dividend ($ million)
$40 MILLION INCREASE

14,524 Electricity dispatched into the NEM from our trading portfolio (GWh)
223 GWH INCREASE

97,855 New customers connected to our Alinta Energy retail joint venture in SEQ
MORE THAN 190,000 CUSTOMERS IN TOTAL

Key performance indicators

Despite achieving our best safety result on record this year, we just missed our safety target. However, we met our key financial, plant and environmental targets.

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 corresponding annual report.

Performance against SCI targets

In FY2019, CS Energy committed to achieving the following financial and non-financial targets.

Category	Measure	FY2018 Actual	FY2019 Target	FY2019 Actual
Safety	Total Case Recordable Frequency Rate (TCRFR)	4.88	< 3.00	3.35
Environment	Significant Environmental Incidents (SEI)	1	0	0
Financial	Return on Gross Fixed Assets (%) (ROGFA)	17.2	15.3	17.6
Financial	Free Cash Flow Yield (%) (FCFY)	13.6	9.8	13.1
Thermal plant	Equivalent Availability Capacity Factor Demand (%) (EACFD) [1]	84.2	85.0	87.1
Pumped-hydroelectric plant	Start Reliability (%) (SR)	99.2	99.0	99.6

[1] Thermal plant availability was originally forecast to be 75.6 per cent due to an intensive planned overhaul program. Following the rescheduling of a major overhaul to early FY2020, the FY2019 EACFD target was adjusted to 85 per cent.

For definitions of each of the measures above, please refer to the glossary on the inside back cover.

Strategic achievements

In pursuit of the above targets and our strategy, CS Energy's FY2019 SCI outlined four strategic goals for the year. Our performance against these goals is summarised in this report.

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.

Chairman’s message

FY2019 was another highly successful year for CS Energy.

The business achieved a high level of financial, environmental and operational performance, and refreshed our strategy to ensure CS Energy remains commercially sustainable into the future.

Strong financial and market performance

CS Energy recorded an Underlying EBITDA of $479.6 million in FY2019, marking the fifth year in a row of sustained improvement in the underlying performance of the business.

While our Net Profit After Tax (NPAT) decreased by $70.6 million to $160.3 million due to a range of accounting adjustments, our strong financial performance enabled us to continue to pay down debt. In FY2019 CS Energy repaid $85.4 million in debt to the Queensland Treasury Corporation, following a repayment of $169 million in the year before.

This year, CS Energy will pay a dividend of $165.2 million to our shareholder the Queensland Government.

The key drivers of these financial results were the improved performance of our thermal power stations, sustained strong market conditions and a continued focus on cost management.

Our thermal power stations increased their availability and output in FY2019, providing reliable electricity for Queensland and underpinning security of supply in the NEM as Australia’s generation mix shifted rapidly.

Improved safety performance

Our focus on behavioural safety was a key driver for our improved safety performance this year.

Our Total Case Recordable Frequency Rate of 3.35 was our best on record, but just outside our target of less than three. This has resulted in WorkCover forecasting an insurance premium for CS Energy next year to approximately 60 per cent of the industry rate.

The safety of our workforce remains our number one priority and we remain ever vigilant and will continue to strive for a better safety performance next financial year.

Investing in our people and the community

We expanded our suite of programs to provide young people with a start in the energy industry, placing a particular emphasis on engineering skills. We launched an Engineering Scholarships Program, recruited for our FY2020 intake of engineering graduates and hosted our largest ever intake ever of engineering vacation practice students.

Vocational education and training skills also continued to be a priority, with six new apprentices appointed during the year, bringing the total number of apprentices employed by the business to 40.

Our commitment to gender pay parity was strengthened this year when CS Energy updated our Paid Parental Leave Scheme benefits for primary carers by providing superannuation payments during unpaid parental leave, CS Energy now offers 14 weeks paid parental leave and up to 12 months superannuation payments (up to an additional 38 weeks).

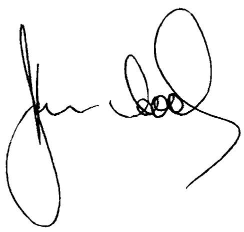
These changes support CS Energy’s existing gender pay parity guarantee and improve the attraction and retention of female employees by providing a workplace that encourages work-life balance.

In the community, we rolled out the first year of our reinvigorated community sponsorships program, providing more than $190,000 across 28 not-for-profit groups and organisations.

Looking forward

Our updated strategy outlined on page 11 of this report sets the direction for CS Energy in FY2020 and beyond. The strategy acknowledges that the pace of change occurring in the NEM requires traditional energy production businesses like CS Energy to adapt to continue to prosper. The Board looks forward to carrying the momentum from FY2019 into the coming year as the business executes this strategy.

Thank you to my fellow directors and CS Energy employees for your contribution to the success of the business this year. I would particularly like to acknowledge the leadership of our new CEO Andrew Bills, who has brought significant energy expertise and commercial acumen to the business.



Jim Soorley
Chairman

CEO's review

This year CS Energy delivered improved results across all areas of the business and refreshed our strategic direction to respond to the challenges and opportunities ahead in the energy market.

Since joining CS Energy in October 2018 it has been pleasing to see the business deliver strong results across all areas of the business. I am particularly proud that FY2019 is CS Energy's safest year on record, with the lowest rate of injuries requiring medical treatment or time away from work. Our FY2019 TCRFR of 3.35 was the lowest since CS Energy commenced operations more than 20 years ago, though just outside our target of less than 3.0.

We also reduced the rate of all injuries by recording our lowest ever All Injury Frequency Rate of 31.79.

Our performance reflects CS Energy's relentless focus on behavioural safety through our CODE program and ensuring we have effective controls in place for high-risk activities. We also improved our contractor management processes to reduce the safety risks around workers who may not be as familiar with our sites as our employees, particularly during overhauls.

The integration of a process safety system into our business this year further highlights CS Energy's growing safety maturity. We will continue to set challenging targets for ourselves as we strive to achieve our ultimate goal of Zero Harm.

Delivering consistent financial returns

CS Energy again delivered strong financial results in FY2019. Our Underlying EBITDA of $479.6 million marked the fifth year in a row of sustained growth in the underlying performance of the business. The key drivers were strong market conditions, increased generation through improved operating performance across the portfolio and effective cost management.

Our net profit after tax of $160.3 million was a decrease of $70.6 million on the FY2018 result due to the recognition of a range of accounting adjustments, including the impact of mark to market fair value adjustments on derivatives and the re-measurement of the Gladstone IPPA.

Cash generated from operations was strong, up by $46.8 million to $464.4 million in FY2019, which reflected the strong operating performance of the business and enabled us to continue paying down debt. CS Energy repaid a total of $85.4 million repaid to Queensland Treasury Corporation in FY2019 (FY2018: $169 million).

We met the two key financial metrics set by our shareholder of Free Cash Flow Yield and Return on Gross Fixed Assets, and will pay a dividend of $165.2 million for FY2019.

Thermal plants underpin our performance

Our financial results were underpinned by the improved performance of the thermal plants in our portfolio, with increases in both generation and availability. Our thermal plants exceeded their scorecard target of 85 per cent availability to finish FY2019 with a combined availability of 87.1 per cent (89.1 per cent during the summer peak).

In terms of individual plant performance, Kogan Creek Power Station had a fantastic year, achieving a 95 per cent availability in FY2019, and Callide Power Station continued to perform solidly.

The pumped hydro Wivenhoe Power Station achieved a Start Reliability of 99.6 per cent, which marks the third year in a row it has exceeded this reliability target.

An evolution is happening in the energy industry, not just here in Australia, but across the world

During the year we prepared for Wivenhoe Power Station to be transferred to the trading portfolio of the new Queensland Government owned electricity generator, CleanCo, on 31 October 2019. CS Energy will continue to operate and maintain Wivenhoe on behalf of CleanCo under a transitional services agreement.

We maintained our commitment to responsible environmental management, with our environmental management system independently verified as meeting the ISO 14001:2015 international standard. We also met our scorecard target of no significant environmental incidents.

Diversifying our presence in the market

We took an important step forward in the execution of our strategy by securing a 10-year contract to provide wholesale electricity to large Queensland Government sites from 1 January 2019. CS Energy was also awarded the contract for the associated retail services for an initial period of three years.

We negotiated a very competitive offer that provides substantial savings for the Queensland Government, and locks in a revenue stream for a portion of CS Energy's portfolio over the next decade. The supply agreement includes a renewable energy allocation, utilising energy from Kennedy Energy Park, for which we hold the offtake agreement, and other sources.

Our retail joint venture with Alinta Energy continued to perform well. In FY2019 Alinta Energy connected 97,855 new customers, which brought its total number of customers to more than 190,000 as at 30 June 2019. The Alinta Energy retail JV is now the third largest retailer in South East Queensland, with a market share of 11.44 per cent.

This year we also actively investigated a number of new diversification opportunities and I look forward to seeing these come to fruition in FY2020.

Our people and culture

My predecessor Martin Moore started CS Energy on the journey to build a safe, constructive and high-performing culture. I share his commitment to people, culture and leadership as the way to success for a business. Creating a culture where people are safe, and work safely, where they feel empowered to contribute and speak up, is fundamental for me.

This year we conducted a Safety Culture Survey and an Engagement and Culture Survey to track our progress since 2017. Results from both surveys were positive and show real progress is being made.

The safety survey results indicated that safety behaviours and attitudes have improved strongly across the business. Results from the Culture and Engagement Survey also showed significant improvement but there still are opportunities for improvements in some of areas of the business.

Our FY2020–2024 strategy

An evolution is happening in the energy industry, not just here in Australia, but across the world. Renewable generation, technology innovation, and a rise in the active, involved energy customer are driving rapid changes.

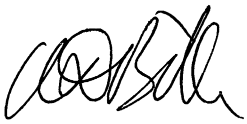
As demand grows for new, cleaner sources of generation, we must pick up the pace of our diversification work to ensure that CS Energy remains a commercially sustainable business in the future. To do nothing isn't an option.

CS Energy's strategy has been designed to transform our business from a traditional generator to a diverse energy business. It is outlined on the following pages of this report and explains what we need to do to make this transformation happen.

There's challenge and change ahead, and with that comes opportunity and the chance to innovate and do things differently. We have so many talented and capable people here at CS Energy who have great ideas and experience. I look forward to executing our strategy with them and creating a future where CS Energy continues to thrive.

Acknowledgements

Thank you to all employees for your hard work and dedication to CS Energy. Thank you also to the Executive Leadership team and the Board of Directors for your support. Let's continue our commitment to our purpose of ***Delivering energy today, powering your tomorrow.***



Andrew Bills
Chief Executive Officer

Strategic direction

We refreshed our strategy this year in response to the rapid changes occurring in Australia's energy sector.

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

As demand grows for new, cleaner sources of generation, CS Energy must find earnings growth opportunities outside our core business of predominantly coal-fired generation to remain competitive.

Our purpose-led strategy introduced in FY2017 set the future direction for CS Energy in Australia's changing energy landscape and guided early diversification initiatives such as the Alinta Energy joint venture and Kennedy Energy Park offtake agreement.

In FY2019 we updated our strategy to prioritise our activities for FY2020 onwards as we respond to the unprecedented change occurring in Australia's energy sector.

Traditional power systems and markets are being challenged by the widespread growth of renewable generation, reduced cost of alternative generation and distribution technology

The trends driving our strategic priorities

Renewables	Technology	Consumers

The global energy landscape is changing rapidly. Traditional power systems and markets are being challenged by the widespread growth of renewable generation, reduced cost of alternative generation and distribution technology, increasing deployment and acceptance of digital systems, sophisticated and engaged consumers, and uncertain regulatory direction.

In this context, market participants are focussing their efforts on the above three key areas, with the transition to the new energy market being driven by large and small scale renewable energy installations, together with data-driven technology solutions for energy management.

Where there is also significant regulatory change, and consumer driven cost reduction and optimisation requirements, it is imperative that traditional energy production businesses such as CS Energy adapt to continue to prosper.

Given the rapid rise of the energy 'prosumer' and the pace at which earnings from coal-fired generation will be displaced, CS Energy must ensure that we can meet the needs of our customers in this changing energy landscape.

Our strategy on the following page articulates how CS Energy will respond to these market changes so that we can compete profitably and thrive in the new energy market.

Our strategy

Our strategy is to run our existing business well, optimise across all areas of our existing business, and diversify into new business.

PURPOSE

Delivering energy today, powering your tomorrow.

VALUES

Be safe	Act with integrity	Take accountability	Make a difference

IMPERATIVE

Adapt now to thrive in a rapidly changing energy world

VISION

To be a leading provider of diversified energy solutions to our customers

FY2020–2024 STRATEGIC PRIORITIES

Strengthen our foundations

We will run our existing business well and ensure that safety, people, culture, community and environment remain at the core of CS Energy's activities. It also means operating in an economic, environmental and socially responsible way.

Optimise our assets

We will continue to maintain the reliability of our generation assets and implement the required flexibility solutions that optimise our participation in a rapidly changing energy market.

Maximise our returns

We will continue to run a commercially competitive business with our strong cost focus, our disciplined approach to investment decisions and improved trading strategies.

Deliver future energy

We will pursue diversification opportunities that expand our customer base, leverage technology innovation and renewable generation through partnerships, and respond to opportunities in distributed energy.

Financial and market performance

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

FY2019 at a glance:

- Achieved a $38.2 million increase in Underlying EBITDA to $479.6 million, driven by strong market conditions and improved plant availability.
- Repaid $85.4 million in borrowings.
- Provided for a dividend of $165.2 million to our shareholders and the people of Queensland.

Photo: Shift Supervisor Tammy Galpin with Shift Operator Technical Dale Reid in the Callide Power Station control room.

Financial performance

CS Energy's financial performance improved in FY2019, reflecting the strong market conditions, increase in generation from our portfolio and commercial discipline across the business.

Business performance

CS Energy's Underlying EBITDA for FY2019 increased by $38.2 million to $479.6 million, which was driven by improved wholesale electricity prices, increased electricity generation from the thermal plants in our trading portfolio, and the continued focus on managing our costs and improving efficiency.

The NPAT decreased by $70.6 million to $160.3 million, though, with the higher Underlying EBITDA more than offset by the recognition of a range of accounting adjustments including the impact of mark to market fair value adjustments on derivatives and the re-measurement of the Gladstone IPPA.

Cash generated from operations increased by $46.8 million to $464.4 million, reflecting the strong operating performance of the business. The overall cash movement included debt repayments of $85.4 million, the net cash margining contribution of $68.4 million to support exchange traded contracts and the additional investment of $18.9 million in the General Government Sector Advances facility with Queensland Treasury. The balance in this advances facility as at 30 June 2019 was $253.9 million.

CS Energy has provided for a dividend of $165.2 million.

The strong operating performance of the business enabled CS Energy to repay a total of $85.4 million to Queensland Treasury Corporation during FY2019 (FY2018: $169.4 million) as part of our debt reduction program.

This debt reduction program commenced in September 2017 and continued through to November 2018. The debt repayment program was suspended in December 2018 in response to the restructure of Queensland government-owned generators and to support CS Energy's revenue diversification and optimisation pipeline activities.

Capital investment

CS Energy continued to focus on effective project delivery and improving cost discipline across the business. Cashflow payment for property, plant and equipment was $107.5 million for FY2019. This included a major overhaul of Callide Unit B2 and a range of other plant investments across the portfolio.

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.

Capital management

Key financial performance measures

	FY2015 $000	FY2016 $000	FY2017 $000	FY2018 $000	FY2019 $000
Underlying EBITDA[1] ($'000)	154,671	193,288	371,351	441,358	479,633
Underlying EBIT[1] ($'000)	47,954	90,499	243,462	301,648	339,955
NPAT ($'000)	124,151	(23,011)	282,584	230,980	160,309
Net cashflow from operating activities ($'000)	33,853	132,194	183,904	499,977	337,041
Net cashflow for payments for property, plant and equipment ($'000)	(47,295)	(113,595)	(86,078)	(68,001)	(107,458)
Net Cash Flow ($'000)	(13,442)	18,599	83,995	(95,307)	(405)
Underlying interest cover[2] (times)	0.75	1.46	4.11	4.36	7.33
Underlying return on capital employed[2]	3.9%	7.6%	17.9%	23.2%	28.2%

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

The hottest summer on record and the improved performance of our thermal plants delivered another strong result in the market for CS Energy.

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 trading portfolio comprises 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 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. Under the agreement, CS Energy generates and supplies wholesale electricity, and Alinta Energy manages the retail business.

In FY2019, CS Energy secured a 10-year electricity contract to supply wholesale electricity to large Queensland Government sites. CS Energy was also awarded the contract for the associated retail services for an initial period of three years.

CS Energy provides a range of ancillary services to help maintain the power system within the NEM's performance standards.

We operate in strict accordance with, and take very seriously, our obligations to comply with all rules and regulations governing our participation and bidding in the NEM.

Market report

Throughout FY2019 the NEM continued to face challenges in satisfying its market priorities of providing a reliable, secure, affordable and sustainable electricity supply.

The 2018/19 summer was the warmest on record[1], which resulted in high electricity demand across the NEM and a new peak electricity demand for Queensland of 10,052 MW in February. Queensland had sufficient capacity to meet this peak demand, in contrast to southern regions that experienced forced load-shedding when electricity demand exceeded available supply.

1 Source: Bureau of Meteorology.

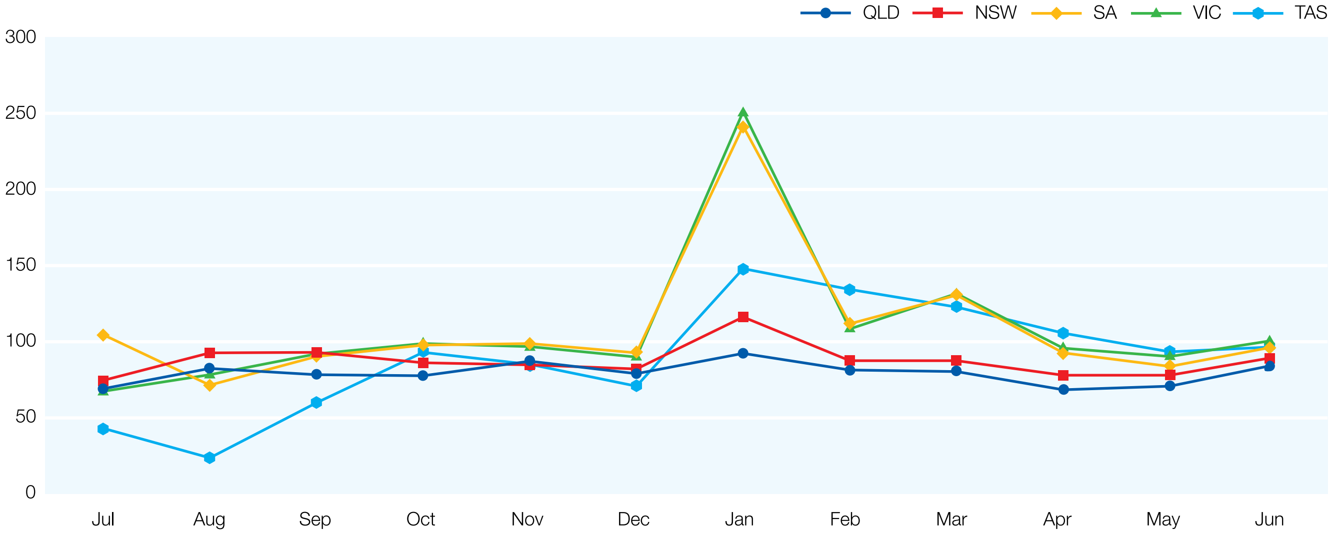
Trading portfolio – FY2019

Plant	Fuel type	Capacity (MW)
Kogan Creek Power Station	Coal-fired	750
Callide C Power Station[1]	Coal-fired	405
Callide B Power Station	Coal-fired	700
Wivenhoe Power Station[2]	Pumped storage hydro	570
Gladstone Power Station[3]	Coal-fired	1,680
Total		**4,105**

1. Excludes InterGen share.
2. Wivenhoe Power Station will transfer to the trading portfolio of CleanCo on 31 October 2019.
3. CS Energy holds the trading rights for the Gladstone Power Station (in excess of what we supply to the Boyne Island aluminium smelter).

CS Energy secured a 10-year electricity contract to supply wholesale electricity to large Queensland Government sites

FY2019 NEM monthly average pool prices ($/MWh)



FY2019 also saw energy prices remaining elevated across the NEM because of high international coal and gas prices, a continued tightening of gas supply and declining water storage levels in hydro facilities in southern states. Queensland continued to export a significant amount of energy into NSW with southerly flows on the interconnector occurring approximately 90 per cent of the time.

Whilst Queensland's price was influenced by the dynamics of the southern regions, the state's average wholesale electricity prices were the lowest and most stable in Australia.

Renewables continued to come online to provide new capacity, however the speed at which projects were connected slowed during the year. This was in part due to obligations being placed on new generator connections to "do no harm" to the security of the power system and more stringent requirements in the negotiation of performance standards.

Firming of renewables – for when the sun does not shine or wind does not blow – remains a challenge.

In Queensland, the State Government announced in August 2018 that it would proceed with the creation of a new publicly owned clean energy generator known as CleanCo Queensland (CleanCo). The purpose of CleanCo is to help support the growth of Queensland's renewable energy industry and increase competition in the wholesale electricity market.

At a national level, the Coalition Government focussed on reducing power prices and perceived market misconduct with its 'big stick' legislation.

Our performance in the NEM

CS Energy continued to strengthen our core trading capabilities to support our growth aspirations of becoming an Australian asset-backed energy trader through the delivery of systems and recruitment of additional employees.

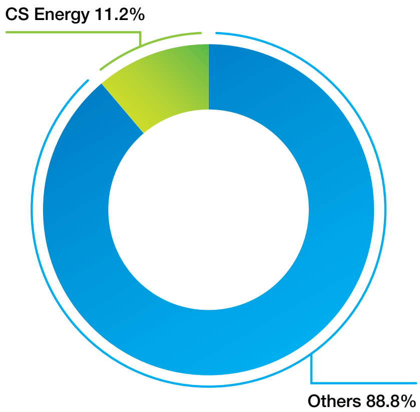
We performed strongly in the market in FY2019 on the back of above target generation and improved availability from the thermal plants in our trading portfolio. CS Energy sent out 14,524 gigawatt hours of electricity to the NEM, which was an increase of 223 GWh on the previous year. Revenue from electricity sales increased by 19 per cent to $1,260 million.

Our retail joint venture with Alinta Energy continued to stimulate competition in the South East Queensland retail electricity market and lead to better price outcomes for consumers. Since the joint venture's entry into the market in August 2017 there has been an uplift in competition that has facilitated substantial discounting among retailers.

A total of 97,855 new customers were connected to the Alinta Energy joint venture in FY2019, bringing the total number of customers to just over 190,000 at 30 June 2019. Alinta Energy is now the third largest retailer in South East Queensland, with a market share of 11.44 per cent[2].

2 Source: AEMC 2019 Retail Competition Review.

CS Energy's contribution to electricity dispatched in the NEM for FY2019



Case Study: Energy contract delivers savings and sustainability

In December 2018, CS Energy won a competitive procurement process to supply wholesale electricity to large Queensland Government sites for 10 years from 1 January 2019.

The contract provides revenue certainty for the business and price stability for Queensland Government frontline services such as schools, hospitals and emergency services

CS Energy CEO Andrew Bills said the contract win marked an important step forward in the execution of CS Energy's strategy.

"We have negotiated a very competitive offer that provides substantial savings for the Queensland Government, and locks in a revenue stream for a portion of CS Energy's portfolio over the next decade," Andrew said.

"The supply agreement includes an initial renewable energy allocation with a flexible mechanism to increase that allocation to 50 per cent through the life of the contract, utilising energy from Kennedy Energy Park and other sources.

"As a Government-owned corporation, CS Energy is proud to be supporting the Queensland Government to deliver its target of achieving 50 per cent of Queensland's electricity generation from renewable sources by 2030."

CS Energy Head of Legal, Investment and Regulation Emma Roberts said CS Energy provided a bespoke solution for the Queensland Government, which bundled the 'black and green' energy in our trading portfolio.

"CS Energy is also providing a cost-effective retail solution to these government customers, which includes access to an energy management portal for tracking their energy usage and expenditure," Emma said.

Supporting renewable energy

CS Energy has an important role to play in supporting the Queensland Government's target of 50 per cent renewables by 2030. As an asset-backed baseload generator, with substantial trading capability, CS Energy is well placed to provide firming generation for intermittent renewables and customers that require a mixture of thermal and renewable energy in their loads.

We have added renewable energy to our trading portfolio through our offtake agreement with the 60 MW Kennedy Energy Park in North Queensland. Kennedy Energy Park comprises a 15 MW solar photovoltaic plant, 43.2 MW wind plant and 2 MW/4 MWh of battery storage and is being developed by Windlab and Eurus Energy Holdings. As part of our offtake agreement, we will also purchase the large-scale generation certificates from Kennedy Energy Park.

When commercially operational, Kennedy Energy Park will be the first utility-scale wind, solar and storage hybrid generator connected to the NEM. Construction was completed on the project in FY2019, with first energisation expected to occur in mid FY2020 and commercial operations to follow.

CS Energy has been actively investigating other renewable energy offtake opportunities, with a view to matching that generation with customer requirements. There is growing customer interest in energy transactions that combine a long-term electricity price with the ability to meet carbon reduction goals.

Outlook

Renewable and low-emission assets from the portfolios of CS Energy and Stanwell Corporation will form part of the foundation portfolio of CleanCo when it begins trading in the NEM on 31 October 2019. For CS Energy, this means that Wivenhoe Power Station will be transferred to CleanCo, along with Stanwell's hydro power stations. CS Energy has been actively preparing for the transfer of Wivenhoe Power Station to CleanCo's trading portfolio and managing the risk to ensure a smooth transition to our revised asset base.

The energy market is undergoing a period of rapid, transformative change. The penetration of renewables, distributed generation and energy storage is expected to continue. Battery technology and other technologies that can be combined with renewables to provide firming will in time become cost effective, and these technologies are expected to be a significant game-changer once this occurs.

As the generation mix changes, and more traditional baseload generation retires, the challenges in managing the risks around this transition are heightened. Until new technologies can provide a secure, reliable and affordable electricity supply, coal-fired generation is likely to underpin the transition of the NEM to a low-emission economy. CS Energy's coal-fired generation will continue to play an important role in this transition, providing system security services and firming for renewables.

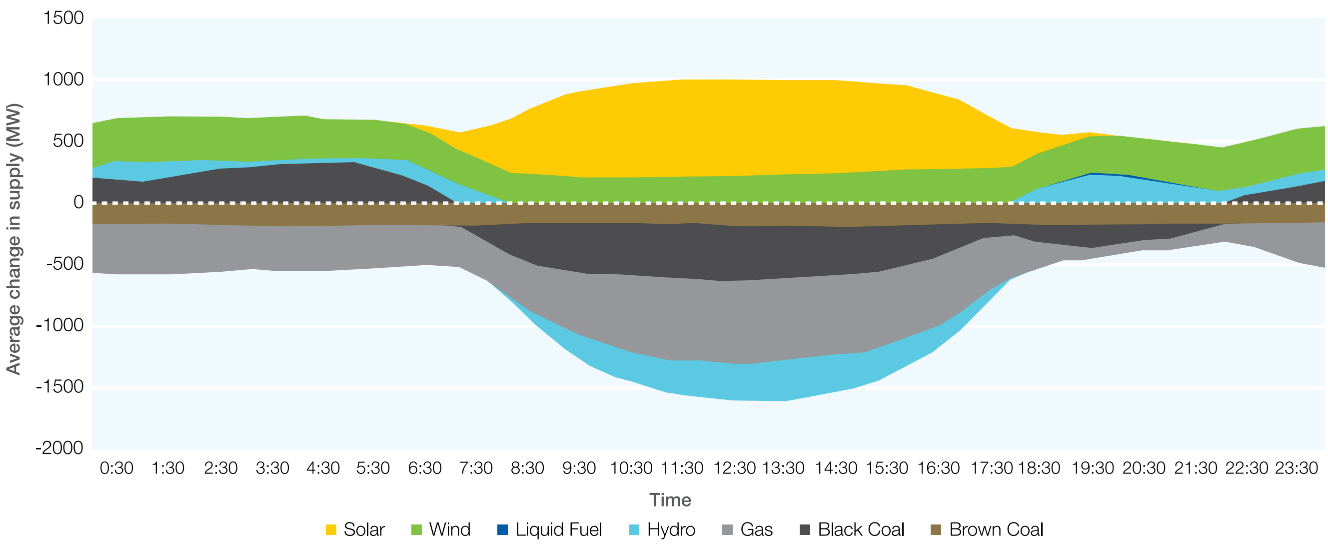
While there is policy and regulatory reforms currently underway or proposed, CS Energy believes there is an opportunity to improve the co-ordination of policies in order to address the underlying causes of elevated wholesale prices. Ultimately, the market requires energy policy certainty, integrating clear long-term emission reductions and guidelines around electricity market design, and which establishes a planned trajectory for transitioning the NEM to a low carbon economy.

CS Energy's FY2020 strategic priority of ***Deliver future energy*** is about ensuring we can effectively respond to this changing energy landscape and transition our business to a low-emission economy. In the coming financial year, we will focus on delivering tailored solutions to our customers that meet their needs in terms of energy usage, decarbonisation and energy management.

Our newly established retail function will focus on responding to the changing needs of large energy users. We will look to partner and collaborate with technology providers to create solutions for our customers throughout the energy value chain.

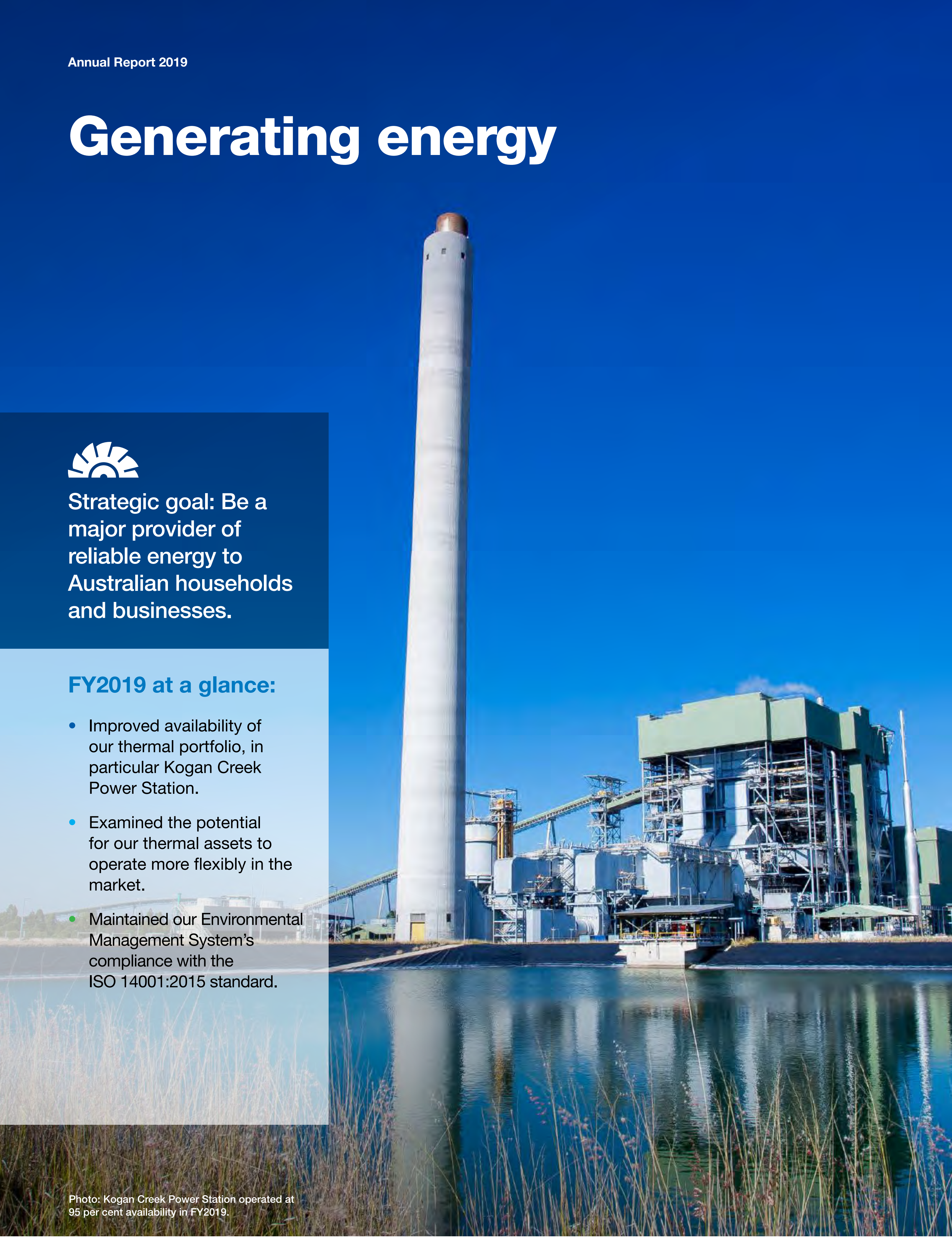
The penetration of renewables, distributed generation and energy storage is expected to continue

Change in energy generation by fuel type in the NEM – FY2019 versus FY2018 by time of day



This chart shows the average change in generation by fuel type by the time of day for FY2019 compared to FY2018. A key shift was the increase in grid solar generation, which is displacing black coal-fired generation during the day. In the same period, hydro generation reduced due to drought conditions in southern states and gas-fired generation declined due to increased wholesale gas prices.

Generating energy



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

FY2019 at a glance:

- Improved availability of our thermal portfolio, in particular Kogan Creek Power Station.
- Examined the potential for our thermal assets to operate more flexibly in the market.
- Maintained our Environmental Management System's compliance with the ISO 14001:2015 standard.

Photo: Kogan Creek Power Station operated at 95 per cent availability in FY2019.

Operating assets

Our portfolio availability continued to improve, with above target generation at Kogan Creek Power Station and another solid year at Callide Power Station.

CS Energy owns and operates 68 per cent of our 4,105 MW trading portfolio in the NEM. Our asset portfolio comprises the baseload thermal power stations Kogan Creek and Callide and the peaking pumped storage hydro Wivenhoe Power Station.

We operate and maintain our assets to deliver flexible, reliable and low-cost energy in the rapidly changing energy market. Our assets play an important role in underpinning security of supply as an increased amount of intermittent renewable generation is integrated into the NEM.

Thermal plant performance

Our priority is ensuring our thermal generators are available to run during the daily and summer peak demand periods. In FY2019 they performed above target to achieve a combined availability[1] of 87.1 per cent for the year and 89.1 per cent during the summer peak period. This result was due to improved availability at Kogan Creek Power Station and Callide B and C continuing to perform solidly.

Kogan Creek Power Station had one of its best years on record for generation and availability with an availability of 95 per cent, which was almost 15 per cent higher than FY2018. In May 2019, Kogan Creek traded in the NEM at more than 760 MW for the first time since 2011, which was 10 MW above its capacity of 750 MW. This was made possible by improved coal blending, which enabled the power station to fully utilise the boiler's steam capacity during the winter months.

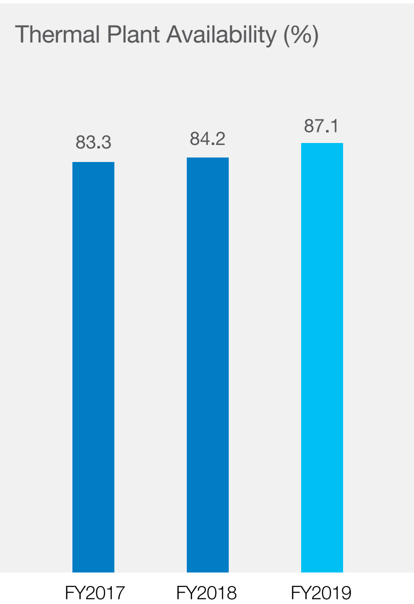
An improved focus on the boiler and condenser systems at Callide C saw it achieve an availability of 87.1 per cent, up five per cent on the previous period. Callide B's availability decreased by five per cent to 78.9 per cent due to a 76-day major overhaul of Unit B2 from October to December 2018.

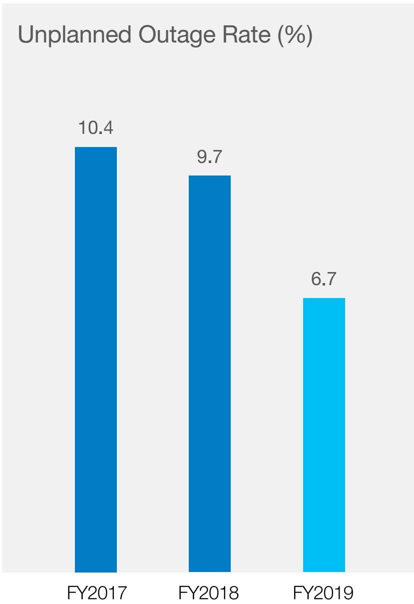
Hydro plant performance

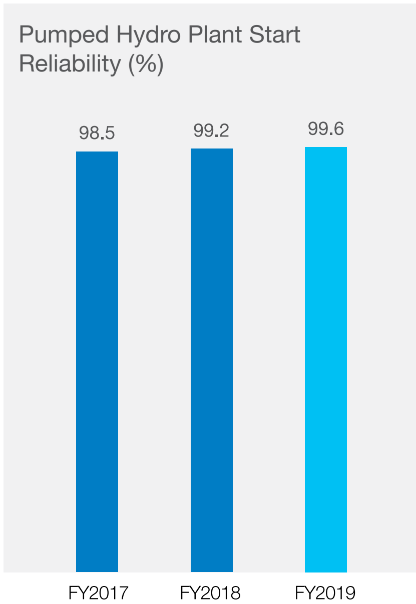
Wivenhoe Power Station achieved an above target Start Reliability result of 99.6 per cent off the back of a major overhaul of Unit W2 that was completed in June 2018.

Wivenhoe will be transferred to the asset portfolio of the new Queensland Government-Owned electricity generator CleanCo on 31 October 2019. CS Energy will continue to operate and maintain the power station on behalf of CleanCo under a transitional services agreement.

1 All thermal availability figures quoted are Equivalent Availability Capacity Factor Demand (EACFD). Refer to inside back cover for a definition.







In FY2019 we invested more than $100 million in overhauls and capital projects at our sites to keep them running safely, reliably and efficiently

Photo: Overhaul contractors work on the Callide Unit B2 HIP turbine rotor during the unit's overhaul in FY2019.

Optimise our assets

CS Energy manages our assets to maximise returns in a changing market. This involves operating our assets at the right cost, focussing on commercial availability and adapting them to respond to shifting demand patterns in the NEM.

In FY2019 we invested more than $100 million in overhauls and capital projects at our sites to keep them running safely, reliably and efficiently. We commenced the selection process for a single overhaul contractor to help us achieve greater consistency in overhaul quality, safety and cost across our portfolio.

A key focus area during the year was improving our data analysis capabilities for identifying and responding to the key issues affecting plant availability. This included analysis of the coal data at Kogan Creek Power Station to help drive a change in the mine plan to increase the power station's output during winter.

We began to measure the commercial availability of our thermal plant, which enabled us to assess whether our generating units were available when the market required them. The commercial availability measure is widely used in the United States and Europe and will become increasingly important for generators in Australia as the energy mix and demand profile changes in the NEM.

As large amounts of low cost renewables enter the market, it will become increasingly important for our plant to operate more flexibly. During the year we investigated the capability of our thermal units to ramp up and down more quickly and operate at lower minimum loads.

In FY2020, CS Energy will carry out major overhauls at Kogan Creek and Callide B and C power stations to ensure our plants continue to operate safely and reliably. In August 2019 we announced the appointment of Downer as our preferred contractor for overhauls and capitals work for the next five years.

We will accelerate our asset flexibility work and continue the focus on improved data and analytics by integrating the key software programs used to operate our power stations. Improving fuel efficiency will also be a priority to reduce emissions and costs.

Managing fuel supplies and costs

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

CS Energy owns the Kogan Creek Mine which supplies approximately 2.5 million tonnes of black coal per year to the Kogan Creek Power Station.

Coal is supplied to the Callide Power Station from the Callide Mine. CS Energy is a major customer of the mine, which is owned by Batchfire Resources.

Case Study: Increasing the flexibility of our assets

This year CS Energy began examining the potential for our thermal units to operate at lower loads and faster ramp rates to respond to changing demand patterns in the NEM.

AEMO has forecast that demand for baseload thermal generation in daylight hours will decline significantly as large numbers of renewable projects come online. This has already started occurring in Queensland with the emergence of the 'Duck Curve', which is the reduction of demand during the day when solar can meet demand and the rapid rise in the evening once solar is no longer available.

For companies like CS Energy whose portfolio is predominantly baseload thermal generation, improving the flexibility of our plant will be crucial to the commercial sustainability of our business.

Executive General Manager Asset Management Colin Duck said there would be an increasing need for thermal generation to operate with greater flexibility to respond to the intermittency of renewables.

"Our assets need to be ready to provide baseload support when renewable generation isn't available," Colin said. "The market is going to be increasingly flexible. We need to be flexible too.

"The challenge is that our thermal assets were designed to operate pretty much continuously at full load."

CS Energy commenced low load and ramp rate tests at Callide and Kogan Creek power stations to gain a better understanding of the capabilities and limitations of our fleet. During the tests, plant operators monitored a range of live plant data such as steam temperature and pressure to ensure the unit remained stable.

Colin said CS Energy would work with the original equipment manufacturers in FY2020 to determine which plant flexibility measures would be technically and commercially viable in the long term.

Photo: Low load and ramp rate tests were conducted at Callide Power Station during the year.

Environment

Our Environmental Management System was independently verified as meeting the ISO 14001:2015 international environmental standard.

At CS Energy we understand that responsible environmental management is directly linked to our social licence to operate. We take our environmental responsibilities extremely seriously and focus not just on compliance, but on continuous improvement.

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 engaged Epic Environmental during the year to complete an internal audit of our EMS. The audit was against the requirements of the international standard for environmental management systems – ISO 14001:2015. The internal audit considered the requirements of the standard and focused on environmental compliance across all CS Energy sites.

Following external recertification audits at all 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 during the audits and CS Energy was recertified against the standard through to May 2022.

Photo: Environmental Business Partner Karen Peters conducts water monitoring at Callide Power Station.

Monitoring our impact

We regularly monitor the inputs and outputs of the electricity generation process at our sites to support compliance with Queensland and Australian environmental legislation. 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 and appropriately managed.

We target zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. CS Energy had no Significant Environmental Incidents in FY2019.

During the year CS Energy reported three environmental matters to the Department of Environment and Science (DES) relating to NOx excursions during low load testing at Callide Power Station, a minor water release exceedance at Callide Power Station and the late lodgement of Callide Ash Dam B, Kogan OPAC and IADA Annual Inspection Reports. The DES advised that they were satisfied with the corrective actions CS Energy took in response to these matters.

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

During the year we prepared our sites to successfully meet the environmental legislation changes that came into effect in July 2019 for the storage and use of firefighting foams containing per- and poly-fluoroalkyl substances (PFAS). We removed firefighting equipment containing PFAS, sourced compliant replacement equipment and foams, and updated our emergency response training for all our sites.

Managing emissions and ash

CS Energy understands our responsibility to operate in strict accordance with our emissions limits. We conduct regular maintenance at our power stations to control our emissions and keep our sites running efficiently.

We report our greenhouse emissions, energy consumption and energy production annually to the Clean Energy Regulator under the National Greenhouse and Energy Reporting (NGER) Scheme. Our NGER data is publicly available on the Clean Energy Regulator website at **www.cleanenergyregulator.gov.au.**

We also control, monitor and publicly report on sulphur dioxide (SOx), oxides of nitrogen (NOx) and fly ash emissions that are produced at our power stations. We report on these and other emissions annually to the National Pollutant Inventory and they can be viewed at **www.npi.gov.au.**

In FY2019 CS Energy commissioned projects to replace continuous emissions monitoring equipment to improve emissions monitoring data availability and reliability at Kogan Creek Power Station and Callide C3 Power Station. The monitoring systems are expected to be operational in the first half of FY2020 and will ensure the sites are able to reliably and consistently monitor emissions using real time technology.

Ash is a by-product of the combustion of coal at CS Energy's Callide and Kogan Creek power stations. Some 99.9 per cent of the ash created at these power stations is collected in a manner that allows it to be recycled into new products or stored on-site in ash dams or ash cells. Ash can be used as a cement replacement in concrete, a soil improver, an absorbent for waste, and as fill in large civil engineering projects such as highway embankments and mine site rehabilitation.

Water use

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 site is the dry-cooled Kogan Creek Power Station, which uses 95 per cent less water than a conventional wet-cooled power station. The limited amount of water the power station does use is sourced from local bores and surface water run off collected in stormwater dams.

In FY2019, CS Energy introduced improvements to the demineralised water treatment process at Kogan Creek Power Station to reduce bore water use. Infrastructure was put in place to provide a treated stormwater supply as an alternative water source for demineralised water used in the power station boiler.

We regularly monitor the inputs and outputs of the electricity generation process at our sites to support compliance with Queensland and Australian environmental legislation

Health and Safety

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

FY2019 at a glance:

- Improved safety performance with our lowest ever Total Case Recordable Frequency Rate of 3.35.
- Integrated process safety into our business as usual activities.
- Reduced our land transport risks by introducing journey management and chain of responsibility systems.

Photo: Senior Electrical Tradesperson Matthew Ruhl (left) and Electrical Engineer Leonard Nhokwara at Wivenhoe Power Station.

Safety

Our cultural improvement program and focus on overhaul safety delivered our best safety result since 1998, though it was just outside our target.

CS Energy's number one priority is making sure everyone at our sites return home safe at the end of the working day.

Our health and safety strategy focuses on safety culture, fit and healthy people, simple systems and an injury-free workplace. Through this strategy we aim to achieve predictable and sustainable health and safety outcomes and support our strategic goal to drive relentlessly towards an injury-free workplace.

Survey results indicated that safety behaviours and attitudes have improved significantly across the business since 2017

Safety performance

In FY2019, our primary safety measure was Total Case Recordable Injury Frequency Rate (TCRFR), which measures the number of lost time injuries and medical treatment injuries per million hours worked. CS Energy's FY2019 TCRFR of 3.35 was our lowest on record but just outside our target of less than 3.0. We also achieved our lowest ever All Injury Frequency Rate (AIFR) of 31.8, which is a measure of the total number of injuries (including minor first aid treatments) per million hours worked.

These positive trends in our safety performance can be attributed to the execution of our Health and Safety Strategy, in particular the CODE culture improvement program, and an increased focus on safety during overhauls.

Ensuring that we have effective controls in place for high risk activities continued to be a major priority for the business. We introduced field-based critical controls for the hazards that are most likely to result in a serious injury or fatality, along with a system to track the effectiveness of these controls.

We also improved our contractor management processes to reduce the safety risks around workers who may not be as familiar with our sites as our employees, particularly during overhauls.

In FY2020 we will use All Injury Frequency Rate(AIFR) as our primary safety metric, in recognition of our drive towards zero harm.

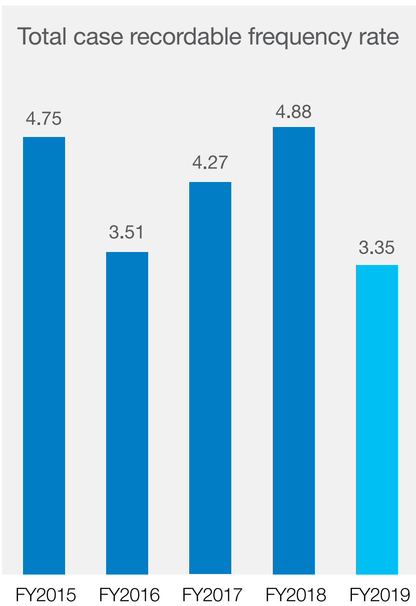
Safety culture

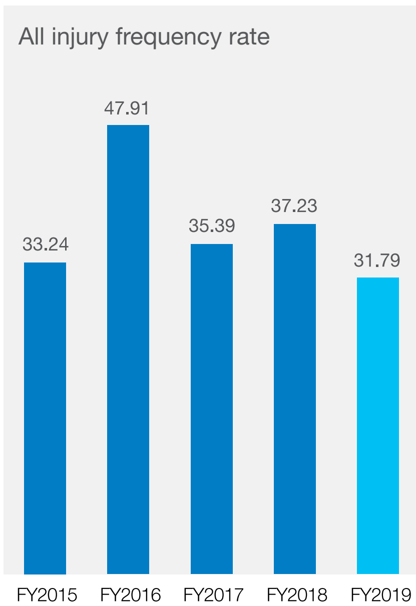
In FY2019, CS Energy embedded the safety culture improvement activities rolled out the year before through the 'CODE' program, which applied behavioural psychology to safety and wellbeing.

An independent safety culture survey was conducted in March 2019 to measure how far CS Energy's safety culture had progressed since our last survey two years ago. A total of 327 employees responded to the survey, which asked them to provide their views on CS Energy's work environment, safety practices and procedures, safety behaviours and the level of commitment to safety shown by leaders.

The survey results indicated that safety behaviours and attitudes have improved significantly across the business since 2017. The survey showed that supervisor safety commitment and team safety support are key strengths of the business while underreporting and some safety systems are areas for further improvement.

In FY2020 we will continue to invest in cultural improvement programs, guided by the survey results. This includes systems improvements and further training and coaching in the concepts associated with the CODE program.





Case Study: Building our process safety capability

CS Energy integrated process safety into our business as usual activities in FY2019, following the introduction of a process safety management system the year before. Our system is based on the Energy Institute's High Level Framework for Process Safety Management, ISO 55000 for Asset Management and ISO 31000 for Risk Management.

Process safety is about keeping our plant hazards under control – keeping the electricity in the wires, steam and gas inside the pipes, and the water behind the dam. Process safety is underpinned by good asset management and goes hand in hand with our commitment to personal safety at CS Energy.

At CS Energy there are six key process safety hazards that we manage:

- Explosive and flammable substances
- High energy fluids (like water and steam)
- Toxic chemicals
- Electricity
- Rotating plant (like turbines)
- Civil structures (like cooling towers and dams).

Process Safety Improvement Manager Ngaire Moran said everyone at CS Energy has a role to play in identifying and managing plant hazards and risks.

"Our approach to process safety is about make sure our people understand the hazards, know the critical controls, monitor those controls to make sure they are working, and always report their concerns if something doesn't feel right," Ngaire said.

During the year we increased our employee capability by introducing training for all employees as well as incorporating process safety incidents into our wider safety reporting system to help us learn from events.

As part of our drive to increase our process safety capability, CS Energy hosted an industry briefing by Dr Andrew Hopkins, Emeritus Professor of Sociology at the Australian National University in March 2019. Dr Hopkins led a discussion on "Why accidents repeat", addressing both the human and organisational causes of major accidents and how to prevent them from occurring.

In FY2020, we will prioritise our major process safety hazards and identify our critical controls to manage our risks.

Photo: Kogan Creek Plant Engineering Supervisor Con Lamari conducts vibration testing on steam pipes.

Training materials were developed to increase awareness and provide opportunity for industry standardisation

Health and wellbeing

CS Energy was very active at an organisational and industry level to improve management of risks associated with health and wellbeing. This included our occupational hygiene programs and further improving our employee health and wellbeing support programs.

As part of our new occupational hygiene framework we completed our first full year of site monitoring to identify at risk occupations. Annual dust and noise control plans were also put in place to develop a continuous improvement approach to these hazards.

At an industry level, CS Energy was an active participant in the development of the new industry Code of Practice for managing dust hazards at power stations, which was enacted by legislation in December 2018.

CS Energy continued to offer flu vaccinations and skin health checks for our employees. We also maintained our commitment to our employees' mental health by offering free counselling through our Employee Assistance Program and the Mates in Energy suicide prevention program.

Sharing knowledge in our industry

As chair of the Australian Energy Council's Health and Safety Working group, CS Energy helped lead the development of an industry guideline for arc flash management. Training materials were developed to increase awareness and provide opportunity for industry standardisation, along with new industry performance metrics for benchmarking.

CS Energy also chaired the Queensland Generators' Safety Forum and hosted their inaugural Health and Safety Innovation wards in Brisbane in November 2018. This event was the largest gathering of workplace representatives and senior management for health and safety across industry and planning is underway for the second awards.

Simple systems

We improved our land transport risk controls by implementing a Chain of Responsibility management system for our transport and loading operations. Our key focus was managing the risks associated with vehicles over 4.5 tonnes to ensure their loads travel safely.

Reducing the risks around employees travelling by road was also a priority this year. We carried out a successful trial of the National Response Centre as our journey management system and began using the system across the business from 1 July 2019. NRC is a 24/7 call centre that provides a monitoring service to ensure our employees travelling by road have safely checked into their destinations.

People and community

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

FY2019 at a glance:

- Shifted our culture closer to our ideal of a constructive, high performance culture.
- Expanded our paid parental leave scheme of 14 weeks paid leave to include up to 12 months superannuation.
- Invested more than $190,000 in sponsorships in the local communities surrounding our operations.

Photo: Callide Power Station employees Anita Shaw, Cameron Shaw and Helene Schmidt.

Our people

We moved closer towards our ideal of a constructive culture and fostered new skills such as innovation to support our strategy.

At 30 June 2019 CS Energy employed 549 people across our three power station sites and the Brisbane Office. We employ professionals in a variety of occupations such as engineering, operations, trading and corporate functional roles. We also provide technical and trade opportunities and work placements for graduates, trainees, and apprentices.

As Australia's energy transformation gathered pace in FY2019, CS Energy recruited for additional roles to strengthen our trading function and optimise our generation assets. We also empowered our people to be more innovative and flexible so that we can adapt to the changes occurring in the energy market.

Through new initiatives such as our first Hack Day, we promoted collaboration and problem solving to grow and improve our business. We also continued building a more inclusive and diverse business and developing the next generation of the energy industry.

Culture shift gains traction

Since 2016 CS Energy has been building a constructive, high performance culture to help realise our strategy of building a commercially sustainable business. A constructive culture is one where employees are achievement focussed, take accountability and initiative, and support each other.

In March 2019 CS Energy conducted our bi-annual Culture and Engagement Survey to measure the effectiveness of our cultural improvement activities. More than 70 per cent of employees responded to the survey, with the results showing a positive movement in the business towards our ideal of a constructive culture.

Results showed significant improvement at both Callide and Kogan Creek power stations, and some parts of the Brisbane Office, whilst there are opportunities for improvements in other areas of the business.

Action plans based on key themes identified through employee feedback provided in the survey will be implemented in FY2020.

Inclusion and diversity

CS Energy is proud to foster an environment that builds respect, promotes inclusiveness, celebrates diversity and embraces the unique skills and qualities of our employees. In FY2019 we expanded our inclusion and diversity initiatives to progress the business towards our FY2022 diversity targets.

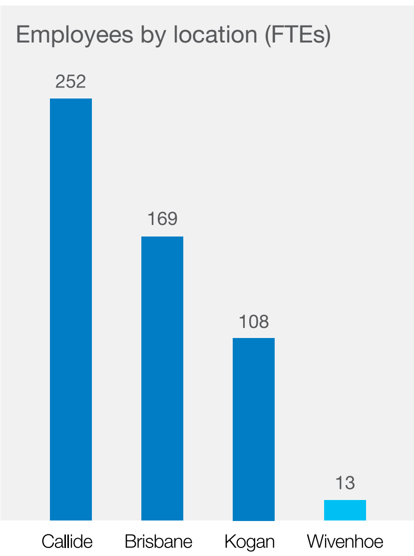
We updated our paid parental leave benefits for primary carers by providing superannuation payments during unpaid parental leave. CS Energy offers 14 weeks paid parental leave and now also provides up to 12 months superannuation payments (up to an additional 38 weeks). This change was designed to support our gender pay parity guarantee and attraction and retention of female employees.

New CEO Andrew Bills continued our commitment to gender pay parity by becoming a Pay Equity Ambassador for the Workplace Gender Equality Agency. 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 FY2019 confirmed that CS Energy pays men and women equally.

CS Energy has initiatives in place to support employees of any age – such as a transition to retirement process for our older workers, and graduate programs for new talent. We also recognise a number of special events throughout the year, such as International Women's Day, NAIDOC Week and White Ribbon Day.

We continued to put significant effort into increasing female and Aboriginal and Torres Strait Islander participation in on our workforce. We hired 37 women this year, including six in non-traditional roles, and provided leadership development for emerging female leaders.

The gender and cultural diversity recruitment market has become highly competitive. Our Employee Value Proposition developed in FY2018 is helping attract a more diverse applicant pool. In the year ahead, CS Energy will refine our attraction and retention strategies further to ensure we stay on track to meet our 2022 diversity targets.



CS Energy workforce

Performance	FY2018	FY2019
Employee numbers (FTEs)	488	542
Employee retention (%)	92.7	89.0

Workforce diversity

Target group	FY2019 actual (%)	FY2022 target (%)
Women	21.3	30.0
Aboriginal and Torres Strait Islanders	1.1	3.0
Non-traditional roles held by women	6.4	10.0
Leadership positions held by women	18.1	45.0

Every employee has an individual development plan to expand their skills and capabilities through challenging assignments, coaching and formal training

Growing skills and the next generation

Attracting and retaining people with the right skills and experience is crucial to CS Energy delivering on our strategy. Every employee has an individual development plan to expand their skills and capabilities through challenging assignments, coaching and formal training.

A key focus area this year was providing increased opportunities for young people to start their career in the energy industry and provide a future talent pipeline for the business.

We introduced an engineering scholarship program for recent school leavers in our local communities. The first recipients were four 2018 graduates from Chinchilla State High School who have commenced engineering degrees at The University of Queensland.

We also contributed to the QUT Learning Potential Fund, which supports engineering students from regional areas who are facing economic challenges.

These scholarships complement our graduate and vacation practice programs. Our current graduates participated in their rotations across our sites and we recruited for the FY2020 intake of four graduate engineers. Twelve engineering students put their studies into practice over the summer in the largest ever intake of our vacation practice engineering program.

We continued our long-running commitment to vocational education and training by welcoming six new electrical and instrumentation apprentices at our power stations and three business administration trainees at our corporate office.

Leadership development continued to be a priority for the business to ensure that our leaders have the right capability to achieve our strategic priorities. We offered nationally recognised training in leadership and management, as well as tailored training programs for identified areas where capability building is required.

We also increased our focus on talent and succession to ensure we retain the people with the skills and capabilities crucial to the future success of our business. We conducted more frequent talent and succession reviews to monitor the effectiveness of our talent pipeline and provided key talent with greater opportunities for cross-functional secondments.

Industrial relations

CS Energy maintains separate enterprise agreements for each of our three power station sites and the Brisbane Office. The enterprise agreements 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.

New enterprise agreements for Callide and Wivenhoe power stations were approved by the Fair Work Commission in FY2019, following successful employee votes at each site.

During the year CS Energy played an active role in preparing for the transfer of Wivenhoe Power Station to the portfolio of the Queensland's Government's new generator CleanCo in FY2020. CleanCo agreed on a set of recruitment principles for site-based employees who will be transferred to CleanCo and Brisbane office employees who may be impacted by the removal of Wivenhoe Power Station from our portfolio of assets.

All employees that transfer to CleanCo from CS Energy will maintain their existing conditions, including no forced redundancies or relocations.

Case Study: Hack Day encourages innovation

CS Energy held its first ever Hack Day in May 2019 to foster innovation and creativity – essential skills for adapting our business to the energy market of the future.

Hack Days are events where teams aim to solve a problem or develop ideas in a short amount of time. These events originated in the IT community, but many industries, including energy, are realising the benefits of having a dedicated day for innovation, collaboration, and creativity.

Eighty people from across the company, in 21 teams, participated in our Hack Day to brainstorm, problem solve, and present their ideas on how CS Energy can secure a safe, sustainable and successful future as an energy business.

Teams were provided with 12 themes to shape their ideas, with the themes mirroring CS Energy priorities such as improving safety, increasing plant reliability, process streamlining, and new revenue generation.

Ideas generated on the day ranged from a digital dashboard to gauge employee morale, finding more efficient ways to use our assets, to exploring new technologies.

Head of Business Improvement Rajesh Kulkarni said the response to Hack Day was outstanding.

"Even before the day we had an amazing amount of interest – Callide Power Station alone generated over 150 ideas before narrowing these down to three to bring to Hack Day," Raj said.

"That alone demonstrates the level of creativity at CS Energy. If we were selling tickets it would have been a sell-out event. The enthusiasm from everyone in the lead up and on the day was wonderful to see."

Aside from fostering collaboration and innovation, the objective of the day was to develop ideas that will deliver real value to the business. The top three ideas were recognised and awarded, and some ideas will be considered further by the Executive Leadership Team for potential implementation.

Photo: Satvinder Singh, Melissa Wickson and Carly Lennon in the Brisbane Office were among the 80 employees who participated in CS Energy's first Hack Day.

Community

We introduced a more rigorous community sponsorship program in FY2019 to deliver long-term benefits for our local communities.

At CS Energy, we are committed to investing in the regions that host our power stations to help build more vibrant, liveable communities. CS Energy has been a part of the Biloela community in Central Queensland for more than 20 years and the Western Downs for 15 years. We also have a presence in the greater Brisbane area of South East Queensland where Wivenhoe Power Station and our corporate office are located.

Community sponsorships

In July 2018 we implemented a new Community Relations Investment Procedure to provide greater structure and purpose to our sponsorships, grants and donations. The procedure ensures CS Energy derives maximum value for money from our community investment and supports our strategic goal of engaging our people and stakeholders in the success of our business.

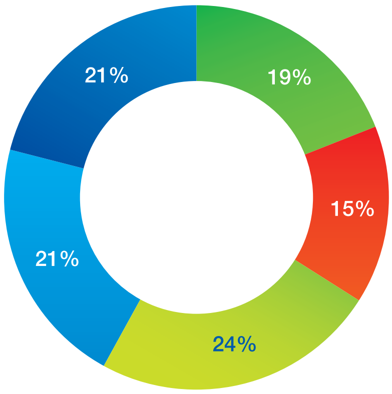
A key plank of our community relations is our new Community Sponsorships Program, which is awarded in two rounds per financial year. This approach is more transparent than our previous process and allows community groups to more effectively plan and budget for their projects.

To be eligible for a sponsorship, community projects or events must align with one or more of our five investment areas of focus:

- Safety and environment
- Social and community development
- Education
- Culture and art
- Active and healthy communities

In FY2019, CS Energy invested more than $190,000 across 28 not-for-profit groups and organisations. We prioritised initiatives that we believed will leave a positive, long-term legacy within our local communities.

FY2019 sponsorships by area of focus



- Safety and environment
- Social and community development
- Education
- Culture and art
- Active and healthy communities

Philanthropy

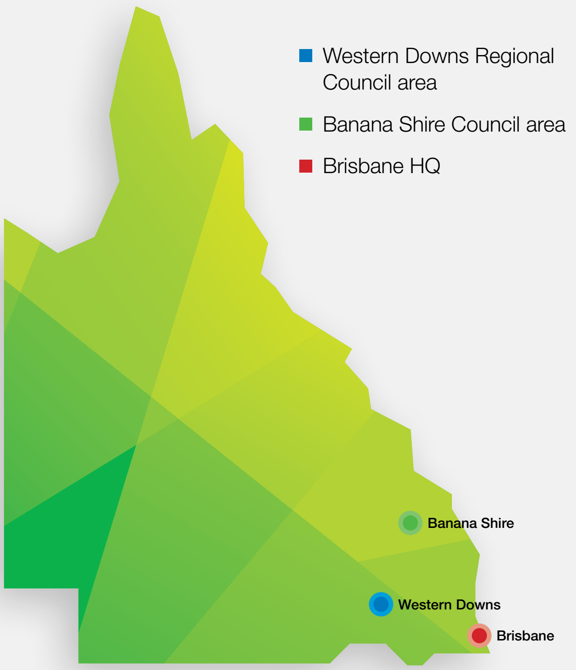
In FY2019 CS Energy employees donated more than $10,600 through our workplace giving program, *Generosity.* Since its inception in 2009, employees have generously donated more than $343,000 to our nine partner charities Capricorn Helicopter Rescue, Angel Flight, Cancer Council Queensland, Blue Care, Hear and Say Centre, Greening Australia, Hannah's House, Cerebral Palsy League of Queensland and the National Heart Foundation.

During the year CS Energy also donated more than $18,000 to many other worthy causes, including those set up to assist victims of recent bushfires, drought and flood. In addition, our employees personally donated more than $7,000 through proactive fundraising for various charitable causes that were important to our workforce.

Executive General Manager Revenue Strategy Darren Busine took part in the Vinnies CEO Sleepout in June 2019. Darren raised almost $10,000, of which CS Energy provided $4,000, which went towards Vinnies' support services for people experiencing homelessness.

At CS Energy, we are committed to investing in the regions that host our power stations to help build more vibrant, liveable communities

Sponsorships by location



Twenty-eight not-for-profit grounds and organisations shared in more than $190,000 in community sponsorship funding from CS Energy in FY2019. A full list of recipients is on our website at **www.csenergy.com.au/community/social-investment**

1 Western Downs Regional Council area

CS Energy supported 13 community sponsorships in the Western Downs in FY2019, including the biennial Chinchilla Melon Festival. This festival has grown to be a major drawcard for the Western Downs region, bringing more than 20,000-plus visitors and injecting millions into Chinchilla's economy. CS Energy employees ran the Melon Pip Spitting Competition where more than 400 people entered to see how far they could spit a melon seed.

2 Banana Shire

We funded 12 community sponsorship applications in the Banana Shire, including the Biloela All Abilities Dance and Exercise Program. Held at the Biloela PCYC, the program is for children aged between 4 and 12 years who are living with a disability. The program aims to increase health and wellbeing, improve movement, and build strength and confidence. It also provides community participation and social connection for caregivers.

3 Somerset and Brisbane

The Lowood Community Pantry was one of three applicants to receive funding from CS Energy in the Somerset and Brisbane areas in FY2019. The Community Pantry aims to connect Lowood families doing it tough with necessities such as non-perishable food items, toiletries and clothing. Community members in need can find the pantry at the front of the Lowood Hub during business hours on weekdays and help themselves to items they need.

The Energy Charter

CS Energy is a foundation signatory to the Energy Charter – a whole-of-sector initiative to achieve a more affordable, reliable and sustainable energy system for all Australians.

Eighteen CEOs from across the energy supply chain have committed to the Energy Charter, to progress the culture and solutions required to deliver energy in line with community expectations.

The Charter is a principles-based disclosure regime that can be applied to all businesses across the gas and electricity supply chains. It encourages signatories to collaborate to identify, prioritise and deliver over time key cross-sector initiatives that achieve credible customer outcomes.

By signing up to the Charter, CS Energy knows that we are at the start of long but constant journey to create a customer-focused culture in the business. The Charter will act as a constant reminder of our role in the energy industry and the five principles will help guide us to ensure that we meet the needs of our customers as well as the expectations of the broader Australian community.

Reporting our progress

Signatories will publicly report against the Energy Charter, outlining how they are meeting or making progress towards their Energy Charter commitments through annual disclosures due on 30 September each year. CS Energy will publish our first Energy Charter disclosure report on our website in October 2019.

An independent Accountability Panel will evaluate and assess the signatories' disclosures and prepare an assessment report, which will be published in late 2019 on the Energy Charter website at **www.theenergycharter.com.au.**

Energy businesses across the supply chain have committed to the Energy Charter

Corporate Governance Report

CS Energy reports against the Corporate Governance Guidelines for Government-Owned Corporations and 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 and *The ASX Corporate Governance Principles and Recommendations, 4th Edition, February 2019.*

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 2019, the Board comprised five independent, non-executive Directors. Profiles of CS Energy's directors can be found on page 40 of this report and on CS Energy's website.

Board committees

During FY2019, four Board Committees assisted the Board in the execution of its duties and consideration of key business issues:

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

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).

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.

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

The 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.

Composition of Board Committees as at 30 June 2019

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

Board and Committee meeting attendance FY2019

	Board		Audit and Risk Committee		People, Safety and Environment Committee		Innovation and Sustainability Committee		Reliability and Plant Performance Committee	
Director	H	A	H	A	H	A	H	A	H	A
Jim Soorley	15	15	N/A	3*	4	4	3	3	7	7
Brian Green	15	13	5	5	4	2	3	3	7	7
Julie-Anne Schafer	15	13	5	4	4	4	N/A	3*	N/A	N/A
Toni Thornton	15	13	5	5	N/A	N/A	3	2	N/A	N/A
Peter Schmidt	15	13	5	4	4	4	3	3	7	6

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.

Committee restructure

The annual Board evaluation conducted during the year recommended a number of changes to enhance governance structures. A restructure of the four Board Committees was recommended to ensure alignment with CS Energy's strategic focus and the priorities of work that will guide CS Energy's future success. The new Board Committees took effect from 1 July 2019.

New committee	Key focus areas
Culture and Remuneration Committee	Culture, remuneration and people
Performance Committee	Plant, asset strategy, safety and environment performance
Enterprise Risk Committee	Enterprise risk
Audit and Finance Committee	Audit, finance and treasury

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 page 42 of this report for biographies of executive level managers at CS Energy in FY2019.

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.

Please refer to page 40 of this report for biographies of CS Energy's Board.

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.

CS Energy values and fosters a constructive culture approach to all business activity and has established a dedicated Culture and Remuneration Board Committee to assist the Board discharge and monitor these responsibilities. The Culture and Remuneration Committee took effect from 1 July 2019.

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 (Assurance) 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 representatives and oversees progress on implementing recommendations from those reports, on behalf of the Board.

CS Energy's assurance 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 FY2019 SCI targets is summarised on page 6 of this report.

Dividend policy

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

The dividend recommendation is based on the current forecast of the net profit after tax for the CS Energy Limited consolidated group, adjusted for the net after tax impact of any material non-cash transactions, resulting in the adjusted net profit after tax.

The timeframe for a dividend payment is governed by Section 131 of the GOC Act. Dividends must be paid within six months after the end of the financial year or any further period that the shareholding Ministers allow.

Directions and notifications

CS Energy's shareholding Ministers can issue directions and notifications to the CS Energy Board. Section 120(e) of the GOC Act requires CS Energy to include in its Annual Report particulars of any directions and notifications given to it by shareholding Ministers that relate to the relevant financial year.

Directions from shareholding Ministers in FY2019

Authority	Date	Direction
S.257 of the *Electricity Act 1994*	6 September 2018	To cooperate with the CleanCo Implementation Taskforce in the establishment of CleanCo.
S.257 of the *Electricity Act 1994*	6 September 2018 (as further directed on 20 June 2018)	To develop, finalise and implement the Transitional Services Agreement between CS Energy and CleanCo Taskforce in the establishment of CleanCo.

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.

From 1 July 2019, the Culture and Remuneration Committee will be responsible for this function.

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.

Board

Jim Soorley
Non-Executive Chairman

MA, BA

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.

More recently, 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.

In FY2019 Jim chaired CS Energy's Innovation and Sustainability Committee.

Brian Green
Non-Executive Director

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

Director since 23 August 2012

Brian Green has been involved with the electricity industry for more than 40 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. Prior to this, Brian was General Manager of Operations for NRG Energy, an American-owned energy company, operating 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.

In FY2019 Brian chaired CS Energy's Reliability and Plant Performance Committee.

Julie-Anne Schafer
Non-Executive Director

L.L.B (Hons), FAICD

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 Queensland Urban Utilities, AV Super, Catholic Church Insurance Limited and Chair of the National Injury Insurance Agency Qld. 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 Women's award winner.

Toni Thornton
Non-Executive Director

BA PolSci Ec, GradCert AppFin

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. Her current directorships include Devcorp, Habitat Early Learning and Triathlon Queensland.

In FY2019, Toni chaired CS Energy's Audit and Risk Committee. Toni was previously a Board member of South Bank Corporation, chair of the strategic advisory group to RSL Queensland and a director of the Gallipoli Medical Research Foundation.

Toni has more than 10 years' experience in audit at Board level, is a licensed real estate agent and, during her time at Goldman Sachs, was a responsible executive with the ASX holding both derivative and RG146 accreditation. She has also completed an Accelerated Executive Management program through AGSM (The Australian School of Business), the Goldman Sachs JBWere Non-Profit Leadership Program, and the Goldman Sachs Executive Director Leadership Program.

Toni has significant strategic advisory experience with prominent Queensland listed companies, some of Australia's wealthiest family offices and not-for-profit organisations including strategic advisory work for a number of significant Queensland hospital groups and other well-known not-for-profit groups.

Peter Schmidt
Non-Executive Director

B. Tech, FIEAust, CPEng (Ret), GAICD
MBA Technology Management

Director since 12 October 2017

Peter Schmidt has more than 40 years' experience in the operation and management of large industrial assets. He has held executive positions in the power generation industry in engineering, asset management, operations and project management.

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 fellow of the Institution of Engineers, a Graduate Member of the Australian Institute of Company Directors and holds an MBA in Technology Management.

In FY2019 Peter chaired CS Energy's People, Safety and Environment Committee.

Executive Leadership Team

Andrew Bills
Chief Executive Officer

MBA, BA, AICD

Andrew Bills commenced as CS Energy's Chief Executive Officer on 22 October 2018. He has more than 20 years' experience in the energy and infrastructure industry where he has worked in trading, retail, generation, LPG, solar, and renewables.

Prior to joining CS Energy, Andrew worked for Origin Energy nearly a decade in multiple roles with his last as General Manager LPG and Health, Safety and Environment in the Energy Markets Division. In this role Andrew led the LPG arm of the business, a complex task managing the entire supply chain that spans across 75 sites in nine countries, including four joint ventures in the Asia Pacific.

Prior to Origin, Andrew worked at Babcock & Brown Power where he was responsible for managing commercial operations undertaking several acquisitions and managing joint ventures. Before that he was a senior executive at Stanwell Corporation where he managed the trading and marketing functions.

Andrew has served as a director on multiple boards, including as Chairman of Gas Energy Australia, and an Industry Representative on the Advisory Council to the Energy and Water Ombudsman Queensland. He is currently a director on the board of the Australian Energy Council.

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's role is to align CS Energy's long-term growth strategy with the business' shorter-term market trading function.

In addition to driving CS Energy's revenue strategy, Darren is also 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.

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.

Colin Duck
Executive General Manager Asset Management

BE(Hons), MBA

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 a number of 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.

Alistair Brown
Acting Executive General Manager Plant Operations

BAppSc (Chem), DipMgt

Alistair Brown has been the Acting Executive General Manager of Plant Operations at CS Energy since March 2019. In this role he manages the operational performance of CS Energy's generation assets as well as the environment, and health and safety functions in the business.

Alistair's substantive role at CS Energy was Group Manager Operations Services where he led key systems and processes for the Plant Operations division and managed the Callide C joint venture relationship.

He has worked in the energy industry for 35-years and has held a range of other senior corporate and operational roles at CS Energy including leadership of Governance, Risk and Compliance, Health and Safety, and General Manager of Callide and Swanbank power stations.

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 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.

Financial Report

for the year ended 30 June 2019

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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 2019.

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.

More recently, 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.

In 2019 Jim chaired CS Energy's Innovation and Sustainability Committee.

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 40 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. Prior to this, Brian was General Manager of Operations for NRG Energy, an American-owned energy company, operating 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.

In 2019, Brian chaired CS Energy's Reliability and Plant Performance Committee.

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 Queensland Urban Utilities, AV Super, Catholic Church Insurance Limited and Chair of the National Injury Insurance Agency QLD. 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. Her current directorships include Devcorp, Habitat Early Learning & Triathlon Queensland.

In 2019 Toni chaired CS Energy's Audit and Risk Committee. Toni was previously a Board member of South Bank Corporation, chair of the strategic advisory group to RSL Queensland and a director of the Gallipoli Medical Research Foundation.

Toni has more than ten years' experience in audit at Board level, is a licensed real estate agent and during her time at Goldman's was a responsible executive with the ASX holding both derivative and RG146 accreditation. She has also completed an Accelerated Executive Management program through AGSM (The Australian School of Business), the Goldman Sachs JBWere Non-Profit Leadership Program and the Goldman Sachs Executive Director Leadership Program.

Toni has significant strategic advisory experience with prominent QLD listed companies, some of Australia's wealthiest family offices, not-for-profit organisations including strategic advisory work for a number of significant Queensland hospital groups and other well-known not-for-profit groups.

Peter Schmidt

B. Tech, FIEAust, CPEng (Ret), GAICD

Non-Executive Director
Director since 12 Oct 2017

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

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 Fellow of the Institution of Engineers, a Graduate Member of the Australian Institute of Company Directors and holds an MBA in Technology Management.

In 2019 Peter chaired CS Energy's People, Safety and Environment Committee.

CS ENERGY LIMITED

Directors' report

30 June 2019

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	
	2019 $'000	2018 $'000
Profit after income tax	160,309	230,980

Dividends

The dividend declared in respect to the current financial year is $165.2 million.

The dividend amount represents 80% of the consolidated group's profit for the year, which is adjusted for material non-cash transactions including fair value gains and losses, onerous contract re-measurement and asset impairments.

Review of operations

Health and safety

CS Energy has experienced its best annual Health and Safety performance in 2019. The Lost Time Injury Frequency Rate, Total Recordable Case Frequency Rate, All Injury Frequency Rate and Severity Rate were at historical lows for year-end results on 30 June 2019 which is a reflection CS Energy's improving safety culture and focus on safety leadership and system simplification.

Since 2011, there has been a 40% reduction in total injuries and a 70% reduction in recordable injuries. This performance has resulted in forecast workers compensation premiums falling to approximately 60% of the industry premium cost.

Supporting this improvement was safety culture survey results which generally showed a high improvement in safety culture and engagement. The recommendations from this survey will inform the strategic focus areas in 2019/2020, including further development of our safety leadership capability, targeted campaigns and working with our contractors for improved safety outcomes.

Performance

CS Energy's profit after income tax was $160.3 million for the year (2018: $230.9 million).

This result was delivered through improved market prices and continued strength in 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 19% ($199.5 million) to $1,260.2 million primarily through improved wholesale electricity prices and 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.

CS Energy's trading generation portfolio produced 14,524 GWh (2018: 14,301 GWh), an increase of 223 GWh enabled by improved thermal plant availability during 2019 of 87.1% (2018: 84.2%).

CS Energy increased revenue from sales of electricity due to an increase in pool prices with Queensland recording a Time Weighted Pool Price for 2019 of $80.29/MWh (2018: $72.87/MWh). CS Energy entered into forward electricity contracts in prior years for 2019 to reduce the exposure to pool price volatility, therefore achieved a higher realised price on the generation and contract portfolio in 2019 of $86.77/MWh (2018: $74.17/MWh).

Operational cost increased primarily due to increased costs associated with supplying electricity to retail customers due to the growth in our retail portfolio, changes in the fair value of derivatives through the profit or loss and re-measurement of onerous contracts.

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 December 2018, CS Energy won a competitive procurement process to supply wholesale electricity to large Queensland Government sites for 10 years from 1 January 2019. The contract also supports Queensland's commitments under its Climate Transition Strategy. The contract has an initial renewable energy allocation and contains a flexible mechanism to increase the initial allocation to 50 per cent over the life of the contract. CS Energy is also providing the retail services to these Government customers for an initial three-year period, with over 1000 large sites and 50 customers acquired under the retail arrangements. This is a significant step in building CS Energy's retail customer base for large energy users.

The Queensland Government contract epitomises a core focus of CS Energy's newly established retail function, to respond to the changing needs of large energy users. CS Energy has seen increased interest from large energy users 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 and intermittent generation and will be investigating alternate strategies to optimise its value in the changing energy landscape.

Policy and regulatory developments

Significant policy and regulatory reform is occurring in the Australian energy market.1 July 2019 saw the implementation of the Default Market Offer (DMO) and the Retailer Reliability Obligation (RRO). The DMO acts as a ceiling on the price of default offers, and will be used to set a reference price from which all discounts must be calculated. The pricing offered under the Alinta Joint Venture (which was promoted as a 28% discount prior to the DMO) is below the DMO set by the Australian Energy Regulator (AER). However, moving forward, this pricing when calculated as a discount from the AER's reference price is approximately a 16% discount off the reference price.

The RRO implements the reliability component under the now abandoned National Energy Guarantee. If the RRO is triggered, most of the obligations under the RRO will be satisfied by retailers, which includes CS Energy in respect of its retail customer base. Retailers will be penalised in circumstances where they fail to contract sufficient firm capacity during periods of forecast reliability gaps. CS Energy will be able to rely on its internal generation portfolio to meet these obligations. CS Energy will also have obligations as an MLO Group, and must comply with the Market Liquidity Obligation. Effectively, this may require CS Energy to reserve up to 10% of its portfolio to meet the obligation. At this time, Australian Energy Market Organisation (AEMO) is not forecasting a reliability gap for Queensland, with forecasts showing supply will be sufficient to meet demand.

CS Energy is also preparing for the commencement of the 5 Minute Settlement Rule on 1 July 2021, which requires significant changes to CS Energy's trading systems.

There is also considerable policy and regulatory reform currently under consultation and anticipated. This includes the Commonwealth's Prohibiting Energy Market Misconduct Bill; the Australian Energy Market Commission (AEMC) COGATI (Coordination of Generation and Transmission Investment) market review; provision of frequency control ancillary services; the Energy Security Board's post 2025 market design review and implementation of AEMO's inaugural Integrated System Plan.

CS Energy is proactive in the reform process, maintaining a voice in policy and regulatory developments by participating in relevant consultation processes and working groups, and through its membership of various industry bodies including the Australian Energy Council.

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, senior executives and certain other senior officers, 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 100.

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.

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 2019, 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	3*	4	4	3	3	7	7
Brian Green	15	13	5	5	4	2	3	3	7	7
Julie-Anne Schafer	15	13	5	4	4	4	N/A	3*	N/A	N/A
Toni Thornton	15	13	5	5	N/A	N/A	3	2	N/A	N/A
Peter Schmidt	15	13	5	4	4	4	3	3	7	6

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 2019

Matters subsequent to the end of the financial year

On 24th July 2019 the Queensland Government announced that Queensland's third publicly-owned electricity generator, CleanCo, would commence trading in the national electricity market on 31 October 2019. CS Energy asset Wivenhoe Power Station will transfer to CleanCo on 31 October 2019 in line with commencement of trading. CS Energy will continue to provide operating and maintenance support during a transition period past trading date, which has yet to be finalised. Accordingly, the Wivenhoe Power Station has been recognised as held for distribution.

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

Antonia Thornton
Director

Brisbane

CS ENERGY LIMITED

Statements of Profit or Loss

for the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent (1) 2019 $'000	Parent (1) 2018 $'000
Sales of electricity	1	1,260,183	1,060,689	478,872	505,938
Operation and maintenance services		31,258	50,858	60,614	99,875
Other income	1	9,940	18,923	9,211	27,878
Fuel		(216,969)	(214,892)	(165,319)	(169,225)
Electricity and energy services expense	2	(246,048)	(135,106)	(131,157)	(81,735)
Services and consultants		(112,384)	(114,049)	(59,687)	(96,369)
Finance costs	2	(66,267)	(91,180)	(63,599)	(88,800)
Employee benefit expense	2	(108,511)	(98,617)	(87,316)	(76,044)
Raw materials and consumables		(48,889)	(59,691)	(34,485)	(43,552)
Capacity payments and operating leases (2)		(40,172)	(40,167)	(40,109)	(40,103)
Other expenses	2	(43,389)	(30,969)	(20,572)	(17,102)
Fair value (loss)/gain through profit/(loss)	6	(24,846)	83,528	(24,846)	83,528
Depreciation and amortisation	15	(139,681)	(139,710)	(58,408)	(58,957)
Asset impairment (expense)/reversal	15	(205)	3,600	(205)	-
Onerous contract – re-measurement	16	(25,085)	35,191	(25,085)	35,191
Dividends received		-	-	214,206	-
Profit before income tax		**228,935**	**328,408**	**52,115**	**80,523**
Income tax (expense)/benefit	17	(68,626)	(97,428)	48,625	(24,158)
Profit for the year		**160,309**	**230,980**	**100,740**	**56,365**

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

(2) Line item re-named from 2018 to better reflect substance of contracts.

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 2019

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit for the year	**160,309**	**230,980**	**100,740**	**56,365**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	(90,232)	88,175	(90,232)	88,175
Items that will not be reclassified to profit or loss				
Actuarial (loss)/gain defined benefit plan, net of tax	(5,673)	4,351	(5,673)	4,351
Other comprehensive income for the year, net of tax	**(95,905)**	**92,526**	**(95,905)**	**92,526**
Total comprehensive income for the year	**64,404**	**323,506**	**4,835**	**148,891**
Total comprehensive income for the year is attributable to: **Owners of CS Energy Limited**	**64,404**	**323,506**	**4,835**	**148,891**

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 2019

		Consolidated		Parent	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets					
Current assets					
Cash and cash equivalents	3	35,820	36,225	24,740	22,368
Loans and receivables	5	483,911	385,723	395,607	310,006
Inventories	13	100,561	91,060	43,924	37,184
Derivative financial instruments	6	85,821	45,077	85,821	45,077
Assets held for distribution	7	58,689	-	58,689	-
Total current assets		**764,802**	**558,085**	**608,781**	**414,635**
Non-current assets					
Derivative financial instruments	6	44,269	82,603	44,269	82,603
Property, plant and equipment	15	1,391,615	1,488,368	369,697	422,621
Retirement benefit assets	14	19,101	28,379	19,101	28,379
Equity accounted investments		1	1	-	-
Investment in subsidiaries	25	-	-	51,815	51,815
Loans to related parties	5	-	-	476,112	561,821
Total non-current assets		**1,454,986**	**1,599,351**	**960,994**	**1,147,239**
Total assets		**2,219,788**	**2,157,436**	**1,569,775**	**1,561,874**
Liabilities					
Current liabilities					
Trade and other payables	8	129,619	124,709	83,552	91,314
Interest bearing liabilities	9	-	207,748	-	207,748
Provisions	16	279,340	149,719	274,918	144,816
Derivative financial instruments	6	176,241	90,866	176,241	90,866
Liabilities held for distribution	7	8,037	-	8,037	-
Total current liabilities		**593,237**	**573,042**	**542,748**	**534,744**
Non-current liabilities					
Other payables	8	29	58	-	-
Interest bearing liabilities	9	557,353	434,962	557,353	434,962
Deferred tax liabilities	17	52,962	131,685	(61,995)	387
Derivative financial instruments	6	83,919	15,703	83,919	15,703
Provisions	16	355,799	324,666	262,687	230,615
Total non-current liabilities		**1,050,062**	**907,074**	**841,964**	**681,667**
Total liabilities		**1,643,299**	**1,480,116**	**1,384,712**	**1,216,411**
Net assets		**576,489**	**677,320**	**185,063**	**345,463**
Equity					
Share capital	18	1,114,414	1,114,414	1,114,414	1,114,414
Accumulated losses	19	(467,051)	(456,452)	(858,477)	(788,309)
Reserves	19	(70,874)	19,358	(70,874)	19,358
Capital and reserves attributable to owners of CS Energy Limited		576,489	677,320	185,063	345,463
Total equity		**576,489**	**677,320**	**185,063**	**345,463**

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 2019

Consolidated

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2018					
Balance at 1 July 2017		1,114,414	(68,817)	(566,052)	479,545
Comprehensive income for the year					
Profit for the year		-	-	230,980	230,980
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	88,175	-	88,175
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	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**
Changes in equity for 2019					
Balance at 1 July 2018		1,114,414	19,358	(456,452)	677,320
Comprehensive income for the year					
Profit for the year		-	-	160,309	160,309
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(90,232)	-	(90,232)
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(5,673)	(5,673)
Total comprehensive income for the year		**-**	**(90,232)**	**154,636**	**64,404**
Dividends declared		-	-	(165,235)	(165,235)
Balance at 30 June 2019		**1,114,414**	**(70,874)**	**(467,051)**	**576,489**

Parent

	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
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					
Profit for the year		-	-	56,365	56,365
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	88,175	-	88,175
Actuarial gain on the defined benefit plan, net of tax	19	-	-	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**
Changes in equity for 2019					
Balance at 1 July 2018		1,114,414	19,358	(788,309)	345,463
Total comprehensive income for the year					
Profit for the year		-	-	100,740	100,740
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(90,232)	-	(90,232)
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(5,673)	(5,673)
Total comprehensive income for the year		**-**	**(90,232)**	**95,067**	**4,835**
Dividends declared		-	-	(165,235)	(165,235)
Balance at 30 June 2019		**1,114,414**	**(70,874)**	**(858,477)**	**185,063**

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash flows from operating activities					
Cash receipts from customers		1,416,521	1,239,520	604,883	669,600
Cash payments to suppliers and employees		(952,073)	(821,952)	(611,670)	(559,740)
Cash generated from/(used) in operations		**464,448**	**417,568**	**(6,787)**	**109,860**
Cash margining contributions		(68,371)	149,694	(68,371)	149,694
Interest received		7,546	6,094	7,530	6,072
Operating borrowing costs paid		(47,706)	(72,418)	(47,706)	(72,404)
Tax equivalent payment		(18,876)	(961)	(18,876)	(961)
Net cash inflow/(outflow) from operating activities	4	**337,041**	**499,977**	**(134,210)**	**192,261**
Cash flows from investing activities					
Payments for property, plant and equipment		(107,458)	(68,001)	(66,936)	(24,705)
Repayments of loans from related parties		-	-	219,300	252,442
Dividends received		-	-	214,206	-
Deposit with General Government Sector advances facility		(18,900)	(235,000)	(18,900)	(235,000)
Net cash inflow/(outflow) from investing activities		**(126,358)**	**(303,001)**	**347,670**	**(7,263)**
Cash flows from financing activities					
Repayment of borrowings	9	(85,357)	(169,371)	(85,357)	(169,371)
Dividends paid		(125,731)	(122,912)	(125,731)	(122,912)
Net cash (outflow) from financing activities		(211,088)	(292,283)	(211,088)	(292,283)
Net (decrease)/increase in cash and cash equivalents		**(405)**	**(95,307)**	**2,372**	**(107,285)**
Cash and cash equivalents at the beginning of the financial year		36,225	131,532	22,368	129,653
Cash and cash equivalents at the end of the year	3	**35,820**	**36,225**	**24,740**	**22,368**

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

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2019

Section 1: Basis of preparation

The Statements 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 2019 and were authorised for issue by the Board of Directors on 23 August 2019.

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, except as otherwise stated;
- adopt all new Accounting Standards and Interpretations issued by the AASB that are effective for reporting periods ending on 30 June 2019;
- 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 2019 reflect a net asset position for the consolidated group of $576.5 million (2018: $677.3 million) and $185.1 million (2018: $345.5 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 2019, the group had approved borrowings of $557.4 million (2018: $642.7 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 $225.0 million short term working capital facility with the QTC which was fully undrawn (refer Note 10).

QTC has confirmed in a letter to Management dated 19 July 2019 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 10 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.

New and amended accounting standards adopted by the consolidated group

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* (AASB 9) is the replacement standard to AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) which is effective for annual reporting periods commencing on or after 1 January 2018.

AASB 9 is applicable to CS Energy for the financial year ended 30 June 2019 with a transition date of 1 July 2018. AASB 9 comprises three broad areas of revised accounting guidance:

- Classification and measurement of financial instruments;
- Impairment of financial assets; and
- General hedge accounting.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had significant effect on CS Energy's accounting policies related to classification of financial assets and liabilities. The following table shows the original measurement categories under AASB 9 for each class of financial assets and liabilities as at 1 July 2018.

Consolidated	AASB 139	AASB9	AASB139	AASB9
1 July 2018	Classification	Classification	$'000	$'000
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	36,225	36,225
Loans and receivables	Loans and receivables	Amortised cost	385,723	385,723
Derivative financial instruments (1)	Fair value-hedging instrument	FVTPL	127,680	127,680

Consolidated	AASB 139	AASB9	AASB139	AASB9
1 July 2018	Classification	Classification	$'000	$'000
Financial Liabilities				
Trade and other payables	Other financial liabilities	Amortised cost	124,767	124,767
Interest bearing liabilities	Other financial liabilities	Amortised cost	642,710	642,710
Derivative financial instruments (1)	Fair value-hedging instrument	FVTPL	106,569	106,569

(1) Some derivative financial assets and liabilities are hedge accounted as noted in Section 3 Note 6. The effective portion of the fair value movement of the hedge accounted derivatives are recognised in other comprehensive income.

Financial assets classified as loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial assets and liabilities measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

A new impairment model was introduced in AASB 9 for provisioning trade and other receivables replacing the existing incurred loss model with a forward-looking expected credit loss (ECL) model. This means a credit event will no longer need to occur before an impairment allowance is recognised. The consolidated group has assessed the impact of the new impairment model on AASB 9 transition and the difference is not material.

AASB 9 retains the key building blocks of AASB 139's hedge accounting model but introduces many technical changes to better align accounting outcomes with risk management practices. It enables a wider range of economic hedging strategies to achieve hedge accounting and reduces the potential for hedge ineffectiveness. While this provides an opportunity to reassess and reshape the contract portfolio to reduce future fair value impacts in the Statements of Profit of Loss, the hedge accounting changes of AASB 9 has no substantive impact on CS Energy's current hedge accounting policy as hedging relationships continue to meet requirements.

CS Energy has concluded that there is no material accounting impact on adopting AASB 9 (i.e. classification, impairment and hedge accounting impacts are all negligible). Thus, a restatement of prior period figures was not required.

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Notes to the consolidated financial statements

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AASB 15 *Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers (AASB15) replaces AASB 118 Revenue, which covers contracts for goods and services and AASB 111 Construction Contracts, which covers construction contracts. This Standard establishes a unified framework for determining the timing, measurement and recognition of revenue.

The focus of this Standard is to align the revenue recognition with the point in time (or over time) the customer obtains control over the goods or service. Specifically, the Standard introduces a 5 step approach to revenue recognition:

- Step 1: Identify the contract with the customer.
- Step 2: Identify the performance obligation in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocated the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when or as when the performance obligation is satisfied.

CS Energy principally generates revenue through the generation and consequential sale of electricity to the wholesale markets and large Commercial and Industrial customers. CS Energy has reviewed the contracts that underpin these revenue streams and have concluded that the impact of AASB 15 does not change the historical revenue recognition criteria. Thus, a restatement of prior period figures was not required.

Issued standards and interpretations not early adopted

AASB 16 *Leases*

The group is required to adopt AASB 16 Leases from 1 January 2019. AASB 16 replaces existing leases guidance, including AASB 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

As at the reporting date, the group has operating lease commitments of $8.2 million. Under AASB 16 the present value of the group's operating lease commitments as defined under the new standard, excluding low-value leases and short-term leases, will be shown as right of use assets and as lease liabilities on the Statements of Financial Position. In addition, optional renewable periods may be included in the lease term if it is reasonably certain that an extension will occur. The group has completed an initial assessment of the impact of AASB 16 and determined that it will not have a material impact on the group's Consolidated Statements of Financial Position.

The group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. Instead, the group will recognise the cumulative effect of initial application as an adjustment to equity at the effective date.

Events occurring after the reporting period

On 24th July 2019 the Queensland Government announced that Queensland's third publicly-owned electricity generator, CleanCo, would commence trading in the national electricity market on 31 October 2019. CS Energy asset Wivenhoe Power Station will transfer to CleanCo on 31 October 2019 in line with commencement of trading. CS Energy will continue to provide operating and maintenance support during a transition period past trading date, which has yet to be finalised. Accordingly, the Wivenhoe Power Station was recognised as held for distribution at 30 June 2019.

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

Section 2: Results for the year

Note 1 – Income

The consolidated group derives its revenue through the selling of energy into the National Electricity Market (NEM). To reduce the volatility of cash flow earnings, a portion of the consolidated group's available energy is hedged through the use of various electricity contracts such as Swaps and Options. The value of open positions as at the reporting date can be found in Note 6.

Sales of electricity – wholesale

Revenue from the sale of electricity is recognised over time as the electricity generated is simultaneously received and consumed by the customers.

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 at the point the performance obligation is met. These obligations are generally aligned with the maintenance work performed during the month.

Sales of electricity

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Sales of electricity to the NEM	1,145,149	1,020,529	489,348	507,540
Net realised losses on electricity contracts designated as cashflow hedges	(24,585)	(1,099)	(24,582)	(1,099)
Net realised losses on non-hedge accounted electricity contracts (1)	(77,406)	(62,503)	(77,406)	(62,503)
Total sales of electricity – wholesale	**1,043,158**	**956,927**	**387,360**	**443,938**
Sales of electricity – retail	217,025	103,762	91,512	62,000
Total sales of electricity	**1,260,183**	**1,060,689**	**478,872**	**505,938**

(1) Includes economic hedges that do not qualify for hedge accounting (refer to Note 6).

Other income

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Insurance proceeds (1)	-	10,407	-	-
Management fee (2)	-	-	-	20,119
Interest income	8,750	6,506	8,733	6,484
Other income	1,190	2,010	478	1,275
Total other income	**9,940**	**18,923**	**9,211**	**27,878**

(1) Insurance proceeds in 2018 relate to the finalisation of an insurance claim at Kogan Creek Power Station relating to business interruption.

(2) Management fees in 2018 relate to the wind up of the Callide Oxyfuel Project.

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Notes to the consolidated financial statements

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Note 2 – Expenses

Electricity and energy services

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Wholesale energy	98,963	55,344	64,550	44,308
Market and transmission fees	101,997	43,853	41,875	22,041
Ancillary services	17,881	17,273	15,046	15,386
Environmental charges	20,019	3,139	9,686	-
Other electricity and energy services expenses	7,188	15,497	-	-
Total electricity and energy services expenses	**246,048**	**135,106**	**131,157**	**81,735**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Finance costs	46,375	69,206	46,375	69,191
Onerous contract provision	14,818	17,030	14,818	17,030
Rehabilitation provision	5,074	4,944	2,406	2,579
Total finance costs	**66,267**	**91,180**	**63,599**	**88,800**

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 2019 is $8.4 million (2018: $18.1 million).

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Wages and salaries expense	94,700	86,650	75,743	66,839
Defined contribution superannuation expense	6,716	5,875	5,291	4,408
Defined benefit plan expense	1,174	1,401	1,174	1,401
Employee performance payments	5,921	4,691	5,108	3,396
Total employee benefits expense	**108,511**	**98,617**	**87,316**	**76,044**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Research costs	-	20	-	-
Administration costs	43,389	30,949	20,572	17,102
Total other expenses	**43,389**	**30,969**	**20,572**	**17,102**

Accounting policy

Research costs in 2018 relate to expenditure associated with the Oxyfuel carbon capture and storage project which was finalised in May 2018. All research costs are expensed during the period they are incurred.

Administration costs relate to general operational expenses including insurance, advertising and marketing, travel, training, stationery, telecommunication, information technology costs and retail services costs not directly related to participation in the NEM. All administration costs are expensed when incurred.

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Notes to the consolidated financial statements

30 June 2019

Section 3: Financial assets and financial liabilities

Note 3 – Cash and cash equivalents

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at bank and on hand	35,820	36,225	24,740	22,368
Total cash and cash equivalents	**35,820**	**36,225**	**24,740**	**22,368**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit before income tax	228,935	328,408	52,115	80,523
Income tax (expense)/benefit	(68,626)	(97,428)	48,625	(24,158)
Depreciation and amortisation	139,681	139,710	58,408	58,957
Impairment (loss reversal)	205	(3,600)	205	-
Net (gain)/ loss on sale of non-current assets	1,789	25	1,459	17
Fair value adjustment to derivatives	24,846	(83,528)	24,846	(83,528)
Provision for doubtful debts	3,080	867	-	-
Non-cash retirement benefits adjustment	1,174	1,401	1,174	1,401
Finance cost on provisions	19,892	21,974	17,225	19,608
Rehabilitation change in value	(365)	(720)	(365)	(720)
Onerous contract re-measurement and provision utilised	25,085	(35,191)	25,085	(35,191)
Dividends received	-	-	(214,206)	-
Other non-cash flow items	(2,568)	(3,623)	(2,568)	(3,617)
Intercompany transactions	-	-	-	17,544
Change in operating assets and liabilities:				
(Increase) decrease in receivables	(82,368)	101,637	(66,700)	53,519
(Increase) decrease in inventories	(11,506)	4,135	(8,745)	5,946
Decrease in net deferred tax booked to profit/loss	-	97,428	-	83,607
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	57,787	28,482	(70,768)	18,353
Net cash inflow (outflow) from operating activities	**337,041**	**499,977**	**(134,210)**	**192,261**

Note 5 – Loans and receivables

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets				
Trade receivables	148,951	133,100	62,121	58,616
Collateral [(1)]	74,452	6,081	74,452	6,081
Advances Facility [(2)]	253,900	235,000	253,900	235,000
Other receivables	6,186	5,300	5,053	4,360
Prepayments	422	6,242	81	5,949
Total current loans and other receivables	**483,911**	**385,723**	**395,607**	**310,006**
Non-current assets				
Loans to related parties	-	-	476,112	561,821

(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) 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.

Loans and receivables that are classified as measured at amortised cost include trade receivables, collateral, advances facility and other receivables. Classification is determined on the basis of both the parent and the consolidated group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets (which are solely principal and interest in nature). They are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

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.

Impairment allowance for expected credit losses on all loans and receivables at amortised cost is assessed and measured at each reporting date. Both the parent and the consolidated group considers forward economic factors and historical data to assess expected credit losses. Overall, credit risk has not increased significantly since initial recognition.

Trade receivables are assessed for impairment using the simplified approach. 80% of the trade receivables are held with highly rated counterparties and AEMO. For the financial assets held with non-rated counterparties, CS Energy generally requires credit support via a bank guarantee or cash deposits. The consolidated group has not written off any bad debt in the past 5 years.

As at reporting date, $56,312 (2018: nil) of the trade receivables held in large retail agreements are past due. The credit worthiness is assessed and reviewed prior to commencement of agreements, and no impairment loss was incurred in the past. Monitoring procedures are in place to ensure follow-up action is taken to recover the amount.

Credit risk of the advances facility is considered low due to low risk of default and the counterparty's strong capacity to meet contractual cash flow obligations. The funds are deposited with the Queensland Treasury Corporation and held on behalf of Queensland Treasury. The funds are 100% guaranteed by the Queensland Treasury Corporation. As a result, the impairment allowance for expected credit losses is considered to be immaterial.

The lifetime expected credit loss on trade and other receivables is $3.1 million as at 30 June 2019 (2018: $0.8 million).

The loans to related parties are assessed as low credit risk at reporting date with sufficient net assets available for repayment and right to offset with no history of default. The expected credit loss is therefore immaterial.

Refer to Note 10 for further details of CS Energy's credit risk management strategy.

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Notes to the consolidated financial statements

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Note 6 – Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2019 $'000	2018 $'000
Current assets		
Electricity derivative contracts – cash flow hedges	361	25,579
Electricity derivative contracts – fair value through profit or loss	85,460	19,498
Total current derivative financial instrument assets	**85,821**	**45,077**
Non-current assets		
Electricity derivative contracts – cash flow hedges	97	52,187
Electricity derivative contracts – fair value through profit or loss	44,172	30,416
Total non-current derivative financial instrument assets	**44,269**	**82,603**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2019 $'000	2018 $'000
Current liabilities		
Electricity derivative contracts – cash flow hedges	69,749	48,970
Electricity derivative contracts – fair value through profit or loss	106,492	41,896
Total current derivative financial instrument liabilities	**176,241**	**90,866**
Non-current liabilities		
Electricity derivative contracts – cash flow hedges	29,130	1,141
Electricity derivative contracts – fair value through profit or loss	54,789	14,562
Total non-current derivative financial instrument liabilities	**83,919**	**15,703**

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 deltas to account for option volatility.
- Discount rates.

Refer Note 11 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. 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.

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 applies hedge accounting on eligible electricity OTC swaps and futures contracts and performs ongoing assessment of effectiveness. The economic relationship is determined by matching the critical terms, such as volume, time period and region, between the hedging instrument and the hedged item. The hedge ratio is 100 per cent which reflects the economic relationship. The main source of ineffectiveness in these hedge relationships is the volume of the hedging instruments in excess of the forecast volume of electricity sales to the National Electricity Market.

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 fair value through profit/(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.

The following table summarises the derivative financial instruments that have been designated in cash flow hedge relationships:

	Consolidated and Parent					
	Asset carrying value (1)		Liabilities carrying value (1)		Nominal hedge volume (2)	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 GWh	2018 GWh
Derivatives designated as hedging instruments						
12 months or less	**361**	**25,579**	69,749	48,970	6,074	10,987
1–5 years	**97**	**52,187**	29,130	1,141	5,744	6,664
Total	**458**	**77,766**	**98,879**	**50,111**	**11,818**	**17,651**

(1) This amount is included in the Derivative Financial Instruments line items in the Statements of Financial Position.

(2) Nominal hedge volume excludes volumes for other instruments that are economic hedges but not eligible for hedge accounting such as load following hedges.

The average strike rates for these instruments varies by product type and time period and range from $48 to $91 per MWh.

	Consolidated and Parent
	2019 $'000
Hedging Instrument	
Changes in fair value (used for calculating hedge ineffectiveness)	116,784
Hedged Item	
Changes in value (used for calculating hedge ineffectiveness)	119,235
Hedge ineffectiveness	
Hedge ineffectiveness recognised in profit/(loss) (1)	578
Cash flow hedge reserve	
Balance in cash flow hedge reserve related to continuing hedges	88,550
Balance in cash flow reserve for which hedge accounting is no longer applied	12,698
Cash flow hedge reserve	**101,248**

(1) Ineffectiveness is included in the fair value (loss)/ gain through profit/ (loss) line in the Statements of 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 instruments that do not qualify for hedge accounting are recognised immediately in the Statements of Profit or Loss as follows:

	Line item of Statements of Profit or Loss	Consolidated		Parent	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net realised gains/(losses)	Sales of electricity	(77,406)	(62,503)	(77,406)	(62,503)
Net unrealised gains/(losses)	Fair value through profit/(loss)	(24,846)	83,528	(24,846)	83,528
Total changes in fair value of non-hedged accounted derivatives recognised in profit/(loss)		**(102,252)**	**21,025**	**(102,252)**	**21,025**

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Notes to the consolidated financial statements

30 June 2019

Note 7 – Disposal group held for distribution

On 30 August 2018 the Queensland Government announced the establishment of Queensland's new renewable energy electricity generator, CleanCo, working with CS Energy and Stanwell Corporation for potential opportunities to transfer renewable operations within their businesses to the newly formed Company. The proposed asset allocation was announced on 26 February and the regulation gazetted on 26 April 2019, The *Government Owned Corporations (Generator Restructure-CleanCo) Regulation 2019.* Accordingly, the Wivenhoe Power Station was recognised as held for distribution from 26 April 2019 and is presented as a disposal group held for distribution at 30 June 2019.

The Wivenhoe Power Station is a pumped storage hydroelectric 570 MW power generator owned and operated by CS Energy.

The effective date of transfer from CS Energy to CleanCo, as announced on 24 July 2019, will be 31 October 2019.

Assets and liabilities of disposal group held for distribution

The assets and liabilities classified as current assets and liabilities held for distribution are presented in the table below:

	Consolidated and Parent
	2019 $'000
Property, plant and equipment	56,684
Inventories	2,005
Assets held for distribution	**58,689**
Deferred tax liabilities	8,037
Liabilities held for distribution	**8,037**

Accounting policy

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a distribution transaction rather than through continuing use, are classified as held for distribution and reclassified to current. To meet the condition of held for distribution, the distribution must be highly probable and the non-current asset or disposal group must be available for immediate distribution in its present condition. Management must be committed to the distribution, which should be expected to be completed within one year from the date of classification.

Assets held for distribution are measured at the lower of their carrying amount and fair value less cost to distribute, except for the following assets and liabilities, which are covered under separate accounting policies:

- Deferred tax balances;
- Assets arising from employee benefits; and
- Financial assets.

Fair value is determined on a discounted cash flow basis, with the assumptions used in the valuation consistent with the assumptions used in impairment testing contained in note 15.

Non-current assets or disposal groups classified as held for distribution are not depreciated or amortised while they are classified as held for distribution. Non-current assets and liabilities and disposal groups classified as held for distribution are presented separately from other assets and liabilities in the Statements of Financial Position.

Note 8 – Trade and other payables

Current liabilities

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	89,122	84,325	47,916	56,243
Other payables	27,771	33,666	22,910	28,361
Environmental surrender obligation	11,644	5,087	11,644	5,087
Unearned revenue	1,082	1,631	1,082	1,623
Total current liabilities trade and other payables	**129,619**	**124,709**	**83,552**	**91,314**

Non-current liabilities

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Other payables	29	58	-	-

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 which 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 9 – Interest bearing liabilities

Current liabilities – borrowings

	Consolidated and Parent	
	2019 $'000	2018 $'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. In December 2018, the group temporarily suspended the debt reduction program awaiting finalisation of the updated shareholder mandate from its shareholders. At the time of suspension, fifteen (15) monthly debt repayments of $18.7 million had been made subject to surplus cash availability and short-term liquidity requirements.

Management will reassess the continuation of the debt reduction program upon receipt of the updated shareholder mandate. Management will also assess whether additional repayments will be scheduled following the conclusion of the debt reduction program.

Non-current liabilities – borrowings

	Consolidated and Parent	
	2019 $'000	2018 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	557,353	434,962

The market value of QTC loans as at 30 June 2019 was $654.1 million (2018: $720.3 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.

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2019 $'000	2018 $'000
Financial liabilities **Queensland Treasury Corporation Loans**		
Opening balance	642,710	812,081
Repayment of borrowings	(85,357)	(169,371)
Closing balance	**557,353**	**642,710**

Note 10 – 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 2019		
Electricity price – increase 10%	(85,019)	(24,550)
Electricity price – decrease 10%	77,246	22,326
30 June 2018		
Electricity price – increase 10%	(127,445)	(24,906)
Electricity price – decrease 10%	117,073	16,476

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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 2019					
Non-derivative financial instruments					
Loans from QTC	557,353	691,951	27,192	107,406	557,353
Trade and other payables	116,922	116,922	116,893	29	-
Derivative financial liabilities					
Electricity contracts	260,160	261,046	176,595	84,451	-
Total	**934,435**	**1,069,919**	**320,680**	**191,886**	**557,353**
30 June 2018					
Non-derivative financial instruments					
Loans from QTC	642,710	806,723	33,389	130,624	642,710
Trade and other payables	118,049	118,049	117,991	58	-
Derivative financial liabilities					
Electricity contracts	106,569	108,876	93,330	15,546	-
Total	**867,328**	**1,033,648**	**244,710**	**146,228**	**642,710**

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 2019					
Non-derivative financial instruments					
Loans from QTC	557,353	691,951	27,192	107,406	557,353
Trade and other payables	70,826	70,826	70,826	-	-
Derivative financial liabilities					
Electricity contracts	260,160	261,046	176,595	84,451	-
Total	**888,339**	**1,023,823**	**274,613**	**191,857**	**557,353**
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**

QTC Facilities	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Facilities used at balance date				
QTC Facilities	557,353	642,710	557,353	642,710
Total	**557,353**	**642,710**	**557,353**	**642,710**
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	700,000	700,000
Total	**925,000**	**925,000**	**925,000**	**925,000**
Total facilities available				
QTC Facilities	1,482,353	1,567,710	1,482,353	1,567,710
Total	**1,482,353**	**1,567,710**	**1,482,353**	**1,567,710**

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

(2) 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 2019. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and cash equivalents				
AA+ to AA-	35,820	36,225	24,740	22,368
Total	**35,820**	**36,225**	**24,740**	**22,368**
Trade and other receivables				
AA+ to AA-	269,985	235,058	269,985	235,058
A+ to A-	74,452	6,081	74,452	6,081
AEMO (1)	72,996	79,854	15,218	30,384
Other non-rated (2)	66,478	64,730	35,952	38,483
Total	**483,911**	**385,723**	**395,607**	**310,006**
Derivative financial assets				
AA+ to AA-	8,813	32,164	8,813	32,164
A+ to A-	96,925	57,191	96,925	57,191
BBB+ to BBB-	3,104	11,945	3,104	11,945
Non-rated	21,248	26,380	21,248	26,380
Total	**130,090**	**127,680**	**130,090**	**127,680**

(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 2019. 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. In December 2018, the group temporarily suspended the debt reduction program awaiting finalisation of the updated shareholder mandate from its shareholders. At the time of suspension, fifteen (15) monthly debt repayments of $18.7 million had been made. 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 2018.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Cash and cash equivalents	358	(358)
Advances facility	2,539	(2,539)
Borrowings	(316)	347

Consolidated	2019			2018		
	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	35,820	-	1.49%	36,225	-	1.50%
Advances facility	253,900	-	2.69%	235,000	-	2.41%
Total Financial Assets	**289,720**	-	**2.66%**	**271,225**	-	**1.57%**
Financial Liabilities						
Queensland Treasury Corporation loans	-	557,353	6.31%	-	642,710	6.68%
Total Financial Liabilities	**-**	**557,353**	**6.31%**	**-**	**642,710**	**6.68%**

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-. In April 2019, an amendment to the lending terms was entered into with QTC removing the minimum investment grade credit rating requirement.

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 2019.

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Note 11 – 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 2019				
Derivative financial assets				
Electricity contracts	76,836	37,506	15,748	130,090
	76,836	**37,506**	**15,748**	**130,090**
Derivative financial liabilities				
Electricity contracts	133,142	84,429	42,589	260,160
	133,142	**84,429**	**42,589**	**260,160**
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**

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

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Consolidated and Parent
	Recurring fair value measurements $'000
Balance at 1 July 2017	-
Change in fair value through profit or loss	14,873
Balance at 30 June 2018	**14,873**
Change in fair value through profit or loss (1)	25,562
Change in fair value through other comprehensive income (2)	1,442
Settlement	(15,036)
Net liability balance at 30 June 2019	**26,841**

(1) Change in fair value is included in the fair value (loss)/gain through profit/(loss) line in the Statements of Profit or Loss.

(2) Change in fair value is included in the changes in fair value of cash flow hedges, net of tax line in the Statements of Other Comprehensive Income.

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.

Quoted market price is used 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 inputs 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 2019		
10% increase	(7,448)	(2,342)
10% decrease	6,771	2,129

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

	Consolidated and Parent	
	2019 $'000	2018 $'000
Carrying amount	557,353	642,710
Fair Value (level 2)	654,111	720,323

The fair value of loans from QTC is inclusive of costs which would be incurred on settlement of the liability. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt.

For all other financial assets and financial liabilities not measured at fair value, the carrying amount is a reasonable approximation of fair value.

Note 12 – 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 Statements of Financial Position.

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Section 4: Operating assets and liabilities

Note 13 – Inventories

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Stores [(1)]	66,954	53,446	36,615	32,529
Fuel at weighted average cost (finished goods)	12,028	9,026	6,794	4,655
Fuel at weighted average cost (work in progress)	21,064	28,588	-	-
Environmental certificates	515	-	515	-
Total Inventory	**100,561**	**91,060**	**43,924**	**37,184**

(1) Stores balance includes a net realisable value adjustment of $10.2 million (2019) and $10.1 million (2018).

Inventories expensed during the year ended 30 June 2019 were $241.9 million (2018: $227.5 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 14 – 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 2019 resulting in a defined benefit asset being recognised at 30 June 2019 (30 June 2018: Defined benefit asset recognised).

The amounts recognised in the Statements of Financial Position are determined as follows:

	Consolidated and Parent	
	2019 $'000	2018 $'000
Present value of the defined benefit obligation	(61,430)	(55,818)
Fair value of defined benefit plan assets	77,666	79,940
Net asset before adjustment for contributions tax	**16,236**	**24,122**
Adjustments for contributions tax	2,865	4,257
Total	**19,101**	**28,379**

Reconciliation

	Consolidated and Parent	
	2019 $'000	2018 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully/partly funded:		
Balance at the beginning of the year	51,561	57,194
Current service cost	2,076	2,174
Interest cost	1,962	2,197
Actuarial (gains) and losses recognised in equity	9,788	(2,696)
Benefits paid by the plan	(7,415)	(7,907)
Contributions by plan participants	593	599
Balance at the end of the year (net of contributions tax)	**58,565**	**51,561**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	79,940	80,758
Expected return on plan assets	2,864	2,970
Actuarial gains and (losses) recognised in equity	1,320	3,520
Benefits paid by the plan	(7,415)	(7,907)
Contributions by plan participants	593	599
Other cash flows recognised in equity	364	-
Balance at the end of the year	**77,666**	**79,940**

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Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2019 $'000	2018 $'000
Cash	3,107	3,997
Equity instrument	38,056	39,970
Debt instrument	10,097	7,994
Property	6,213	7,994
Other assets	20,193	19,985
Total	**77,666**	**79,940**

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					
	2019 $'000	2018 $'000	2016 $'000	2015 $'000	2014 $'000
Defined benefit plan obligation	(61,430)	(55,818)	(60,729)	(61,258)	(58,329)
Plan assets	77,666	79,940	80,758	77,715	75,201
Surplus	16,236	24,122	20,029	16,457	16,872
Experience adjustments arising on plan liabilities	(9,788)	2,696	(458)	704	7,057
Experience adjustments arising on plan assets	1,320	3,520	6,357	221	3,678

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	
	2019 $'000	2018 $'000
Discount rate	2.3%	3.7%
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 4.1%	Increase by 4.3%
Salary growth rate	0.5%	Increase by 4.3%	Decrease by 4.0%

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 Statements of Financial Position, 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 15 – 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 2018							
Opening net book amount	1,327,875	95,776	27,817	10,381	14,700	61,111	1,537,660
Transfers	3,380	(227)	1,676	(4,846)	-	17	-
Additions	22,104	20,702	1,628	42,006	-	498	86,938
Disposals	-	-	(103)	-	-	(17)	(120)
Impairment reversal (1)	-	-	-	-	-	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 or fair value	2,403,917	204,055	89,173	47,541	29,744	86,666	2,861,096
Accumulated depreciation	(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**
Movements for the year ended 30 June 2019							
Opening net book amount	1,271,804	66,001	26,723	47,541	13,379	62,920	1,488,368
Additions	10,128	34,577	2,737	51,577	1,234	44	100,297
Transfers	8,902	13,166	3,798	(27,702)	1,474	362	-
Disposals	(56)	-	(424)	-	-	-	(480)
Impairment reversal/expense (2)	(205)	-	-	-	-	-	(205)
Assets held for distribution	(43,942)	(10,399)	(193)	(415)	-	(1,735)	(56,684)
Depreciation	(84,821)	(45,947)	(5,155)	-	(1,373)	(2,385)	(139,681)
Closing net book amount	**1,161,810**	**57,398**	**27,486**	**71,001**	**14,714**	**59,206**	**1,391,615**
At 30 June 2019							
Cost	2,378,702	241,399	89,727	71,001	32,453	85,336	2,898,618
Accumulated depreciation/impairment	(1,216,892)	(184,001)	(62,241)	-	(17,739)	(26,130)	(1,507,003)
Net book amount	**1,161,810**	**57,398**	**27,486**	**71,001**	**14,714**	**59,206**	**1,391,615**

(1) $3.6 million relates to the reversal of the impairment after the revaluation of Glen Wilga land.

(2) $0.2 million relates to the impairment of Callide A.

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 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 or fair value	902,641	86,629	44,589	27,112	-	12,217	1,073,188
Accumulated depreciation	(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**
Movements for the year ended 30 June 2019							
Opening net book amount	359,660	19,639	6,664	27,112	-	9,546	422,621
Additions	9,783	33,225	2,516	16,992	-	6	62,522
Transfers	7,408	13,167	2,597	(23,318)	-	146	-
Disposals	(56)	-	(93)	-	-	-	(149)
Impairment reversal/expense (2)	(205)	-	-	-	-	-	(205)
Assets held for distribution	(43,942)	(10,399)	(193)	(415)	-	(1,735)	(56,684)
Depreciation	(37,871)	(16,544)	(3,629)	-	-	(364)	(58,408)
Closing net book amount	**294,777**	**39,088**	**7,862**	**20,371**	**-**	**7,599**	**369,697**
At 30 June 2019							
Cost or fair value	875,587	122,622	44,078	20,371	-	10,633	1,073,291
Accumulated depreciation	(580,810)	(83,534)	(36,216)	-	-	(3,034)	(703,594)
Net book amount	**294,777**	**39,088**	**7,862**	**20,371**	**-**	**7,599**	**369,697**

Accounting policy

All property, plant and equipment, with the exception of non-current assets held for distribution (as disclosed in note 7) 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 CGUs.

		+1%	-1%
Discount Rate sensitivity (+/-1% pre tax)	$m	(170.2)	192.8

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 and internal expertise. 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 AEMO (Australian Energy Market Operator), ESOO (Electricity Statement of Opportunities) and ISP (Integrated System Plan).
- Long term market assumptions have primarily been determined with reference to AEMO forecasts.
- Gas and coal price assumptions have been based on traded values where available and internally modelled values beyond the liquid traded period.
- 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 on the supply side, and a progressive uptake of home storage and electricity vehicles on the demand side.

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	326.2	(326.2)

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 and, where applicable, the 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 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 16 – Provisions

Current liabilities

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Provision for income tax	78,372	-	78,372	-
Employee benefits	28,069	23,988	23,647	19,085
Onerous contracts	7,664	-	7,664	-
Dividends declared	165,235	125,731	165,235	125,731
Total	**279,340**	**149,719**	**274,918**	**144,816**

Non-current liabilities

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Employee benefits	1,348	1,151	819	673
Rehabilitation and site closure costs	179,254	180,557	86,671	86,984
Onerous contracts	175,197	142,958	175,197	142,958
Total	**355,799**	**324,666**	**262,687**	**230,615**

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	
	2019 $'000	2018 $'000
Onerous Contracts		
Carrying amount at start of year	-	16,037
Provision used during the year (1)	-	(31,449)
Reclassification from non-current liabilities	7,664	25,224
Changes from re-measurement (1)	-	(11,507)
Finance Costs	-	1,695
Carrying amount at end of year	**7,664**	-

Non-current liabilities

	Consolidated and Parent	
	2019 $'000	2018 $'000
Onerous Contracts		
Carrying amount at start of year	142,958	145,082
Changes from re-measurement (1)	25,085	7,765
Reclassification to current liabilities	(7,664)	(25,224)
Finance costs	14,818	15,335
Carrying amount at end of year	**175,197**	**142,958**

(1) Total onerous contract remeasurement including provision used during the year is $25 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 Inter-connection and Power Pooling Agreement (IPPA). Significant estimates that are made include:

- Future wholesale prices, generation, supply of electricity and unavoidable costs related to the contract; and
- Determination of an appropriate discount rate.

A re-measurement of the Gladstone IPPA onerous contract has been completed to establish an appropriate value for inclusion in the financial statements at 30 June 2019, resulting in an increase in the provision to $182.9 million. The increase in the onerous contract provision is due to a change in market price and generation dispatch outcomes associated with the market forecasts discussed in the Property Plant and Equipment critical estimates market factors section.

A change in discount rate and electricity price outcomes would result in the following:

		+1%	-1%
Discount rate sensitivity (+/-1% pre tax)	$m	7.4	(7.9)
		+5%	**-5%**
Electricity price sensitivity (+/- 5% pool price)	$m	14.4	(14.4)

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 2018/19 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Carrying amount at start of year	180,557	162,102	86,984	83,973
Change from re-measurement	(6,013)	13,920	(2,353)	570
Provision used during the year	(364)	(409)	(366)	(138)
Finance costs	5,074	4,944	2,406	2,579
Carrying amount at end of year	**179,254**	**180,557**	**86,671**	**86,984**

Accounting policy and critical estimates

Provision is made for the estimated site rehabilitation and closure costs at the end of the producing life of each power station on a present value basis. Provision is also made, for the estimated cost of rehabilitation and closure costs relating to areas disturbed during mining operations up to reporting date but not yet rehabilitated. The present value of these obligations is recognised as a non-current liability with a corresponding asset, which is depreciated over the relevant useful life. The discount is also unwound over the relevant useful life, with the cost recognised in profit or loss as 'finance costs'.

External consultants with industry specific experience are used to evaluate and update rehabilitation assumptions. Mining Assets were updated in 2018. Power station assets were updated in 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 17 – Taxation

Income tax expense/(benefit)

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax on profits for the year	108,696	67,020	(24,954)	7,555
Deferred tax	(40,011)	30,423	(23,671)	16,603
Adjustments for current tax of prior periods	(59)	(15)	-	-
Income tax expense/(benefit)	**68,626**	**97,428**	**(48,625)**	**24,158**
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	(23,071)	15,330	(22,656)	21,103
(Decrease) increase in deferred tax liabilities	(16,940)	15,093	(1,015)	(4,500)
Income tax expense attributable to profit from continuing operations	**(40,011)**	**30,423**	**(23,671)**	**16,603**

Reconciliation of income tax expense to prima facie tax calculated at Australian statutory rate

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit from operations before income tax expense	**228,935**	**328,408**	**52,115**	**80,523**
Tax at the Australian tax rate of 30% (2018 – 30%)	68,681	98,522	15,635	24,157
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	4	1	3	1
Current year capital gain for which no deferred tax asset is recognised	-	(1,080)	-	-
Non taxable dividends	-	-	(64,263)	-
	68,685	97,443	(48,625)	24,158
Adjustments for current tax of prior periods	(59)	(15)	-	-
Income tax expense	**68,626**	**97,428**	**(48,625)**	**24,158**

Amounts recognised in other comprehensive income

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
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	(38,671)	37,789	(38,671)	37,789
Actuarial gain on defined benefit plan	(2,431)	1,865	(2,431)	1,865
Total	**(41,102)**	**39,654**	**(41,102)**	**39,654**

Tax losses

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
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 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)
At 30 June 2018	**-**	**51,372**	**54,167**	**10,155**	**2,840**	**118,534**
Credited/(charged) to profit or loss	8,647	13,219	(391)	-	1,537	23,012
Under provision prior year	-	-	-	272	(213)	59
(Charged) directly to equity	30,375	-	-	-	-	30,375
(Utilisation) of losses	-	-	-	(10,427)	-	(10,427)
Transfer to liabilities held for distribution	-	(42)	-	-	-	(42)
Net deferred tax assets at 30 June 2019	**39,022**	**64,549**	**53,776**	**-**	**4,164**	**161,511**

Parent

	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
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)
At 30 June 2018	**-**	**49,685**	**26,095**	**10,156**	**750**	**86,686**
Credited/(charged) to profit or loss	8,647	12,827	(94)	-	1,003	22,383
Under provision prior year	-	-	-	272	-	272
(Charged) directly to equity	30,375	-	-	-	-	30,375
(Utilisation) of losses	-	-	-	(10,428)	-	(10,428)
Transfer to liabilities held for distribution	-	(42)	-	-	-	(42)
Net deferred tax assets at 30 June 2019	**39,022**	**62,470**	**26,001**	**-**	**1,753**	**129,246**

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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
At 30 June 2018	7,103	8,513	222,830	11,773	250,219
Credited/(charged) to profit or loss	1,193	(352)	(16,502)	(1,279)	(16,940)
Transfer to liabilities held for distribution	-	-	(8,079)	-	(8,079)
Charged directly to equity	(8,296)	(2,431)	-	-	(10,727)
Net deferred tax liabilities at 30 June 2019	**-**	**5,730**	**198,249**	**10,494**	**214,473**

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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)
Under provision prior year	-	-	-	-	-
Charged directly to equity	8,296	1,865	-	-	10,161
At 30 June 2018	7,103	8,514	70,060	1,396	87,073
Credited/(charged) to profit or loss	1,193	(352)	(2,597)	740	(1,016)
Charged directly to equity	(8,296)	(2,431)	-	-	(10,727)
Transfer to liabilities held for distribution	-	-	(8,079)	-	(8,079)
Net deferred tax liabilities at 30 June 2019	**-**	**5,731**	**59,384**	**2,136**	**67,251**

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Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
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)
At 30 June 2018	118,534	(250,219)	(131,685)
Movement during the year	42,975	35,747	78,723
At 30 June 2019	**161,509**	**(214,472)**	**(52,962)**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
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)
At 30 June 2018	86,686	(87,073)	(387)
Movement during the year	42,560	19,822	62,382
At 30 June 2019	**129,246**	**(67,251)**	**61,995**

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 18 – Contributed equity

Share Capital

	2019 Shares	2018 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 Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and the Minister for Natural Resources, Mines and Energy.

Ordinary shares A and B class entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The consolidated group does not have authorised capital or par value in respect of its issued shares.

On a show of hands, every holder of A class ordinary shares, present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Note 19 – Reserves and accumulated losses

Hedging reserve – cash flow hedges

	Consolidated and Parent	
	2019 $'000	2018 $'000
Opening balance at 1 July 2018	19,358	(68,817)
Effective portion of gains/(losses) on electricity derivatives designated as cash flow hedges	(136,602)	8,820
Gains/(losses) on electricity hedges transferred to revenue	20,397	117,144
Electricity derivatives discontinued from hedge relationship	(12,698)	-
Net deferred tax	38,671	(37,789)
Changes in fair value of cash flow hedges net of tax	(90,232)	88,175
Closing balance at 30 June 2019	**(70,874)**	**19,358**

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 profit or loss.

Accumulated Losses

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening balance at 1 July 2018	(456,452)	(566,052)	(788,309)	(723,294)
Net profit for the year	160,309	230,980	100,740	56,365
Actuarial (loss)/gain on the defined benefit plan	(8,104)	6,216	(8,104)	6,216
Defined benefit tax	2,431	(1,865)	2,431	(1,865)
Dividend provided for	(165,235)	(125,731)	(165,235)	(125,731)
Closing balance at 30 June 2019	**(467,051)**	**(456,452)**	**(858,477)**	**(788,309)**

CS ENERGY LIMITED

Notes to the consolidated financial statements

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Section 7: Key management personnel

Note 20 – 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 Dr. Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

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	**2019**	94	9	103
		2018	89	8	97
Brian Green	Non-Executive Director	**2019**	51	5	56
		2018	44	4	48
Mark Williamson (3)	Non-Executive Director	**2019**	-	-	-
		2018	11	1	12
Julie-Anne Schafer	Non-Executive Director	**2019**	39	4	43
		2018	39	4	43
Toni Thornton	Non-Executive Director	**2019**	41	4	45
		2018	41	4	45
Peter Schmidt (4)	Non-Executive Director	**2019**	50	5	55
		2018	33	3	36
Total 2019		**2019**	**275**	**27**	**302**
Total 2018		**2018**	**257**	**24**	**281**

(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.

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	Termination notice	End of contract payment	Termination benefit	Termination date
Current Executive employment contract details									
Andrew Bills	Chief Executive Officer	22/10/2018	Open tenure	not applicable	not applicable	not less than 3 months written notice (i)	not applicable	yes (ii)	not applicable
Andrew Varvari	Executive General Manager Corporate Services	14/12/2017 (iii)	Open tenure	not applicable	not applicable	not less than 3 months written notice (iv)	not applicable	yes (v)	not applicable
Darren Busine	Executive General Manager Revenue Strategy and Acting Chief Executive Officer (vi)	25/05/2016	Open tenure	not applicable	not applicable	not less than 1 months written notice (vii)	not applicable	yes (v)	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 (v)	not applicable
Alistair Brown	Acting Executive General Manager Plant Operations (viii)	08/10/2013	Open tenure	not applicable	not applicable	not less than 1 months written notice (ix)	maximum of 75 weeks (x)	no	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 (v)	not applicable
Former Executive employment contract details									
Martin Moore	Chief Executive Officer	05/08/2013	5 years (xi)	04/08/2018 (xi)	no	not less than 6 months written notice (xii)	12 weeks remuneration (xiii)	yes (xiv)	04/08/2018
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 (v)	13/03/2019

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

(ii) Payment of a termination benefit on termination without cause by CS Energy, equivalent to 6 months of base salary.

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

(iv) 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.

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

(vi) Acting Chief Executive Officer for the period 11/08/2018 to 21/10/2018.

(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) Acting Executive General Manager Plant Operations for the period 14/03/2019 to 30/06/2019 and ongoing.

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

(x) 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).

(xi) In February 2013, initial three year contract extended an additional 2 years to maximum termination date of 04/08/2018.

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

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

(xiv) 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 of 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

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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	Andrew Bills (1)	**2019**	456	-	3	17	1		477
Chief Executive Officer	Martin Moore (2)	**2019**	74	65	-	2		198	339
Chief Executive Officer	Martin Moore (10)	2018	770	77	9	25	8	-	889
Chief Executive Officer (acting)	Darren Busine (3)	**2019**	154	49	1	6	1	-	211
Chief Financial Officer	Malcolm Wilson (4)	**2019**	412		5	25	2		444
Chief Financial Officer	Malcolm Wilson (13)	2018	86	-	2	5	1	-	94
Chief Financial Officer (acting)	Cameron Collins (12)	2018	228	-	7	21	8	-	264
Chief Financial Officer	Darren Busine (11)	2018	15	52		1		-	68
Executive General Manager Revenue Strategy	Darren Busine (5)	**2019**	349	-	4	19	4	-	376
Executive General Manager Revenue Strategy	Darren Busine (19)	2018	431	-	9	24	3	-	467
Executive General Manager Plant Operations (acting)	Alistair Brown (6)	**2019**	128	-	2	-	2	-	132
Executive General Manager Plant Operations	Mark Albertson (7)	**2019**	269	42	4	18	2	18	353
Executive General Manager Plant Operations	Mark Albertson (16)	2018	111	-	2	8	1	-	122
Executive General Manager Operations	Mark Albertson (15)	2018	28	-	-	2	-	-	30
Executive General Manager Operations	David Down (14)	2018	301	32	6	17	-	134	490
Executive General Manager Asset Management	Colin Duck (8)	**2019**	389	12	5	25	2	-	433
Executive General Manager Asset Management	Colin Duck (22)	2018	101	-	2	10	-	-	113
Executive General Counsel and Company Secretary	Joanne Keen (17)	2018	158	10	2	19	-	113	302
Executive General Manager Energy Markets (acting)	David Warman (18)	2018	13	46	-	1	-	-	60
Executive General Manager Corporate Services	Andrew Varvari (9)	**2019**	388	45	5	24	5	-	467
Executive General Manager Corporate Service	Andrew Varvari (20)	2018	124	-	4	8	1	-	137
Executive General Manager People and Safety	Andrew Varvari (21)	2018	277	50	5	17	6	-	355
		2019	**2,619**	**213**	**29**	**136**	**19**	**216**	**3,232**
		2018	**2,643**	**267**	**48**	**158**	**28**	**247**	**3,391**

(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).

2019 Notes

(1) Remuneration details for 2019 for the period 22 October 2018–30 June 2019
(2) Remuneration details for 2019 for the period 1 July 2018–4 August 2018
(3) Remuneration details for 2019 for the period 11 August 2018–21 October 2018
(4) Remuneration details for 2019 for the period 1 July 2018–30 June 2019
(5) Remuneration details for 2019 for the period 1 July 2018–10 August 2018 and 22 October 2018–30 June 2019
(6) Remuneration details for 2019 for the period 13 March 2019–30 June 2019
(7) Remuneration details for 2019 for the period 1 July 2018–13 March 2019
(8) Remuneration details for 2019 for the period 1 July 2018–30 June 2018
(9) Remuneration details for 2019 for the period 1 July 2018–30 June 2019

2018 Notes

(10) Remuneration details for 2018 for the period 1 July 2017–30 June 2018
(11) Remuneration details for 2018 for the period 1 July 2017–16 July 2017
(12) Remuneration details for 2018 for the period 17 July 2017–15 April 2018
(13) Remuneration details for 2018 for the period 16 April 2018–30 June 2018
(14) Remuneration details for 2018 for the period 1 July 2017–2 March 2018
(15) Remuneration details for 2018 for the period 5 February 2018–11 March 2018
(16) Remuneration details for 2018 for the period 12 March 2018–30 June 2018
(17) Remuneration details for 2018 for the period 1 July 2017–30 November 2017
(18) Remuneration details for 2018 for the period 1 July 2017–16 July 2017
(19) Remuneration details for 2018 for the period 17 July 2017–30 June 2018
(20) Remuneration details for 2018 for the period 1 July 2017–11 March 2018
(21) Remuneration details for 2018 for the period 11 March 2018–30 June 2018
(22) Remuneration details for 2018 for the period 26 March 2018–30 June 2018

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.

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Performance related bonuses

The Board of Directors approves executive performance payments each year, immediately after the financial year to which the performance payment relates. Individual Achievement Plans for individual executives are set by the Chief Executive Officer, and the Chairman sets the performance targets for the Chief Executive Officer.

The 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:

	2019 $'000	2018 $'000
Aggregate at-risk performance incentive remuneration (1)		
Chief Executive	65	77
Senior Executives	217	190
Contract employees	2,756	2,680
Enterprise Bargaining Agreement employees	1,133	908
	4,171	**3,855**
Aggregate remuneration (including at-risk performance incentive remuneration) paid or payable to employees to whom a performance payment is paid (2)	94,542	81,997
Number of employees to whom a performance payment is paid	494	471

(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 16 under Employee benefits.

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

Employee category	Nature of remuneration granted
Chief Executive Officer	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Senior Executives	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Contract employees	At-risk performance incentive payable in cash (cap of 15% of base remuneration)
Enterprise Bargaining Agreement employees	At-risk performance incentive payable in cash (cap of 12% of base remuneration Wivenhoe EBA); (cap of $3,594 Corporate EBA) (3); (cap of $3,909 Callide EBA) (3); (cap of $3,500 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 21 – Remuneration of auditors

	Consolidated		Parent	
	2019 $	2018 $	2019 $	2018 $
Audit and other assurance services				
Auditor-General of Queensland [1]	380,000	378,000	380,000	378,000
Crowe Horwath [2]	7,850	7,650	-	-
PricewaterhouseCoopers [3][4]	27,496	32,600	-	-
KPMG [5][6]	25,106	22,917	-	-
Total audit and other assurance service fees	**440,452**	**441,167**	**380,000**	**378,000**

The amounts above are GST exclusive.

(1) The audit of the 2019 financial statements of the Consolidated Group was conducted by 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.

(6) KPMG completed the Alinta joint venture financial statements audit.

Note 22 – Commitments

Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable as follows:

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Capital commitments				
Property, plant and equipment				
Within one year	66,029	36,198	13,831	18,258
Later than one year, but no later than five years	17,377	39,672	-	-
Total capital commitments	**83,406**	**75,870**	**13,831**	**18,258**

Capacity payments and operating leases

Commitments for operating leases and capacity payments contracted for at the reporting date predominately represent a long term non cancellable agreement under the Gladstone IPPA.

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Capacity payments and operating leases [1]				
Within one year	43,968	41,439	43,968	41,439
Later than one year, but not later than five years	208,257	187,929	208,257	187,929
Later than five years	313,907	344,083	313,907	344,083
Total capacity payments and operating leases	**566,132**	**573,451**	**566,132**	**573,451**

(1) Line item renamed from 2018 to better reflect substance of contracts.

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Other expenditure commitments

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

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Other expenditure commitments				
Within one year	195,924	192,750	85,083	82,095
Later than one year, but not later than five years	553,197	605,197	355,812	317,820
Later than five years	499,521	555,355	405,173	447,120
Total other expenditure commitments	**1,248,642**	**1,353,302**	**846,068**	**847,035**

Note 23 – 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.

There were no related party transactions with those related entities disclosed in the Directors' Report.

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 25.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	58,294	23,696	58,294	23,696
Operations and maintenance received from Joint Venture	-	-	23,321	20,767
Interest received on deposits from QTC	5,920	2,642	5,920	2,642
Total	**64,214**	**26,338**	**87,535**	**47,105**
Expenses				
Competitive neutrality fee paid to Queensland Treasury	(7,073)	(9,930)	(7,073)	(9,930)
Interest on QTC borrowings	(38,154)	(58,382)	(38,154)	(58,382)
Costs paid to State of Queensland controlled entities	(57,770)	(44,806)	(52,598)	(36,366)
NTER Instalments paid to Queensland Treasury (1)	(18,876)	(961)	(18,876)	(961)
Dividends paid to Queensland Treasury	(125,731)	(122,912)	(125,731)	(122,912)
Total	**(247,604)**	**(236,991)**	**(242,432)**	**(228,551)**
Assets				
Trade receivables due from subsidiaries	-	-	4,985	3,418
Trade receivables from State of Queensland controlled entities	2,280	-	2,280	-
Advances facility held with Queensland Treasury	253,900	235,000	253,900	235,000
Total	**256,180**	**235,000**	**261,165**	**238,418**
Liabilities				
Trade payables to State of Queensland controlled entities	13,221	14,897	12,991	14,672
Borrowings from QTC	557,353	642,710	557,353	642,710
Dividends payable to Queensland Treasury	165,235	125,731	165,235	125,731
Total	**735,809**	**783,338**	**735,579**	**783,113**

(1) National Tax Equivalent Regime (NTER)

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2019

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	
	2019 $'000	2018 $'000
Balance at 1 July	561,821	759,812
Loans advanced	618,325	312,238
Loans repayments received	(704,034)	(510,229)
Total	**476,112**	**561,821**

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 2019 (2018 – nil).

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

Outstanding balances are unsecured and are repayable in cash.

Note 24 – 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 $253.8 million (2018: $223.2 million). The fair value of these guarantees is $ nil (2018: $ nil).

Note 25 – Investment and interest in subsidiaries

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investment in subsidiaries	-	-	**51,815**	**51,815**

These assets are carried at cost.

The consolidated group has an interest in the following entities:

			2019	2018
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.

CS ENERGY LIMITED

Notes to the consolidated financial statements

30 June 2019

Note 26 – Joint operation

Incorporated Joint Operations

Name of Entity	Principal activities	Country of Incorporation	2019 Interest %	2018 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	0	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 27 – 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 2019.

CS ENERGY LIMITED

Directors' declaration

30 June 2019

In the directors' opinion:

(a) The financial statements and notes set out on pages 49 to 98 are in accordance with the *Corporations Act 2001,* including:

(i) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations, the *Corporations Regulations 2001* and other mandatory professional reporting requirements), and

(ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2019 and of their performance for the year ended on that date.

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

(c) There are reasonable grounds to believe that the Company and the group entities identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC 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 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

James Gerard Soorley
Chairman

Antonia Thornton
Director

CS ENERGY LIMITED

Auditor's Independence declaration

for the year ended 30 June 2019

To the Directors of CS Energy Limited

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

Independence declaration

As lead auditor for the audit of CS Energy Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been –

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Damon Olive
as delegate of the Auditor-General
23 August 2019

Queensland Audit Office
Brisbane

CS ENERGY LIMITED

Independent Auditor's Report

30 June 2019

Queensland Audit Office
Better public services

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 group's financial position as at 30 June 2019, 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 2019, 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.

Carrying value of power stations

Refer to Note 15 in the financial report

Key audit matter	How my audit addressed the key audit matter
The group and company held property, plant and equipment totalling $1,391.6 million and $369.7 million respectively and is principally comprised of power station assets. As disclosed in Note 15, the recoverable amount of these assets is estimated using a discounted cash flow model that required 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.	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 internal experts used to provide the key assumptions adopted by management. These assumptions included forecast electricity prices, demand and generation. • Testing the mathematical accuracy of the discounted cash flow models. • 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 15 of the financial statements. • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Evaluating whether forecasted generation was reasonable, with reference to available market data. • Engaging an auditor's expert to assist me in assessing the reasonableness of management's adopted methodology and assumptions in constructing the forward electricity price curve.

CS ENERGY LIMITED

Independent Auditor's Report

30 June 2019

Queensland Audit Office
Better public services

Estimation of the onerous contract provision relating to the Gladstone Interconnection and Power Pooling Agreement (IPPA) and rehabilitation and site closure provisions

Refer to Note 16 in the financial report

Key audit matter	How my audit addressed the key audit matter
The Gladstone IPPA contract is an onerous contract in the company and the group's financial statements. The provision of $182.9 million is estimated using a discounted cash flow model, which required the exercise of significant judgement in determining the key assumptions supporting the model, including: • forecasted electricity demand, price, generation and unavoidable costs related to the contract • discount rate.	My procedures related to the provision for the Gladstone IPPA onerous contract 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 measure the provision. • Testing the 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). • Assessing the competence, capability and objectivity of management's internal and external experts used in measuring the provisions. • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Engaging an auditor's expert to assist me in assessing the reasonableness of management's adopted methodology and assumptions in constructing the forward electricity price curve.

The $179.3 million provision for restoration and site closures relates to all of CS Energy Limited's power station sites, mine sites, and ash dams.
The measurement required significant judgements for:
• identifying locations where a present obligation for future restoration, rehabilitation, and decommissioning exists as a result of past events
• forecasting the cost of the required restoration, rehabilitation, and decommissioning in today's dollars
• estimating the timing of the required restoration, rehabilitation, and decommissioning
• discount rate.
	My procedures related to the provision for restoration and site closures 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 measure the provisions.
	• Evaluating the timing used in the calculations of the provision for consistency with the proposed site closures disclosed in:
	  • the annual assessment of estimated useful lives
	  • management reports and board reports
	  • correspondence between CS Energy Limited and its external stakeholders.
	• Assessing the completeness of the provision by reviewing relevant environmental and regulatory requirements.
	• Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.

CS ENERGY LIMITED

Independent Auditor's Report

30 June 2019

Queensland Audit Office
Better public services

Measurement of derivative financial instruments and designation of hedging instruments

Refer to Note 11 in the financial report

Key audit matter	How my audit addressed the key audit matter
CS Energy Limited measured some of its derivative financial instruments at fair value using complex valuation models. The models include the following key inputs that involved significant judgement due to an absence of observable market data: • market risk and option volatilities • scaling factors • credit default probabilities.	I engaged a specialist and an auditor's expert to assist me in: • Obtaining an understanding of the valuation models, and assessing their design, integrity and appropriateness with reference to common industry practices. • Challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to independently sourced external market data, market conditions at year end, CS Energy's generation activities and energy trading policy; and • For a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the group and company based on our understanding of generally accepted derivative valuation practices. In engaging a specialist and expert to assist us in addressing this key audit matter I have reviewed: • their qualifications, competence, capabilities, objectivity • the nature, scope and objectives of the work completed for appropriateness • the findings and conclusions for relevance, reasonableness and consistency with the evidence obtained.
The accounting standards for hedge accounting are complex, and their application involved significant judgements about CS Energy Limited's forecast generation profile to determine whether each derivative financial instrument fulfilled the conditions for classification as an effective hedge. Hedge accounting involves recording unrealised gains or losses on derivatives against equity if the derivatives are designated as effective hedges, or otherwise against profit or loss.	With the assistance of an external specialist, my procedures included, but were not limited to: • Assessing the group's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness; • Assessing the appropriateness of the designation for a sample of derivatives by inspecting the hedge documentation, key terms of the hedging instrument and nature of the hedge relationship; • For cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring. • Testing reconciliations of the cash flow hedge reserve and assessing the appropriateness of the presentation of gains and losses in the income statement.

CS ENERGY LIMITED

Independent Auditor's Report

30 June 2019

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Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2019, 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

23 August 2019
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 – excluding the portion of generation that is allocated to Boyne Smelter)
Energy sent out	The amount of electricity sent to the grid.
EACFD	Equivalent Availability Capacity Factor Demand. EACFD = 100 – (EFOF + EMOF + EPOF + SD) % Where: EACFD = Equivalent Availability Capacity Factor Demand EFOF = Equivalent Forced Outage Factor EMOF = Equivalent Maintenance Outage Factor EPOF = Equivalent Planned Outage Factor SD = Seasonal De-ratings
FCFY	Free Cash Flow Yield. FCFY is calculated by: Free Cash Flow/Gross Fixed Assets + Net Working Capital.
GW	Gigawatt (one GW = 1,000 megawatts)
GWh	A gigawatt hour (GWh) is equal to 1,000 megawatts of electricity used continuously for one hour.
$kgCO_2$-e/MWhso	Greenhouse gas emission intensity per energy sent out. The amount of greenhouse gas emitted per unit of energy sent out (expressed in units of CO_2-e per unit of electricity sent out to the grid). Greenhouse gas emissions intensity is a way of measuring the efficiency of an electricity generator, by dividing total emissions by the amount of electricity produced.
IPPA	Interconnection and Power Pooling Agreement.
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 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.

Contact

Brisbane office and registered office

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

PO Box 2227
Fortitude Valley BC Qld 4006

P: +61 7 3854 7777
E: energyinfo@csenergy.com.au
W: **www.csenergy.com.au**

ABN 54 078 848 745