Annual Report
2021

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

Our performance

- In a challenging year, our people went above and beyond to support CS Energy's purpose of ***Delivering energy today, powering your tomorrow.***

- Our number one priority is ensuring that **everyone at our sites returns home safely** at the end of their workday.

- When a significant plant incident occurred on Unit C4 at Callide Power Station, **our people responded quickly, calmly and professionally** to evacuate the site and ensure that everyone was safe.

- Our workforce rallied to support the Callide team and the complex task of **safely returning three of the site's generating units back to service and commenced developing a plan to return Unit C4.**

- Across our portfolio, **we sent out 10,346 gigawatt hours of electricity** this year, a decrease on the year before but still a significant share of the total electricity produced in Queensland.

- We prepared for Australia's energy transformation, with our ongoing Future Energy diversification work in **renewable energy offtakes, electric vehicle charging and hydrogen.**

- Our retail business **increased its market share** of Queensland's large commercial and industrial energy customers and offered them a **growing suite of product solutions to meet their energy needs.**

- And we **supported the local communities near our power stations** by providing more than $208,000 in sponsorships.

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About this report

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

Each year we prepare a Statement of Corporate Intent (SCI), which outlines our strategies, objectives and targets for the year ahead. This annual report provides a detailed review of CS Energy's performance against our SCI for the financial year ended 30 June 2021 (FY2021).

Electronic versions of this annual report and our SCI are available on CS Energy's website at **www.csenergy.com.au**

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides electricity to some of our state's largest industries and employers. We employ more than 500 people who live and work in the Queensland communities where we operate.

Our purpose

Delivering energy today, powering your tomorrow.

CS Energy is adapting our business to thrive in the rapidly changing energy world. The future energy market is uncertain, but one thing is certain – we know the kind of energy business that we want to be. One that is customer focused, diversified and proactive.

Our purpose captures the dual nature of what we aim to do – run a successful thermal generation business and evolve into a diversified energy business exploring new markets, products and partnerships.

Our values

Our values define how we work and form the foundation of the high performing culture that we are building here at CS Energy. By living our values every day we are creating a culture that fosters respect for people and celebrates inclusion and diversity. In turn, we are creating an environment that encourages creativity, innovation, and opportunities for tomorrow.

Be safe

Safety, driven by genuine care and concern for people and the environment, is our top priority. It is the defining characteristic of everything we do in our business.

Act with integrity

We are uncompromising in our ethics. We cultivate trust by saying what we mean, delivering on our promises, and 'walking the talk'.

Take accountability

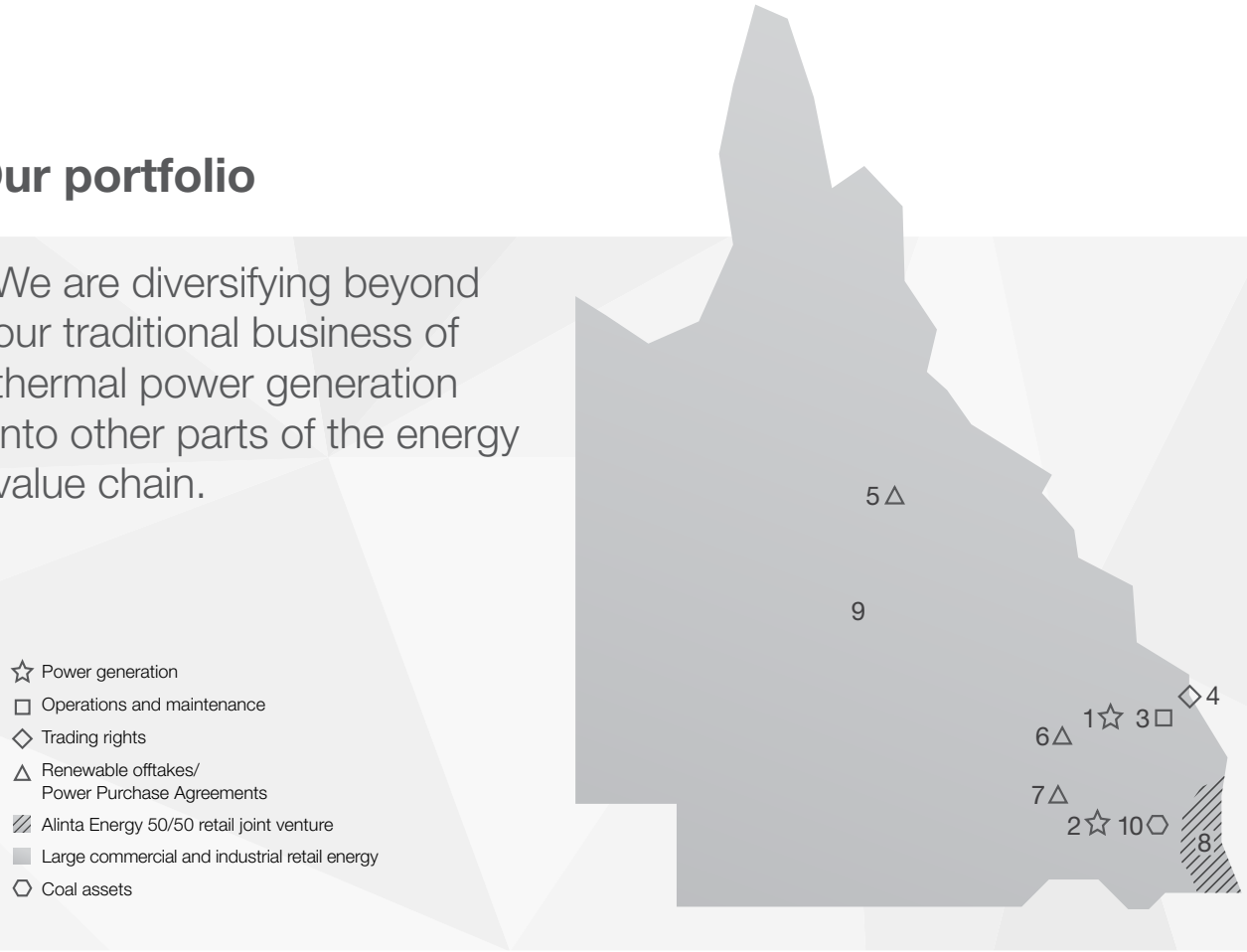
We accept accountability readily. We make it clear to others what we are accountable to achieve.

Make a difference

We create and sustain value through operational excellence, being productive, and exercising sound commercial judgement.

Our portfolio

We are diversifying beyond our traditional business of thermal power generation into other parts of the energy value chain.



CS Energy generates and sells electricity in the National Electricity Market (NEM) where we have a trading portfolio of more than 3,500 megawatts (MW).

We own and operate the Callide B and Kogan Creek 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. We also trade energy generated by Gladstone Power Station, in excess of the requirements of the Boyne Island aluminium smelter.

We provide retail electricity services to large commercial and industrial customers throughout Queensland. We offer renewable energy to our customers through our power purchase agreements with wind and solar facilities, and firm them with energy from our thermal generation assets. We offer our customers value-add solutions such as demand management and electric vehicle charging to help them meet their decarbonisation and energy management needs.

Our 50/50 retail joint venture with Alinta Energy supplies electricity to residential and small commercial customers in South East Queensland.

Our coal asset is the Kogan Creek Mine, which supplies thermal black coal to the Kogan Creek Power Station.

Power generation

1 **Callide Power Station** (Thermal – 1,525 MW)
1,525 MW = 700 MW Callide B Power Station + 825 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)

Operations and maintenance

3 **Callide C Power Station**

Trading rights

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

Renewable offtakes/Power Purchase Agreements

5 **Kennedy Energy Park** (Wind, solar, battery storage – 60 MW)
6 **Moura Solar Farm** (Solar – 56 MW)
7 **Columboola Solar Farm** (Solar – 162 MW)

Retail

8 **Alinta Energy 50/50 joint venture** – South East Queensland
9 **Large commercial and industrial** – Queensland

10 Coal assets

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

Our strategy

Our purpose-led strategy is guiding our transformation from a baseload thermal generator into a diverse energy business.

With continued growth in renewable energy, enabled by digital technology and empowered by consumer choice, the energy industry will continue to evolve rapidly into a completely different marketplace from the traditional energy value chain of the past few decades.

As the energy mix incorporates more lower carbon sources, coal-fired power stations will play a critical role in providing a secure and reliable supply of electricity to consumers whilst facing increasingly fierce competition from newer technology options. CS Energy is ensuring our portfolio investments are optimised and prioritised to incorporate a mix of flexible and wide-ranging technologies within the appropriate risk, governance and investment parameters.

Uncertainty remains about the range and form that energy markets may take in future. To be sustainable and competitive into this uncertain future operating environment, CS Energy continues to prepare our workforce, plant and local communities for change, working towards our business optimisation and diversification targets.

CS Energy is committed to the communities and regions in which we operate. We will continue our engagement across our local communities as the energy sector transforms.

Our strategy, released in 2019, remains relevant and appropriate for the evolving market environment. Work executed to date has positioned CS Energy strongly to navigate the energy transformation, while meeting our diverse stakeholder expectations and ensuring a reliable energy supply as Queensland's energy system decarbonises.

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

STRATEGIC PRIORITIES

Strengthen our foundations | **Optimise our assets** | **Maximise our returns** | **Deliver future energy**

Key performance indicators

Each year, CS Energy prepares a Statement of Corporate Intent (SCI), which outlines our strategies, objectives and targets for the financial year ahead.

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

In line with our strategy, CS Energy committed to achieving the following targets in FY2021.

Summary of performance against FY2021 targets

Strategic Priority		FY2021 Target	FY2021 Actual
Strengthen our foundations	All injury frequency rate (AIFR)[1]	≤28	25.5
	Constructive culture[2]	28	N/A
Optimise our assets	Equivalent unplanned outage rate (%)[3]	7.4	21.1
	Commercial availability (%)[4]	87	48
Maximise our returns	All in unit cost ($/MWh)	43.39	45.07
	Underlying EBITDA ($M)[5]	282.4	94.9
Deliver future energy	C&I market share (%)[6]*	9	11.4
	Product solutions[7]*	69	84

1 AIFR is a rolling 12-month target measuring all injuries across the workforce per one million hours worked.

2 Constructive culture is a percentile improvement metric and is only measurable every two years. The score represents four constructive culture styles averaged using our Culture Circumplex model. The FY2021 culture survey was deferred to FY2022.

3 Equivalent unplanned outage rate is a measure of the probability that a generating unit will not be available due to forced outages or forced deratings. It is expressed as a percentage and is calculated at a portfolio level.

4 Commercial availability is a 12-month rolling target and is the actual availability weighted to the difference between the electricity pool price and marginal cost of each unit.

5 Earnings before interest, tax, depreciation and amortisation reflective of regular, cyclical or known/predictable events and may exclude any one-off or extraordinary items impacting earnings.

6 Expressed as a percentage of total Queensland Commercial & Industrial (C&I) electricity customer load.

7 Product solutions is the number of products (in addition to traditional energy sales) sold across our total customer base (for example, renewable energy or electric vehicle charging infrastructure products).

Chairman's message

The Unit C4 incident at Callide Power Station was the key driver of CS Energy's operational and financial results this year.

On 25 May 2021 an incident occurred in Unit C4, which resulted in an explosion, substantial damage to the unit and forced it offline. Shortly afterwards Callide's other operating units tripped and went offline. The Board is incredibly proud of how CS Energy's employees responded to this incident, ensuring everybody was safely evacuated from the site and supporting each other as they dealt with the traumatic event.

As the Callide team worked to return the site's three other units to service over the following weeks, safety was front of mind at every step of the process. Units B1 and B2 returned to service in June and Unit C3 came back online in July.

CS Energy and our JV partner InterGen Australia are currently developing a plan to return Unit C4 to service.

An independent investigation has been commissioned into what occurred on Unit C4, so that we can learn from it and prevent it from happening again. Led by Dr Sean Brady, the investigation will assess both the technical and organisational factors that could have contributed to the incident.

Financial performance

The reduction in plant availability following the C4 event, along with challenging market conditions, saw CS Energy's Underlying EBITDA decrease to $94.9 million (2020: $309.5 million). Wholesale electricity prices were low for much of the year, reflecting the continued increase in supply from rooftop solar and large-scale renewables.

Up until the May-June period, we effectively managed the risks around the market conditions through our hedging activities and the value delivered through our retail commercial and industrial business. This proved more difficult following the significant reduction in generation at Callide following the C4 incident.

CS Energy recorded a net loss after tax of $266.1 million (2020: $77.6 million) primarily driven by the Underlying EBITDA performance and other accounting adjustments. As a result, CS Energy has not provided for a dividend for the year.

Charting a successful future for the business

Notwithstanding the challenges at Callide, CS Energy progressed investment opportunities under our *Deliver future energy* strategic priority in FY2021. Our retail business grew both its market share and product solutions for the large commercial and industrial market in Queensland. We also announced a renewable hydrogen project at Kogan Creek and expanded our electric vehicle charging offering.

This Future Energy work is the engine room of our strategy, which aims to transform CS Energy from a traditional generator to a diversified energy business. Our strategy recognises that our energy portfolio will play a critical role in the NEM for years to come, but that we must also find new sources of revenue to create a long-term future for CS Energy.

We welcomed the Queensland Government's announcement of a $2 billion Renewable Energy and Hydrogen Jobs Fund in late FY2021. CS Energy has already submitted a diverse range of investment opportunities which will diversify our portfolio further and increase our revenue.

This Future Energy work is the engine room of our strategy, which aims to transform CS Energy from a traditional generator to **a diversified energy business.**

To support our diversification activities, moving forward CS Energy must improve our plant availability and effectively manage our costs. We are prioritising our maintenance expenditure to keep our plant operating safely and at its best to meet changing demand.

Our commitment to our communities

CS Energy is a significant employer in the communities where we operate and plays an important role in their economic and social development.

This year we conducted a regional economic impact assessment to better understand the economic contributions of our power stations and the Kogan Creek Mine, including detailed summary and analysis of the level of expenditure into the Queensland economy. At a state level, the total economic impact of our operations in FY2020 amounted to $1.2 billion in output/turnover (a measure of direct and supply chain purchases from businesses).

We have continued our targeted COVID-19 support measures such as shortened payment terms for small and medium enterprises, and our annual community sponsorship program remains an important contributor to our communities, with more than $208,000 in sponsorships awarded this year.

CS Energy understands our responsibility to contribute to the future talent pool of the energy industry. This year we hosted five undergraduate engineers who worked at CS Energy over the summer period, with two sourced from CareerSeekers, a not for profit organisation that works with companies to provide work for refugees and asylum seekers. Seven apprentices and trainees also started work at CS Energy in FY2021.

Board changes

CS Energy farewelled director Peter Schmidt at the end of his term in 2020. We thank Peter for his contribution to CS Energy and wish him well for the future.

In June 2021 Christina Sutherland was appointed as a director on the CS Energy Board. Christina is an experienced company director and has more than 30 years' experience as legal counsel in commercial and government sectors. We look forward to working with Christina and benefiting from her expertise.

Acknowledgements

Thank you to my fellow directors and CS Energy employees for your professionalism and hard work in a challenging year. I would also like to acknowledge the ongoing support of our shareholding Ministers as CS Energy charts a safe and commercially sustainable future for the business.

Jim Soorley
Chairman

CEO's review

In a difficult year, I am exceptionally proud of the way our employees have pulled together as one team to support the Callide recovery and provide competitively priced electricity for Queenslanders.

Our FY2021 results reflect the impact of the Callide C4 event, along with the market headwinds facing many operators of large thermal plant in the NEM. Amidst these challenges, we continued to build momentum in our suite of Future Energy initiatives.

Response to Callide C4 incident

The Unit C4 incident at Callide Power Station on 25 May 2021 was unprecedented in the history of our business. We recognise that the events at Callide impacted people and businesses throughout Queensland. Blackouts are disruptive and we thank our colleagues at AEMO, Powerlink and Energy Queensland who worked to quickly restore power to people's homes and businesses and keep the grid safe.

The fact that every worker at Callide returned home safely that day is a credit to the training, competency and professionalism of our workforce. In particular, I have spoken to the first responders who were in the immediate vicinity of Unit C4 that day and thanked them for their efforts.

The Callide recovery process is well underway. Units B1, B2 and C3 are back online and we are working with our joint venture partner InterGen on the return to service of Unit C4.

I have spent a lot of time at Callide in the last few months. I have extended my sincere gratitude to the team there not just for the effort involved in getting three units back online, but how they went about it. They displayed an unwavering focus on returning the units safely and worked methodically through the return to service process.

I would also like to acknowledge everyone at CS Energy for the support they have provided the Callide team. The work across all sites towards our common goal over the last few months has shown how connected we are as one team. No matter what site our people worked at, they were ready to lend a hand.

Now our focus is on understanding what caused the C4 incident. It is clear it was a significant process safety event and we are determined to learn from it and take what action is needed to prevent it from happening again.

Forensic engineer Dr Sean Brady has begun the independent, external investigation. He and his team have been onsite at Callide Power Station and we are providing them with whatever support they need to undertake a comprehensive investigation.

Health and safety

CS Energy achieved an All Injury Frequency Rate (AIFR) of 25.5 in FY2021 against a target of less than 28. Forty-three people were injured, a decrease of nine compared to the year before, and there were no lost time injuries.

We refreshed our health and safety strategy for the next five years, focusing on three key areas: people, places we work, and practices. Through this strategy we aim to improve our safety culture further, continuing to learn from failures and successes.

We also successfully ran a COVID-Safe overhaul over five months at Callide Power Station. The overhaul of two of Callide's four generating units ran from June to November 2020 and brought almost 200 contractors to Biloela under strict hygiene and safety measures to help stop the spread of COVID-19. The overhaul was longer than usual to accommodate COVID-safe measures like social distancing.

The health of the community and our employees is our key priority for our PFAS monitoring program at Callide Power Station. This year we began a testing program on landholder properties downstream of the power station. PFAS (per-and poly-fluoroalkyl substances) is a group of manufactured chemicals present in firefighting foams that were historically used at various Australian sites including civil airports, defence bases, ports and large industrial sites.

We have taken a proactive, transparent approach on this issue by speaking directly with affected landholders and regularly updating the community and our employees. We are developing an ongoing monitoring program and remediation plan with the Department of Environment and Science.

Business performance

CS Energy delivered 10,346 gigawatt hours of electricity to the NEM from our generating assets in FY2021, a decrease of almost 1,483 gigawatt hours on the previous year due to market conditions and reduced plant availability. This translated into a decrease of $165 million in revenue from electricity sales compared to the year before.

A decline in Underlying EBITDA and a series of accounting adjustments, including plant impairments and a remeasurement of the Gladstone IPPA onerous contract, resulted in a net loss after tax of $266.1 million (2020: $77.6 million net loss after tax).

It is important to remember that asset valuations are required as part of our financial reporting obligations and do not recognise the incredibly high value of our power station assets to millions of Queensland households and businesses.

Asset impairments assess the future energy price that our assets will earn against the cost of operating the assets. What it does not consider is the additional value of these assets to the state and Queenslanders, through regional employment, security of supply, and lower electricity prices.

Recent months have demonstrated the value of our assets to Queenslanders and the NEM. In addition, current market reforms under review at the federal level are looking at valuing the essential system services assets like ours provide the NEM.

Progressing our strategy

CS Energy's strategy is built around maximising the life and value of our existing assets, while also finding new sources of earnings as the generation mix evolves in the NEM. CS Energy's retail activities in the large commercial and industrial (C&I) retail market is critical for supporting our existing asset base while simultaneously providing an avenue to diversify revenue streams.

The work across all sites towards our common goal over the last few months has shown **how connected we are** as one team.

In FY2021 we grew our share of the Queensland C&I market by approximately 300 gigawatt hours. The driver of this growth has been our customer centric approach, where we develop tailored product solutions for each customer based on their specific energy needs.

Through our diversified product offering, we are helping our customers realise their decarbonisation goals. Many of our large commercial and industrial customers require a mix of thermal and renewable generation in their loads. We offer renewables to our customers through our partnerships with wind and solar facilities, and underpin them with energy from our thermal generation assets.

We signed two new renewable power purchase agreements this year, bringing our renewable portfolio up to 310 megawatts. We are also actively investigating renewable hydrogen production, electricity vehicle charging, battery storage and further renewable energy offtakes. The Queensland Government's $2 billion Queensland Renewable Energy and Hydrogen Jobs Fund will be an important vehicle for CS Energy to invest in these technologies.

Acknowledgements and outlook

FY2022 will be a defining year for CS Energy as we work to reinstate Unit C4, transform the business and begin to realise our future energy ambitions. Other important focus areas are Process Safety and delivering on key initiatives to increase cost competitiveness.

Thank you to everyone at CS Energy for your hard work in FY2021. This year has tested our resilience but I believe that we have emerged stronger and more united as a business.

Thank you also to the Board for the support and guidance that you have provided the Executive Leadership team.

Andrew Bills
CEO

Callide Unit C4 incident

The safety and wellbeing of our people is our priority following the incident on Unit C4 at Callide Power Station.

Callide Power Station is comprised of two power plants, Callide B and C, each with two generating units (B1 and B2, C3 and C4). CS Energy owns 100 per cent of Callide B and owns Callide C in a 50/50 joint venture (JV) with InterGen Australia.

On 25 May 2021 an incident occurred in Unit C4, which resulted in an explosion, substantial damage to the unit and forced it offline. Shortly afterwards Callide's other operating units tripped and went offline.

At around 2pm, multiple power stations and high voltage transmission lines in Central Queensland tripped, leading to a significant reduction of load and temporary separation between Queensland and the rest of the NEM.

CS Energy's first priority was to make sure workers and the Callide site were safe. The power station was fully evacuated and nobody was injured.

In the days and weeks that followed, our focus was on helping our Callide team deal with this traumatic incident and safely bring the power station's other units back online, which collectively account for 1,120 megawatts of capacity.

An independent investigation has been commissioned to understand what caused this incident, so that we can learn from it and prevent it from happening again. We will also share the learnings to assist the wider power generation industry.

Supporting our people

Our people have displayed professionalism, skill and dedication in response to this incident. We have encouraged them to look out for each other and make use of the free counselling available through our Employee Assistance Program and Mates in Energy. This support will continue for as long as it is needed.

CS Energy CEO Andrew Bills has been a frequent visitor at Callide Power Station, travelling to site the day after the incident occurred to support the team and see firsthand the response.

Minister for Energy, Renewables and Hydrogen Mick de Brenni has also visited Biloela and Callide to meet with employees and thank them for their efforts.

We are enormously proud of the way everyone has pulled together as we work to return Callide Power Station to normal operations.

Callide power recovery

Safety was front of mind as we worked to progressively return Callide's other three generating units to service. At CS Energy, safety takes priority over electricity production – at all times, and in every part of our business.

Our people are empowered to stop work at any time to make their job as safe as it can be. This means taking the time to risk assess and identify hazards, both known and new, and being methodical about the controls we need to put in place to manage these hazards.

After a tremendous effort involving more than 300 employees and contractors, both B station units were returned to service in June and Unit C3 in July.

CS Energy and our JV partner InterGen Australia are developing a plan to return Unit C4 to service, which will involve replacing the C4 turbine and generator, and we are working closely with our respective insurers on the potential cost and timeline.

Callide Power Trading trades the output of Callide C on behalf of the JV. Following discussions with the equipment manufacturer and based on the current lead times for the manufacture, delivery and installation of new parts, the forecast return to service date for C4 is 1 February 2023[1]. This return to service date is based on the information that the Callide C Joint Venture has available at this point in time and remains subject to further change.

Callide C is one of the youngest, coal-fired generators in the NEM and features high efficiency super critical boiler technology. Apart from the damage to the C4 turbine and generator, the remainder of the plant is intact. When reinstated, C4 represents 405 megawatts of synchronous generation that can support the NEM as it incorporates increased amounts of renewables.

Callide Power Station

Unit	Capacity	Return to service date
B1	350 MW	16/06/2021
B2	350 MW	22/06/2021
C3	420 MW	25/07/2021
C4	405 MW	Forecast 1 February 2023

1. On 10 September 2021, the Callide C JV advised AEMO that Unit C4's return to service date had shifted from 1 December 2022 to 1 February 2023. Please note that CS Energy's FY2021 financial statements do not contain this new forecast return to service date as they were finalised on 27 August 2021. Given the complex nature of the project to return C4 to service, the return to service date will continue to be reviewed by the JV owners.

Independent investigation

CS Energy is committed to understanding the facts that led to the C4 event so we can learn from it and improve the safety of our people and plant.

Forensic engineer Dr Sean Brady has been engaged to lead an external, independent investigation and review of the incident on Unit C4. Dr Brady will investigate the cause of the Callide incident, with support from individual experts.

The scope of the investigation will be broad in nature and will assess both technical and organisational factors that could have contributed to the C4 incident. It will be a highly complex investigation and Dr Brady has been given the authority to expand its scope based on progressive findings. A report will be published with findings from the investigation so that the lessons learned can be shared with our peers in the power generation industry.

There are also other stakeholders investigating what has occurred at Callide, including Workplace Health & Safety Queensland and the Australian Energy Market Operator.

Keeping our customers informed

Naturally the Unit C4 event raised questions for our customers, so our retail team has been keeping them informed about the recovery effort at Callide Power Station.

We would like to acknowledge our large commercial and industrial customers who were able to provide demand-response services to CS Energy in the period immediately following the C4 incident. Their support was crucial in helping CS Energy respond to what was an extremely rare event.

CS Energy provides electricity from a variety of sources to meet our customer requirements. We have reassured our customers that the extended outage of Unit C4 will not impact their day-to-day power supply.

Managing the impact on our business

The loss of availability from Callide Power Station has had a significant impact on CS Energy's business, adversely affecting our financial and plant availability results for the year. Going forward, we are implementing various trading and financial strategies to mitigate the impact of Unit C4's unavailability until February 2023. We will continue to keep our shareholders and other key stakeholders informed about our ongoing response to the C4 event, including responding to the outcomes of the various investigations and progress on the return to service of Unit C4.

In the days and weeks that followed, our focus was on **helping our Callide team deal with this traumatic incident** and safely bring the power station's other units back online.

Reporting on our Energy Charter commitments

Since becoming a foundation signatory to The Energy Charter in 2019, CS Energy has taken significant steps towards becoming a more customer-focussed business.

The Energy Charter

The Energy Charter is a whole-of-sector initiative to achieve a more affordable, reliable and sustainable energy system for all Australians.

Businesses 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 Energy Charter has five principles:

1. **We will put customers at the centre of our business and the energy system.**
2. **We will improve energy affordability for customers.**
3. **We will provide energy safely, sustainably and reliably.**
4. **We will improve the customer experience.**
5. **We will support customers facing vulnerable circumstances.**

Our top three customer outcomes in FY2021

1. Giving our customers confidence that we are acting in their best interests through our active role in the Energy Charter #BetterTogether National Customer Code for Energy Brokers, Consultants and Retailers. CS Energy co-designed the Customer Code with consumer and industry stakeholders and is a member of the Customer Code Council. One of the aims of the Customer Code is to address some of the concerns about third party intermediaries' selling practices raised in the final report of the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry.
2. Providing product solutions to our customers that address their costs of doing business and support their decarbonisation goals. Our product solutions include electric vehicle chargers, demand response products and renewable energy sleeved products.
3. Continuing to offer support to our customers, supply chain partners and communities in a COVID affected economy. We have helped wherever possible to those doing it tough in our part of the electricity supply chain.

CS Energy's 2021 Disclosure Report will be available from October 2021 at **www.theenergycharterpanel.com.au** and on our website at **www.csenergy.com.au**

Strengthen our foundations

Strategic priority – Safety, people, culture, community and the environment are at the core of everything we do.

Health and safety

FY2021 at a glance:

- **Worked closely with Workplace Health and Safety Queensland on the Callide Unit C4 incident and recovery.**
- **Achieved our target of an All Time Injury Frequency Rate of less than 28.**
- **Implemented additional COVID-Safe measures to manage the risks around extra workers on site for the Callide overhaul.**

Our actions in response to the Callide Unit C4 incident demonstrate that the safety and wellbeing of our people is our first priority.

We believe that all injuries are preventable and that nothing is more important than making sure everyone at our sites returns home safely at the end of their working day.

We are building a safety culture that is aligned with the constructive culture model that CS Energy has adopted. This means everyone at CS Energy is empowered to stop a task to make their job as safe as it can be.

In FY2021 CS Energy introduced a refreshed health and safety strategy for the next five years. The strategy focuses on three strategic pillars of people, places we work and practices.

People

CS Energy recorded an All Injury Frequency Rate (AIFR) of 25.5 against a target of less than 28 in FY2021. Forty-three people were injured, a decrease of nine compared to the year before.

We continued to respond to the COVID-19 pandemic to ensure the health and wellbeing of employees, contractors and local communities. Our approach includes following Health Directives and social distancing, hygiene protocols, education and increasing cleaning depending on the risk profile of each site.

In consultation with our workers and Queensland Health, we implemented extra COVID-Safe measures during the overhaul program at Callide Power Station in the second half of 2020. As the overhaul brought 200 extra workers to site, we rolled out the following additional measures:

- limits for the number of people in workspaces, crib huts and buses to and from site
- increased cleaning and staggered meal breaks
- extra hygiene stations around site
- controls around lifts, and
- all workers signing a COVID-19 declaration before attending site.

No positive cases of COVID-19 have been recorded at our sites or office to date.

We have provided regular communication to our people about the avenues available to them to support their health and wellbeing during COVID-19, such as our free Employee Assistance Program and a new resilience training program.

We have a range of programs to enable our people to pursue a happy and healthy lifestyle, including free counselling, flu vaccinations and skin cancer checks. This year we developed a Health and Wellbeing Strategy and we will implement it in the year ahead, developing targeted initiatives for specific health and wellbeing risk areas.

Places we work

CS Energy's process safety management system integrates process safety into our business as usual activities. In FY2021 we joined the national Process Safety Industry Group, which works on various initiatives to improve the management of process safety in Australian industry.

We have a responsibility to provide a safe workplace where our people are protected from the health and hygiene hazards associated with their work. Our occupational hygienist reviewed our occupational hazards to ensure they were being managed correctly. We conducted the first 'deep dive' of one of our key occupational hazards (dust) to ensure we have the appropriate controls in place to manage this risk.

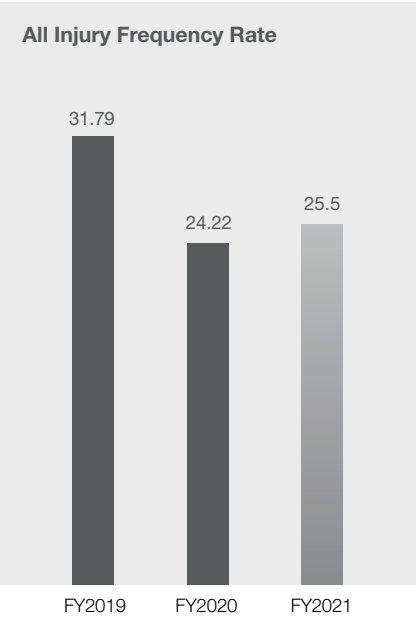
With many Brisbane employees adopting a 'hybrid' approach of working in the office and at home, we provided ergonomic assessments via telehealth consultations to assist them in setting up their work environment at home.

Practices

CS Energy's Health and Safety Management System provides a uniform approach to safety across our sites. The system comprises tools and procedures for working safely and has been developed to meet obligations under health and safety legislation and International Standard 45001.

A thorough evacuation debrief was conducted after the Callide Unit C4 incident and the opportunity was taken to improve these processes and share learnings with Kogan Creek Power Station. We are committed to learning the facts around the C4 incident and are working cooperatively with all external stakeholders investigating the incident.

As we progressively returned Callide's other generating units to service, we worked closely with Workplace Health and Safety Queensland and the Australian Energy Market Operator on our recovery plans. Our people took a methodical, risk-based approach for each unit, with safety taking priority over production at all times. This is in keeping with our longstanding safety practices and systems.



People

FY2021 at a glance:

- **Maintained gender pay parity and our status as a WORK180 Endorsed Employer for Women.**
- **Provided resilience tools and workshops to all employees to support wellbeing at work and home in response to COVID-19.**
- **Continued to build awareness of our commitment to inclusion and diversity through targeted, site-based activities.**

The skills and capabilities of our people play a critical role in CS Energy's evolution into a diversified energy business. We are building a constructive culture where our people are equipped to execute our strategic priorities and transform the business to a low emissions future.

As COVID-19 restrictions eased in early FY2021, employees at our power stations returned to regular rostering arrangements and we transitioned our Brisbane employees into the office in a staged reboot and hybrid work arrangement.

Outside of the subsequent short, localised lockdowns in South East Queensland this year, Brisbane office employees continued to work flexibly, realising the benefits that became apparent during the extended remote working period that occurred at the beginning of COVID-19.

Our workforce

We have 518 employees (as of 30 June 2021) across three sites and a range of trade, technical and professional occupations.

We maintain separate enterprise agreements for each of our power stations and the Brisbane Office. 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. A small number of senior roles are covered by non-enterprise agreement arrangements.

This year CS Energy renegotiated enterprise agreements for all three of our sites. The Fair Work Commission (FWC) approved new enterprise agreements for Corporate Office (Brisbane) and Kogan Creek Power Station in December 2020 following successful employee votes at each site.

At Callide Power Station, CS Energy and unions reached in-principle agreement on a new enterprise agreement for the site in May 2021. The final draft of the proposed document is being finalised between the parties with a vote of Callide employees expected to occur in the first quarter of FY2022.

CS Energy offered resilience training to all employees this year. Working with Sentis, who assisted us to successfully deliver our culture and safety behavioural program CODE, we provided employees with researched based tools and practices for building resilience at work and home.

In recognition of the ongoing economic impact of COVID-19 on Queenslanders, we applied the Queensland Government's 12-month wage freeze for government owned corporations in FY2021.

CS Energy's Executive Leadership Team did not receive a salary increase or a performance payment in FY2021.

Building culture, inclusion and diversity

Over the past five years, we have worked to build a constructive, high performance culture based on the Human Synergistics cultural model. We monitor our progress with surveys of the entire workforce every two years and shorter 'pulse' surveys in between.

Results from a culture pulse survey in FY2021 were mixed across divisions and sites, with an overall theme of a decrease in scores. The response rate to the survey was the highest recorded of any culture survey to date and took place against the backdrop of the COVID-19 pandemic and a period of significant change for CS Energy. The next biennial culture survey will be conducted in FY2022.

Our leaders play an important part in role modelling the values of the business and enhancing employee engagement. Leaders led feedback sessions with employees to gain a better understanding of the issues contributing to the survey results and ensure that CS Energy's response is on the right track.

In response to feedback from an earlier culture survey, we introduced new guidelines for leaders to reward and recognise outstanding performance in their teams. The guidelines reduce the administrative burden associated with previous employee awards processes and provide recipients with more targeted recognition.

Another element of our cultural improvement program is our suite of inclusion and diversity initiatives. CS Energy is building an environment that builds respect, promotes inclusiveness, celebrates diversity and embraces the unique skills and qualities of our employees.

Our Inclusion and Diversity Framework comprises an Inclusion and Diversity Leadership Team that sets our overall direction in this area and an Inclusion and Diversity Support Network of employees who raise awareness and support inclusion and diversity initiatives at a site level.

Workforce profile	FY2021
Number of employees	518
Males (%)	79
Females (%)	21
Women in leadership (%)	23
Non-English-speaking background (%)	11
Aboriginal and Torres Strait Islanders (%)	1.2

Inclusive leadership workshops were also held to emphasise the importance of leaders setting the tone to create **an inclusive workplace.**

CS Energy has had gender pay parity since 2016 and we conduct annual reviews to maintain this standard. Our CEO Andrew Bills is a Pay Equity Ambassador for the Workplace Gender Equality Agency and we are a WORK180 Endorsed Employer for Women.

CS Energy directors Julie-Anne Schafer and Toni Thornton hosted two Women in Industry Forums with female employees at our operational sites to gain an insight into their experiences working at CS Energy and the energy industry in general. The forums provide an opportunity for open sharing of ideas and feedback to ensure CS Energy can attract, promote and retain female talent.

This year we continued to actively build awareness of inclusion and diversity through site-based activities to mark events such as Wear It Purple Day, National Reconciliation Week, International Women's Day and Queensland Domestic and Family Violence Prevention Month. Inclusive leadership workshops were also held to emphasise the importance of leaders setting the tone to create an inclusive workplace.

Creating opportunities for the next generation

CS Energy contributes to the future talent pool of the energy industry by providing employment and skills development opportunities for graduates, apprentices and trainees.

We recruit graduates every two years and host undergraduates on an annual basis during the summer months. This year we hosted five undergraduate engineers who worked at CS Energy over the summer period, gaining valuable experience in their fields of study.

CS Energy sources undergraduates from various places, including our scholarship program, advertising, partnerships with universities and our new partnership with CareerSeekers, a not for profit organisation that works with companies to provide work for refugees and asylum seekers.

The summer undergraduate program has provided a pipeline of talent for our graduate program, with two of the participants since being appointed to commence in the graduate program in early 2022 following their graduation from university.

We offer apprenticeship and traineeship opportunities across skill areas including fitting/machining, electrical, instrumentation, warehousing and administration. This year four apprentices started work at Callide Power Station, and three apprentices and trainees at Kogan Creek Power Station. We also recruited for four apprentices to commence at Callide in early 2022.

Planning for the future at Callide B

CS Energy's Callide B Power Station was commissioned in 1988 and has a forecast technical life of 40 years. We are working with our people and unions through the Callide Futures Group to assess how to best position the Callide B workforce to take up new opportunities as the energy sector transforms over the coming decades.

More broadly, we are a member of various government and industry forums that are exploring approaches for supporting workforces and communities through the energy transformation.

Environment

FY2021 at a glance:

- **Met our key environmental metric of zero Significant Environmental Incidents.**
- **Carried out a PFAS monitoring program at Callide Power Station.**
- **Maintained our certification against the international environmental standard ISO 14001:2015.**

CS Energy's environmental performance is directly linked to our social licence to operate. We refreshed our Environment Strategy this year to articulate how we manage our environmental responsibilities for our existing assets and support the business' diversification into cleaner energy.

We conduct regular environmental monitoring at our power stations and use this data to check that our compliance requirements are being met and that any exceedances are reported to regulatory authorities and appropriately managed.

Our main environment target is zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. In FY2021 CS Energy had zero Significant Environmental Incidents.

Our environmental framework

Each of our power generation and mining sites operate under Environmental Authorities (EA) issued by the Department of Environment and Science (DES). Our EA cover all aspects of site operations including water and air quality, dust, emissions, waste disposal and recycling and noise.

To ensure that we comply with our EA, relevant legislation and our own policy, we use an environmental management system (EMS). The EMS includes monitoring, planning and reporting activities and is certified as meeting the requirements of the international environmental standard ISO 14001:2015.

CS Energy maintained ISO 14001:2015 certification following a surveillance audit of the system by certification body, Bureau Veritas during the year.

Callide PFAS monitoring program

We continued our voluntary investigation into the potential impacts of our historical use of PFAS at Callide Power Station. This year we began a testing program on landholder properties downstream of the power station.

PFAS (per-and poly-fluoroalkyl substances) are a group of manufactured chemicals present in firefighting foams that were historically used at various Australian sites including civil airports, defence bases, ports and large industrial sites.

Callide's use of firefighting foams containing PFAS was infrequent and used in small quantities for training, testing and emergency response purposes. In 2019 we removed from our sites firefighting foams containing non-compliant levels of PFAS as part of a Queensland Government policy to phase out their use.

The health of the community and our employees is CS Energy's key priority and has guided our actions throughout the monitoring program. Our main priority this year was to quantify current PFAS levels in bores used for drinking water and, where appropriate, provide affected landholders with an alternative safe water supply.

As of 30 June 2021, we had tested private bores of 82 landholder properties (including 10 tenants) in the area downstream of Callide Power Station, with the following results:

- 23 landholders had at least one sample point over drinking water guidelines. CS Energy is working with landholders on an individual basis to provide safe water supply depending on individual circumstances.
- The remaining 59 landholder properties returned results below the drinking water guidelines.

Each landholder was provided with their own laboratory report, relevant advice from Queensland Health and information from the Department of Agriculture and Fisheries about using bore water for irrigating crops and for livestock.

We have taken a proactive, transparent approach on this issue by speaking directly with affected landholders and regularly updating the broader Biloela community and our employees. CS Energy is developing an ongoing monitoring program and remediation plan with the Department of Environment and Science.

Testing was also undertaken at Kogan Creek Power Station in late 2020 and while PFAS was identified in some locations, concentrations were below the guideline limit for drinking water. We are working with our specialist environmental consultant and DES to determine if any additional investigation work is required at Kogan Creek.

Emissions

Our coal-fired power stations play a critical role in power security in the NEM and we operate them carefully to ensure we remain within our emissions limits. 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.

CS Energy's greenhouse emissions shift slightly each year depending on coal quality and the mix of our generation fleet in service. Total greenhouse emissions decreased in FY2021 consistent with the reduction in electricity production, while greenhouse intensity remained stable due to factors affecting plant efficiency and increased operation of some units at lower loads. Our finalised greenhouse data for FY2021 will be published on the Clean Energy Regulator's website in February 2022 as part of their regular reporting cycle.

Our power stations also emit oxides of nitrogen (NOx) and sulphur dioxide (SOx), which are produced as a result of the coal combustion process. In recent years we have improved the robustness of our National Pollutant Inventory (NPI) data as part of our commitment to transparently report our emissions. This has included the installation of continuous emissions monitoring systems and an updated calculation methodology to provide us with more accurate NPI emissions data.

Factors such as electricity output, coal quality and plant maintenance influence CS Energy's NPI emissions from year-to-year. In FY2021 our NPI emissions decreased in line with our reduced electricity output. Full details of our FY2021 emissions data will be published on the NPI's website in March 2022.

Water and ash management

Water is a vital input to the electricity generation process at CS Energy's power stations. We use a combination of recycled, raw and town water, and have water management strategies 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 runoff collected in stormwater dams.

Since 2016, an onsite water clarification plant has recycled stormwater for use in plant operations at Kogan Creek Power Station, resulting in a 20 per cent annual reduction in bore water use.

Callide Power Station sources its water from the Gladstone Area Water Board's Awoonga Dam and it is piped to the Callide Dam via the Stag Creek and Awoonga-Callide pipelines to reduce evaporation.

Ash is a by-product of the combustion of coal at CS Energy's power stations. Approximately 99.9 per cent of the ash that we produce is collected in a manner that allows it to be recycled or safely stored. Kogan Creek Power Station's waste ash is piped to the neighbouring Kogan Creek Mine and stored in an ash cell and at Callide Power Station it is stored in an on-site ash dam.

CS Energy is a strong advocate of recycling ash – from the more traditional offtake into cement products to any opportunity that leads to the beneficial use of ash. We recycle approximately 11 per cent of the total ash that we produce by selling it to end users through long term ash sale arrangements.

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.

Community

FY2021 at a glance:

- **Incorporated social value in our business decision-making processes to balance people, community, environmental and economic considerations.**
- **Provided more than $208,000 in sponsorships to the local communities that host our operations.**
- **Guided by a Central Queensland based Indigenous leader, we commissioned an Indigenous Perspectives Consultation report to identify how we can improve outcomes for local Aboriginal and Torres Strait Islander people.**

CS Energy aims to build positive, long lasting relationships in the communities that host our operations. Our people live and work in Central Queensland, the Western Downs and Brisbane, supporting the economic and social growth of these regions.

Including social value in our business decisions

As an energy company, CS Energy recognises that we must evolve how we do business to take into account changing community sentiment. The way people use and produce energy is changing. Digitisation, decarbonisation and decentralisation is changing societal and stakeholder expectations of our business.

This year we began applying 'social value' as part of our business decision-making processes and approach to issues management. Social value is about our contribution to society – our people, business partners, customers, shareholders, the economy, the environment and local communities.

Our adoption of this approach was most evident in our Callide PFAS investigations and will become increasingly important as the energy sector transforms.

To guide our decision-making, we commissioned two independent research initiatives:

- **A regional economic impact assessment** to understand the economic contributions of Kogan Creek and Callide power stations and Kogan Creek Mine, including detailed summary and analysis of the level of expenditure into the Queensland economy. At a state level, the total economic impact of our operations in FY2020 amounted to $1.2 billion in output/turnover (a measure of direct and supply chain purchases from businesses).
- **A stakeholder insights project** to measure the health of our relationships, identify what is material to them, and how we are performing against their expectations. Preliminary results indicate that external stakeholders all had similar high-quality working relationships with CS Energy. Most external stakeholders viewed themselves either in a partnership with CS Energy or on their way to one.

Investing in our local communities

Since our community sponsorships program started in 2018, we have invested more than $600,000 in the regions that host our operations. We award sponsorships in two rounds each financial year, with individual sponsorships typically ranging from $1,000 to $20,000.

We receive many worthy applications from our local communities. We work closely with our power station managers to select the projects that we think are going to have a long-lasting, positive impact on the local community and align with one or more of our five investment focus areas:

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

In FY2021 we provided more than $208,000 in community sponsorships across 30 groups in the Banana Shire, Western Downs and Brisbane. We also donated $10,000 to charitable causes in our local communities.

CS Energy employees donated just under $10,000 to our workplace giving program, Generosity in FY2021. Since the program's inception in 2009, employees have generously donated more than $400,000 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.

Strengthening our relationship with Traditional Owners

CS Energy views Indigenous affairs and national reconciliation as a priority for our business. We are focused on strengthening our engagement with Traditional Owners, and taking our employees, contractors, and site visitors on a journey of education about the Traditional Owners' cultural heritage.

This year we worked with a Rockhampton-based Indigenous leader to deliver an Indigenous Perspectives Consultation Report. The report outlines suggested actions CS Energy can take to improve outcomes for Aboriginal and Torres Strait Islander People in our local communities.

In FY2022 we will begin implementing the strategy, which will form the basis of our inaugural CS Energy Reconciliation Action Plan. Priorities include attracting and retaining more Aboriginal and Torres Strait Islander employees, delivering internal cultural awareness programs and participating in programs or initiatives that benefit Indigenous Australians.

Optimise our assets

Strategic priority – Our assets must continue to provide high availability and reliability and be able to operate flexibly as energy demand changes.

Operating assets

FY2021 at a glance:

- **Reduced availability due to boiler tube leaks and the Callide Unit C4 incident.**
- **Callide Power Station recovery well underway, with three generating units progressively returned to service.**
- **Completed $4.5 million in plant modifications to enable Callide Unit B1 to operate more flexibly in response to changing electricity demand patterns.**

Our coal-fired generation assets are changing from a base load operating profile to an intermediate load profile due to the influx of renewables into the electricity market. The strategic priority of *Optimise our assets* is about how CS Energy adapts to this rapidly changing energy market.

As more renewable energy comes online (in particular, solar), there is less need for coal-fired generation in the middle of the day but demand rapidly increases in the evening when solar is no longer available. CS Energy's assets must be flexible, reliable and low cost to remain competitive in this market.

Plant performance

CS Energy's operating assets are the Callide B and Kogan Creek power stations, which we own, as well as the Callide C Power Station for which we hold a 50 per cent interest.

Despite a 23 per cent increase in generation at Kogan Creek, it was a challenging year for CS Energy's portfolio. Availability for our operating assets was 71.3 per cent (2020: 75.6 per cent), largely as a result of the Callide Unit C4 incident, a significant planned overhaul program at Callide in 2020 and unplanned outages at Kogan Creek in October 2020 and May 2021.

In addition to the traditional availability metric above, CS Energy also measures the commercial availability of our plant. Commercial availability is a measure of whether our plant is available at the right time in the market, that is where demand exists and the wholesale price allows CS Energy to recover its unit costs and generate a reasonable return. The FY2021 commercial availability result of 48 per cent was significantly below target, mostly due to unit unavailability during high pool price periods in May and June 2021.

At year-end capacity was building at Callide Power Station as crews worked to safely return the site's three remaining units to service. Units B1 and B2 went back online in June and Unit C3 in July, bringing the site back to almost 75 per cent capacity.

Unit C4 is forecast to return to service on 1 February 2023.

Prioritising our maintenance spend

CS Energy carries out overhauls on a cyclical basis in accordance with relevant asset management strategies for its generating units. Major overhauls are typically carried out every five years, with minor overhauls carried out in between.

In FY2021 we completed a $60 million overhaul program at Callide Power Station, which comprised a major overhaul of Unit B1 and a minor overhaul of Unit C4. The works brought approximately 200 contractors to Biloela under strict hygiene and safety measures to help stop the spread of COVID-19. The major contractors were CS Energy's overhaul Alliance partner Downer along with Intertek and Solaft.

This year CS Energy also began a program to prioritise our maintenance expenditure to keep our plant operating safely and at its best to meet changing demand. This will involve undertaking more frequent, targeted maintenance.

In FY2022 CS Energy will overhaul units B2 and C3 at Callide and prepare for an overhaul of Kogan Creek in the first quarter of FY2023.

Increasing the flexibility of our generating units

To adapt to the changing demand profile in the NEM, our thermal units need to ramp up or down more frequently and operate at lower loads for longer, something baseload coal-fired power stations weren't originally designed to do. Our units must be available to run when weather dependent renewable generation isn't available, which is typically in the morning and evening peaks.

This year we continued to assess the potential for our generating units to operate more flexibly and carried out our first plant modifications to achieve this goal. A $4.5 million project to install new air atomised igniters on Unit B1 at Callide Power Station was completed during the Callide overhaul, which has enabled us to operate the unit over a wider load range and reduce fuel oil usage for each mill start by 38 per cent.

Trials were undertaken on Callide Unit C3 to increase its upper load limit by 12 megawatts during high demand periods. Further work will be carried out in FY2022 to expand Unit C3's load range and improve ramp rates.

Managing our coal and water supplies

Coal and water are essential inputs to the electricity generation process. Access to low cost, reliable and high-quality fuel and water 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. The mining services contract with Golding Contractors ensures the provision of low-cost coal and proper management of the resource. The contract is due for renewal and an open market process is currently being undertaken for the future mining of the resource with a contract commencement date in 2022.

The dry cooling technology at Kogan Creek Power Station results in a comparatively small amount of water used in electricity generation. Water is sourced from storm runoff and local bores, which offsets the additional cost of the cooling technology.

Callide Power Station receives up to 5.8 million tonnes of black coal annually from the neighbouring Callide Mine owned by Batchfire Resources. Water for the power station is transported via a pipeline from the Awoonga Dam in Gladstone to the Callide Dam in Biloela. CS Energy received a Low Supply Declaration from the Gladstone Area Water Board in April 2021 and is considering water management and saving options to mitigate any potential drought impacts.

Maximise our returns

Strategic priority – We must sharpen our focus on unit cost, make smart investment decisions and work to improve our profitability.

Financial overview

FY2021 at a glance:

- **Underlying earnings significantly impacted by the loss of availability from Callide Power Station following the C4 incident on 25 May 2021.**
- **Cash payments of $85.7 million for major overhauls and other investments across the portfolio.**
- **No dividend was provided for the current financial year.**

Financial performance

CS Energy's Underlying EBITDA for FY2021 of $94.9 million was significantly down on the prior year (2020: $309.5 million), reflecting a lower earned electricity price per unit of production and reduced portfolio generation due to lower thermal plant availability.

The reduction in plant availability to 71.3 per cent (2020: 75.6 per cent) was due in most part to the impact of the Callide Unit C4 incident on 25 May, which resulted in Callide Unit B1 being offline for 23 days, Callide Unit B2 being offline for 28 days and Callide Unit C3 being offline for 62 days (36 days of which were in FY2021). Callide Unit C4 is currently expected to return to service on 1 February 2023.

Availability was also impacted by the planned major overhaul of Callide Unit B1 from June to November 2020 (143 days), the planned minor overhaul of Callide Unit C4 from August to September 2020 (51 days) and unplanned outages of Kogan Creek Power Station in October 2020 (30 days) and May 2021 (16 days).

CS Energy entered into forward wholesale electricity contracts in prior periods to reduce the exposure to pool price volatility in FY2021. Up until the Callide Unit C4 incident this contracting strategy, combined with the value delivered through the retail commercial and industrial market and the residential retail business, was delivering a realised price in excess of the time weighted pool price. However, the significant reduction in generation post the Callide Unit C4 incident increased the time weighted average pool price outcome for the year to $61.81/MWh and resulted in additional costs to manage the contract position during this period. As a consequence the average realised price for the year of $49.01/MWh (2020: $67.37/MWh) was significantly below the time weighted average pool price.

CS Energy recorded a net loss after tax of $266.1 million (2020: $77.6 million net loss after tax). The primary drivers of this result were the decline in Underlying EBITDA, a remeasurement of the Gladstone IPPA onerous contract as an $85.6 million provision increase (2020: $128.0 million provision decrease) due in most part to a forecast reduction in the market outlook for electricity prices, and the full impairment of the Callide C cash generating unit. A partial impairment of the asset value of the Callide B cash generating unit of $19.2 million (2020: $191.7 million) represented the expensing of FY2021 capital expenditure, as the 30 June carrying value actually increased slightly year-on-year.

In accordance with AASB 136 *Impairment of Assets,* the full impairment of the Callide C cash generating unit of $104.3 million (2020: partial impairment of $161.7 million) was due to the requirement to include the forecast cost of rebuilding the damaged Callide C4 Unit in the asset valuation, but exclude the expected insurance proceeds that will fund the rebuild. The rebuilt Callide Unit C4 is forecast to have commercial value. The net loss for the year also includes the disposal of the Callide Unit C4 turbine and generator assets of $11.4 million loss, which were written off as a result of the incident on 25 May 2021.

Cash generated from operations for the year was a net outflow of $39.6 million. This reflected the substantial reduction in underlying earnings and included net cash margining payments of $201.6 million in respect of forward traded exchange contracts, operating borrowing costs paid of $32.1 million and net tax equivalent payments of $13.9 million.

Key financial performance measures

	FY2017 $000	FY2018 $000	FY2019 $000	FY2020 $000	FY2021 $000
Underlying EBITDA[1] ($'000)	371,351	441,358	479,633	309,464	94,927
Underlying EBIT[1] ($'000)	243,462	301,648	339,955	166,806	(13,905)
NPAT ($'000)	282,584	230,980	160,309	(77,600)	(266,135)
Net cashflow from operating activities ($'000)	183,904	499,977	337,041	306,994	(50,883)
Net cashflow for payments for property, plant and equipment ($'000)	(86,078)	(68,001)	(107,458)	(137,818)	(85,749)
Net Cash Flow ($'000)	83,995	(95,307)	(405)	23,547	(19,192)
Underlying interest cover[2] (times)	4.11	4.36	7.33	4.75	(0.43)
Underlying return on capital employed[2]	17.9%	23.2%	28.2%	16.7%	-1.9%

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

2 Measure calculated using Underlying EBIT.

Throughout FY2021 CS Energy continued to focus on **effective project delivery and cost discipline across the business.**

Deposits held with Queensland Treasury in the General Government Sector Advances Facility as at 30 June 2021 was $40.2 million (2020: $222.9 million), with the decrease of $182.7 million representing a transfer to the cash trading account during the year.

CS Energy has not provided for a dividend for the current financial year.

Capital investment

Throughout FY2021 CS Energy continued to focus on effective project delivery and cost discipline across the business. Cash payments for property, plant and equipment was $85.7 million for FY2021. This included the planned major and minor overhaul of Units B1 and C4 at Callide Power Station respectively, and a range of other plant investments across the portfolio.

Non-International Financial Reporting Standards information

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

The non-IFRS financial measures are defined as follows:

- Underlying EBIT – Earnings before interest, tax, and significant items.
- Underlying EBITDA – Underlying EBIT before depreciation and amortisation.
- Underlying interest cover – Underlying EBIT dividend by interest and finance charges.

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

Market performance

FY2021 at a glance:

- **Prepared our trading and retail systems for the five-minute settlement rule change that begins on 1 October 2021.**
- **Decreased electricity dispatched due to market conditions and reduced availability from our portfolio.**
- **Maintained a strong commitment to continuous improvement by self-reporting a compliance matter to the Australian Energy Regulator.**

CS Energy sells electricity in the NEM from power stations we own and operate, and we have the trading rights for the Gladstone Power Station (in excess of what we supply to the Boyne Island aluminium smelter).

We manage plant and financial risk by balancing our presence in the wholesale spot and contract markets and provide a range of ancillary services to help maintain the stability of the grid.

Our activities in the retail electricity market form part of our Future Energy diversification activities and are covered on page 28 of this report.

Our commitment to market compliance

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

We worked cooperatively with the Australian Energy Regulator this year to improve our compliance with national electricity laws and rules relating to Frequency Control Ancillary Services (FCAS). This followed CS Energy self-reporting to the AER in FY2020 instances where we had offered contingency FCAS to the market that were not fully delivered in accordance with the market operator's technical specifications.

The FCAS non-compliances occurred due to a combination of systems and human error and did not impact system stability. We have improved our systems, processes and training to prevent this issue from occurring again.

CS Energy paid the infringement notices issued by the AER in relation to these events, and repaid AEMO the relevant contingency FCAS revenues.

Our self-reporting of these matters illustrates our commitment to our values and being a responsible and compliant market participant.

Market report

The energy sector is transforming from a centralised system reliant on large fossil fuel generation to a decentralised system of geographically dispersed, renewable generators. This trend continued in FY2021, with substantial increases in both rooftop solar and large-scale renewable capacity.

Across the NEM large scale wind and solar dispatch combined on average totalled 4,000 MW during daylight hours. This translated into greater volumes of capacity bid into prices between $0/MWh and $1,000/MWh, placing downward pressure on wholesale prices for much of the year.

In Queensland alone, rooftop solar averaged 1,830 MW at midday, equating to an increase of approximately 250 MW on any given day compared to the year before. This is changing the shape of demand and accelerating the pace in which minimum demand is decreasing each year, which is creating challenges for the NEM.

In this environment, the incidence of negative prices has increased. In FY2021 there were 742 instances of negative spot prices, 47 per cent of them occurring in the July to September 2020 quarter and 31 per cent occurring in the April to June 2021 quarter.

An emerging trend is the pre-evening peak period when solar generation drops off in the afternoon, requiring increased ramping from other generators in the system to meet demand. In August 2020, on average there was a record requirement of 2,500 MW of ramping capacity.

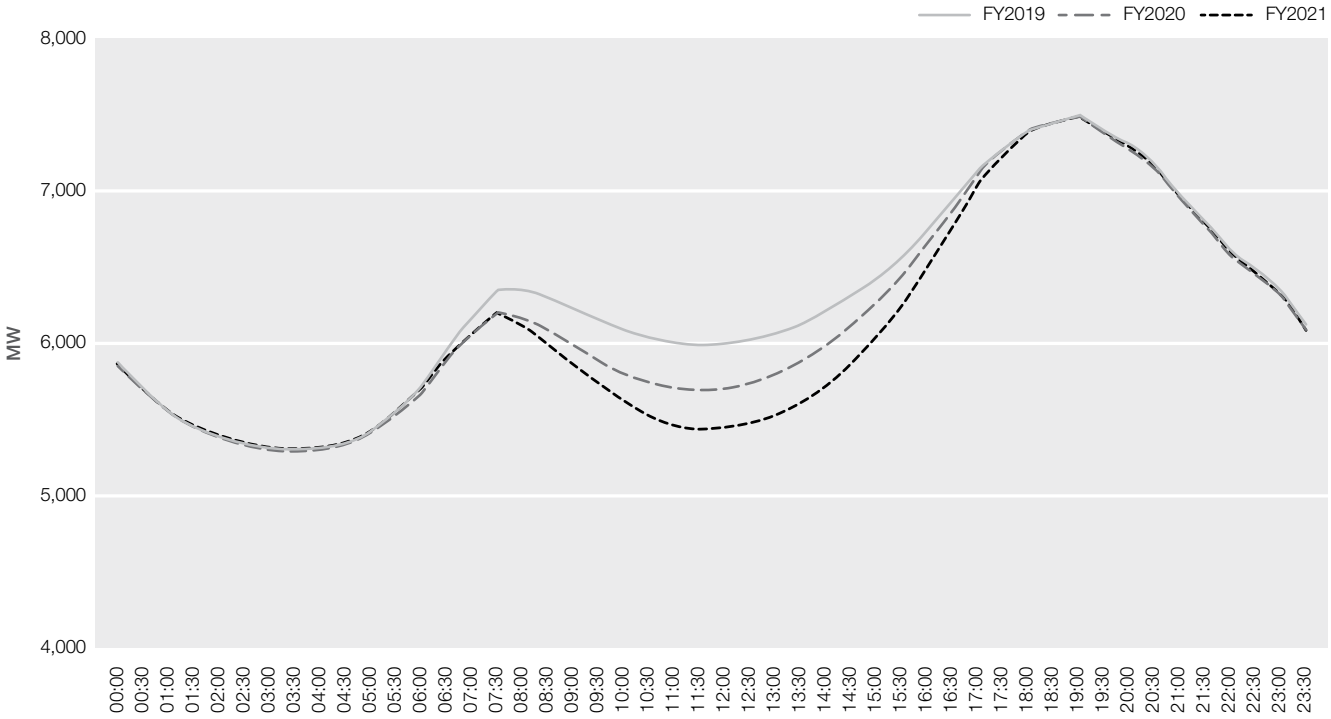
There were higher prices in late 2021, resulting in the time-weighted pool price in Queensland increasing for the first time since FY2019, settling at $61.81/MWh for FY2021. Prior to the May-June period, Queensland's monthly time-weighted price was in the range of $27 to approximately $55/MWh.

A combination of factors drove the wholesale price increases in the May to June 2021 period:

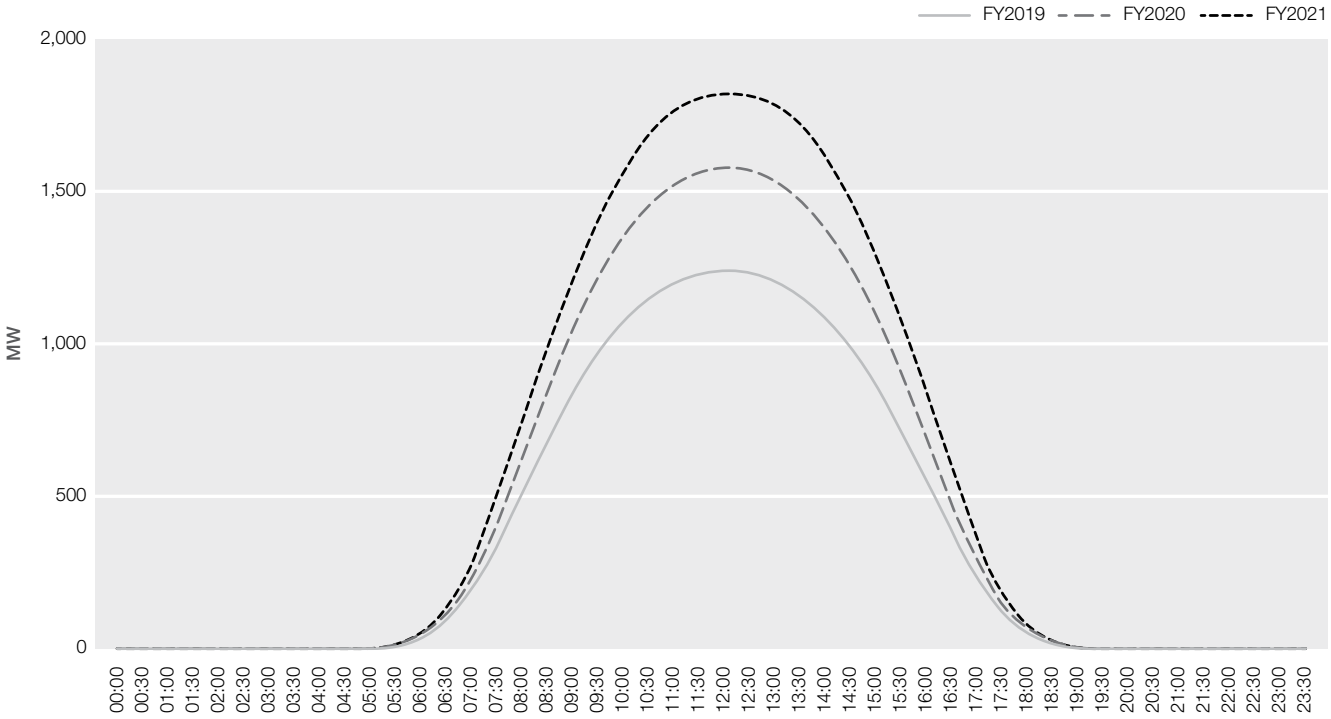
- **Tight supply and demand balance** – the Callide Unit C4 incident and loss of supply from Callide's other generating units on 25 May. Outages at other Queensland thermal generators and disruptions at Yallourn Power Station in Victoria also contributed to the reduced supply.
- **High fuel costs** – diversion of gas for power generation coupled with international commodity trends led to increases in the spot price of natural gas. This resulted in gas-generation being bid into the market at higher price bands.
- **Strong demand** – a cold winter, particularly in southern states, drove strong demand for electricity and gas.

NEM Renewables % of Native Demand

Queensland Average Time of Day Demand (MW)



Queensland Average Time of Day Rooftop PV Output (MW)



These charts demonstrate how both small and large-scale renewables are changing the supply/demand mix in Queensland. Rooftop solar photovoltaic (PV) decreases grid demand, while large-scale renewables add to grid supply.

Our performance in the NEM

CS Energy delivered 10,346 gigawatt hours of electricity to the NEM from our generating assets in FY2021, a decrease of almost 1,483 gigawatt hours on the previous year due to market conditions and reduced availability from our thermal plant.

We effectively managed the risks around the market conditions in FY2021 through forward contracts entered in previous periods. Revenue from electricity sales was $1,042 million in FY2021, which represents a decrease of $165 million compared to the year before.

Lower wholesale prices for most of FY2021 resulted in continued falls in forward electricity prices. FY2022, FY2023 and FY2024 contracts fell to $38 and below in February 2021. As the supply/demand balance tightened and commodity prices rose, these prices increased but remain well below the highs of 2018.

Policy and regulatory developments

The transformation of the Australian energy market was reflected in the significant policy and regulatory reform over the year with actions at the national and jurisdictional levels. At the national level, the Energy Security Board conducted its Post-2025 Market Design Review, which sought to develop frameworks that are fit-for-purpose for the evolving power system. Final consultation closed in June 2021 and the Energy Security Board will table recommendations for consideration by Energy Ministers.

The reform agenda brought forward significant market design issues for consultation including a range of measures to value system services that are essential for the security of the power system. This is becoming evident at times of minimum demand. Rule changes have been developed for the 'Efficient Management of System Strength on the Power System' and 'Fast Frequency Response Market Ancillary Service'. While CS Energy adapted its plant where possible to provide mandatory primary frequency response, a mechanism to value this service is currently being explored. Each of these reforms has the potential to significantly change the markets in which CS Energy operates and accordingly, CS Energy has been, and will remain, heavily involved in all relevant consultations and industry forums relevant to those design issues.

Transmission policy and regulatory reform continued to be explored through the development of planning frameworks for Renewable Energy Zones, which are dedicated areas designed to capture economies of scale for large connections of new renewable resources. Across the NEM, jurisdictions announced new policies that included the establishment of Renewable Energy Zones which will shape the future generation mix. Broader access reform continued to garner attention including the 'Coordination of Transmission and Generation Investment and Implementation'.

CS Energy continues to prepare its trading and retail systems for the commencement of the five-minute settlement rule change on 1 October 2021 and the wholesale demand response mechanism that commences on 23 October 2021.

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 and Clean Energy Council. CS Energy will also carefully monitor all market reforms and ensure that our strategy remains relevant in the face of the reforms.

We effectively managed the risks around the market conditions in FY2021 through forward contracts entered in previous periods.

Deliver future energy

Strategic priority – Future energy markets will be largely centred around renewables, customers and technology. We will carefully navigate this market by prioritising our activity in these areas.

Diversifying our revenue streams

FY2021 at a glance:

- **Completed joint feasibility study with IHI Corporation Japan into a renewable hydrogen demonstration plant at Kogan Creek Power Station.**
- **Achieved a 11.4 per cent share of the Queensland large commercial and industrial retail market.**
- **Continued to invest in renewable energy offtakes and electric vehicle charging solutions to support our customers' requirements.**

CS Energy's strategic priority of *Deliver future energy* is about ensuring we can adapt to the changing energy landscape and participate in the industry as a truly integrated energy provider. Diversifying our revenue streams is essential for CS Energy to remain a commercially sustainable business.

Our diversification journey to date includes renewable energy offtakes, renewable hydrogen and electrical vehicle charging. A key focus moving forward is continuing to diversify into new business by leveraging our retail relationships to provide energy solutions that assist our customers. In addition, CS Energy requires the ability to control fast dispatch assets and is investigating opportunities in gas-fired generation and utility scale batteries.

Commercial and industrial retail energy

CS Energy's expansion into the large commercial and industrial (C&I) retail market is a critical factor in both supporting our existing asset base while simultaneously providing an avenue to diversify revenue streams.

By 30 June 2021 CS Energy had achieved a 11.4 per cent share of the Queensland C&I market with a total annual portfolio load of 2.85 terawatt hours. This represents a growth of approximately 300 gigawatt hours against last financial year.

The driver of this growth has been our customer centric approach, where we develop tailored product solutions for each customer based on their specific energy needs such as decarbonisation, vehicle fleet electrification, long term contractual security or energy management services.

In preparation for the next stage of growth, we continued expanding the capabilities of the retail business, investing in the systems and offerings required to target a broader range of customers. Key activities included a new customer relationship management software solution and the development of products such as 100 per cent renewables, battery storage and virtual power plants.

Electric vehicle charging solutions

CS Energy has partnered with industry leaders Jet Charge and EVSE to offer a suite of electric vehicle (EV) charging products for our commercial and industrial customers. Our offering includes AC chargers as well as rapid DC chargers, each of which can be configured for a client's needs, such as home, fleet, or public access charging.

There has been significant uptake of our charging solutions since their introduction in FY2020. This year CS Energy became one of the preferred technology partners for QFleet, earned a seat on the QLD TAFE procurement panel, and partnered with QBuild for the deployment of EV chargers across their Queensland sites.

To date CS Energy has been contracted to deploy 89 chargers across Queensland, with installations completed at Queensland Government sites such as Parliament House, the AM60 building in Brisbane's CBD, and Building and Asset Services at Cannon Hill.

The embedded software associated with EV chargers has provided CS Energy with access to a large load capable of demand response. This will enable us to assist customers seeking to reduce their electricity bill, as well as support our own wholesale market operations. CS Energy has strengthened the EV charging services at our own sites by installing a DC fast charger at Kogan Creek Power Station.

In FY2022 CS Energy expects to see continued demand for EV charging solutions as several government agencies and private companies ramp up their own decarbonisation efforts.

Renewable energy offtakes

CS Energy continued to invest in renewable generation to support the Queensland Government's target of 50 per cent renewables by 2030 and the increased demand for renewable energy products from our C&I portfolio. In FY2021 we grew our renewable generation portfolio with the following power purchase agreements (PPAs):

- In August 2020, we signed a PPA with the University of Queensland for a portion of the offtake of the **64 MW Warwick Solar Farm.**
- In September 2020, we signed a PPA with BayWA r.e for a portion of the offtake of the **18 MW Hughenden Solar Farm.**

In other milestones, Kennedy Energy Park became a registered market participant in June 2021 and will commence commercial operations in FY2022. CS Energy has an agreement for 100 per cent of the offtake from the 60 MW hybrid renewable facility.

As of 30 June 2021, CS Energy's renewable portfolio totalled 310 MW. CS Energy plans to further increase the proportion of renewables in our portfolio through the Queensland Government's $2 billion Queensland Renewable Energy and Hydrogen Jobs Fund. The Fund allows energy government-owned corporations to increase participation in commercial renewable energy and hydrogen projects.

By 30 June 2021 CS Energy had achieved a **11.4 per cent share** of the Queensland C&I market with a total annual portfolio load of 2.85 terawatt hours.

Hydrogen

Hydrogen can be used as fuel for transport or heating, a way to store electricity, or as a raw material in industrial processes. There is increasing interest in Australia and overseas from hydrogen produced with renewable energy, particularly in response to falling technology costs and competitive renewable energy prices.

CS Energy has invested in two renewable hydrogen projects to assess future commercial opportunities in the emerging sector and expand our knowledge and technical capabilities:

- **Kogan Creek Renewable Hydrogen Demonstration Project** – in FY2021 we signed a Memorandum of Understanding with IHI Corporation Japan on the preparation of a joint feasibility study into a renewable hydrogen demonstration plant. The demonstration plant concept includes the co-location of a solar farm, battery, hydrogen electrolyser and a hydrogen fuel cell next to Kogan Creek Power Station. The project will use renewable energy generated on site to produce hydrogen and will not rely on the purchase of renewable energy certificates to 'wash' the hydrogen, which is a feature of many other hydrogen projects.
- **QUT Hydrogen Process Research & Development Project** – we are a partner for this QUT-led project at their Redlands facility in Brisbane. The multi-party project brings together researchers, technology developers and industry from Australia and overseas, and will evaluate the viability of producing hydrogen from renewable energy systems and processes.

CS Energy also held discussions with multiple parties in Queensland and overseas to explore potential opportunities to collaborate across the hydrogen value chain.

Alinta Energy retail joint venture

We continued our partnership with Alinta Energy through a joint venture arrangement (JV) to supply electricity to mass market customers in South East Queensland (SEQ). Under the agreement CS Energy generates and supplies wholesale electricity, and Alinta Energy manages the retail business.

It was a difficult year for the JV as increasing competition and the ongoing impact of COVID-19 impacted retail market conditions and restricted face-to-face sales channels. This resulted in customer numbers decreasing in FY2021.

The JV worked to diversify its product offering by expanding into the retail gas market. Although the SEQ retail gas market is small, the ability for customers to purchase both gas and electricity likely led to the increased sale of both products.

Market conditions are expected to improve in FY2022 and the JV is forecasting a return to positive customer growth aided by a new customer retention strategy, a return to face-to-face sales channels and the continued partnership with Cricket Australia. The JV is also investigating more new product offerings to improve sales and revenue.

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.

For the FY2021 reporting period, these Ministers are or were:

From 1 July 2020 to 11 November 2020

- The Honourable Anthony Lynham, Minister for Natural Resources, Mines and Energy.

From 12 November 2020 to 30 June 2021

- The Honourable Mick de Brenni, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

From 1 July 2020 to 30 June 2021

- The Honourable Cameron Dick, Treasurer and Minister for Investment.

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: Lay solid foundations for 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.

As at 30 June 2021, the Board comprised five independent, non-executive directors. Profiles of CS Energy's directors can be found on page 36 of this report and on CS Energy's website.

The CS Energy Directors have the relevant skills and qualifications required to discharge their duties as supported by the appointment process and are appointed by the Governor in Council in accordance with the GOC Act.

Board committees

In FY2021 there were four Board committees to assist the Board in the execution of its duties and to consider key business issues:

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

The Board committees regularly review their performance in conjunction with a formal Board evaluation.

Preparations were made for a committee restructure from 1 July 2021, which will result in the Enterprise Risk Committee and the Audit and Finance Committee being combined to form the new Finance, Risk and Assurance Committee. This change will support Principle 4 (Safeguard the integrity of corporate reports) and Principle 7 (Recognise and manage risk).

Composition of Board committees FY2021

Director	Safety and Performance Committee	Audit and Finance Committee	Enterprise Risk Committee	Culture and Remuneration Committee
Jim Soorley	✓			✓
Brian Green	✓	✓	✓	✓
Julie-Anne Schafer		✓	✓	✓ (Chair)
Toni Thornton		✓ (Chair)	✓ (Chair)	
Peter Schmidt	✓ (Chair)	✓	✓	✓
Christina Sutherland				

Board and Committee meeting attendance FY2021

	Board		Safety and Performance Committee		Audit and Finance Committee		Enterprise Risk Committee		Culture and Remuneration Committee	
Director	H	A	H	A	H	A	H	A	H	A
Jim Soorley	17	16	4	4	1	4*	–	3*	3	3
Brian Green	17	17	4	4	5	5	3	3	3	3
Julie-Anne Schafer	17	17	–	–	5	4	3	3	3	3
Toni Thornton	17	16	–	–	5	5	3	3	–	1*
Peter Schmidt	3	3	1	1	2	2	1	1	1	1
Christina Sutherland	1	0	–	–	–	–	–	–	–	–

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.

Notes:

- Director Schmidt finished his term on 30 September 2020
- Director Green was appointed as the Chair of the Safety and Performance Committee on 1 November 2020
- Director Soorley was appointed to the Audit and Finance Committee from 1 April 2021
- Director Sutherland was appointed to the Board on 17 June 2021

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 38 of this report for biographies of executive level managers at CS Energy in FY2021.

Principle 2: Structure the Board to be effective and 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.

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 if 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 in FY2021.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

CS Energy is committed to instilling a culture that conducts all business activities with integrity 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) Standard, 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 of Conduct 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 Board meetings. All employees are required to declare actual, potential or perceived conflicts of interest as they arise. Directors, 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 Standard 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 standard is implemented.

CS Energy is an eligible reporting business under the Australian Government's *Modern Slavery Act 2018* and we recognise that we have an important role to play in helping to prevent modern slavery in global supply chains. In March 2021 we published our first Modern Slavery Statement, which outlines how we assessed our modern slavery risks and the actions that we took to address those risks. A copy of the report is available on our website.

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 that is illegal, unethical, or that 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 in discharging and monitoring these responsibilities.

Queensland Energy Class Action

This year CS Energy began our defence of a class action lodged by a law firm and funded by corporate backers, which relates to electricity prices. There were several case management hearings in the Federal Court in 2021 for what is expected to be a long and complex legal process.

We reject the claims being made and will strongly defend this class action. CS Energy is committed to complying with all market rules and regulations and we have dedicated substantial resources to ensuring we meet our obligations. Our bidding activity is regulated under the National Electricity Law and the National Electricity Rules by the Australian Energy Regulator.

Principle 4: Safeguard the integrity of corporate reports

Audit and Finance Committee

The Audit and Finance Committee assists the Board to discharge its duties in relation to CS Energy's finance risk management, management of internal control systems to provide reasonable assurance that the Company's financial and non-financial objectives are achieved and accurately reported, and the management of the external and internal audit functions. In performing its audit and finance 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, and
- 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 Finance 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, and
- 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 and objectives for the next five years with 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 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 FY2021 SCI targets is summarised on page 5 of this report.

Dividend policy

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

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

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

Directions and notifications from shareholding Ministers that relate to FY2021

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

There were no directions received during FY2021.

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 established an Enterprise Risk Committee that monitors effective governance, risk and compliance frameworks. Ultimate responsibility for risk management and compliance resides with the Board. 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 Enterprise 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.

Principle 8: Remunerate fairly and responsibly

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. This includes providing maternity and parental leave, study assistance, 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, and
- 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 FY2021.

Board of Directors

Jim Soorley

Non-Executive Chairman

BA, MA

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.

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 has experience as a non-executive director, previously serving on Australian boards including Unitywater and TerraCom.

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 senior positions in energy companies in Australia while building extensive knowledge of the Australian energy industry.

Brian has broad experience in the 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.

From 1 November 2020 Brian chaired the Safety and Performance Committee.

Julie-Anne Schafer

Non-Executive Director

L.L.B (Hons), FAICD

Director since 1 October 2015

Julie-Anne Schafer is a 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 Urban Utilities and AV Super. She is the Independent External Chair of the Audit and Risk Committee Department of Transport and Main Roads QLD and an independent member of the Department of Energy and Public Works Audit and Risk Committee.

Julie-Anne holds an honours degree in law. She is a Fellow of the Australian Institute of Company Directors and facilitates in the AICD Company Director Course. Julie-Anne is also a former Queensland Telstra Business Women's Awards winner.

In 2021 Julie-Anne chaired CS Energy's Culture and Remuneration Committee.

Toni Thornton

Non-Executive Director

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM

Director since 2 October 2015

Toni Thornton has a diverse range of experience having 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 Habitat Early Learning, Triathlon Queensland and Millovate Pty Ltd.

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 and Devcorp.

Toni has more than 10 years' experience in audit at Board level, is a licensed real estate agent and, during her time at Goldmans, 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 and is currently a candidate for a Masters in Law (Enterprise Governance) through Bond University.

Toni has significant strategic advisory experience with prominent Queensland listed companies, large private interests and not-for-profit organisations including strategic advisory work for significant Queensland hospital groups and other well-known not-for-profit groups.

In 2021 Toni chaired CS Energy's Audit and Finance Committee and the Enterprise Risk Committee.

Christina Sutherland

Non-Executive Director

L.L.B

Director since 17 June 2021

Christina Sutherland has more than 30 years' experience as a legal counsel having worked in private practice and as in-house counsel in commercial and government sectors. In these roles she has provided legal, risk and compliance advice, and strategic counsel, including in relation to corporate governance.

Christina is also an experienced company director having previously served on the Boards of Powerlink Queensland and Surf Lifesaving Queensland. She has been a member of and chaired audit, risk and compliance board sub-committees, and human resources and remuneration sub-committees.

She holds a degree in Law, was a partner of a Queensland legal firm and is a member of the Queensland Law Society and an affiliate of the Australian Institute of Company Directors. She is experienced in risk and compliance and is currently employed as the Risk and Regulatory Manager for GLNG Operations, the downstream operator of the Gladstone LNG Joint Venture.

Peter Schmidt

Non-Executive Director

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

Director 2017– 2020

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.

Peter was not reappointed at the end of his term on 30 September 2020.

Executive Leadership Team

Andrew Bills

Chief Executive Officer

MBA, BA, AICD

Andrew Bills has been CS Energy's Chief Executive Officer since 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 for 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. 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, and business planning and execution.

Darren joined CS Energy in 2016, serving as Chief Financial Officer for 12 months before being appointed to the Executive General Manager Revenue Strategy role in 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. Darren is a director of the Queensland Music Festival where he serves as Treasurer.

Malcolm Wilson

Chief Financial Officer

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

Malcolm Wilson leads CS Energy's Finance, Energy and Financial Risk, IT, and Procurement functions. He joined CS Energy in 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 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.

Leigh Amos

Executive General Manager Plant Operations

BEngTech, MBA

Leigh Amos commenced as Executive General Manager Plant Operations in 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.

Leigh has built an impressive track record as a collaborative and effective leader managing complex and geographically diverse operations in the energy industry both in Australia and overseas.

He has a nuanced understanding of the challenges facing the energy industry and has a real passion for empowering people to build a constructive culture.

Prior to joining CS Energy, Leigh fulfilled a variety of roles at Western Australian energy company Synergy across their coal, gas and renewable assets. Before that, he worked for the NZX listed Contact Energy managing their gas-fired assets in Auckland, Hamilton and Napier, as well as the Oakey Power Station in southern Queensland.

Leigh began his career in the energy industry as an I&C Technician at Callide Power Station in 1997.

Colin Duck

Executive General Manager Asset Management

BE (Hons), MBA

Colin Duck 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 2017 following over a decade of guiding energy companies through operational and industry change.

His strategy and leadership experience span a 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 various roles with AGL and Macquarie Generation. 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.

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 15 in executive leadership roles, Andrew focuses on safely delivering high value business outcomes.

Andrew joined CS Energy in 2012 and has performed a variety of executive roles, including Executive General Counsel and Company Secretary, Acting Chief Financial Officer, and 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, providing 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 Shell's upstream and midstream businesses as part of its Executive Leadership Team, including 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 2021

CS ENERGY LIMITED

Directors' report

30 June 2021

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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.

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 has experience as a non-executive director, previously serving on a number of Australian boards including Unitywater and TerraCom.

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 positions in energy companies in Australia while building extensive knowledge of the Australian energy industry.

Brian has broad experience in the 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.

From 1 November 2020 Brian chaired the Safety and Performance Committee.

Julie-Anne Schafer

L.L.B (Hons), FAICD

Non-Executive Director
Director since 1 October 2015

Julie-Anne Schafer is a 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 Urban Utilities and AV Super. She is the Independent External Chair of the Audit and Risk Committee Department of Transport and Main Roads QLD and an independent member of the Department of Energy and Public Works Audit and Risk Committee.

Julie-Anne holds an honours degree in law. She is a Fellow of the Australian Institute of Company Directors and facilitates in the AICD Company Director Course. Julie-Anne is also a former Queensland Telstra Business Woman's award winner.

In 2021 Julie-Anne chaired CS Energy's Culture and Remuneration Committee.

Peter Schmidt

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

Non-Executive Director
Director 2017–2020

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.

Peter was not reappointed at the end of his term on 30 September 2020.

Toni Thornton

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM

Non-Executive Director
Director since 2 October 2015

Toni Thornton has a diverse range of experience having 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 Habitat Early Learning, Triathlon Queensland and Millovate Pty Ltd.

Toni was previously a Board member of South Bank Corporation, chair of the strategic advisory group to RSL Queensland a director of the Gallipoli Medical Research Foundation and Devcorp.

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 and is currently a candidate for a Master's in law (Enterprise Governance) through Bond University.

Toni has significant strategic advisory experience with prominent Queensland listed companies, large private interests 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.

In 2021 Toni chaired CS Energy's Audit and Finance Committee and the Enterprise Risk Committee.

CS ENERGY LIMITED

Directors' report

30 June 2021

Christina Sutherland
L.L.B

Non-Executive Director
Director since 17 June 2021

Christina Sutherland has more than 30 years' experience as a legal counsel having worked in private practice and as in-house counsel in commercial and government sectors. In these roles she has provided legal, risk and compliance advice, and strategic counsel, including in relation to corporate governance.

Christina is also an experienced company director having previously served on the Boards of Powerlink Queensland and Surf Lifesaving Queensland. She has been a member of and chaired audit, risk and compliance board sub-committees, and human resources and remuneration sub-committees.

She holds a degree in Law, was a partner of a Queensland legal firm and is a member of the Queensland Law Society and an affiliate of the Australian Institute of Company Directors. She is experienced in risk and compliance and is currently employed as the Risk and Regulatory Manager for GLNG Operations, the downstream operator of the Gladstone LNG Joint Venture.

Principal activities

During the year, the principal activity of the Group was the generation and sale of electricity to wholesale and retail customers.

	Consolidated results	
	2021 $'000	2020 $'000
Profit/(loss) after income tax	(266,135)	(77,600)

COVID-19

CS Energy's response to COVID-19 continues to focus on keeping people safe, supporting customers and maintaining a reliable supply of electricity to the National Electricity Market. CS Energy has processes, procedures and systems in place to manage and monitor the latest guidance and advice from the relevant authorities to keep our sites COVID-19 safe. To the maximum extent possible, CS Energy has complied with the 10 principles set out in the Australian Energy Regulator's Statement of Expectations of Energy Businesses – Protecting customers and the energy market during COVID-19, which was first released in March 2020, and updated during 2021.

Our financial performance and cashflow was not materially impacted by COVID-19 during the year ended 30 June 2021.

Dividends

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

Review of operations

Health and safety

We exceeded our own safety target significantly by achieving an All Injury Frequency Rate (AIFR) of 26 against a target of less than 28. In addition, 2021 was the first time CS Energy recorded no lost time injuries during a 12-month period since reporting began.

In 2021 our health and safety strategy was refreshed for the next five years. It focuses on three key areas: people, places we work, and practices. Through this strategy we aim to achieve a culture of citizenship – which means people care for themselves and others and continually learn from mistakes and successes. A targeted Health and Wellbeing framework was one of CS Energy's focus areas this year as was the continued integration of Process Safety into the mainstream Health and Safety function. In 2021 we established the Process Safety Leadership Forum which brings our Operations and Asset Management leaders together every two months to ensure oversight, engagement and continuation of the process safety priorities.

Callide Unit C4 incident

At approximately 1.45pm on 25 May 2021 a fire occurred in Unit C4, resulting in an explosion that caused substantial damage to the unit and forced it offline. Shortly afterwards Callide's other operating units tripped and went offline.

CS Energy's first priority was to make sure workers and the site were safe. The Power Station was fully evacuated and nobody was injured. An independent investigation has been commissioned, with a report to be shared with the energy industry, to ensure that what happened at Callide C4 never happens again at any Power Station.

Since 25 May 2021, Callide's B1 and B2 Units had returned to service on 16 June 2021 and 22 June 2021 respectively. The Callide C3 Unit was returned to service on 25 July 2021.

Performance

CS Energy's loss after income tax was $266.1 million for the year (2020: $77.6 million loss after income tax). The primary drivers of this result were the partial impairment of the Callide B Power Station ($19.2m) the full impairment of the Callide C Power Station ($104.3m), the Callide C4 Turbine and Generator asset disposal ($11.4m), and the derivative remeasurement through profit and loss ($139.5m). It also includes the re-measurement (increase in liability) of the Gladstone Inter-connection & Power Pooling Agreement onerous contract ($85.6m), which partially reverses the remeasurement (decrease in liability) in 2020 ($128.0m). The partial impairment of the Callide B Power Station represented the expensing of 2020-21 capital expenditure.

In accordance with AASB 136 *Impairment of Assets,* the full impairment of the Callide C Power Station was due to the inclusion of the forecast cost of rebuilding the damaged Callide C4 Unit in the asset valuation, while not including the expected insurance proceeds relating to material damage. The insurance proceeds relating to material damage are expected to offset the cost to rebuild the Callide C4 Unit following which the asset is forecast to have commercial value.

CS ENERGY LIMITED

Directors' report

30 June 2021

Underlying earnings for the business was down compared to the prior year, the principal drivers of which include a lower earned electricity price per unit of production and reduced portfolio generation due to the delivery of the deferred major overhaul program at the Callide Power Station and the Callide C4 Unit incident on 25 May.

CS Energy's trading generation portfolio produced 10,346GWh (2020: 11,829GWh), a decrease of 1,483GWh due to thermal plant availability declining to 71.3% in 2021 (2020: 75.6%). The reduction in plant availability was due in most part to the impact of the overhaul outage of Callide B Unit 1 Power Station, which was offline between June 2020 and November 2020 for 143 days, the overhaul outage of Callide C Unit 4 Power Station, which was offline between August 2020 and September 2020 for 51 days, and the unplanned outage of the Kogan Creek Power Station, which was offline between October 2020 and November 2020 for 30 days. The incident at the Callide Power Station on 25 May 2021 involving our C4 Unit, also forced our B2 and C3 Units offline. At the time of the incident, the Callide B1 Unit was offline and Kogan Creek Unit operating at minimum load, both for repairs due to unplanned outages. These Units were returned to service on 16 June 2021 and 17 June 2021 respectively. The Callide B2 Unit was returned to service on 22 June 2021 and Callide C3 Unit returned to service on 25 July 2021.

CS Energy expects to receive Business Interruption insurance proceeds for lost earnings during the period 25 May 2021 up until the date of the return to service of the Callide C4 Unit, or a period of 24 months. CS Energy also expects to receive Material Damage insurance proceeds to offset the cost to rebuild the Callide C4 Unit. The Callide C4 Unit will remain offline for a minimum period of 18 months until 1 December 2022 as notified by CS Energy to the Australian Energy Market Operator.

The total cost of capital investment in the Power Station assets during the year was $89.7 million (2020: $146.6 million), the decrease in investment primarily due to the delivery of a significantly large and complex overhaul program last year at Kogan Creek Power Station and the Callide C Unit 3 Power Station.

New Business

During 2021 CS Energy has seen continued growth in its Queensland Commercial and Industrial Retail business, with market share increasing year on year. This success has been driven through CS Energy's customer centric approach, developing tailored product solutions for each individual customer based on their specific energy needs be it, decarbonisation, vehicle fleet electrification, long term contractual security or energy management services such as demand response management and bidding services.

In preparation for the next stage of growth, CS Energy has continued to invest into expanding the capability of the retail business through investments into new information technology systems such as the retail end-to-end system and the exploration and development of new product offerings and adjacencies such as battery storage and virtual power plants, to deliver on the Deliver Future Energy strategic priority.

In the South-East Queensland retail mass market, CS Energy, through its joint venture with Alinta Energy, has faced a difficult year with customer numbers slightly decreasing. This has been a result of a highly competitive retail environment. Looking forward, to increase customer growth, the joint venture is exploring expansion of its product offering.

Policy and regulatory developments

The policy and regulatory reform in the Australian electricity market picked up pace in 2020-21 with actions at the national and jurisdictional levels. At the national level, the Energy Security Board conducted its Post-2025 Market Design Review which sought to identify and develop frameworks that are fit-for-purpose for the evolving power system. Final consultation closed in June 2021 and it is anticipated that the Energy Security Board will table its recommendations to Energy Ministers in Q1 2022.

Throughout the year, significant market design issues were brought forward for consultation as part of the reform agenda including a range of measures to value system services that are essential for the security of the power system. Rule changes have been developed for the 'Efficient Management of System Strength on the Power System' and 'Fast Frequency Response Market Ancillary Service'. While CS Energy adapted its plant where possible to provide mandatory primary frequency response, a mechanism to value this service is currently being explored. Each of these reforms have the potential to significantly change the markets in which CS Energy operates and accordingly, CS Energy has been, and will remain, heavily involved in all consultations and industry forums relevant to those design issues.

Transmission policy and regulatory reform continued to be explored through the development of planning frameworks for Renewable Energy Zones which are dedicated areas designed to capture economies of scale for large connections of new renewable resources. Across the NEM, jurisdictions announced new policies that included the establishment of Renewable Energy Zones which will shape the future generation mix. Broader access reform continued to garner attention including the 'Coordination of Transmission and Generation Investment and Implementation'.

CS Energy continues to prepare its trading and retail systems for the commencement of the 5-minute settlement rule change on 1 October 2021 and the wholesale demand response mechanism which commences on 23 October 2021.

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 and Clean Energy Council.

CS ENERGY LIMITED

Directors' report

30 June 2021

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 Group entities.

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 and officers are the Chief Executive Officer, Chief Financial Officer, Executive General Managers and Company Secretaries of each of the Group entities. The indemnity includes legal costs and expenses incurred in connection with certain claims or proceedings, excluding criminal proceedings where the director or officer 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 105.

Preparation of Parent entity accounts

The parent entity is a company of a kind referred to in ASIC Corporations (Parent Entity Financial Statement) Instrument CO 2021/195 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 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 2021, and the numbers of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Audit and Finance Committee		Culture and Remuneration Committee		Enterprise Risk Committee		Safety and Performance Committee	
Director	H	A	H	A	H	A	H	A	H	A
Jim Soorley[1]	17	16	1	4*	3	3	N/A	3*	4	4
Brian Green[2]	17	17	5	5	3	3	3	3	4	4
Julie-Anne Schafer	17	17	5	4	3	3	3	3	N/A	N/A
Toni Thornton	17	16	5	5	N/A	1*	3	3	N/A	N/A
Peter Schmidt[3]	3	3	2	2	1	1	1	1	1	1
Christina Sutherland[4]	1	0	0	0	0	0	0	0	0	0

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.

(1) Director Soorley was appointed to the Audit and Finance Committee from 1 April 2021.
(2) Director Green was appointed as the Chair of the Safety and Performance Committee on 1 November 2020.
(3) Director Schmidt finished his term on 30 September 2020.
(4) Director Sutherland was appointed to the Board on 17 June 2021.

CS ENERGY LIMITED

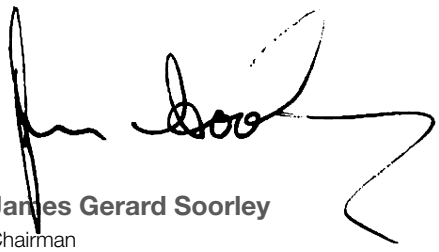
Directors' report

30 June 2021

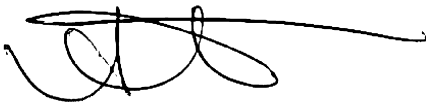
Matters subsequent to the end of the financial year

No 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
27 August 2021

CS ENERGY LIMITED

Statements of Profit or Loss

for the year ended 30 June 2021

		Consolidated		Parent (1)	
	Notes	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Sales of electricity	1	**1,042,190**	1,206,952	**591,086**	749,501
Operation and maintenance services		**39,746**	65,696	**73,434**	121,384
Other income	1	**2,947**	12,827	**1,959**	9,043
Fuel		**(115,996)**	(167,469)	**(73,202)**	(120,773)
Electricity and energy services expense	2	**(511,917)**	(397,217)	**(392,026)**	(270,187)
Services and consultants		**(97,912)**	(120,397)	**(62,653)**	(103,282)
Finance costs	2	**(38,450)**	(56,359)	**(37,008)**	(54,126)
Employee benefit expense	2	**(106,955)**	(113,172)	**(86,363)**	(92,077)
Raw materials and consumables		**(48,700)**	(64,559)	**(34,195)**	(49,214)
Capacity payments and operating leases		**(41,025)**	(40,880)	**(40,616)**	(40,455)
Other expenses	2	**(61,056)**	(56,464)	**(20,452)**	(29,340)
Fair value (loss)/gain through profit/(loss)	6	**(139,551)**	(22,259)	**(139,551)**	(22,259)
Depreciation and amortisation	14, 15	**(108,832)**	(142,658)	**(29,932)**	(59,831)
Asset impairment (expense)/reversal	14	**(123,465)**	(353,430)	**(54,052)**	(191,703)
Onerous contract - re-measurement	16	**(71,208)**	138,240	**(71,208)**	138,240
Dividends received		**-**	-	**240,338**	-
Profit / (loss) before income tax		**(380,184)**	**(111,149)**	**(134,441)**	**(15,079)**
Income tax benefit / (expense)	17	**114,049**	33,549	**112,371**	4,519
Profit / (loss) for the year		**(266,135)**	**(77,600)**	**(22,070)**	**(10,560)**

(1) The Parent includes Brisbane office, Callide B Power Station, Wivenhoe Power Station Transitional Services Arrangement (TSA) and Gladstone IPPA.

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

CS ENERGY LIMITED

Statements of Other Comprehensive Income

for the year ended 30 June 2021

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loss for the year	**(266,135)**	**(77,600)**	**(22,070)**	**(10,560)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	**(205,370)**	256,402	**(205,370)**	256,402
Items that will not be reclassified to profit or loss				
Actuarial gain/(loss) on defined benefit plan, net of tax	**7,701**	(2,831)	**7,701**	(2,831)
Other comprehensive income for the year, net of tax	**(197,669)**	**253,571**	**(197,669)**	**253,571**
Total comprehensive income for the year	**(463,804)**	**175,971**	**(219,739)**	**243,011**
Total comprehensive income for the year is attributable to:				
Owners of CS Energy Limited	**(463,804)**	**175,971**	**(219,739)**	**243,011**

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 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 Restated* $'000	Parent 2021 $'000	Parent 2020 Restated* $'000
Assets					
Current assets					
Cash and cash equivalents	3	**40,175**	59,367	**29,945**	30,772
Loans and receivables	5	**319,933**	410,090	**258,897**	356,780
Inventories	12	**133,269**	108,445	**69,065**	49,144
Derivative financial instruments	6	**233,621**	492,176	**233,621**	492,176
Total current assets		**726,998**	**1,070,078**	**591,528**	**928,872**
Non-current assets					
Derivative financial instruments	6	**103,965**	255,625	**103,965**	255,625
Property, plant and equipment	14	**896,477**	1,062,830	**125,062**	155,435
Right- of- use assets	15	**2,362**	3,543	**2,362**	3,543
Deferred tax assets	17	**107,114**	-	**152,694**	-
Retirement benefit assets	13	**22,766**	13,433	**22,766**	13,433
Equity accounted investments	25	**1**	1	**-**	-
Investment in subsidiaries	26	**-**	-	**52,815**	62,815
Loans to related parties	5	**-**	-	**584,816**	439,569
Other receivables		**2,379**	-	**2,379**	-
Total non-current assets		**1,135,064**	**1,335,432**	**1,046,859**	**930,420**
Total assets		**1,862,062**	**2,405,510**	**1,638,387**	**1,859,292**
Liabilities					
Current liabilities					
Trade and other payables	7	**230,661**	227,388	**202,269**	198,749
Lease liabilities	15	**1,484**	1,416	**1,484**	1,416
Provisions	16	**57,102**	118,395	**50,362**	113,256
Derivative financial instruments	6	**344,290**	345,018	**344,290**	345,018
Total current liabilities		**633,537**	**692,217**	**598,405**	**658,439**
Non-current liabilities					
Lease liabilities	15	**1,555**	3,039	**1,555**	3,039
Interest bearing liabilities	8	**557,353**	557,353	**557,353**	557,353
Deferred tax liabilities	17	**-**	92,045	**-**	11,343
Derivative financial instruments	6	**184,931**	170,666	**184,931**	170,666
Provisions	16	**320,236**	262,509	**212,014**	155,157
Total non-current liabilities		**1,064,075**	**1,085,612**	**955,853**	**897,558**
Total liabilities		**1,697,612**	**1,777,829**	**1,554,258**	**1,555,997**
Net assets		**164,450**	**627,681**	**84,129**	**303,295**

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

CS ENERGY LIMITED

Statements of Financial Position

as at 30 June 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 Restated* $'000	Parent 2021 $'000	Parent 2020 Restated* $'000
Equity					
Share capital	18	**1,064,070**	1,063,497	**1,064,070**	1,063,497
Accumulated losses	19	**(879,778)**	(621,344)	**(960,099)**	(945,730)
Reserves	19	**(19,842)**	185,528	**(19,842)**	185,528
Capital and reserves attributable to owners of CS Energy Limited		**164,450**	**627,681**	**84,129**	**303,295**
Total equity		**164,450**	**627,681**	**84,129**	**303,295**

* The comparative information has been restated for the correction of onerous contract provision classification between current liabilities and non-current liabilities. Refer note 16.

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 2021

Consolidated	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2020					
Balance at 1 July 2019		**1,114,414**	**(70,874)**	**(467,051)**	**576,489**
Comprehensive income for the year					
Profit / (Loss) for the year		-	-	(77,600)	(77,600)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	256,402	-	256,402
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	(2,831)	(2,831)
Total comprehensive income for the year		**-**	**256,402**	**(80,431)**	**175,971**
Transactions with owners of the company					
Dividend declared		-	-	(73,862)	(73,862)
Contributions and distributions					
Distribution to owners	18	(50,917)	-	-	(50,917)
Balance at 30 June 2020		**1,063,497**	**185,528**	**(621,344)**	**627,681**
Changes in equity for 2021	Notes				
Balance at 1 July 2020		**1,063,497**	**185,528**	**(621,344)**	**627,681**
Comprehensive income for the year					
Profit / (Loss) for the year		-	-	(266,135)	(266,135)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(205,370)	-	(205,370)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,701	7,701
Total comprehensive income for the year		**-**	**(205,370)**	**(258,434)**	**(463,804)**
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	573	-	-	573
Total transactions with the owners of the company		**573**	**-**	**-**	**573**
Balance at 30 June 2021		**1,064,070**	**(19,842)**	**(879,778)**	**164,450**

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

CS ENERGY LIMITED

Statements of Changes in Equity

for the year ended 30 June 2021

Parent	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2020					
Balance at 1 July 2019		**1,114,414**	**(70,874)**	**(858,477)**	**185,063**
Total comprehensive income for the year					
Profit / (Loss) for the year		-	-	(10,560)	(10,560)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	256,402	-	256,402
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	(2,831)	(2,831)
Total comprehensive income for the year		**-**	**256,402**	**(13,391)**	**243,011**
Transactions with owners of the company					
Dividend declared		-	-	(73,862)	(73,862)
Contributions and distributions					
Distribution to owners	18	(50,917)	-	-	(50,917)
Balance at 30 June 2020		**1,063,497**	**185,528**	**(945,730)**	**303,295**
Changes in equity for 2021	Notes				
Balance at 1 July 2020		**1,063,497**	**185,528**	**(945,730)**	**303,295**
Total comprehensive income for the year					
Profit / (Loss) for the year		-	-	(22,070)	(22,070)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(205,370)	-	(205,370)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	7,701	7,701
Total comprehensive income for the year		**-**	**(205,370)**	**(14,369)**	**(219,739)**
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	573	-	-	573
Total transactions with the owners of the company		**573**	**-**	**-**	**573**
Balance at 30 June 2021		**1,064,070**	**(19,842)**	**(960,099)**	**84,129**

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 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Cash flows from operating activities					
Cash receipts from customers		**1,229,885**	1,392,394	**789,162**	871,613
Cash payments to suppliers and employees		**(1,033,914)**	(1,116,108)	**(725,986)**	(772,875)
Cash generated from/(used) in operations		**195,971**	**276,286**	**63,176**	**98,738**
Cash margining contributions		**(201,578)**	192,340	**(201,578)**	192,340
Interest received		**707**	3,184	**706**	3,177
Operating borrowing costs paid		**(32,118)**	(34,397)	**(32,118)**	(34,397)
Tax equivalent payment		**(13,865)**	(130,419)	**(13,865)**	(130,419)
Net cash inflow/(outflow) from operating activities	4	**(50,883)**	**306,994**	**(183,679)**	**129,439**
Cash flows from investing activities					
Payments for property, plant and equipment		**(85,749)**	(137,818)	**(63,123)**	(18,545)
Repayments of loans from related parties		**-**	-	**(111,803)**	41,767
Investment in subsidiaries		**-**	-	**10,000**	(11,000)
Dividends received		**-**	-	**240,338**	-
Deposit with General Government Sector advances facility		**182,786**	30,956	**182,786**	30,956
Investment in term deposits		**10,000**	(10,000)	**-**	-
Net cash inflow/(outflow) from investing activities		**107,037**	**(116,862)**	**258,198**	**43,178**
Cash flows from financing activities					
Dividends paid		**(73,862)**	(165,235)	**(73,862)**	(165,235)
Lease payments		**(1,484)**	(1,350)	**(1,484)**	(1,350)
Net cash from financing activities		**(75,346)**	**(166,585)**	**(75,346)**	**(166,585)**
Net (decrease)/ increase in cash and cash equivalents		**(19,192)**	23,547	**(827)**	6,032
Cash and cash equivalents at the beginning of the financial year		**59,367**	35,820	**30,772**	24,740
Cash and cash equivalents at the end of the year	3	**40,175**	**59,367**	**29,945**	**30,772**

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

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Section 1: Basis of preparation

The Statements of Profit or Loss have been prepared using the nature of the revenues and expenses rather than the function to provide more reliable and relevant information regarding the 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 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 Group is primarily involved in the generation and sale of electricity to wholesale and retail customers.

The consolidated financial statements are general purpose financial statements for the year ended 30 June 2021 and were authorised for issue by the Board of Directors on 27 August 2021.

The 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, the superannuation defined benefit plan and cash generating units remeasured to value in use;
- 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 2021;
- do not early adopt any new Accounting Standards or Interpretations; and
- have been prepared in accordance with ASIC Corporations (Parent Entity Financial Statement) Instrument 2021/195 allowing the disclosure of Parent entity financial statements and notes thereto as part of the Group financial report. By electing to adopt this Legislative Instrument 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.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

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 2021 reflect a net asset position for the Group of $164.4 million (2020: $627.7 million) and $84.1 million (2020: $303.3 million) for the Parent.

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections for a period of not less than thirteen months from the date of this report. These cash flow projections show that CS Energy Limited is able to pay their debts as and when they fall due.

As at 30 June 2021, the Group had approved borrowings of $557.4 million (2020: $557.4 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 9).

QTC has confirmed in a letter to Management dated 14 June 2021 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 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 Group's debt facilities with the QTC are guaranteed by the Treasurer of Queensland pursuant to a Deed of Guarantee dated 1 July 2011 as varied by deed polls dated 20 January 2012 and 26 June 2017. QTC has provided confirmation that facilities reported in Note 9 are available and not subject to change in the next 12 months.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that CS Energy Limited and the Group will be able to pay their debts as and when they fall due.

New and amended accounting standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Issued standards and interpretations not early adopted.

The Group has not early adopted any changes to AASB applicable from 1 July 2021.

A number of accounting standards and interpretations have been issued and will be applicable in future periods. While these remain subject to ongoing assessment, no significant impacts have been identified to date. These standards have not been applied in the preparation of these Financial Statements.

Events occurring after the reporting period

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

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Section 2: Results for the year

Note 1 - Income

The 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 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
Majority of the Group's revenue is earned from the sale of electricity into the NEM. Revenue from the sale of electricity is recognised at the point in time when the electrons are dispatched into the NEM. The settlement amount for effective cash flow hedges are 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 the sale of electricity to customers is recognised at the point in time the performance obligation is satisfied, and the energy has been dispatched to the customer.

Revenue from operation and maintenance services
Revenue is earned for the provision of operation and maintenance services performed for other entities. The Group has assessed this arrangement to represent a series of goods and recognises the revenue over a period of time. These obligations are generally aligned with the maintenance work performed during the month.

Sales of electricity

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Sales of electricity to the NEM	**559,937**	650,193	**249,395**	340,167
Net realised gains/(losses) on electricity contracts designated as cashflow hedges	**17,957**	156,806	**17,957**	156,805
Total sales of electricity - wholesale	**577,894**	**806,999**	**267,352**	**496,972**
Sales of electricity - retail	**464,296**	399,953	**323,734**	252,529
Total sales of electricity	**1,042,190**	**1,206,952**	**591,086**	**749,501**

Other income

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Commercial settlement (1)	**-**	7,679	**-**	4,759
Interest income	**1,251**	3,951	**1,250**	3,944
Other income	**1,696**	1,197	**709**	340
Total other income	**2,947**	**12,827**	**1,959**	**9,043**

(1) Commercial settlement relates to liquidated damages associated with a supply contract.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Note 2 - Expenses

Electricity and energy services

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Wholesale energy	**214,331**	141,422	**181,449**	107,796
Market and transmission fees	**209,889**	185,205	**137,807**	112,303
Ancillary services	**31,857**	20,366	**29,526**	17,195
Environmental charges	**52,870**	45,259	**43,244**	32,893
Other electricity and energy services expenses	**2,970**	4,965	**-**	-
Total electricity and energy services expenses	**511,917**	**397,217**	**392,026**	**270,187**

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Finance costs	**32,172**	35,107	**32,172**	35,107
Onerous contract provision	**3,566**	17,063	**3,566**	17,063
Rehabilitation provision	**2,712**	4,189	**1,270**	1,956
Total finance costs	**38,450**	**56,359**	**37,008**	**54,126**

Accounting policy

Finance costs comprise interest on borrowings, administration fees, market value realisation charges and the unwinding of the discount on lease liabilities and 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. As the Group did not make any debt repayments in 2021, the market realisation charge is $ nil (2020 $ nil).

Interest costs on the Group's long-term borrowings are calculated by 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.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Employee benefit expense

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Wages and salaries expense	**97,112**	98,775	**78,029**	80,445
Defined contribution superannuation expense	**7,251**	7,437	**5,819**	5,874
Defined benefit plan expense	**1,669**	1,623	**1,669**	1,623
Employee performance payments	**923**	5,337	**846**	4,135
Total employee benefits expense	**106,955**	**113,172**	**86,363**	**92,077**

Accounting policy

The 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 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Other expenses	**61,056**	56,464	**20,452**	29,340
Total other expenses	**61,056**	**56,464**	**20,452**	**29,340**

Accounting policy

Other expenses relate to general operational expenses including insurance, advertising and marketing, travel, training, stationery, telecommunications, information technology costs, retail service costs not directly related to participation in the NEM and loss on disposal of certain operational assets. In 2021 the consolidated balance includes $11.4m relating to the disposal of assets specific to Callide C4.

All other expenses are expensed when incurred.

Section 3: Financial assets and financial liabilities

Note 3 - Cash and cash equivalents

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash at bank and on hand	**40,175**	59,367	**29,945**	30,772
Total cash and cash equivalents	**40,175**	**59,367**	**29,945**	**30,772**

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.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
(Loss)/Profit before income tax	**(380,184)**	(111,149)	**(134,441)**	(15,079)
Income tax benefit/(expense)	**114,049**	33,549	**112,371**	4,519
Depreciation and amortisation	**108,832**	142,658	**29,932**	59,831
Impairment (loss reversal)	**123,465**	353,430	**54,052**	191,703
Net loss/(gain) on sale of non-current assets	**11,323**	468	**(42)**	(183)
Fair value adjustment to derivatives	**124,267**	4,101	**124,267**	4,101
Provision for doubtful debts	**4,259**	3,688	**-**	-
Non-cash retirement benefits adjustment	**1,669**	1,623	**1,669**	1,623
Finance cost on provisions	**6,278**	21,252	**4,836**	19,019
Rehabilitation change in value	**(602)**	2,719	**(602)**	2,719
Onerous contract re-measurement and provision utilised	**71,208**	(138,240)	**71,208**	(138,240)
Dividends received	**-**	-	**(240,338)**	-
Change in operating assets and liabilities:				
(Increase) decrease in receivables	**(96,042)**	63,140	**(74,057)**	21,834
(Increase) decrease in inventories	**(24,824)**	(5,879)	**(19,921)**	(3,215)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	**8,633**	(64,366)	**8,923**	(19,193)
(Decrease) increase in financial instruments	**4,700**	-	**4,700**	-
(Increase) decrease in deferred tax liabilities	**(127,914)**	-	**(126,236)**	-
Net cash (outflow)/inflow from operating activities	**(50,883)**	**306,994**	**(183,679)**	**129,439**

Note 5 - Loans and receivables

	Consolidated		Parent	
Current Assets	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables	**150,441**	154,381	**91,901**	113,058
Advances Facility (1)	**40,158**	222,944	**40,158**	222,944
Income tax receivable	**27,188**	13,963	**27,188**	13,963
Restricted cash (2)	**-**	10,000	**-**	-
Other receivables	**9,028**	6,299	**7,984**	5,322
Prepayments	**9,427**	2,503	**7,975**	1,493
Collateral (3)	**83,691**	-	**83,691**	-
Total current loans and other receivables	**319,933**	**410,090**	**258,897**	**356,780**

(1) CS Energy withdrew funds previously deposited into the General Government Sector Advances facility with Queensland Treasury to manage the Group's liquidity requirements.

(2) In 2020, CS Energy deposited funds as security for the Insurance protected cell company which was recognised as an investment in subsidiary for the Parent entity. These funds were returned to CS Energy in 2021 following execution of a parent guarantee in April 2021.

(3) The Group has entered into derivative contracts on the Australian Securities Exchange. Collateral is provided to support the margin requirements to cover these positions. This Collateral was a payable in 2020 refer note 7.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

	Consolidated		Parent	
Non-current assets	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Loans to related parties	**-**	**-**	**584,816**	**439,569**

Accounting policy

Loans and receivables are recognised on the date that they originated and when the 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 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. In considering the lifetime expected credit losses the Group considers forward economic factors and historical data to assess expected credit losses. The Group has considered the ongoing impacts of COVID-19 and resultant downturn in domestic economic conditions as at reporting date and concluded the impacts to be immaterial. The Group has not observed a material shift in payment patterns or significant ageing of outstanding balances since COVID-19.

In considering lifetime expected credit losses the Group has segmented trade receivables into the following categories:

Wholesale operations
Wholesale operations includes net electricity settlements with AEMO and wholesale derivative settlements with OTC counterparties. Wholesale receivables are assessed for impairment using the simplified approach. 80% of the wholesale 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 which are considered when assessing the lifetime expected credit loss.
The lifetime expected credit loss on wholesale receivables is $nil as at 30 June 2021 (2020: $nil).

Commercial and industrial (C&I) retail
The Group has entered into retail contracts with large commercial and industrial customers. These customers have ongoing credit reviews on their financial conditions to ensure credit exposures remain within approved levels. C&I retail receivables are assessed for impairment using the simplified approach. 98% of the C&I retail receivables as at reporting date were either held with QLD Government entities or supported with bank guarantees. The Group does not recognise an impairment loss on balances owed by QLD Government entities.
The lifetime expected credit loss on C&I retail receivables is $nil as at 30 June 2021 (2020: $nil).

Residential and small to medium enterprise retail
Through Joint Operations, the Group has credit exposure to the residential retail market . For trade receivables, accrued and unbilled revenue, the Joint Operation applies the simplified approach. This is assessed based on customer segment, credit risk characteristics and days past due. The Joint Operations uses an allowance matrix to measure expected credit losses of trade receivables and unbilled revenue from customers. This considers historic experience, analysis of trends and underlying macro-economic conditions.

The lifetime expected credit loss on trade and other receivables has increased to $6.9 million as at 30 June 2021 (2020: $4.2 million).

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

QTC advances facility and loans to related parties
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 QTC and held on behalf of Queensland Treasury. The funds are 100% guaranteed by QTC. As a result, the impairment allowance for expected credit losses is considered to be immaterial.

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 9 for further details of CS Energy's credit risk management strategy.

Note 6 - Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2021 $'000	2020 $'000
Current assets		
Electricity derivative contracts - cash flow hedges	**1,272**	148,735
Electricity derivative contracts - fair value through profit or loss	**232,349**	343,441
Total current derivative financial instrument assets	**233,621**	**492,176**
Non-current assets		
Electricity derivative contracts - cash flow hedges	**11,046**	100,578
Electricity derivative contracts - fair value through profit or loss	**92,919**	155,047
Total non-current derivative financial instrument assets	**103,965**	**255,625**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2021 $'000	2020 $'000
Current liabilities		
Electricity derivative contracts - cash flow hedges	**70,445**	214
Electricity derivative contracts - fair value through profit or loss	**273,845**	344,804
Total current derivative financial instrument liabilities	**344,290**	**345,018**
Non-current liabilities		
Electricity derivative contracts - cash flow hedges	**7,238**	17
Electricity derivative contracts - fair value through profit or loss	**177,693**	170,649
Total non-current derivative financial instrument liabilities	**184,931**	**170,666**

Critical accounting estimates and assumptions

The 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 10 for additional detail in relation to fair value techniques and assumptions.

Hedge Accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. 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 Group designates certain derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges). The 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 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. Potential sources of ineffectiveness include the following;

- The volume of the hedging instruments in excess of the forecast volume of electricity sales to the National Electricity Market.
- Changes in counterparty credit risk.

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 and realised 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 portion of electricity derivatives is recognised in profit or loss within revenue from the sales of electricity.

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)	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 GWh	2020 GWh
Derivatives designated as hedging instruments						
12 months or less	**1,272**	148,735	**70,445**	214	4,714	6,654
1 - 5 years	**11,046**	100,578	**7,238**	17	2,034	6,202
Total	**12,318**	**249,313**	**77,683**	**231**	**6,748**	**12,856**

(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 $32 to $79 per MWh (2020: $33 to $85 per MWh).

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	Consolidated and Parent	
	2021 $'000	2020 $'000
Hedging Instrument		
Changes in fair value (used for calculating hedge ineffectiveness)	**298,415**	(325,984)
Hedged Item		
Changes in value (used for calculating hedge ineffectiveness)	**297,765**	(325,933)
Hedge ineffectiveness		
Hedge ineffectiveness recognised in profit/(loss) (1)	**1,285**	(767)
Cash flow hedge reserve (before tax)		
Balance in cash flow hedge reserve related to continuing hedges	**60,431**	(236,667)
Balance in cash flow reserve for which hedge accounting is no longer applied	**(32,085)**	(28,373)
Cash flow hedge reserve (before tax)	**28,346**	**(265,040)**

(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 Group are options, load following hedges 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	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
Net realised losses	Fair value through profit/(loss)	**(15,284)**	(18,158)	**(15,284)**	(18,158)
Net unrealised losses	Fair value through profit/(loss)	**(124,267)**	(4,101)	**(124,267)**	(4,101)
Total changes in fair value of non-hedged accounted derivatives recognised in profit/(loss)		**(139,551)**	**(22,259)**	**(139,551)**	**(22,259)**

Note 7 - Trade and other payables

Current liabilities

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables	**116,364**	71,121	**91,865**	44,959
Other payables (2)	**95,996**	24,574	**92,103**	22,097
Environmental surrender obligation	**18,301**	13,806	**18,301**	13,806
Collateral (1)	**-**	117,887	**-**	117,887
Total current liabilities trade and other payables	**230,661**	**227,388**	**202,269**	**198,749**

(1) The Group has entered into derivative contracts on the Australian Securities Exchange. Collateral has been received in advance to support the margin requirements to cover these positions. The balance as at 30 June 2021 is a receivable, refer to note 5.

(2) Balance includes $71.7 million (2020: nil) payable to counterparties relating to contract for difference settlements.

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Accounting policy

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

Note 8 - Interest bearing liabilities

Non-current liabilities – borrowings

	Consolidated and Parent	
	2021 $'000	**2020 $'000**
Unsecured loans		
Queensland Treasury Corporation Loans	**557,353**	557,353

The market value of QTC loans as at 30 June 2021 was $635.2 million (2020: $658.2 million).

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

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

QTC has structured the debt in accordance with directions specified by the Group and manages the facility such that the target duration can facilitate the proposed debt management strategy that was agreed with QTC and Queensland Treasury.

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2021 $'000	**2020 $'000**
Financial liabilities **Queensland Treasury Corporation Loans**		
Opening balance	**557,353**	557,353
Closing balance	**557,353**	**557,353**

Note 9 - Financial risk management

Liquidity risk

The Group is exposed to liquidity risk through the volatility of its operating cash flows. The 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.

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Liquidity risk (continued)

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 2021					
Non-derivative financial instruments					
Loans from QTC	**557,353**	**672,629**	**23,447**	**91,830**	**557,353**
Trade and other payables including lease liabilities (1)	**233,700**	**233,700**	**232,145**	**1,555**	**-**
Derivative financial liabilities					
Electricity contracts	**529,221**	**533,090**	**344,702**	**158,002**	**30,386**
Total	**1,320,274**	**1,439,419**	**600,294**	**251,387**	**587,739**
30 June 2020					
Non-derivative financial instruments					
Loans from QTC	557,353	682,409	25,399	99,658	557,353
Trade and other payables including lease liabilities (1)	109,501	109,501	109,501	-	-
Derivative financial liabilities					
Electricity contracts	515,684	516,203	345,093	162,851	8,259
Total	**1,182,538**	**1,308,113**	**479,993**	**262,509**	**565,612**

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 2021					
Non-derivative financial instruments					
Loans from QTC	**557,353**	**672,629**	**23,447**	**91,830**	**557,353**
Trade and other payables including lease liabilities (1)	**205,308**	**205,308**	**203,753**	**1,555**	**-**
Derivative financial liabilities					
Electricity contracts	**529,221**	**533,090**	**344,702**	**158,002**	**30,386**
Total	**1,291,882**	**1,411,027**	**571,902**	**251,387**	**587,739**
30 June 2020					
Non-derivative financial instruments					
Loans from QTC	557,353	682,409	25,399	99,658	557,353
Trade and other payables including lease liabilities (1)	80,862	80,862	80,862	-	-
Derivative financial liabilities					
Electricity contracts	515,684	516,203	345,093	162,851	8,259
Total	**1,153,899**	**1,279,474**	**451,354**	**262,509**	**565,612**

(1) Excludes collateral balances.

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Liquidity risk (continued)

QTC Facilities

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Facilities used at balance date				
QTC Facilities	**557,353**	557,353	**557,353**	557,353
Total	**557,353**	**557,353**	**557,353**	**557,353**
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	**1,482,353**	**1,482,353**	**1,482,353**	**1,482,353**

(1) The 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.

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 Group is exposed to loss in the event that counterparties fail to settle the contracted amounts. The 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 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 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 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 Group's financial assets were past due or impaired as at 30 June 2021. 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:

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Credit risk exposures (continued)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash and cash equivalents				
AA+ to AA-	**40,175**	54,704	**29,945**	26,109
A+ to A-	**-**	4,663	**-**	4,663
Total	**40,175**	**59,367**	**29,945**	**30,772**
Trade and other receivables				
AA+ to AA-	**92,060**	275,927	**92,060**	265,928
A+ to A-	**83,691**	30,986	**83,691**	30,986
BBB+ to BBB-	**-**	2,884	**-**	2,884
AEMO (1)	**54,945**	23,357	**35,304**	1,634
Other non-rated (2)	**91,616**	76,936	**50,221**	55,348
Total	**322,312**	**410,090**	**261,276**	**356,780**
Derivative financial assets				
AA+ to AA-	**8,931**	104,978	**8,931**	104,978
A+ to A-	**301,255**	507,312	**301,255**	507,312
BBB+ to BBB-	**749**	28,339	**749**	28,339
Non-rated	**26,651**	107,172	**26,651**	107,172
Total	**337,586**	**747,801**	**337,586**	**747,801**

(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 2021. 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 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 portfolio linked loan, which has an interest only in perpetuity repayment profile.

CS Energy is working with QTC and Queensland Treasury to implement a debt management strategy which is targeted to be in place by 30 June 2022.

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 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 Group's cost of debt comprises of a book interest rate, administration fee and a competitive neutrality fee (CNF).

Interest rate risk (continued)

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 2020.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1% decrease $'000
Cash and cash equivalents	**402**	**(402)**
Advances facility	**402**	**(402)**
Borrowings	**(449)**	**494**

Consolidated	2021			2020		
	Floating Interest Rate $'000	Fixed Interest Rate $'000	Weighted average Interest rate %	Floating Interest Rate $'000	Fixed Interest Rate $'000	Weighted average Interest rate %
Financial Assets						
Cash and cash equivalents	**40,175**	**-**	**0.13%**	59,367	**-**	0.49%
Advances facility	**40,158**	**-**	**0.77%**	222,944	**-**	1.59%
Total financial assets	**80,333**	**-**	**0.66%**	**282,311**	**-**	**1.39%**
Financial Liabilities						
Queensland Treasury Corporation loans	**-**	**557,353**	**5.58%**	**-**	557,353	6.01%
Total financial liabilities	**-**	**557,353**	**5.58%**	**-**	**557,353**	**6.01%**

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.

The Group borrows exclusively from QTC, with facilities provided reflecting an interest only in perpetuity repayment profile. CS Energy is working with QTC and Queensland Treasury to implement a debt management strategy which is targeted to be in place by 30 June 2022.

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 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. As a result of the reduction in underlying business earnings in 2021, the Group has breached all three financial covenants as at 30 June 2021. Following consultation, QTC has agreed to a limited waiver for the financial covenants which was conditional on QTC receiving a mutually agreed debt repayment strategy. The limited waiver will remain in place until 30 June 2022.

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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 Group is exposed to commodity price risk on electricity and coal arising from the purchase and/or sale of these commodities. The 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 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 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 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	Impact on pre-tax profit or (loss)
	$'000	S'000
30 June 2021		
Electricity price - increase 10%	**(41,090)**	(6,987)
Electricity price - decrease 10%	**41,089**	7,083
30 June 2020		
Electricity price - increase 10%	50,491	22,017
Electricity price - decrease 10%	(50,315)	(21,603)

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Note 10 - Fair values

Fair value is the price that the 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				
30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets				
Electricity contracts	**300,274**	**34,378**	**2,934**	**337,586**
Total	**300,274**	**34,378**	**2,934**	**337,586**
Derivative financial liabilities				
Electricity contracts	**(385,421)**	**(54,973)**	**(88,827)**	**(529,221)**
Total	**(385,421)**	**(54,973)**	**(88,827)**	**(529,221)**
30 June 2020				
Derivative financial assets				
Electricity contracts	505,444	214,929	27,328	747,801
Total	**505,444**	**214,929**	**27,328**	**747,801**
Derivative financial liabilities				
Electricity contracts	(412,032)	(79,466)	(24,186)	(515,684)
Total	**(412,032)**	**(79,466)**	**(24,186)**	**(515,684)**

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 2019	(26,841)
Change in fair value through profit or loss (1)	2,205
Change in fair value through other comprehensive income (2)	1,442
Settlement	26,336
Balance at 30 June 2020	**3,142**
Balance at 1 July 2020	**3,142**
Change in fair value through profit or loss (1)	**(61,708)**
Transfer to level 2	**-**
Settlement	**(27,327)**
Balance at 30 June 2021	**(85,893)**

(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.

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Valuation techniques used to determine fair values

The 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 forward 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 and New South Wales Road Map 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		Forecast volume	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
10% increase	**(4,093)**	7,858	**(8,589)**	377
10% decrease	**4,093**	(7,747)	**8,589**	(263)

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

	Consolidated and Parent	
	2021 $'000	**2020 $'000**
Carrying amount	**557,353**	557,353
Fair Value (level 2)	**635,249**	658,154

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 11 - Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing or receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the 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 12 - Inventories

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Stores (1)	**63,532**	60,217	**35,702**	35,609
Fuel at weighted average cost (finished goods)	**32,109**	18,769	**25,259**	10,602
Fuel at weighted average cost (work in progress)	**29,524**	26,526	**-**	-
Environmental certificates (2)	**8,104**	2,933	**8,104**	2,933
Total Inventory	**133,269**	**108,445**	**69,065**	**49,144**

(1) Stores balance includes a net realisable value adjustment of $10.0 million (2021) and $10.1 million (2020).

(2) Includes Large-Scale Generation Certificates and Small-Scale Technology certificates held for surrender in accordance with the Clean Energy Act 2011.

Inventories expensed during the year ended 30 June 2021 were $187.0 million (2020: $231.5 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 13 - Employee retirement benefit obligations

Defined benefit obligation

Some employees of the Group are entitled to benefits from the industry multiple employer superannuation plans, the Energy Super Fund (ESF), on retirement, disability or death. The 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 Group companies, on behalf of employees and the 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 2021 resulting in a defined benefit asset being recognised at 30 June 2021 (30 June 2020: Defined benefit asset recognised).

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

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Defined benefit obligation (continued)

	Consolidated and Parent	
	2021 $'000	2020 $'000
Present value of the defined benefit obligation	**(55,359)**	(60,637)
Fair value of defined benefit plan assets	**74,710**	72,055
Net asset before adjustment for contributions tax	**19,351**	**11,418**
Adjustments for contributions tax	**3,415**	2,015
Total	**22,766**	**13,433**

Reconciliation

	Consolidated and Parent	
	2021 $'000	2020 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully/partly funded:		
Balance at the beginning of the year	**58,622**	58,565
Current service cost	**1,889**	2,001
Interest cost	**1,043**	1,294
Actuarial (gains) and losses recognised in equity	**(2,928)**	1,436
Benefits paid by the plan	**(7,221)**	(5,298)
Contributions by plan participants	**539**	624
Balance at the end of the year (net of contributions tax)	**51,944**	**58,622**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**72,055**	77,666
Expected return on plan assets	**1,263**	1,672
Actuarial (losses) and gains recognised in equity	**8,074**	(2,609)
Benefits paid by the plan	**(7,221)**	(5,298)
Contributions by plan participants	**539**	624
Balance at the end of the year	**74,710**	**72,055**

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Defined benefit obligation (continued)

Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2021 $'000	**2020 $'000**
Cash	**4,483**	2,882
Equity instrument	**30,631**	35,307
Debt instrument	**11,954**	9,367
Property	**5,977**	5,764
Other assets	**21,665**	18,735
Total	**74,710**	**72,055**

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 2019.

The actuary recommended in the actuarial review as at 30 June 2019, 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					
	2021 $'000	**2020 $'000**	**2019 $'000**	**2018 $'000**	**2017 $'000**
Defined benefit plan obligation	**(55,359)**	(60,637)	(61,430)	(55,818)	(60,729)
Plan assets	**74,710**	72,055	77,666	79,940	80,758
Surplus	**19,351**	**11,418**	**16,236**	**24,122**	**20,029**
Experience adjustments arising on plan liabilities	**2,928**	**(1,436)**	**(9,788)**	**2,696**	**(458)**
Experience adjustments arising on plan assets	**8,074**	**(2,609)**	**1,320**	**3,520**	**6,357**

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	
	2021	**2020**
Discount rate	**2.0%**	1.9%
Future salary increases - 1st year	**1.0%**	3.0%
Future salary increases - long term	**5.0%**	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.

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Actuarial assumptions and sensitivity (continued)

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 3.8%	Increase by 4.0%
Salary growth rate	0.5%	Increase by 4.0%	Decrease by 3.8%

Accounting policy

Employee retirements benefits

The Group's defined contribution plan and other superannuation plans chosen by the employee, receive fixed contributions from 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 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 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 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 Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Expected future payments are discounted using rates based on high quality corporate bond yields with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

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Note 14 - Property, plant and equipment

Consolidated	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
Movements for the year ended 30 June 2020							
Opening net book amount	1,161,810	57,398	27,486	71,001	14,714	59,206	1,391,615
Additions	72,442	77,949	3,866	4,528	11,236	1,247	171,268
Transfers	19,207	11,859	6,181	(39,842)	2,177	418	-
Disposals	(136)	(3,778)	(1,061)	(171)	-	-	(5,146)
Impairment	(302,451)	(22,823)	(7,668)	(16,654)	-	(3,834)	(353,430)
Depreciation	(86,597)	(45,979)	(4,473)	-	(2,103)	(2,325)	(141,477)
Closing net book amount	**864,275**	**74,626**	**24,331**	**18,862**	**26,024**	**54,712**	**1,062,830**
At 30 June 2020							
Cost	2,123,522	184,195	84,071	18,862	45,866	82,216	2,538,732
Accumulated depreciation/impairment	(1,259,247)	(109,569)	(59,740)	-	(19,842)	(27,504)	(1,475,902)
Net book amount	**864,275**	**74,626**	**24,331**	**18,862**	**26,024**	**54,712**	**1,062,830**
Movements for the year ended 30 June 2021							
Opening net book amount	864,275	74,626	24,331	18,862	26,024	54,712	1,062,830
Additions	9,710	44,189	1,051	27,810	-	626	83,386
Transfers	6,999	8,693	821	(16,513)	-	-	-
Disposals (1)	(18,418)	-	(61)	(144)	-	-	(18,623)
Impairment (2)	(74,661)	(25,109)	(1,956)	(18,979)	-	(2,760)	(123,465)
Depreciation	(53,270)	(44,434)	(4,509)	-	(3,481)	(1,957)	(107,651)
Closing net book amount	**734,635**	**57,965**	**19,677**	**11,036**	**22,543**	**50,621**	**896,477**
At 30 June 2021							
Cost	2,034,503	211,969	79,101	11,036	45,866	80,082	2,462,557
Accumulated depreciation / impairment	(1,299,868)	(154,004)	(59,424)	-	(23,323)	(29,461)	(1,566,080)
Net book amount	**734,635**	**57,965**	**19,677**	**11,036**	**22,543**	**50,621**	**896,477**

(1) Including $11.4m disposal of key components associated with Callide C.

(2) Partial impairment of Callide B ($19.2m) and the full impairment of Callide C ($104.3m).

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Parent	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
Movements for the year ended 30 June 2020							
Opening net book amount	294,777	39,088	7,862	20,371	-	7,599	369,697
Additions	14,905	280	3,450	17,728	-	62	36,425
Transfers	5,826	3,659	5,606	(15,111)	-	20	-
Disposal	(137)	-	(26)	(171)	-	-	(334)
Impairment	(155,280)	(11,502)	(7,668)	(13,419)	-	(3,834)	(191,703)
Depreciation	(33,114)	(22,180)	(3,115)	-	-	(241)	(58,650)
Closing net book amount	**126,977**	**9,345**	**6,109**	**9,398**	**-**	**3,606**	**155,435**
At 30 June 2020							
Cost	710,280	79,557	43,230	9,398	-	5,931	848,396
Accumulated depreciation/impairment	(583,303)	(70,212)	(37,121)	-	-	(2,325)	(692,961)
Net book amount	**126,977**	**9,345**	**6,109**	**9,398**	**-**	**3,606**	**155,435**
Movements for the year ended 30 June 2021							
Opening net book amount	126,977	9,345	6,109	9,398	-	3,606	155,435
Additions	5,017	36,402	761	20,440	-	623	63,243
Transfers	2,585	8,754	796	(12,135)	-	-	-
Disposals	(10,605)	-	(42)	(166)	-	-	(10,813)
Impairment	(24,871)	(9,058)	(1,773)	(15,800)	-	(2,550)	(54,052)
Depreciation	(11,805)	(14,177)	(2,531)	-	-	(238)	(28,751)
Closing net book amount	**87,298**	**31,266**	**3,320**	**1,737**	**-**	**1,441**	**125,062**
At 30 June 2021							
Cost	682,406	115,656	38,154	1,737	-	4,004	841,957
Accumulated depreciation/impairment	(595,108)	(84,390)	(34,834)	-	-	(2,563)	(716,895)
Net book amount	**87,298**	**31,266**	**3,320**	**1,737**	**-**	**1,441**	**125,062**

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Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Costs may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 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 $5,000 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

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 profile adjusted for risks specific to the asset, which have not been included in cash flow.

The 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), have been determined on a value in use basis.

The value in use calculations are based on financial forecasts covering the remaining asset lives of the assets up to 21 years.

The calculations have been based on the assumptions outlined below.

COVID-19

Forecast cash flows have been updated in the short term to reflect observable and publicly available information on the expected impact COVID-19 will have on economic factors impacting the market outlook, including demand projections and fuel price assumptions.

Forecast fuel and water pricing and supply contracts have not been materially impacted by COVID-19.

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 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%)	$m	-44	50

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

Market factors

Management has undertaken fundamental electricity market modelling to simulate the operating environment considering the outlook for market drivers, including those summarised below:

- Demand projections are based on publicly available information from AEMO (Australian Energy Market Operator) and other sources. This incorporates the on-grid demand, demand growth projections, demand side participation, behind the meter generation, energy efficiency and additional new load (e.g. from storage technology or electric vehicles).
- Supply projections and the forecast generation mix are primarily determined with reference to publicly available AEMO information and other sources. This includes emerging technologies and their impacts on demand projections. Supply projections incorporate the publicly announced State based targets, namely the Queensland Renewable Energy Target (QRET) ,Victorian Renewable Energy Target (VRET) and the New South Wales Energy Infrastructure Roadmap.
- Fuel price assumptions (coal, gas and foreign currency) are based on publicly available commodity price forecasts where available and internally modelled values reflective of broader market consensus are used beyond the observable period.

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Valuation approach

Given the physical challenges in integrating increasing amounts of variable renewable energy into the grid and the recent volatility observed in domestic and international gas markets, cash flow projections have been weighted across several scenarios considering these key drivers. The weighting assigned to each of the scenarios has been determined with reference to a combination of publicly available information, observed market behaviour and a range of economic drivers. The below table outlines the interaction of these key drivers and value in use cash flows that extend beyond the market liquid period.

Key driver	Impact on value-in-use cash flows
Variable renewable energy capacity	Higher amounts of variable renewable capacity will (all else equal) displace coal-fired generation, reducing value in use cash flows from our existing cash generating units.
Firming and System	Thermal units currently provide firming and system security services into the market on a competitive basis, as more diversified generation sources begin to provide these services through technology advances, the interchangeability of these sources will increase.
Revenue cash flows	The cash flow projections have been performed on six scenarios and probability weightings have been assigned on the scenarios to arrive at weighted average cash flows. A higher electricity generation or an increase in the electricity prices through increased demand or decreased supply of electricity would increase the value in use.
Operating expenditure	Operating expenditures for the electricity generation have been determined based on the most recent management forecasts available at the time of the valuation. A lower operating expenditure increases the value in use.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of electricity generation has been determined based on the most recent management forecasts available at the time of the valuation. A lower future capital expenditure increases the value in use.
Weighted average cost of capital (WACC) discount rate	A nominal pre-tax WACC range of 5.98% - 10.06% (2020: 6.18% - 14.64%) has been employed in the valuation. The WACC has been determined in consultation with independent experts based on a long-term view of the market costs of capital. The higher the nominal WACC, the lower the value in use.

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

		+10%	-10%
Electricity price sensitivity (+/-10% pre-tax)	$m	365	-365

A positive value in this table represents an improvement in value to the 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 Group's assets. Two of the key regulatory considerations are summarised below.

The Federal Government remains committed to the United Nations Framework Convention on Climate Change (The Paris Accord) which commits to reducing Australia's carbon emissions by 26-28 percent below 2005 levels by 2030. The focus remains on a technology-led approach as outlined in the Federal Government's Technology Roadmap with a focus on a National Hydrogen Strategy, a Future Fuels Strategy and a Low Emissions Technology Roadmap which includes a gas-led economic recovery from the pandemic.

The Energy Security Board is finalising its recommendations on the changes required for a long-term fit for purpose electricity market framework effective from the mid-2020s. This will be tabled at the National Energy Cabinet with final decisions expected in September 2021. Work has already commenced to compensate energy market participants for system stability services, which have been provided to the market as a function of the generation mix to date for example, the current generation mix predominantly comprises synchronous generation assets such as coal-fired plant, capable of providing both energy supply and services such voltage, inertia and system stability. These services are not currently compensated for in the market, but will become more valuable as more asynchronous generation, such as some types of renewables, enters the energy mix. In October, the market will shift to five-minute settlements which will change how energy is bid and traded in the market and a new mechanism to incentivise wholesale demand response will also commence.

Impairment
During the financial year, the Group recognised an impairment of assets at its Callide B and Callide C CGUs of $123.5 million (2020: $353.4 million).

The Callide B CGU was partially impaired by $19.2 million (2020: $191.7 million), which represented the expensing of 2020-21 capital expenditure. The recoverable amount of Callide B was $111.8 million based on its value in use at the time of the impairment.

The Callide C CGU was fully impaired by $104.3 million (2020: $161.7 million partial impairment) due to including the forecast cost of rebuilding the damaged Callide C4 Unit in the asset valuation while not including the expected insurance proceeds relating to material damage in accordance with the treatment prescribed under AASB 136 *Impairment of Assets*. The recoverable amount of Callide C was nil based on its value in use at the time of the impairment.

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Note 15 - Leases

The Group may lease many assets including buildings for office space. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Consolidated and Parent	
	2021	2020
	$'000	$'000
Buildings		
Cost	**4,724**	4,724
Accumulated depreciation	**(2,362)**	(1,181)
Total right-of-use assets	**2,362**	**3,543**

Movements for the year ended 30 June 2021

	Consolidated and Parent	
	2021	2020
	$'000	S'000
Buildings		
Balance at 1 July	**3,543**	4,724
Depreciation	**(1,181)**	(1,181)
Balance at 30 June	**2,362**	**3,543**

Lease liabilities

	Consolidated and Parent	
	2021	2020
	$'000	$'000
Current	**1,484**	1,416
Non-Current	**1,555**	3,039
Total lease liabilities	**3,039**	**4,455**

Amounts recognised in the Statements of Profit or Loss

	Consolidated and Parent	
	2021	2020
	$'000	$'000
Interest expense on lease liabilities	**35**	49
Depreciation expense on right of use assets	**1,181**	1,181
Expenses relating to short-term assets, low-value assets and variable lease payments not included in the measurement of lease liabilities	**2,688**	767
Total amounts recognised in the Statements of Profit or Loss	**3,904**	**1,997**

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Amounts recognised in the Statements of Cash Flows

	Consolidated and Parent	
	2021	2020
	$'000	$'000
Principal	**1,416**	1,350
Interest	**35**	49
Operating lease payments	**2,688**	816
Total cash outflow for leases	**4,139**	**2,215**

Accounting Policies

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.
The right-of-use assets are presented separately in the Statements of Financial Position.
At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.
Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are as follows:

- right of use for the office building 4 years.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets, including computers, tablets, mobile phones, printers and small items of office furniture. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis.

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Note 16 - Provisions

Current liabilities

	Consolidated		Parent	
	2021 $'000	2020 Restated* $'000	2021 $'000	2020 Restated* $'000
Employee benefits	**30,583**	30,615	**25,139**	25,476
Rehabilitation and site closure costs	**3,600**	-	**2,304**	-
Onerous contracts	**22,919**	13,918	**22,919**	13,918
Dividends declared	**-**	73,862	**-**	73,862
Total	**57,102**	**118,395**	**50,362**	**113,256**

Non-current liabilities

	Consolidated		Parent	
	2021 $'000	2020 Restated* $'000	2021 $'000	2020 Restated* $'000
Employee benefits	**1,238**	1,550	**848**	920
Rehabilitation and site closure costs	**205,459**	213,193	**97,627**	106,471
Onerous contracts	**113,539**	47,766	**113,539**	47,766
Total	**320,236**	**262,509**	**212,014**	**155,157**

* The comparative information has been restated for the correction of onerous contract provision classification between current liabilities and non-current liabilities.

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 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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	Consolidated and Parent	
Current liabilities	**2021 $'000**	**2020 $'000**
Onerous Contracts		
Prior period published: Carrying amount at start of year	**10,799**	7,664
Correction to prior period classification (2)	**3,119**	-
Restated: Carrying amount at start of year	**13,918**	**7,664**
Provision used during the year (1)	**(14,365)**	(9,399)
Reclassification from non-current liabilities	**22,919**	10,799
Finance Costs	**447**	1,735
Carrying amount at end of year	**22,919**	**10,799**

	Consolidated and Parent	
Non-current liabilities	**2021 $'000**	**2020 $'000**
Onerous contracts		
Prior period published: Carrying amount at start of year	**50,885**	175,197
Correction to prior period classification (2)	**(3,119)**	-
Restated: Carrying amount at start of year	**47,766**	**175,197**
Changes from re-measurement (1)	**85,573**	(128,841)
Reclassification to current liabilities	**(22,919)**	(10,799)
Finance costs	**3,119**	15,328
Carrying amount at end of year	**113,539**	**50,885**

(1) Total onerous contract remeasurement including provision used during the year is an increase of $71 million (2020 decrease of $138 million).

(2) Finance costs for the next twelve months after the reporting date are classified as current in the Statement of Financial Position. As at 30 June 2020, this was classified as non-current and has subsequently been corrected by the restatement of the current and non-current carrying amounts at the start of the year.

Accounting policy and critical estimates

A provision for onerous contracts is recognised when the expected benefits to be derived by the 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 Group recognises any impairment loss on any assets associated with that contract.

An onerous provision is recognised for unavoidable costs related to the 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 2021, resulting in an increase in the provision to $136 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 Note 14 Property Plant and Equipment critical estimates market factors section and the impact these outcomes have on specific terms within the contract.

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

		+1%	-1%
Discount rate sensitivity (+/- 1%)	$m	4.0	-4.2

		+10%	-10%
Electricity price sensitivity (+/- 10% pool price)	$m	9.0	-9.0

A positive value in this table represents an improvement in value to the Group (therefore, a reduction in the Onerous contract provision). The electricity price sensitivity assumes all other earnings variables remain constant.

Dividends declared

Accounting policy

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

No dividends were declared in 2021.

Site rehabilitation and closure costs

	Consolidated		Parent	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Carrying amount at start of year	**213,193**	179,254	**106,471**	86,671
Change from re-measurement	**(6,308)**	29,752	**(7,271)**	17,846
Provision used during the year	**(539)**	(2)	**(539)**	(2)
Finance costs	**2,712**	4,189	**1,270**	1,956
Carrying amount at end of year	**209,058**	**213,193**	**99,931**	**106,471**

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 2021. Power station assets were updated in 2020.

Significant estimates made with respect to this provision are the:

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

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Notes to the financial statements

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Section 5: Taxation

Note 17 - Taxation

Income tax expense/ (benefit)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current tax on profits for the year	**(12,653)**	35,774	**(45,457)**	30,238
Deferred tax	**(101,349)**	(69,123)	**(66,914)**	(34,757)
Adjustments for current tax of prior periods	**(47)**	(200)	**-**	-
Income tax expense / (benefit)	**(114,049)**	**(33,549)**	**(112,371)**	**(4,519)**
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	**(65,533)**	28,734	**(80,761)**	33,762
(Decrease) increase in deferred tax liabilities	**(35,816)**	(97,857)	**13,847**	(68,519)
Deferred Income tax benefit attributable to profit from continuing operations	**(101,349)**	**(69,123)**	**(66,914)**	**(34,757)**

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

Profit from operations before income tax expense	**(380,184)**	(111,149)	**(134,441)**	(15,079)
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	**(114,054)**	(33,345)	**(40,331)**	(4,524)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible provided expenditure	**(11)**	(9)	**-**	-
Entertainment	**3**	3	**1**	3
Fines and penalties	**60**	-	**60**	-
Sundry items	**-**	2	**-**	2
Non-taxable dividends	**-**	-	**(72,101)**	-
	(114,002)	**(33,349)**	**(112,371)**	**(4,519)**
Adjustments for current tax of prior periods	**(47)**	(200)	**-**	-
Income tax expense / (benefit)	**(114,049)**	(33,549)	**(112,371)**	(4,519)

Amounts recognised in other comprehensive income

Aggregate current and deferred tax expense/(benefit) arising in the reporting period and not recognised in net profit or loss but directly recognised in other comprehensive income:				
Changes in fair value of cash flow hedges	**(88,016)**	109,887	**(88,016)**	109,887
Actuarial gain/(loss) on defined benefit plan	**3,301**	(1,214)	**3,301**	(1,214)
Total	**(84,715)**	**108,673**	**(84,715)**	**108,673**

Tax losses

Unused capital tax losses for which no deferred tax asset has been recognised	**87,421**	87,421	**87,421**	87,421
Potential tax benefit @ 30%	**26,226**	**26,226**	**26,226**	**26,226**

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Accounting policy

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

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

Tax consolidation legislation

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

Assets or liabilities arising under tax funding agreements with the tax 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.

CS ENERGY LIMITED

Notes to the financial statements

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Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2019	**39,022**	**64,549**	**53,776**	**-**	**4,164**	**161,511**
Credited/ (charged) to profit or loss	**(8,647)**	**(35,292)**	**10,182**	**-**	**5,023**	**(28,734)**
Under provision prior year	**-**	**-**	**-**	**-**	**335**	**335**
(Charged) directly to equity	**(30,375)**	**-**	**-**	**-**	**-**	**(30,375)**
At 30 June 2020	**-**	**29,257**	**63,958**	**-**	**9,522**	**102,737**
Credited to profit or loss	**48,987**	**26,154**	**(1,241)**	**-**	**(8,367)**	**65,533**
Under provision prior year	**-**	**-**	**-**	**-**	**688**	**688**
Charged directly to equity	**8,504**	**-**	**-**	**-**	**-**	**8,504**
(Utilisation) of losses	**-**	**-**	**-**	**12,654**	**-**	**12,654**
Transfer to liabilities held for distribution	**-**	**(246)**	**-**	**-**	**-**	**(246)**
Net deferred tax assets at 30 June 2021	**57,491**	**55,165**	**62,717**	**12,654**	**1,843**	**189,870**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2019	**39,022**	**62,470**	**26,001**	**-**	**1,753**	**129,246**
Credited / (charged) to profit or loss	**(8,647)**	**(35,829)**	**5,940**	**-**	**4,773**	**(33,763)**
Under provision prior year	**-**	**-**	**-**	**-**	**406**	**406**
(Charged) directly to equity	**(30,375)**	**-**	**-**	**-**	**-**	**(30,375)**
At 30 June 2020	**-**	**26,641**	**31,941**	**-**	**6,932**	**65,514**
Credited / (charged) to profit or loss	**48,987**	**23,730**	**(1,962)**	**-**	**10,008**	**80,763**
(Charged) directly to equity	**8,504**	**-**	**-**	**-**	**-**	**8,504**
(Utilisation) of losses	**-**	**-**	**-**	**12,654**	**-**	**12,654**
Transfer to liabilities held for distribution	**-**	**(246)**	**-**	**-**	**-**	**(246)**
Net deferred tax assets at 30 June 2021	**57,491**	**50,125**	**29,979**	**12,654**	**16,940**	**167,189**

CS ENERGY LIMITED

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Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2019	**-**	**5,730**	**198,249**	**10,494**	**214,473**
Credited / (charged) to profit or loss	**(9,868)**	**(487)**	**(91,015)**	**3,513**	**(97,857)**
Under provision prior year	**-**	**-**	**-**	**40**	**40**
Charged directly to equity	**79,512**	**(1,214)**	**-**	**-**	**78,298**
Transfer to liabilities held for distribution	**-**	**-**	**(173)**	**-**	**(173)**
At 30 June 2020	**69,644**	**4,029**	**107,061**	**14,047**	**194,781**
Credited / (charged) to profit or loss	**9,868**	**(500)**	**(50,171)**	**4,988**	**(35,815)**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**(79,512)**	**3,301**	**-**	**-**	**(76,211)**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**
Net deferred tax liabilities at 30 June 2021	**-**	**6,830**	**56,890**	**19,035**	**82,755**

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2019	**-**	**5,731**	**59,384**	**2,136**	**67,251**
Credited / (charged) to profit or loss	**(9,868)**	**(487)**	**(59,211)**	**1,047**	**(68,519)**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**79,512**	**(1,214)**	**-**	**-**	**78,298**
Transfer to liabilities held for distribution	**-**	**-**	**(173)**	**-**	**(173)**
At 30 June 2020	**69,644**	**4,030**	**-**	**3,183**	**76,857**
Charged/(credited) to profit or loss	**9,868**	**(500)**	**-**	**4,481**	**13,849**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**(79,512)**	**3,301**	**-**	**-**	**(76,211)**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**
Net deferred tax liabilities at 30 June 2021	**-**	**6,831**	**-**	**7,664**	**14,495**

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Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2019	161,509	(214,472)	(52,962)
Movement during the year	(58,774)	19,691	(39,083)
At 30 June 2020	**102,735**	**(194,781)**	**(92,045)**
At 30 June 2020	102,735	(194,781)	(92,045)
Movement during the year	87,134	112,025	199,159
At 30 June 2021	**189,869**	**(82,756)**	**107,114**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2019	129,246	(67,251)	61,995
Movement during the year	(63,731)	(9,607)	(73,338)
At 30 June 2020	**65,515**	**(76,858)**	**(11,343)**
At 30 June 2020	65,515	(76,858)	(11,343)
Movement during the year	101,674	62,364	164,038
At 30 June 2021	**167,189**	**(14,494)**	**152,695**

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 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.

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

Should the 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

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid				
A Class (voting)	**291,910,252**	291,910,252	**291,910**	291,910
B Class (non-voting)	**822,503,917**	822,503,917	**772,160**	771,587
	1,114,414,169	1,114,414,169	**1,064,070**	1,063,497

Movements in ordinary share capital

	Shares	Shares	$'000	$'000
Opening Balance at 1 July	**1,114,414,169**	1,114,414,169	**1,063,497**	1,114,414
Distribution from / (to) owners	-	-	**573**	(50,917)
Closing balance at 30 June	**1,114,414,169**	**1,114,414,169**	**1,064,070**	**1,063,497**

In accordance with the *Government Owned Corporations (Generator Restructure - CleanCo) Regulation 2019*, a redemption of contributed equity of $50,917,000 was distributed to owners to facilitate the formation of CleanCo Queensland Limited. No ordinary shares were cancelled as part of the transaction.

The shares are held by the Treasurer and Minister for Investment and the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

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 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.

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Notes to the financial statements

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Note 19 - Reserves and accumulated losses

Hedging reserve – cash flow hedges

	Consolidated and Parent	
	2021 $'000	2020 $'000
Opening balance at 1 July	**185,528**	(70,874)
Effective portion of (losses)/gains on electricity derivatives designated as cash flow hedges	**(340,832)**	336,960
Gains/(losses) on electricity hedges transferred to revenue	**43,734**	(11,743)
Electricity derivatives discontinued from hedge relationship	**3,712**	41,072
Net deferred tax	**88,016**	(109,887)
Changes in fair value of cash flow hedges net of tax	**(205,370)**	**256,402**
Closing balance at 30 June	**(19,842)**	**185,528**

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening balance at 1 July	**(621,344)**	**(467,051)**	**(945,730)**	**(858,477)**
Net (loss) / profit for the year	(266,135)	(77,600)	**(22,070)**	(10,560)
Actuarial gain/(loss) on the defined benefit plan	11,002	(4,045)	**11,002**	(4,045)
Defined benefit tax	(3,301)	1,214	**(3,301)**	1,214
Dividend provided for	-	(73,862)	**-**	(73,862)
Closing balance at 30 June	**(879,778)**	**(621,344)**	**(960,099)**	**(945,730)**

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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 Cameron Dick MP, Treasurer and Minister for Investment and the Honourable Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

Changes made to the shareholding Minster during the financial year are as follows:
On the 12 November 2020, Mick de Brenni MP Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement was appointed to be the portfolio Minister to CS Energy going forward replacing the Honourable Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

Current Executive employment contract details

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 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.

		Contract			
Executive	Position	Start	Term	Termination notice	Termination benefit
Andrew Bills	Chief Executive Officer	22/10/2018	Open tenure	not less than 3 months written notice (iv)	yes (v)
Andrew Varvari	Executive General Manager Corporate Services	14/12/2017	Open tenure	not less than 3 months written notice (i)	yes (iii)
Darren Busine	Executive General Manager Revenue Strategy	25/05/2016	Open tenure	not less than 1 months written notice (ii)	yes (iii)
Colin Duck	Executive General Manager Asset Management	26/03/2018	Open tenure	not less than 1 months written notice (ii)	yes (iii)
Malcolm Wilson	Chief Financial Officer	16/04/2018	Open tenure	not less than 1 months written notice (ii)	yes (iii)
Leigh Amos	Executive General Manager Plant Operations	23/09/2019	Open tenure	not less than 1 months written notice (ii)	yes (iii)

(i) Termination notice of not less than three months' written notice by either party (other than for disciplinary or incapacity reasons) with an additional one week provided by CS Energy if at the time of the termination the Executive is aged over 45 years and has completed at least two years' continuous service with CS Energy.
(ii) Termination notice (without cause) of not less than one months' written notice by either party, with an additional one week provided by CS Energy if at the time of the termination the Executive is aged over 45 years and has completed at least two years' continuous service with CS Energy.
(iii) Payment of a termination benefit on termination without cause by CS Energy, equivalent to three months' of base salary.
(iv) Termination notice of not less than three months' written notice by either party (other than for disciplinary or capacity reasons).
(v) Payment of a termination payment equal to six months' of base salary.

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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 [7]	**2021**	765	-	5	26	5	-	801
Chief Executive Officer	Andrew Bills [8]	2020	738	57	5	25	3	-	828
Chief Financial Officer	Malcolm Wilson [7]	**2021**	438	-	5	26	3	-	472
Chief Financial Officer	Malcolm Wilson [8]	2020	428	48	5	25	3	-	509
Executive General Manager Revenue Strategy	Darren Busine [7]	**2021**	488	-	5	26	8	-	527
Executive General Manager Revenue Strategy	Darren Busine [8]	2020	475	60	5	25	6	-	571
Executive General Manager Plant Operations	Leigh Amos [7]	**2021**	379	-	5	27	2	-	413
Executive General Manager Plant Operations	Leigh Amos [9]	2020	266	-	4	25	1	-	296
Executive General Manager Plant Operations (acting)	Alistair Brown [10]	2020	63	-	1	-	2	-	66
Executive General Manager Plant Operations (acting)	Brett Smith [11]	2020	23	-	-	6	-	-	29
Executive General Manager Asset Management	Colin Duck [7]	**2021**	421	-	5	26	3	-	455
Executive General Manager Asset Management	Colin Duck [8]	2020	411	52	5	25	3	-	496
Executive General Manager Corporate Services	Andrew Varvari [7]	**2021**	431	-	5	26	33	-	495
Executive General Manager Corporate Services	Andrew Varvari [8]	2020	420	50	5	25	16	-	516
		2021	**2,922**	**-**	**30**	**157**	**54**	**-**	**3,163**
		2020	**2,824**	**267**	**30**	**156**	**34**	**-**	**3,311**

(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).

2021 Notes

(7) Remuneration details for 2021 for the period 01 July 2020 – 30 June 2021.

2020 Notes

(8) Remuneration details for 2020 for the period 01 July 2019 – 30 June 2020.

(9) Remuneration details for 2020 for the period 23 September 2019 – 20 June 2020.

(10) Remuneration details for 2020 for the period 01 July 2019 – 31 August 2019.

(11) Remuneration details for 2020 for the period 01 September 2019 – 23 September 2019.

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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.

Directors

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 which are published as part of Queensland Treasury's Report on State Finances.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Directors (continued)

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 & Fees[1]	Post Employment Benefits[2]	Total
			$'000	$'000	$'000
Jim Soorley	Chairman/Non-Executive Director	**2021**	**88**	**8**	**96**
		2020	88	8	96
Brian Green	Non-Executive Director	**2021**	**49**	**5**	**54**
		2020	48	5	53
Julie-Anne Schafer	Non-Executive Director	**2021**	**45**	**4**	**49**
		2020	45	4	49
Toni Thornton	Non-Executive Director	**2021**	**42**	**4**	**46**
		2020	43	4	47
Peter Schmidt	Non-Executive Director	**2021**	**13**	**1**	**14**
		2020	50	5	55
Total 2021		**2021**	**237**	**22**	**259**
Total 2020		**2020**	**274**	**26**	**300**

(1) Salary and fees represent all payments made to the director (total fixed remuneration excluding superannuation). Payments are based on positions held and the number of Committees each Director is appointed to.
(2) Post-employment benefits represent superannuation contributions made by the Group to a superannuation fund.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Section 8: Other information

Note 21 - Remuneration of auditors

	Consolidated		Parent	
	2021 $	2020 $	2021 $	2020 $
Audit and other assurance services				
Auditor-General of Queensland (1)	**394,624**	387,000	**394,624**	387,000
Crowe (2) (4)	**8,251**	8,050	**-**	-
PricewaterhouseCoopers (3) (4)	**37,446**	31,712	**-**	-
Deloitte (5) (6)	**27,595**	25,000	**-**	-
Total audit and other assurance service fees	**467,916**	451,762	**394,624**	387,000

The amounts above are GST exclusive.

(1) The audit of the 2021 financial statements of the Group was conducted by the Auditor-General of Queensland.
(2) Crowe 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) Deloitte completed the 2021 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	
Capital commitments	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Property, plant and equipment				
Within one year	**20,661**	15,354	**2,944**	3,444
Later than one year, but no later than five years	**17,520**	81,705	**1,196**	-
Total capital commitments	**38,181**	**97,059**	**4,140**	**3,444**

Operating leases

Commitments for operating leases contracted for at the reporting date predominantly represent short term (< 12 months) or low value non-cancellable agreements.

	Consolidated		Parent	
Operating leases	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Within one year	**229**	289	**229**	289
Later than one year, but not later than five years	**237**	466	**237**	466
Total operating leases	**466**	**755**	**466**	**755**

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Other expenditure commitments
Commitments for other operating expenditure contracted for at the reporting date but not recognised as liabilities, including capacity payments for a long term non-cancellable agreement under the Gladstone IPPA, payable as follows:

	Consolidated		Parent	
Other expenditure commitments	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Within one year	**220,529**	246,862	**133,806**	133,555
Later than one year, but not later than five years	**933,377**	648,300	**561,336**	556,890
Later than five years	**587,084**	626,494	**387,699**	541,751
Total other expenditure commitments	**1,740,990**	**1,521,656**	**1,082,841**	**1,232,196**

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.

	Consolidated		Parent	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Department of Transport and Main Roads QLD	**34,024**	30,196	**22,491**	17,458
Queensland Urban Utilities	**285,868**	-	**285,868**	-
	319,892	**30,196**	**308,359**	**17,458**

Parent entities

The parent entity within the 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 26.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Transactions with related parties & State controlled entities (B)

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	**245,067**	212,332	**245,067**	212,332
Operations and maintenance received from Joint Venture	**-**	-	**33,688**	55,689
Operations and maintenance received from CleanCo TSA	**4,155**	7,113	**4,155**	7,113
Interest received on deposits from QTC	**991**	2,497	**991**	2,497
Total	**250,213**	**221,942**	**283,901**	**277,631**
Expenses				
Competitive neutrality fee paid to Queensland Treasury	**(6,174)**	(6,644)	**(6,174)**	(6,644)
Interest on QTC borrowings	**(25,064)**	(27,102)	**(25,064)**	(27,102)
Costs paid to State of Queensland controlled entities	**(155,311)**	(128,540)	**(146,473)**	(119,731)
NTER PAYG Instalments paid to Queensland Treasury (1)	**(13,866)**	(128,204)	**(13,866)**	(128,204)
Dividends paid to Queensland Treasury	**(73,862)**	(165,235)	**(73,862)**	(165,235)
Total	**(274,277)**	**(455,725)**	**(265,439)**	**(446,916)**
Assets				
Trade receivables due from subsidiaries	**-**	-	**4,062**	7,499
Trade receivables from State of Queensland controlled entities	**4,292**	7,999	**4,292**	7,999
Advances facility held with Queensland Treasury	**40,158**	222,944	**40,158**	222,944
Total	**44,450**	**230,943**	**48,512**	**238,442**
Liabilities				
Trade payables to State of Queensland controlled entities	**38,103**	10,780	**37,854**	10,560
Borrowings from QTC	**557,353**	557,353	**557,353**	557,353
Dividends payable to Queensland Treasury	**-**	73,861	**-**	73,861
Total	**595,456**	**641,994**	**595,207**	**641,774**

(1) National Tax Equivalent Regime (NTER).

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 arm's length transactions.

Loans receivable to the Parent entity from other entities in the Group:

Loans receivable to the Parent entity from other entities in the Group:

Transactions with related parties & State controlled entities (B) (continued)

	Parent	
	2021 $'000	2020 $'000
Balance at 1 July	**439,569**	476,112
Loans advanced	**408,312**	316,343
Loan repayments received	**(263,065)**	(352,886)
Total	**584,816**	**439,569**

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 2021 (2020 - 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

The Group had contingent assets and liabilities at 30 June 2021 in respect of:

Contingent assets
Insurance proceeds

CS Energy expects to receive Business Interruption insurance proceeds for lost earnings during the period 25 May 2021 up until the date of the return to service of the Callide C4 Unit, up to a maximum period of 24 months. CS Energy also expects to receive Material Damage insurance proceeds to offset the cost to rebuild the Callide C4 Unit. CS Energy has notified the Australian Energy Market Operator that the Callide C4 Unit will remain offline for a period of 18 months until 1 December 2022. While the recoverability of insurance proceeds is considered to be probable, due process followed to submit a claim with insurers had not been completed by 30 June 2021. The recoverability of insurance proceeds is therefore not virtually certain at 30 June 2021 and in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, has not been recognised as a receivable as at the end of the 2021 financial year.

Contingent liabilities
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 $157 million (2020: $152 million). The fair value of these guarantees is $ nil (2020: $ nil).

In 2020, CS Energy deposited funds as security for the Insurance protected cell company which was recognised as an investment in subsidiary for the Parent entity. These funds were returned to CS Energy in 2021 following execution of a parent guarantee in April 2021.

Note 25 - Equity accounted investments

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
	1	**1**	**-**	**-**

Interest in jointly controlled entities constitutes Callide Power Management Pty Ltd and Callide Power Trading Pty Ltd.

The interests in these entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by a subsidiary of the Group.

CS ENERGY LIMITED

Notes to the financial statements

30 June 2021

Note 26 - Investment and interest in subsidiaries

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Investment in subsidiaries	-	-	52,815	62,815

These assets are carried at cost.

CS Energy and its subsidiaries have entered into an arrangement to self-insure risks in relation to certain property damages and business interruptions to CS Energy and its subsidiaries. The self-insurance arrangement was entered into between CS Energy and its subsidiary, T75 CS Energy Segregated Cell of White Rock Insurance (SAC) Limited (T75 Segregated Cell), to cover the costs, up to $10 million, of certain property damages and business interruptions. White Rock Insurance (SAC) Ltd (WRI) is a company incorporated in Bermuda.

T75 Segregated Cell has been assessed to be a deemed separate entity controlled by CS Energy under the contractual arrangement entered into between CS Energy and WRI on behalf of T75 Segregated Cell. CS Energy will fund the set-up and ongoing activities of T75 Segregated Cell by providing an initial contribution of $10 million plus ongoing contribution based on an agreed rate.

On 23 June 2021 the Restricted Cash of $10 million was returned with a Parent Entity Guarantee provided to support this obligation.

The Group has an interest in the following entities:

			2021	2020
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
T75 CS Energy Segregated Cell	Bermuda	Non-voting, redeemable preference	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 financial statements

30 June 2021

Note 27 - Joint operation

Incorporated Joint Operations

			2021	2020
Name of entity	Principal activities	Country of incorporation	Interest %	Interest %
Callide Power Management Pty Ltd	Joint operation manager	Australia	50.00	50.00
Callide Power Trading Pty Ltd	Electricity marketing agent	Australia	50.00	50.00

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 28 - 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.

The financial position of the Group as at 30 June 2021, is equal to the financial position of the entities subject to the Deed of Cross Guarantee.

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 2021.

Directors' declaration

30 June 2021

In the directors' opinion:

(a) The financial statements and notes set out on pages 46 to 103 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 Group entity's financial position as at 30 June 2021 and of their performance for the year ended on that date.

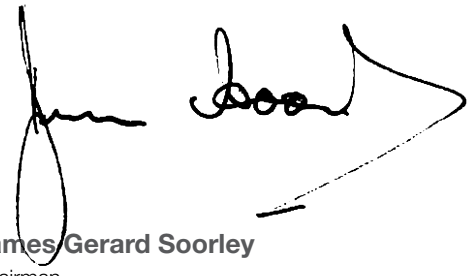
(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) There are reasonable grounds to believe that the Company and the group entities identified in note 26 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.

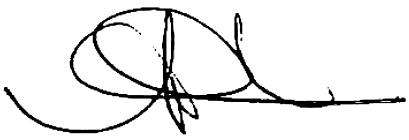
(d) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28.

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

Auditor's Independence declaration

for the year ended 30 June 2021

To the Directors of CS Energy Limited

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

Independence declaration

As lead auditor for the audit of CS Energy Limited for the financial year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Irshaad Asim
as delegate of the Auditor-General of Queensland
27 August 2021

Queensland Audit Office
Brisbane

Independent Auditor's Report

30 June 2021

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 2021 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 2021, 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 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 Auditing Standards.* I am also independent of the parent and group in accordance with the auditor independence requirements of the *Corporations Act 2001.*

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 as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Independent Auditor's Report

30 June 2021

Queensland Audit Office
Better public services

Carrying value of power stations

Refer to Note 14 in the financial report

Key audit matter	How my audit addressed the key audit matter

The group and parent company held property, plant and equipment totalling $896.5 million and $125.1 million respectively and is principally comprised of power station assets.
 	
As disclosed in Note 14, the recoverable amount of these assets is estimated using a discounted cash flow model that 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. These assumptions include:
• scenarios under which the cashflows are modelled and the probability weightings assigned to each of them to calculate the net present value
• estimating future cashflows based on
  ◦ forecasted electricity demand
  ◦ wholesale electricity prices
  ◦ renewable energy targets
  ◦ fuel costs
  ◦ timing of overhaul and sustaining capital expenditure
  ◦ planned plant retirements
• discount rate.
 	
The impairment of the asset value of the Callide B power station of $19.2 million represented the expensing of 2020-21 capital expenditure. In accordance with AASB 136 *Impairment of Assets,* the impairment of the asset value of Callide C power station of $104.3 million was due to the requirement to include the forecast cost of rebuilding the damaged Callide C4 Unit in the asset valuation but exclude management's expected insurance proceeds.
	My procedures included, but were not limited to:
	• Assessing the reasonableness of the scenarios under which the cashflows were modelled
	• Assessing the reasonableness of the process applied by management in allocating the probability weightings to each of the scenarios
	• Assessing the reasonableness of the cashflow forecasts relative to corporate plans, AEMO published data and other relevant supporting information
	• Assessing the design, integrity and appropriateness 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.
	• 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.
	  ◦ discount rate and inflation rate applied.
	• Evaluating whether forecasted generation was reasonable, with reference to available market data.
	• Performing a retrospective review of the accuracy of estimates made by management in the discounted cash flow models used in the previous year.
	• Reviewing the appropriateness of the allocation of impairment losses to the group and company assets.
	• Assessing the appropriateness of the disclosures included in Note 14 of the financial statements.

Independent Auditor's Report

30 June 2021

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

Onerous contract provision
The Gladstone IPPA contract is an onerous contract in the company and the group's financial statements.
The provision of $136.5 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
• wholesale electricity prices
• generation
• 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:
	• Assessing the design, integrity and appropriateness 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.
	• 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.
	  ◦ discount rate applied.

Rehabilitation and site closure provisions
The $209.1 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
• inflation rate used to escalate the cash flows
• discount rate applied.
	My procedures related to the provision for restoration and site closures included, but were not limited to:
	• Assessing the design, integrity and appropriateness of the discounted cash flow model used to measure the provision
	• Evaluating the scope, competency and objectivity of the group's external expert used to provide the estimated costs of rehabilitation
	• 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.
	• Engaging an auditor's expert to assist me in assessing the reasonableness of the discount rate applied.
	• Evaluating whether the inflation rate applied was within a reasonable range, with reference to market data and industry research.

Independent Auditor's Report

30 June 2021

Queensland Audit Office
Better public services

Measurement of derivative financial instruments and designation of hedging instruments

Refer to Note 6 in the financial report

Key audit matter	How my audit addressed the key audit matter
Derivative financial instruments 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, and 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.
Designation of hedging instruments 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 unrealized 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. • Assessing the business rules within the hedge accounting system for accuracy and compliance with the requirements of AASB 9.

Independent Auditor's Report

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Queensland Audit Office
Better public services

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in CS Energy Limited's annual report for the year ended 30 June 2021 was the directors' report.

Those charged with governance 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.

Independent Auditor's Report

30 June 2021

Queensland Audit Office
Better public services

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.

IAsim

Irshaad Asim
as delegate of the Auditor-General

27 August 2021
Queensland Audit Office
Brisbane

Glossary

Term	Definition
All Injury Frequency Rate	A rolling 12-month average of the number of injuries per million hours worked.
Availability (%)	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period.
Commercial availability (%)	A 12-month rolling target and is the actual availability weighted to the difference between the electricity pool price and marginal cost of each unit.
Energy sent out	The amount of electricity sent to the grid.
Equivalent Unplanned Outage Rate	A measure of the probability that a generating unit will not be available due to forced outages or forced deratings. It is expressed as a percentage and is calculated at a portfolio level.
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.
ISO 14001:2015	An international standard for Environmental Management Systems.
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.
Significant Environmental Incidents	Incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
TW	Terrawatt (one TW = one million megawatts).
Underlying EBIT	Earnings before interest, tax, and significant items.
Underlying EBITDA	Underlying EBIT before depreciation and amortisation.
Underlying interest cover	Underlying EBIT divided by interest and finance charges.
Underlying return on capital employed	Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

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